

POLICY BRIEF



Industrial Relations in Myanmar

July 2017

INTRODUCTION

The importance of stable industrial relations

Recent developments in the manufacturing sector in Myanmar have made it a great contender for foreign direct investment (FDI). Industries within the manufacturing sector include food processing, garment and textile, and other commodity manufacturing industries, which contributed 9.7%¹ to the GDP in the fiscal year 2014-15. Export earnings from the garment sector increased from \$350 million in 2010 to \$1.5 billion in the fiscal year 2014-15.² Meanwhile, export earnings from this sector amounted to \$617.9 million within 11 months of the fiscal year 2015-16.³ In light of this growth, the garment sector should be prioritized for the country's economic development as it currently employs approximately 240,000 workers in Myanmar, and has the potential to create long-term employment opportunities.

The National League of Democracy-led (NLD) administration stepped up efforts in 2016 to attract FDIs by offering tax exemptions and promoting the establishment of Special Economic Zones (SEZ). Therefore, as one of the criteria⁴ observed by foreign investors, the stability of industrial relations is essential to usher in more investment in the garment sector. Instability in industrial relations due to strikes in the manufacturing sector – particularly in the garment sector – and a high rate of labor turnover are a major hindrance for long-term economic development.

KEY RESULTS

- Failure to improve working conditions and reduce instability in the garment sector could affect FDI and long-term development
- The establishment of a minimum wage increased the salary of unskilled workers, but decreased other benefits, such as transportation money, overtime pay, and bonuses
- Despite laws on collective bargaining, strikes still take place because of weak implementation of collective agreements by employers
- There remains an absence of a formal, confidential communication channel between firm owners and workers
- Employers still fail to meet occupational safety and health standards in factories and fail to prove workers with their entitled benefits such as vacation leave

Industrial Relations (2011-2015)

President Thein Sein's administration prioritized economic reform and a political climate conducive for economic growth when he took office in 2011. Worker rights were given significant attention, which led to increasing demands from workers and strikes becoming commonplace. This changing employer-worker dynamic strained industrial relations, especially in the garment sector, as the sector witnessed the highest number of strikes. Low wages were the main cause of strikes in the garment sector and 35 per cent of garment factories had at least one instance of a strike between the years of 2012 and 2015, according to the Centre for Economic and Social Development's (CESD) survey conducted in 2015.⁵

This prompted the government to enact labor laws, including the Dispute Settlement Law (2011), the Labor Organization Law (2011), the Minimum Wage Law (2013) and the 1951 Factory Act Amendment Law (2016). The Minimum Wage Law guarantees a minimum wage of MMK3,600 MMK (Myanmar Kyats) for an 8 hour shift per day. Despite the law coming into effect in September 2015, demands for a hike in wages continue from the workers. However, other issues, such as the failure of collective bargaining between employers and workers, dismissal of trade union leaders, and improper working conditions for workers had a significant role in prolonging the strikes. This policy brief will present the causes of strikes in the garment sector in Myanmar based on CESD's 2015 enterprise survey and other partner organizations' survey findings. The brief will also evaluate these findings and give policy recommendations for improved workplace relations.

CURRENT STATUS OF INDUSTRIAL RELATIONS IN MYANMAR

Although industrial relations in the country have improved over time, there is an urgent need to address insufficient laws, weak implementation of existing laws, and lack of cooperation among the stakeholders to stabilize industrial relations.

Wage

Low wage is the root cause of conflict between employers and workers. To address this issue, a national flat rate of MMK3,600 for an 8-hour work per day was set as the minimum wage in September 2015, following a series of tripartite negotiations by representatives from the government, employers and worker. However, the minimum wage rate has been misused by employers especially when it is treated as the regular pay rate instead of a minimum wage rate. There have been instances of employers reducing benefits that the workers

enjoyed prior to the passing of the minimum wage law, such as overtime pay.

Therefore, although the minimum wage of MMK3,600 increased the salary of general unskilled workers, it did not any significant difference to a skilled worker's disposable income due to a decrease in other benefits, such as transportation, overtime pay and bonuses.

While the minimum wage increased the basic salary of workers, rising commodity prices and living costs meant that the workers did not get any significant relief, as pointed out by findings of a survey by Yangon University of Economics on the living condition of people before and after the implementation of the minimum wage. Therefore, after more than one year of enactment and enforcement of the Minimum Wages Act, strikes by workers persist as they demand a review of the minimum wage. To allay the concerns of workers, the Union Government formed the National Committee for Designating Minimum Wage in February 2017 to ascertain the changing costs of living. The Committee comprises representatives from concerned government ministries, employers, workers and economic experts. At this point, it is very crucial to critically predict the possible effects of an increase in the minimum wage such as a rise in the commodity prices and make policies with inputs from the parliaments, domestic and foreign economists and international experts and implement them.



Photo: CESD

Collective Bargaining

More instances of conflict between employers and employees along with workplace unrest and disputes occur in factories, which undermine collective bargaining. Collective bargaining

is the most cost-effective and peaceful means of dispute settlement between employers and employees. According to interviews with factory managers for a Baseline Survey on garment and textile undertaken by CESD in November 2016, employers usually fail to take workers’ demands into account, interact with trade unions, or encourage workers to join trade unions.

During this transition period, good relations among employers, workers and workers’ unions and successful collective bargaining among them is crucial. After the re-enactment of the Labor Organization Law (2011), there was a resurgence/ formation of basic trade unions, which had been banned by the previous military regimes. In fact, findings from a 2015 CESD survey shows that 56% of garment manufacturing enterprises have an established worker association. In addition, the Dispute Settlement Law (2012) was enacted and bipartite and tripartite discussions involving representatives of the government, employers and worker unions were organized to settle labor disputes by means of collective bargaining. Then, bipartite collective negotiations and agreements on demands from both employers and workers were made in times of disputes at the workplace. However, strikes still take place because of the weak implementation of collective agreements from the side of employers. Progressive Voice’s survey report⁶ on the garment sector revealed that employers fail to attend meetings with trade union representatives and union members were often threatened and dismissed by employers. This is a major cause of dispute between employers and workers, in addition to the failure of employers abiding by the collective agreements reached.

Working Conditions

Long working hours and not allowing workers to go on holidays they are entitled to are the most common problems. According to the 1951 Factory Act Amendment Law (2016) and 1951 Off days and Holiday Act Amendment Law, employers are required to grant workers the exercise of their rights. This not only creates a better working environment but also promotes better relations between employers and workers. According to a CESD survey,⁷ currently, a garment factory worker works 6 days per week with 46 working hours and overtime work of 14 hours works an average of 60 hours per week (Table 1). This finding shows that the actual working hours of 46 is slightly higher than 44 hours (excluding overtime) per week set by the law and some factories do not comply with the 16-hour-overtime per week. This leads to dissatisfaction with working conditions causing higher labor turnover rate exacerbated by job opportunities in other factories which in turn hinders long-term workplace stability.

Table 1: Weekly working hours and overtime, daily break time, and number of days off per week

	Full sample	Food processing	Garment manufacturing
Average working hours per week	46.1	45.2	46.7
Maximum working hours per week	64	63	64
Average overtime per week (hours)	10.4	5.5	14.3
Average break time per day (minutes)	53.2	58.0	48.6
Average number of days off per week	0.98	0.94	1.03

The CESD survey⁸ also reported that the attendance (regularity) bonus accounted for around 10% of a worker’s total income in the pay slip. Progressive Voice’s report⁹ also showed that workers in some factories were paid based on daily piece rate. This implies that factory owners and managers forced workers not to claim their leave entitlement of 67 days provided by the law,¹⁰ and that their wages were deducted based on days of absence from work. An absence of three consecutive days without permission automatically led to dismissal. In addition, the same report¹¹ showed lack of legal awareness among women employees about the 14-week maternity leave for pregnant women. These are proof of the weak implementation of laws, which are meant to improve working conditions but instead worsen employer-employee relations.

Occupational Safety and Health (OSH)

A better workplace environment, characterized with the prevention of diseases and accidents and provision of personal protective equipment is one of the key international standards for improved industrial relations. Despite regular annual inspection of factories by the Department of Labor under the Ministry of Labor, Immigration and Population (MoLIP) in accordance with the 1957 Factory Act, employers still fail to meet the requirements for occupational safety and health standards in factories. The Action Labor Right report (2016) showed that much needs to be done by factories to meet the requirements for workers’ basic needs workplace for their health such as sufficient drinking water, good ventilation,

sufficient light, adequate clean toilets, emergency exits and their usability in accordance with the law.¹² Moreover, the provision of sufficient personal protective equipment to workers and proper training to use them, as well as training for handling hazardous machines and chemicals were found to be lacking. Though there is smaller chance of serious incidence in garment factories compared to other sectors, it is important that preventive measures are taken and possible incidences of accidents and health related issues are minimized. At the same time, in accordance with the law,¹³ concerned government ministries have the duty to effectively enforce and monitor while firm owners have the obligation to abide by and implement those requirements.

Workplace Management Practices

Lack of trust between employers and workers and the latter's loss of motivation to increase production are the result of absence of a formal communication channel between firm owners and workers, a confidential complaint mechanism for informing discrimination or harassment and weak human resource management in the workplace. In Myanmar, most factories do not support direct interactions between employers and workers at the workplace. Workers can only directly contact their line supervisors (Line Leaders) or factory managers, while meetings are called to pressure workers to follow factory rules and meet daily production quotas as reported by a baseline survey¹⁴ conducted by Yangon Institute of Economics.

A survey by Action Labor Right found out that certain components of the pay slip in some foreign owned firms were written in foreign languages (e.g. Korean or Chinese). It should be noted that such practices could ignite tensions between workers and employers over wages. According to a 2015 CESD survey, 61 per cent of garment manufacturing firms in Myanmar are owned and managed by foreign companies. It also found that disputes between employers and workers also arose due to inaccurate interpretation by translators.¹⁵ Therefore, it is important to employ skillful translators who understand workers' rights and labor practices. Through this, collective bargaining at the workplace can take place more effectively and disputes can peacefully be resolved on the factory floors without the need to involve outside parties.

A working environment free of discrimination is an essential aspect and it is necessary that workers can freely claim their rights. This is especially crucial for female workers who make up the majority of workforce in the garment sector, not only to claim their basic rights but also to securely report on matters related to sexual harassment without any negative consequences or backlash. Therefore, a policy for a

complaint mechanism should be devised and implemented under the leadership of the government in cooperation with employers, workers' unions and organizations (read illustration no.1 for an example).

Illustration 1: ILO Complaints Mechanism

The Ministry of Labor, Immigration and Social Security (MOLES) and the International Labour Organization (ILO) signed a Memorandum of Understanding for establishing a secure complaints mechanism to eliminate forced labor and child labor in Myanmar on January 26, 2007.

Since its implementation, **2921 complaint letters** have been received and **1425 cases** have been resolved by 2013.

Ultimately, employers and workers are interdependent since the high productivity of the latter will generate more profits for the former. Therefore, employers should give skillful workers more incentives such as promotions, awards as model workers, and salary bonuses to motivate them and increase their productivity. By creating a workplace environment conducive to learning workers can have more motivation, which will ensure retention of the workforce and trust between employers and workers.

RECOMMENDATIONS

Domestic and international experts show optimism in the prospects of development for Myanmar's economy, which is closely observed by foreign investors. Though the conditions of industrial relations in the country is moving along a positive course, there is still room for improvement for long-term stability in industrial relations. Since it is crucial to attract investors that place high value on western standards of industrial relations, this paper would like to present the following policy recommendations to the government, employers and workers who are faced with the need to take necessary measures to improve the current situation of industrial relations.

Recommendations to the Government

1 It is necessary that the government consistently monitors whether the designated minimum wage rate of MMK3,600 is actually paid to workers in all the covered sectors and effectively penalize non-compliant enterprises. In addition, there should be more cooperation among government, employers and workers to find a solution for the benefits, which workers previously enjoyed but were removed after the minimum wage law was enacted. Although

some factories started paying the minimum wage, workers' benefits such as overtime and bonuses were removed. On the other hand, some factories pay wages based on the set production quota, which has been increased. This has resulted in more pressure on workers. The government needs to find a solution to create a payment system that will truly benefit workers.

2 It is also necessary that the government promulgate laws regarding daily working hours, overtime, and calculation of wages as well as other workplace rules and regulations in accordance with international standards, while consistently reminding employers to comply with them and taking legal actions against those who do not.

It is important that the government pass clear directives for the enacted laws since there is confusion for employers in the section under the new directive passed by the Ministry of Labor, Immigration and Population in August 2012 that discusses the legal working hours and designates a total of 64 hours per week of working time, including 3 hours of overtime per day and 20 hours of overtime per week. In addition, it is necessary that both the government and employers organize workshops for workers' awareness of their leave entitlements and employers should carefully abide by the laws.

3 The government should invest more in human resources for the development of the private sector by securing a stable workforce. Skills trainings for workers currently implemented by the government should be organized in the vicinity of industrial zones where most workers live and more training for workers' capacity development should be effectively implemented in cooperation with concerned industrial zone committees and employers. The government should also do systematic classification of the skill levels of workers, while employers should also provide certificates for a worker's expertise and recommendation letters upon official resignation. These are necessary to ensure workers' access to employment opportunities in the long run and to create a stable and peaceful workplace.

4 In accordance with Occupational Health and Safety of the 1951 Factories Act, the government needs to recruit more skilled labor inspectors to correctly and effectively implement requirements in every factory and to prioritize and implement occupational safety as a strategic plan.

5 The government should also train not only production workers but also management officers on labor laws to reduce misunderstanding between employers and workers. The government should also

requires employers to release notifications in the Myanmar language instead of foreign languages in the payslips for easy comprehension by workers.



Photo: CESD

Recommendations to Employers

1 Employers should respect and comply with collective agreements made through collective bargaining between workers and employers on the factory floor since strikes frequently take place as a result of non-compliance on the part of employers. Moreover, employers should peacefully settle disputes between employers and employees on factory floors by promoting the practice of collective bargaining. Employers can also prevent conflicts with workers by giving support to leaders and representatives of workers in forming basic workers' associations and unions.

2 Factories can create a safe and healthy workplace by providing sufficient personal protective equipment, training on the proper use of the equipment, and prevention training on possible hazards at the workplace. The government needs to recruit more skilled labor inspectors to correctly and effectively implement the requirements in every factory and to prioritize and implement occupational safety as a strategic plan.

3 Since direct communication and interaction between employers and workers have become for important, meetings between the two parties should be organized at least once a month on a regular basis and a communication channel should be created. Monthly regular meetings or at least biannual meetings attended by employers should be held to explain wages, leave and holidays and other benefits, to provide information on natural disasters and health issues outside the workplace, to ask workers to express and discuss their hardships, and to encourage workers' participation in making important decisions in the factory.

4 Employers should hire skillful translators or interpreters and invest more in their capacity development. In-house training on labor laws and legal practices and procedures for translators and interpreters should be organized as their expertise can lower the possibility of misunderstanding between employers and workers. In addition, directives for the use of Myanmar language in place of foreign languages in the payslip should be passed and implemented so that workers can easily understand the contents.

Recommendations to both the government and employers

1 Factories need to create a confidential complaint mechanism (for example – a complaints box) so that workers can inform incidences of their rights being violated and female workers can inform any sexual harassment or discrimination to the management. A safe workplace environment in factories can be created by conducting regular investigation of complaints by employers in accordance with factory regulations, or if the need arises cooperating with relevant government ministries to investigate the matter. In doing so, the government should secure systematic support and collaboration with international organizations for the safety of workers and respect for women's rights.

This brief presents findings and policy lessons identified in a series of papers by scholars from the University of Winnipeg and Peking University for the IDRC-funded project 107927 "Reforming Labour Markets in Burma (Myanmar)," approved in 2014 and closing in 2017.

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Footnotes:

1. [Why Invest In Myanmar?](#)
2. Myanmar Diagnostic Trade Study (2016)
3. [Vol.4/No.268, The Voice Daily](#)
4. [2011 Update of the OECD Guidelines for Multinational Enterprises](#)
5. CESD 2015 survey on Myanmar labor issues from the perspective of enterprises
6. Raising the Bottom: A Report on the Garment Industry in Myanmar, Progressive Voice, December 2016
7. CESD 2015 survey on Myanmar labor issues from the perspective of enterprises
8. CESD 2015 survey on Myanmar labor issues from the perspective of enterprises
9. Raising the Bottom: A Report on the Garment Industry in Myanmar, Progressive Voice, December 2016
10. According to the amendment law of The Leave and Holidays Act, 1951, daily wage workers and temporary and permanent workers are entitled to 21 public holidays, 30 days of sick leave, 6 days of casual leave and 10 days of leave for part-time workers with no continuous work for 12 consecutive months making it a total of 67 days of leave workers can take with pay in the form of wage or salary
11. Raising the Bottom: A Report on the Garment Industry in Myanmar, Progressive Voice, December 2016
12. Law Amending The Factories Act, 1951 enacted in January 2016
13. Factories Act, 1951
14. A Survey on workers' living conditions before and after the implementation of the minimum wage act conducted by Yangon Institute of Economics, 2016.
15. [Garment Factories in Myanmar, VOA news](#)

Sources:

- Survey Report: Myanmar labor issues from the perspective of enterprises: Findings from a CESD/IDRC survey among food and garment manufacturers, CESD
- Under Pressure : Action Labour Right
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