

MYANMAR GARMENT INDUSTRY AFTER 2012: TRADE AND INDUSTRIAL  
RELATIONS IN YANGON INDUSTRIAL ZONE

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ขอ ชานดาร์ อู : อุตสาหกรรมสิ่งทอของพม่าหลังปี 2012 :ความสัมพันธ์ทางการค้า และอุตสาหกรรมในเขตนิคมอุตสาหกรรมเมืองย่างกุ้ง (MYANMAR GARMENT INDUSTRY AFTER 2012: TRADE AND INDUSTRIALRELATIONS IN YANGON INDUSTRIAL ZONE) อ.ที่ปรึกษาวิทยานิพนธ์หลัก: ผศ. ดร. นฤมล ทับจุมพล, 102 หน้า.

การปฏิรูปเศรษฐกิจและการเมืองของพม่าเมื่อไม่นานมานี้ได้สร้างรายได้เปรียบในการแข่งขัน โดยเฉพาะอย่างยิ่งด้านแรงงานในอุตสาหกรรมการผลิตเสื้อผ้าโดยอุตสาหกรรมเสื้อผ้าได้มาพร้อมกับนโยบายเปิดตลาดเสรีทางเศรษฐกิจของประเทศที่เริ่มขึ้นตั้งแต่ปี ค.ศ.1989 หลังการประกาศใช้กฎหมายการลงทุนจากต่างประเทศในเดือนพฤศจิกายนปี ค.ศ.1988 อุตสาหกรรมเสื้อผ้าดึงดูดบริษัทต่างชาติให้มาลงทุนในประเทศพม่า และอุตสาหกรรมเสื้อผ้าได้กลายเป็นหนึ่งในสินค้าส่งออกที่สำคัญที่มีการจ้างแรงงานมากกว่าล้านคน อย่างไรก็ตามในปี ค.ศ.2003 ประเทศสหรัฐอเมริกาได้กีดกันสินค้าที่มาจากประเทศพม่าเนื่องจากมีรายงานถึงการละเมิดสิทธิมนุษยชนและความไม่เป็นประชาธิปไตยในประเทศ อุตสาหกรรมเสื้อผ้าได้รับผลกระทบจากการคว่ำบาตรจากนั้นเป็นต้นมาโดยเฉพาะการส่งออกที่ลดลงและการเพิ่มขึ้นของอัตราค่าจ้าง ในปีค.ศ.2012 หลังจากการปฏิรูปพม่าให้ไปสู่ประเทศที่เป็นประชาธิปไตยโดยมีการจัดการเลือกตั้งในปีค.ศ. 2010 สหรัฐอเมริกาได้ยกเลิกการคว่ำบาตรสินค้านำเข้าจากพม่า และประเทศในกลุ่มสหภาพยุโรปได้คืนสิทธิพิเศษทางภาษีศุลกากรเป็นการทั่วไปแก่พม่าอีกด้วย การศึกษานี้มุ่งไปที่สถานการณ์ของอุตสาหกรรมเสื้อผ้าของพม่าหลังจากการยกเลิกการคว่ำบาตรในปี ค.ศ.2012 โดยได้ศึกษาภายใต้แนวความคิดอุตสาหกรรมสัมพันธ์ เช่น การมีอิทธิพลของรัฐบาลต่อเศรษฐกิจ การเมืองในการผลิตเพื่อการส่งออกเพื่อให้สอดคล้องกับสถานการณ์ เช่น ระบบสิทธิพิเศษทางภาษีศุลกากรเป็นการทั่วไป การคุ้มครองสิทธิแรงงานโดยสหภาพแรงงานและการทำงานของนายจ้างเพื่อที่จะปรับปรุงกิจการค้าขายเสื้อผ้า นอกจากนี้การศึกษานี้ยังจัดทำขึ้นเพื่อที่จะเข้าใจสถานการณ์การค้าขายและความสัมพันธ์ของอุตสาหกรรมในนิคมอุตสาหกรรม โดยเน้นไปยังนิคมอุตสาหกรรม Hlaing Thar Yar ที่เป็นที่ตั้งของโรงงานผลิตเสื้อผ้าส่วนใหญ่ วิทยานิพนธ์นี้แสดงให้เห็นถึงวิวัฒนาการของสหภาพแรงงานที่มีบทบาทในการเพิ่มการค้าขายและปรับปรุงสิทธิแรงงานในประเทศพม่า วิทยานิพนธ์นี้ยังชี้ให้เห็นถึงความร่วมมือจากภาครัฐในการเจรจากับนายจ้างและลูกจ้างที่ใช้หลักนิติธรรมและความชอบธรรมเพื่อนำไปสู่อุตสาหกรรมสัมพันธ์ที่ดี

# # 5781209224 : MAJOR INTERNATIONAL DEVELOPMENT STUDIES

KEYWORDS: SANCTION, TRADE, INDUSTRIAL RELATIONS, LABOR RIGHTS

SOE SANDAR OO: MYANMAR GARMENT INDUSTRY AFTER 2012: TRADE AND INDUSTRIALRELATIONS IN YANGON INDUSTRIAL ZONE. ADVISOR: ASST. PROF. NARUEMON THABCHUMPON, Ph.D., 102 pp.

Myanmar, recent reformed in political and economic has the competitive advantage of cheap labor especially in labor intensive garment sector which started in 1989 together with the country's policy of open market oriented economy. Garment sector attracted foreign companies to invest in Myanmar and became one of the major export sector employed millions of workers after the enactment of Foreign Investment Law in November 1988. In 2003, United State of America (US) blocked exports from Myanmar due to bad record of human rights and democracy. Since then, the industry began to get effect of sanctions gradually in particular falling export and unemployment. In 2012, after transforming Myanmar towards democratic country by 2010 election, US released its imported ban on Myanmar-made products. The European Union (EU) reinstated the generalized specific preference (GSP). This study look at the situation of Myanmar Garment Industry after sanction released in 2012 within the concept of industrial relations about how the government shape the political economy of the export oriented economy in accordance with the political opportunities like GSP, how labor unions protect labor rights and how employers perform to improve garment trade and to understand the situation of trade and industrial relations in industrial zone focus on the Hlaing Thar Yar industrial zone where most of the garment factories situated. This thesis shows the development of labor organization who are working towards increasing trade and improving labor rights in Myanmar. It also sees the corporation of government in negotiating between employees and employers by rules of law and legitimacy aspect towards good industrial relations practice.

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## List of Abbreviation

AEC	ASEAN Economics Community
ASEAN	Association of Southeast Asia Nation
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical
BLOs	Basic Labor Organizations
CIA	Central Intelligence Agency
CLA	Cost of Living Allowance
CMP	Cutting, Manufacturing and Production
CSR	Corporate Social Responsibility
CTUM	Confederation of Trade Unions Myanmar
FDI	Foreign Direct Investments
FIL	Foreign Investment Law
FOB	Free-On-Board
GSP	General Specified Preferences
HRD	Human Resource Development
ILO	International Labor Organization
MIC	Myanmar Investment Commission
MMK	Myanmar Kyat
MNPED	Ministry of National Planning and Economic Development
MPHC	Myanmar Population and Housing Census
MOI	Ministry of Information
MOLES	Ministry of Labor, Employment and Social Security
SEA	South East Asia
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
TVET	Technical and Vocational Education Training
WTO	World Trade Organization

# CHAPTER I: INTRODUCTION

## 1.1. Research Background

The garment sector in Myanmar started in 1989 when the country began its policy for an open market oriented economy. It attracted foreign companies to invest in Myanmar and became one of the major export sectors that employed millions of workers after the enactment of Foreign Investment Law in November 1988 (T. Kudo, 2013). Most garment sectors in Myanmar are in the industrial zone especially in Yangon and are owned by companies from Korea, China, Taiwan and Myanmar. The characteristics of garment industry in Myanmar operate on the basis of Cutting, Manufacturing and Production (CMP)<sup>1</sup> that need huge amount of labor for production and export to overseas markets. The CMP system includes production and logistics costs only, where the most important cost item is labor wages that made Myanmar garment sector labor intensive (T. Kudo, 2013). The garment sector began to develop more in 1990s and early 2000s as the country's fastest growing industrial sector where its main garment export targets were the United States (US)<sup>2</sup>, European Union (EU) countries and East Asia (Myint & Rasiah, 2012). The United Kingdom (UK) was the second largest buyer followed by Germany during those times. In 2003, however the US government and consumer boycott movements in the US blocked export from Myanmar due to its bad record on human rights and democracy (Myint, 2012). Since then, the industry gradually began to get affected by the imposed economic sanctions on Myanmar.

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<sup>1</sup> CMP work as opposed to Free-On-Board (FOB) which involves the full process from production to exporting

<sup>2</sup> The United States more than doubled its imports from US\$185.7 million in 1999 to US\$403.5 million in 2000

### **1.1.1. Myanmar Garment industry after US sanction in 2003**

According to (Kudo, 2005) about 70,000 to 80,000 employees lost their jobs when 150 factories shut down after US imposed sanctions in 2003. In a report released by International Labor Organization (ILO), Myanmar's forced and child labor practices on public works projects were exposed to all member nations of ILO (Kudo, 2005). Following this report, US not only banned on imports but also motivated other member nations to stop buying made-in-Myanmar products. Even though EU countries did not put sanctions on Myanmar exports products, some EU countries did not want to take risk in importing Myanmar goods. After US and EU trade closed the door as the largest buyer of made-in-Myanmar garments, the garment sector found its way to survive in the Asian market where Japan soon emerged as the largest export market. Thus, the fall in exports to US and EU market has been somewhat balanced by a rise in exports to Japan. However, this market demand from Japan required difficult garment designs with only a few quantity per order for each design which in effect made set up cost more in assembly process in factories<sup>3</sup>(Thiha, 2014).

### **1.1.2. Myanmar Garment sector after US sanctions were lifted in 2012**

In 2012, after transforming Myanmar towards democratic country through the 2010 election, US lifted its importation ban on Myanmar-made products. The EU reinstated the generalized specific preference (GSP) in July 2013. Since then, the chance of entering the EU market increased and activated the garment sector in high speed in a short time (S. Win, 2013). Moreover, Myanmar got the GSP trade status approved from Canada in March, 2014 that means garment exports to Canada from

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<sup>3</sup> The nature of assembly line of work need to set up for each design they made. So, large amount of order for a design is need to spend on setting up cost for only one time and can use for long time. But order with difficult design and few quantity is more costly for setting up and can use just for few times since the amount of order is just a few

Myanmar are duty-free. Canada joins the 28 nations of the European Union, Japan, Australia, New Zealand and Korea in granting Myanmar free or preferential trade. Japan also enlarged its tariff exemptions in April, 2014 allowing all knitwear products Made in Myanmar to enjoy duty-free access to the Japanese market (MGMA, 2014a).

According to Myanmar Garment Manufacture Association (MGMA) Japan still stands as the largest importer of Myanmar garment products since 2010 until 2014 Table 1. Demand from EU visibly increase after 2012 from 174.06 million USD in 2013 to 309.52 million in 2014; and the US demand for garment import jumped 1.96 million USD in 2013 to 16.07 in 2014 Table 1. Thus, the future market access to US and EU countries is great expectations of Myanmar garment trade (MGMA, 2014a).

The growing labor costs of neighboring China and Thailand made the investors change their target to “cheap labor” market of Myanmar, (S. Win, 2013).

Table 1 Garment Export Before and After Sanction from US

Unit – US Dollar

Year	Total Exports of Garment (million US\$)	Export Ratio (million US\$)			
		Japan	Korea (South)	EU	USA
2010	602.08	183.43	123.98	178.95	0.00
2011	893.08	348.70	232.41	185.01	0.00
2012	947.21	408.25	278.62	143.45	0.00
2013	1208.71	477.83	390.71	174.06	1.96
2014	1485.77	560.66	462.29	309.52	16.07

Source: Myanmar Garment Manufacture Association (MGMA, 2014a)



## **1.2. Research Problem**

### **1.2.1. Labor Situation in Myanmar Before 2012**

Since the military takeover in 1962, the authorities have denied the people their freedom of speech, press, assembly, and association. Shortly after this, in 1964, the government abolished all trade union organizations (Michener, 2014). Thus, military government removed labor rights by the rule of law and some unions left to neighboring countries as union exiles. After years under the military rule, the Parliament passed the Labor Organization Law which legalizes labor unions for the first time since 1962. The legislation allowed for the formation of 'Basic Labor Organizations' (BLOs) at the factory level and upheld their right to strike.

### **1.2.2. Labor Situation in Myanmar After 2012**

The unions are allowed to function again based on the new Labor Organization Law released in 2011 and enacted in 2012 whose vital goals are to protect the workers' rights, to promote good relationships between employees and employers and amongst workers, and to enable them to form and carry out the labor organizations systematically and independently (Hluttaw, 2011). According to the record of the Ministry of Labor, Employment and Social Security (MOLES), the number of registered Basic Labor Organization (BLOs) at the factory level increased from more than 500 by June 2013 to 959 in January 2014 (Michener, 2014). Until 2014, there are a total of 1,092 'labor and employer organizations' officially registered under MOLES. Because of this recognition and the apparent strength in number, unions were able to protest legally around Yangon industrial zone for the first time in five decades demand for their rights especially on minimum wage and better working conditions (Michener, 2014).

### 1.2.3. Myanmar Garment factories in industrial zone

In 2015, there are about 386 garment factories including small, medium and large size in Myanmar. Most of them are located in Yangon industrial zone and the rest are in Bago, Patheingyi, Mandalay and Pha-An Industrial Zones. The other ongoing plan for garment sector is in Thilawa Special Economic Zone which situated 25 km South of Yangon but not yet fully commercial until 2014. In Yangon Industrial Zones, there are 29 industrial zone with more than 3000 factories which employed over 300,000 workers, among them 250,000 labors in the garment sector (MGMA, 2014b).

Most of garment factory owners are from Chinese, South Korean, Japanese, Hong Kong nationals, Taiwanese and some are Myanmar local. There are about 300 garment factories in the Industrial Zones in Yangon, in which both manufacturers for local 36 factories and 180 export factories are counted in. There are eight types of businesses in garment sector; Cutting, Manufacturing and Production (CMP), Embroidery, Inspection from Netherland, Local, Sub-Contract, Shop, Fashion/ Design and Textile. Most garment factories are located in Hlaing Thar Yar Industrial Zone (HTYZ) which employed 60,000 workers in more than 900 factories include consumer goods and food processing (Thiha, 2014). In 1998, there were 96 garment factories in HTYZ, but then more than 30 closed after US trade sanctions in 2003 (Mon, 2014). It didn't happen all at once: US sanctions took effect gradually. Most of the garment factory owners in this zone are foreign investors especially China which are considered as locally owned in principle (Min & KUDO, 2012). There are a total 40 garment factories in HTYZ in 2012 and the number of factories increased more after 2012 due to country's openness inviting foreign investors to the zone (Min & KUDO, 2012). Together with the increasing number of garment factories in the industrial zones, the export of garment sector was also increasing. (MGMA, 2014a) targeted 1.7 billion dollars for the future export. Table 2 shows the production and labor population of some foreign investment and locally owned factories in HTYZ.

Table 2 List of some garment factories in Yangon Industrial Zone

Garment Company	Type	Export market	Average Output (Pcs/ month)	Year Established	Ownership	Full-time Employees
Maple Trading Co Ltd	CMP	Europe , Japan, Korea	100,000	1996	Locally owned	800
Best Industrial Co Ltd	CMP	Europe , Korea, Japan	35,000	1994	Foreign Investment	435
UMH Co Ltd	CMP	Japan	495,000	1996	Locally owned	2400
Famoso Clothing Co Ltd	CMP	Japan	25,000	2002	Foreign Investment	1100
Super Garment Co Ltd	CMP	Korea, Germany, Japan	60,000	1999	Foreign Investment	450
Tek Nay Wunn Ni Mfg Co Ltd	CMP	Japan	20,000	2011	Locally owned	240

Source: Myanmar Garment Suppliers, Hinrich Foundation (Gaung, 2015)

This thesis therefore examined on the development of garment sector in Yangon Industrial Zones after 2012. It also focused on the industrial relations and labor protections in the garment sector in such industrial zone.

### 1.3. Research Questions

- What are the situations of garment trade in Industrial Zones after 2012?
- What are the situations of industrial relations and labor protection in industrial zone and how do industrial relations play role in supporting the garment sector in Myanmar?

### 1.4. Research Objectives

- To explore the situation of garment trade in Industrial Zones after 2012.
- To examine the situation of industrial relations and labor protection in industrial zone and the role of industrial relations in supporting the garment sector in Myanmar

### 1.5. Research Methodology

The data collection of this thesis was based on the qualitative research method which has two parts: field research and documentary research. Qualitative research method was useful because it provided the research with more exact data through in-depth interviews. By using this method, the thesis was able to explore and analyze the situation deeply which produced data that answered the research questions through the conduct of face to face interviews with workers, owners, government officers and civil society.

## 1.5.1. Scope of Research

### 1.5.1.1. Criteria of selected study side

The research site chosen for this thesis is Hlaing Thar Yar Industrial Zone (HTYZ) which is the largest industrial zone in Yangon with an area of about 470 hectares, followed by Shwe Pyi Thar (around 435 hectares) and Dagon (400 hectares). Hlaing Thar Yar has about 500 companies, while Shwe Pyi Thar has about

200, both of them operating different lines of manufacturing, particularly light manufacturing such as garments and food processing (HKTDC, 2012). HTYZ is situated in Haling Thar Yar Township bounded by Hlaing River in the east, Shwe Than Lwin Industrial Zone in the west, Panhlaing River in the south and Yangon-Pathein Road in the north. There are a total of seven industrial zone in Hlaing Thar Yar Township Figure 1 and the total industrial areas of Zones 1,2,3,4,6,7 is around 1,088 acres. And the industrial area of Zone 5 is around 223 acres situated along the Anaawyata Road, Hlaing Thar Yar Township. The zones are under the management of Hlaing Tharyar Industrial Zone Management Committee which is a member of Myanmar Industries Association (Industrial, 2012). Most of the workers working in Yangon Industrial Zones are farmers with poor education, migrated from Ayeyarwady Region after Nargis cyclone in 2008 which left 140,000 people dead and 2.4 million homeless. Most of the victim of cyclone Nargis moved to Yangon which is 116 km away from Ayeyarwady Region (Mon, 2014).

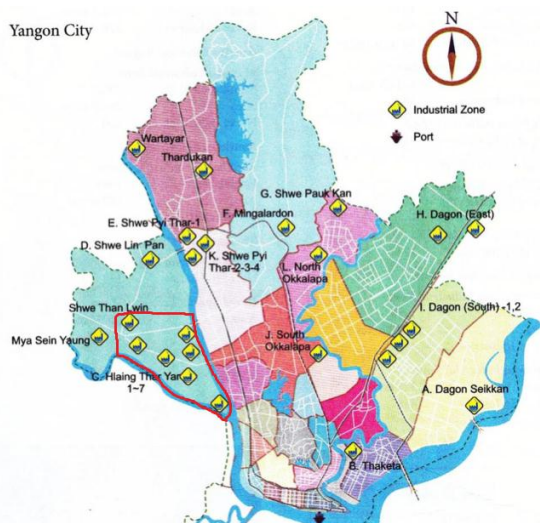


Figure 1 Hlaing Thar Yar Industrial Zone in Yangon (red color)

## **1.5.2. Data Collection**

### **1.5.2.1. Primary Data Collection**

The research focused on three types of garment factories situated in HTY Industrial Zone. The primary data collection involved in depth interviews and focused group discussions with about 34 people from the garment industry including workers, business people and government officials. Twelve garment workers and three employers from each focus factory were interviewed in this thesis. Three focus factories choose; one factory which has labor union, other has labor association and the last one which has no labor organization. Two officials from the Ministry of Labor, one from Myanmar Development Resource Institute (MDRI), six representatives from Civil Society Organizations which include exile trade unions, labor associations and lawyers were also included in the conduct of in-depth interviews. Information were also provided by representatives of the Myanmar Industrial Association, two from Myanmar Garment Manufacture Association (MGMA), two from Union Myanmar Federation Chamber of Commerce and Industry (UMFCCI), two from an employers association and three from media. The interviews were conducted based on the questions provided in Table 3.

### **1.5.2.2. Secondary Data Collection**

The secondary data was collected from the English and Myanmar language research papers on Myanmar garment industry, World Trade Organization (WTO), Domestic Labor Rights, International Labor Rights, 18 existing National Labor Laws, Foreign Direct Investment Laws, Special Economic Zone (SEZ) Law and Small and Medium Enterprises (SMEs) law. Reports of the ILO, press releases of Myanmar Garment Manufacture Association (MGMA) were also used and analyzed for this thesis. In Myanmar, the government data sources for the secondary data review were difficult to access. So, the thesis analysis the secondary data especially from the private data including newspaper and journal articles published on Myanmar

Industrial Zone and Labor Issues published both printing and online. Data was systematically collected based on the research questions as shown in Table 3.

Table 3 Interview Strategy

Questions	Data needed	Data Source	Methodology
1. What are the situations of garment trade in Industrial Zone after US sanction released in 2012?	1.1. What are the incentives of garment sectors in terms of politic and economic?	- The chairperson of Haling Thar Yar (HTY) Industrial Zone, -Representative of Myanmar Garment Manufacturing Association (MGMA)	-In-depth interview -Secondary data review
	1.2. What are the roles of garment industries in improving the country's export sector?	- Official from Myanmar Investment Commission (MIC), -Spokesperson of the Ministry of National Planning and Economic Development	-In-depth interview -Secondary data review
	1.3. How cheap labor and GSP can appeal for improving trade?	-Employers - Representative of Civil Society Organizations	-Semi structured interview -Secondary data review
	1.4. How government improved trade after sanction	-MGMA	-Semi Structure interview -Secondary

	released from US?		data review
	1.5. What are the interests of laborers in developing garment industries?	-Labor association's leaders -Active members -General workers	-Focus group discussion -Secondary data review
What are the situation of industrial relations and labor protection in industrial zone and how do industrial relations play role in supporting the garment sector in Myanmar?	2.1. How employees and employers improve industrial relations after 2012?	- Representatives of employees and employers association (focused group discussions with three garment factories)	-In-depth interview -Semi structured interview - Secondary data review
	2.2. What are the demands of current labor organizations?	-Representatives of labor organizations/ ILO	-In-depth interview -Semi structured interview -Secondary data review
	2.3. What are the roles of labor organizations in industrial sector?	-Representatives of labor organizations	-In-depth interview - Secondary data review



	2.4. What are the roles of exile and domestics trade unions in improving industrial relations in Myanmar Garment Industries?	- Representative of trade union -Spokesperson of Employer association	-In-depth interview -Secondary data review
	2.5. What are the roles of ILO in pursuing government to follow international labor rights?	- Spokesperson of ILO	-In-depth interview -Secondary data review
	2.6.How does the international environment affects the improvement of garment trade and labor rights?	- Official from Ministry of Labor -official from Union of Myanmar Chamber of Commerce and Industry (UMFCCI)	--In-depth interview -Semi structured interview -Secondary data review

### 1.5.3. Research Constraints and Limitations

This research focused on the perspective of workers from three garment factories in HTY Industrial Zone only. The interviews conducted with 12 workers, HTY garment factories are a mix of active and inactive association or union members. The factory owners that were chosen for the interviews were based on the factory

system which categorized labor unions as ‘allowed labor associations’, ‘allowed labors to form unions’ and factories that would not allow organizational activities. Due to the safety reasons of employee, workers name will only be put as anonymous and code number (for example; Informant No. 1, Informant No.2)

#### **1.5.4. Data Analysis**

Data analysis was based on the research questions drawn for this thesis. For the first research question, information gathered about the Industrial Zones in Myanmar, the location of the garment factories operated in industrial zones and its situation after 2012 were analyzed in relation to the imposed US trade sanctions and follow up opportunities from the EU generalized specific preferences (GSP). The changes in economic and labor policies done by the government were also analyzed in order to see their relevant relevance to the international norms which would have led to more openness for international investment especially in labor intensive manufacturing sectors. The enactment of the new labor organization law in 2012 was also looked into as turning point of relationship between stakeholders with upcoming labor unions and employers in industries. Lastly, the role of the government in industrial relations in terms of reforming the economic sector to get access to global market place was included in the analysis as well. This information was able to provide data for the research question; what are the situations of garment trade in Industrial Zone after 2012?

For the second and third research questions, information analysis was focused on two issues: First is on the situation of industrial relations in Hlaing Thar Yar Industrial Zone which includes labor situation, industrial conflicts, and minimum wage and working hour issues. Another issue is on the role of industrial relations in supporting productivity and market access. This method focused on how industrial relations were able to explain the labor rights protection in industrial zone and trade improvement in garment sector. This answered the questions 2 namely; What are the

situations of industrial relations and labor protection in industrial zone and how do industrial relations play role in supporting the garment sector in Myanmar? All information collected from informal interviews were as recorded by an audio player and were transcribed afterwards. Note-taking technique was also used during in-depth interviews with informants.

## **1.6. Definition of Terminology**

This study will define terminology of concepts, namely industrial relation, Employer, Trade, Worker, Labor Union, Labor Rights, and working conditions, which will be used for examining Myanmar garment industry throughout the thesis as follows:

### **1.6.1. Industrial relations**

In this thesis industrial relations refers to “analytical subsystem of industrial societies and located it at the same logical plane as an economic system”. (Kaufman, 2004) This system was argued to have producing the rules of the workplace. Such rules are the product of interaction between three key "actors" – labor unions, employers and associated organizations and government John Dunlop (1958). In terms of law, industrial relations refers to a multi -disciplinary practice of work and employment relations which components are conflict resolution and union activities (Hyman, 2007). Moreover, Dale Yorder defined that industrial relations is the process of negotiation in workplace dealing with one or more unions and administer collective bargaining agreement or employment contract (ILR, 2014). However, the meaning of industrial relations varies and is based on the interest of actors who are involved in the system.

### **1.6.2. Employer**

In this thesis, employer refers a person who operates the business by hiring worker on wages of mutual agreement in any trade under the relevant employment contract, including a person who manages, supervises and administers directly or indirectly and is responsible to pay wages to the worker (Labor Organization Law, 2012).

### **1.6.3. Trade**

Trade or activity refers to the State-owned or private- owned factory, workshop, establishment and their production business, construction business, renovation business, industry, transportation business, service business or any other vocational works in Myanmar. This expression also includes government departments and organizations.

### **1.6.4 Strike**

In this thesis, strike refers to the collective action taken by decision of workers resulting in a suspension of work, a refusal to work or to continue to work or a slow-down or other collective actions that are designed to limit production or services relating to social or occupational matters in any dispute.

### **1.6.5. Worker**

In this thesis, worker refers to a person who relies on his labor to engage in economic activity or to generate a livelihood, including a daily wage earner, temporary worker, domestic worker, government employee and apprentice, but does not include the Defence Services personnel, member of the Myanmar Police Force or

member of the armed organizations under the control of the Defense Services (Labor Organization Law, 2012).

### **1.6.6. Labor Union**

In this thesis, labor union refer to labor organization that represents the interest of workers and collective activities in terms of negotiating with employers about their labor rights such as wages, working conditions, and working hours (Koh & Yer, 2000).

In Myanmar, labor organization includes the basic labor organization, township labor organization, region or state labor organization, labor federation under the labor organization law 2012. Labor organization has the right to carry out its activities under its own name and common seal and perpetual succession and the right to sue and be sued (Labor Organization Law, 2012). In Myanmar, unions were allowed to function in term of “Labor Organization”. But the words “Union” was not officially recognized by the law (Labor Organization Law (2012)). The responsibilities by the level of Labor Organization regarding with the labor disputes cases are mentioning detail in Section 2.2 of Chapter 2 and Section 4.2.1 of Chapter 4.

#### **1.6.6.1. Labor Association**

Labor Association means a group of labors forming under a same workplace to perform especially social welfare. For example group activities in Workers Day event. In Myanmar labor association exist in the title of “Basic Labor Organization” BLOs (Labor Organization Law, 2012). The BLOs leaders represent the workers of their workplace respectively. Their role involves protecting labor rights through negotiation and increase by level talk discussion with employers. However, the authority to handle labor disputes is mostly the responsibility of township level labor organization (T. Win, 2012).

### **1.6.7. Labor Rights**

Labor rights refer to the national and international level in the form of laws or regulations through the Conventions of the International Labor Organization (ILO). ILO's member states were guided by the most important nine principles. These are (1) labor should not be regarded merely as a commodity or an article of commerce, (2) the right of association, (3) the payment of an adequate wage to maintain a reasonable standard of living, (4) an eight-hour day or a 48-hour week, (5) a weekly rest of at least 24 hours, (6) the abolition of child labor, (7) equal pay for equal work, (8) equitable economic treatment of all workers in a country and (9) an inspection system to ensure the enforcement of the laws for workers' protection (Ravindran, 1998).

#### **1.6.7.1. Freedom of Association**

In this thesis, the term freedom of association refers to the national level of labor rights defined by the Labor Organization Law in Myanmar (ILO, 2015). The 2012 Labor Organization Law permits the exercise of freedom of association and the 2012 Settlement of Labor Dispute Law provides for dispute resolution in institutions and mechanisms. According to the Labor Organization Law 2012, workers are enabled to form and carry out labor organizations systematically and independently in order to protect the rights of workers and to have good relations among employers and employees (Hluttaw, 2011).

#### **1.6.7.2. Non-Organization**

The term non-organization in this thesis means a workplace or a factory which has no labor organization or no organization activities. The line manager of the factory took two roles as being both leader and manager of the workers in the factory. The workers need to demand directly from the manager and there is only a few negotiations activity or appearance of third party in between employer and employee

(Win, 2014). Those kinds of factories still exist due to low motivation of labors to organize or sensitive owner who may strongly disagree to have labor organization in the workplace ahead of preventing strike (ILO, 2015).

### **1.6.8. Working Conditions**

The working conditions include minimum wage, social security, employment security and human resource development (training). The overtime, sick pay or holiday pay and working hours is also considered in working conditions (Leo, 2010).

Working conditions can be define as the standard of working environment and promoting decent working place include minimum wage, overtime, leave and holiday and social security (Kent, 2012b). Working Conditions are the fundamental needs of workers. The international and national labor laws used to favor the working conditions in order to improve labor standard to be in line with international and promote quality of manufacturing factory to pass the challenges of global market access (Bacon, 1999). The challenges include complying international and national Labor Laws.

#### **1.6.8.1. Minimum Wage**

In this thesis, minimum wage means the lowest wage, confirmed by the law or regulations to pay the employers by employees according to respective job (ILO, 2015). With regards to minimum wage structure in Myanmar, five different options have been proposed by Ministry of Labor, Employment and Social Security MOLES to establish the minimum wage including one for the entire country, another for state and region, for sector, for skill levels and lastly for the work priority (Park, 2014). The minimum wage structure is based on standard working hours regulated by Factories Act 1951 which are 8 working hours per day or 44 hours per week (Park, 2014) and monthly pay is counted on 30 days. The official minimum wage would not include

bonuses, Cost of Living Allowance CLA and overtime pay according to current Minimum Wage Act 2015 that is explaining detail in Section 2.1.3 of Chapter 2.

### 1.6.8.2. Overtime

In this thesis, the overtime work is assumed as not to exceed more than 16 hours per week or 12 hours per week for continuous work. The overtime wage is calculated as double as the basic wage as shown in Figure 2 (MGMA, 2014a). In Figure, the basic wage calculation is based on eight working hours per day and six working days per week.

Figure 2 Calculation of overtime wages

#### Calculation of overtime wages...

For salary earners: Overtime wage per hour =  $\{(\text{salary} \times 12 \text{ month}) / 52 \text{ week} \times 44 (48) \text{ hrs}\} \times 2$

For daily wages worker: Overtime wage per hour =  $\{(\text{daily wage} \times 6 \text{ day}) / 44 (48) \text{ hrs}\} \times 2$

Piece-work labourers: Overtime wage per hour =  $\{(\text{daily average wage} \times 6 \text{ day}) / 44 (48) \text{ hrs}\} \times 2$

Source: Myanmar Garment Manufacture Association (MGMA, 2014)

## 1.7. Significant of the Research

This research was intended to benefit students and academics who are interested in the development theory and practice focused on political economy. The findings of this thesis support industries and labor organizations movements who are working towards increasing trade and improving labor rights in Myanmar. Moreover, it hoped to provide some recommendations on how both private companies and the



government facilitate and foster good industrial relations practice between employees and employers based on the of law and legitimacy.



## CHAPTER II: LITERATURE REVIEW

### 2.1. Political Economy of Industrialization:

#### 2.1.1. Political Economy of Industrialization in Myanmar

Myanmar is one of members of the World Trade Organization (WTO), the Association of South East Asian Nations (ASEAN) and the Bay of Bengal Initiative for Multi-Sectoral Technical (BIMSTEC) and it shares good trade relations with its neighboring countries including India, Thailand and China. The prior Government's isolationist policies and weak economic management have left the country with poor infrastructure, widespread corruption, underdeveloped human resources, and inadequate access to capital (Business, 2009). Slowly, the recent Government has addressed obstacles to economic development such as an incomprehensible revenue collection system and out-of-date banking system (EconomyWatch, 2015).

The government enacted several labor related and economic legislations such as the passage of the Labor Organization law in 2011 which granted freedom of association and legal registration of labor organization<sup>4</sup> and the enactment of The Social Security Law in 2014, in order to encourage labor intensive industries to develop in Myanmar. It has also amended The Settlement of Labor Dispute Law in 2012, Employment and Skill Development Law in 2013, and The Leave and Holiday Act in 2014, Some economic laws like; the Foreign Direct Investment law (FDI) in 2012, Minimum Wage Law and Myanmar Investment law in 2013, Special Economic Zone law (SEZ) in 2014 and the Small and Medium Enterprises law (SME) in 2015 have been also taking effect. In terms of policies for economic growth, the

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<sup>4</sup> The term "Union" is sensitive to use in legal document until now, due to political activities and industrial strike lead by unions in military regime, however the labor organizations allowed to ame as labor union in practical though the law avoid that usage

Government emphasizes on policies for the development of projects in special economic zones (SEZs) such as the Dawei, Thilawa and Kyauk Phyu SEZs. Those SEZs are considered to be providing a large number of potential employment opportunities and promoting development of small and medium enterprises (SMEs) in the integrated process into AEC. The Government revised the foreign investment law of 1988 into FDI law in 2012 (Sett, 2013).

Regarding to policies related to labor force, Myanmar has conducted a large number of legislations Table 4. It has been evaluated that most of these laws in effect, , are out of date and do not meet the rapid transformation of economic and working reality in Myanmar, even trail behind other countries in the region (TSR, 2012). Moreover, the Government plans to amend several labor laws and cooperate with ILO to reform the Labor Organization Law (2012) in counterpart with the ASEAN labor standards. Since labor standards are one of the most concerned elements of multi-national companies and foreign direct investors while investing into the country, the Government and enterprises strive to build good cooperation and affiliations with labor organizations by conducting good industrial practices and policies(Campbell, 2013).

Table 4 List of laws related to labor protection in Myanmar

No.	Title of Documents	Published Year
1	Workmen's Compensation Act	1923
2	Trade Disputes Act	1929
3	Payment of Wages Act (Draft)	1936
4	Employment Statistics Act	1948
5	Minimum Wage for Agricultural Workers Act	1948

6	Employment and Training Act	1950
7	Leave and Holidays Act	1951 (amendments in 2014)
8	Factories Act	1951
9	Oilfields Labor and Welfare Act	1951
10	Shops and Establishments Act	1951
11	Social Security Act	1954
12	Employment Restriction Act	1959
13	Labor Organization Law	2012
14	Labor Dispute Law	2012
15	Social Security Act	2013
16	Minimum Wages Act and Rules	2013

Source: ILO (2015)

### 2.1.2. Industrial Sector in Myanmar

As shown in Table 5, Myanmar's industrial sector has contributed 20.3 percent to total GDP and has employed around 10 percent of total labor force in 2014. Among these 10 percent, most of the labor force is from the basic labor organization and township labor organization officially but all of them are the members of labor union as well. The detail information about the nature of trade union and labor organization will explain in Section 2.2. Industrial sector includes mostly labor-intensive industries such as garment and other manufacturing industry. This sector has been steadily increasing its manufactured goods for exporting from 1990s until the beginning of the 21st century. However, the exports have greatly declined since 2003 because the U.S. imposed an import ban on all of Myanmar's products. This ban led to a sharp decline in Myanmar's export industry of manufactured goods by 2005. More notably, since the US sanctions were lifted and GSP was implemented in 2012, the

country's economy, especially the industrial sectors, has experienced the dramatic increase from 2010 to 2014.

Specifically, as shown in Table 6, the GDP growth rate of the country soared up from 5.3 percent in 2010 to 8.5 percent in 2014, producing from nearly 40 thousand billion Myanmar Kyat MMK (about 40 billion USD) in 2010 to over 53 thousand billion MMK (about 53 billion USD) in 2014. In which, the proportion of investment made up was 16 percent of total GDP in 2010 and about 24.7 percent in 2014. Notably, the export volume accounted for 9.8 percent of total GDP in 2010 and 22.6 percent in 2014, which was more two-fold than the former<sup>5</sup>.

Thus, Myanmar's labor intensive industry has significantly fluctuated over the past two decades due to the influence of international environment and consequent availability and fluctuation of market access.

Table 5 Chart of Labor Force

	<b>Agriculture (%)</b>	<b>Industrial (%)</b>	<b>Service (%)</b>
<b>GDP</b>	38	20.3	41.7
<b>Labor Force Rate</b>	60	10	30

Source: CIA (2014)

Table 6 GDP growth rate and indicators of export volume from 2010 to 2014

<b>Indicators</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>GDP growth</b>	5.3 %	5.9 %	7.3 %	8.25 %	8.5 %

<sup>5</sup> The exchange rate from Myanmar Kyat to USD is approximately around MMK 1000 in one USD.

<b>GDP (billion)</b>	39,872.55	42,228.50	45,311.18	49,049.36	53,218.55
<b>GDP per Capita</b>	801,611.76 (802 USD)	865,467.28 (865 USD)	946,837.47 (946 USD)	1,074,093.35 (1074 USD)	1,231,501.85 (1232 USD)
<b>Investment (% of GDP)</b>	16.013 %	14.907 %	18.006 %	23.367 %	24.721 %
<b>Import volumes of goods and services</b>	14.87 %	23.009 %	17.248 %	21.041 %	16.049 %
<b>Export Volume</b>	9.841 %	9.582 %	5.048 %	21.169 %	22.607 %

Source: EconomyWatch (2015)

### 2.1.3. Minimum wage in Myanmar

According to the first Minimum Wages Act of 1949, the national minimum wage in Myanmar was set up by a minimum wage council. Until the military government took over in 1962, the minimum wage was supplemented by cost of living allowance (CLA) indexed to the price of rice. As mentioned in the first part of the thesis, a new Law on Minimum Wages replacing the 1949 Minimum Wages Act was passed in March 2013 and the Government approved the related by-laws in July 2013 (MOI, 2015). However, the new minimum wage was not announced yet by November 2013 (Park, 2014) and is expected to be finalized in 2015 (MOI, 2015). In the new law, a temporal minimum wage has been set by MOLES in 2012 at 56,000 kyat (US 65\$) per month including overtime pay and allowance or US 32\$ per month without allowance and overtime, which is the region's lowest labor cost (Kent,

2012a). Nevertheless, because of large reserves of unemployed labor arising from its large population and obvious lack of jobs in the country a considerable number of workers accept salaries lower than even the least developing countries (LDCs) such as Laos (Kent, 2012a).

Significantly, the authorities compiled the legislation to enact a new minimum wage law passed in March 2013 which set up by negotiating with employers and employees more than 30 times<sup>6</sup>. The Minimum Wage Law stipulates that “employees, regardless of gender, have the right to be treated and compensated equally (article 14 (h))”, (Bu & Naing, 2013) which is the first legalization process in relation to discrimination in labor laws.

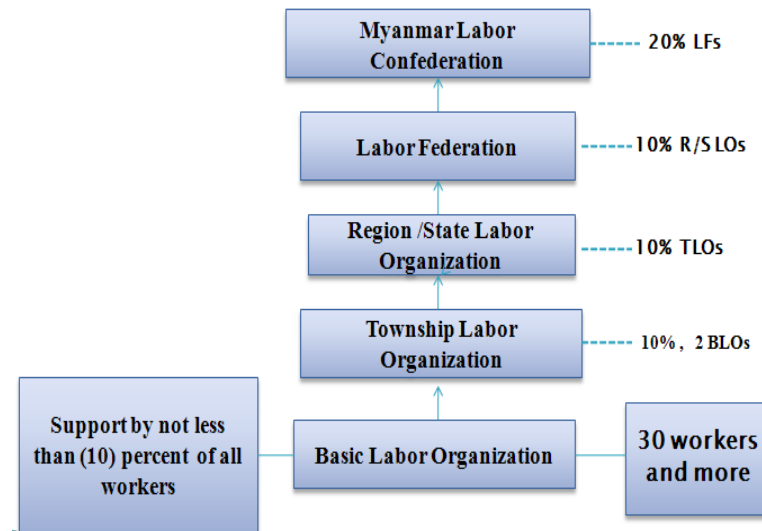
## **2.2. Labor Unions in Myanmar**

In Myanmar, since the military took over in 1962, the authorities have consistently denied the people their freedom of speech, press, assembly, and association (T. Kudo, 2013). Also in 1964, the government abolished all trade union organizations (Ahsan & Mitra, 2012). Substituting for independent unions is government-sponsored Regional Workers Councils (RWC). In 1985, there were 1.8 million members of RWCs. Coordinating the work of the regional councils was done by the central workers organization in Yangon which was formed in 1968. The Central Arbitration Board was given the responsibility to settle major labor disputes but was inactive. Minor labor concerns were addressed by the township level agencies (T. Win, 2012). In October 2011, however, the Parliament passed the Labor Organization Law legalizing labor unions for the first time since 1962 which allowed for the formation of ‘Basic Labor Organizations’ (BLOs)(Hluttaw, 2011).

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<sup>6</sup> The discussions on the amount of payment for minimum wages has been doing since the enacted of Minimum Wage Law 2013 and onwards.

Figure 3 Features of Labor Organization Law (2011) Formation



Source: Ministry of Labor, Department of Labor Relations, Myanmar (MOLES, 2011)

Based on the Labor Organization Law of 2011, Basic Labor Organizations (BLOs) formed by a minimum number of 30, workers working in the relevant trade or activity according to the category of trade or activity. If it is a trade or activity having less than 30 workers, it can form jointly with any other trade of the same nature. In forming, it shall be recommended by not less than 10 percent of all workers of the relevant trade or activity. Township Labor Organizations may be formed if it is recommended by not less than 10 percent of all Basic Labor Organizations in the relevant township according to the category of trade or activity, Region or State Labor Organizations may be formed if it is recommended by not less than 10 percent of all Township Labor Organizations in the relevant Region or State according to the category of trade or activity while, Labor Federations may be formed if it is recommended by not less than 10 percent of all Region or State Labor Organizations according to the category of trade or activity, In the meantime, Myanmar Labor Confederation may be formed if it is recommended by not less than 20 percent of all



Myanmar Labor Federations according to the category of trade or activity (T. Win, 2012).

In country, there are two groups of union organized as labor federation according to current Labor Law but the mechanism is based on the trade union activities (Campbell, 2013). One group is exile trade unions which leaved to Thailand in 1964 when government has wiped out union as mention in first paragraph. Another group was formed by former member of political parties and workers (Campbell, 2013). This divergence between the confrontational approaches of workers and the conservative approaches of trade union officials have full efforts to democratize stagnant unions or to build alternative, rank-and-file movements that by pass existing union structures altogether (Campbell, 2013).

### **2.2.1. Labor Force in Myanmar**

Since the only official survey on labor force was conducted in 1990 by the Department of Labor in cooperation with ILO and UNDP(MOLES, 2011), figures on labor market in Myanmar are considered approximations. Tax avoidance, a large “black economy”, and illegal migration are the key important reasons for the complicated assessment of labor force. Official statistics from government in 2011 estimates that the country has 37.44 million labor in working age and 30.13 million labor are working (MOLES, 2011), which takes account of 72.8 percent and 58.6 percent of the total population of 53.26 million (World Bank, 2013). Currently, the latest labor force survey named 2014 Myanmar Population and Housing Census (MPHC) was carried out in 2014 by Department of Population (DOP), Ministry of Immigration and Population Table 7.

According to Union Census Report in 2014 which is for the first time since 1996 national census, shows total population of Myanmar is 51486253. The labor

force information was collected for all 40,988,693 people aged 10 and above. The proportion of the population in the labor force among the population aged 10 and above (labor force participation rate) is 57.0 percent (DOP, 2015). The labor force participation rate is 63.4 percent when the lowest age applied is 15 years. The entire labor force participation rate for the age group 15-64 is 67.0 percent. This thesis will take the age between 15- 64 as a labor force participation rate because it is in line with ILO and international practice.

According to census results, the employment rate to population ratio can be defined as the ratio of the total labor force currently employed to the total working age is 64.4 percent. This ratio means that of all the people who are of working age (15-64) in the country, 64.4 percent are employed. The remaining 35.6 percent are either unemployed or are not part of the labor force. And an unemployment rate among the labor force of 15-64 years is 4 percent at the Union level. These are people who are actively searching for jobs and are ready to take up a job when it becomes available.

Table 7 Labor force, Employment and Unemployment rate in 2014

Total Population of Labor Force	Labor Force Participation Rate (age 15-64)	Employment Rate	Unemployment Rate
40,988,693	67%	64.4%	4%

Source: Department of Population, Union Census Report (pg-27) (DOP (2015b); WB (2014))

In comparison to other countries in the region, Myanmar has abundant workforce not to mention cheap labor which is considered a steady and attractive labor supply force to investors. This is viewed as strength in its labor resources as shown in Table 7. Furthermore, as the political situation improves, the country has

been stepping into the global economy while the US eased the importation ban and EU reinstated the duty free trade preferences in 2012. Myanmar has also joined the regional economy while it participates in AEC in 2015 tentatively. This creates the favorable environment to attract foreign companies doing business, and thus increases the labor demand and generates potential opportunities for employment.

In spite of these advantages, the country has confronted to some crucial challenges making the gap between the supply and demand in labor market including lack of proper laws, the shortage of workers with qualified skills, and high employee turnover rate. First and the foremost, labors from various sectors have been involved in work places without proper knowledge and practice of laws to protect them in the case of labor rights. Because of this, the wave of protests in industrial zones requesting for minimum wage and appropriate working conditions occurred in 2012 following with the enacted of labor organization law which allowed labor unions and organizations to be legally registered. Second, although there is an abundance of labor resources, Myanmar has experienced shortage of skilled workers because the majority of workers are unskilled or low-skilled (TSR, 2012). At the same time, the skills from university graduates (like chemistry, geography, etc.) often do not meet or match the demand of employers. Moreover, with the job vacancies with high demand such as senior managerial-level work, the labor supply in the country has not met with the demand which might be explained by the lack of proper formal training provided in these fields in the country (TSR, 2012). More importantly, migration to another country for work also contributes to the shortage of the labor resource in the country. It is estimated that there are approximately 2 million former household members reported to be living outside of Myanmar, in which up to 70% of those members migrated to Thailand (DOP, 2015a). Last but not least, the alarming turnover rate in employees makes the gap between the labor supply and demand further. The situation of employee turnover is quite high in Myanmar, especially at entry level due to low payment, long working hours or ambiguous responsibilities (Tip, 2013). Several companies strive to reduce turnover by long term contract, subsidizing meals,

transportation, training programs offer or improvement of working environment, but only few companies considers about developing pension, loan programs and health insurance (Tip, 2013).

### **2.3. Industrial Relations Theory**

The theory of industrial relations was introduced by John Dunlop (1958) wherein classifying three industrial actors are classified – employers, labor unions, and government. The distribution of power among these actors impacts upon individuals and work place since they are located within the environment in terms of technology, labor and product markets (Naukri, 2015). Within this environment, actors interact with each other, negotiate and use economic and political power in process of determining rules that constitute the output of the industrial relations system (Hyman, 2007). Dunlop (1958) argued that none of these actors could perform an independent fashion because they need to shape to some extent by their market, technological and political contexts (Naukri, 2015). To analyze this further, Dunlop (1958) argued that the three key factors need to be considered in looking at industrial relations theory:

1. Environmental or external economic, technological, political, legal and social forces that impact employment relationships;
2. Characteristics and interaction of the key actors in the employment relationship: labor, management, and government; and
3. Rules that are derived from these interactions that govern the employment relationship

(Hyman, 2007) deplored in his classic study that Dunlop initiated an effort that was rather ineffective to establish a ‘self- reliant’ industrial relations theory which would approve the status of the subject as distinct. Hayman analyzed that the study of industrial relations emerged without clear theoretical foundations, conflicting

understanding of its main core and subject-matter (Hyman, 2007). As an assumption, most introductions of industrial relations are under the central concern of “collective and institutional regulation” or “work and employment”. In fact, the major roles of industrial relations such as collective bargaining, collective agreements, worker's councils, arbitration councils and tripartite committees is central in this process which assumes the existence of former employer-employee relations and favors a form of economic trade unionism based on Western models that discourages political or social movement unionism in favor of cooperative economic arrangements between capital and labor (Badejo, 2014; Kaufman, 2004).

However, the core structure of industrial relations by Dunlop meant the institutions and norms that shape the industrial relations and its outcomes, including functional norms (wage rates, working hours) and practical institutions (conciliation and arbitration boards). Thus, the industrial relations was conceptualized in terms of both process and product (Kaufman, 2004). The Dunlop's model gives great significance to external or internal environmental forces. In other words, management, labor, and the government possess a shared ideology that defines their roles within the relationship and provides stability to the system (Naukri, 2015).

## **2.4 Stake holders' perspectives:**

### **2.4.1. Worker's Perspective**

The meaning of industrial relations for the worker is the formation of unions and its accorded actions on protecting labor rights which include taking up the issues of child labor, slavery and cheap labor. Workers associate industrial relations with unions, industrial awards and labor laws that establish decent working conditions at their workplace (Webster & Htway, 2013).

### **2.4.2. Employer's Perspective**

In modern days, industrial relations for the employer are negotiations with workers and business owners to increase productivity and improved product quality (Leo, 2010). In turn, employers offer better pay and decent working conditions. The employer keeps good industrial relations for their business growth and success (Leo, 2010). That kind of negotiations is referred to as enterprise bargaining as argued by Kaufman (2004). The reduction of industrial strikes include conflict between workers or protest against employer is desirable objective in industrial relations (Kaufman, 2004).

### **2.4.3. Society's Perspective**

It is inarguably that society needs work life balance to make sure that people's health are safe, and has a happy and productive populations. Thus, industrial relations for society reflects on the are the effects of their jobs on their daily lives, for more precise, quality of lives – their quality of lives, to be more precise, (Abbott, 2006). Unemployment causes social disadvantages and economic deprivation that leads to increased poverty. On the other hand, too much employment also has its own disadvantages. For example, people who are busy and work for long hours suffer from health issues, family and social problems (Chidi & Okpala, 2003). Society prefers strike in the case of balancing their work life in a way of expressing their basic need and unemployment problem (Leo, 2010).

#### **2.4.4. Government Perspective**

As for the government industrial relations is looked at in relation to globalization where there is a- need to be competitive in the global marketplace for goods and services, the labor force's wage demands need to be reasonably compared with the cost of goods and services (Ahsan & Mitra, 2012). If wages are higher, that will lead to a less competitive workforce in the global marketplace (Heron, 2008). Government was argued to be influencing the wage and conditions of work for workers in terms of laws and policies that affect industrial relations. Thus, industrial relations is considered to be the major factor in managing the country's economy(Leo, 2010).

#### **2.4.5. Good Industrial Relations**

According to Badejo (2014), good industrial relations can be defined as the actors, employees, employers and government achieving their own interests and recognizing each other's interests. The basic evidence of good industrial relations demonstrate in industrial peace and increased productivity (ILR, 2014). Good industrial relations also encourage continuous productivity, create employment, therefore, producing a smooth running industries with uninterrupted production (Kaufman, 2004). In terms of industrial peace, industrial relations reduce the industrial conflicts which are the reflections of the failure of basic human demands or motivations to secure adequate satisfaction (Badejo, 2014). Under good industrial relations, the interest of employees and employers is one and the same that is increase production (Koh & Yer, 2000). This, in effect, fosters a perception where employees feel they are co- owners of the industry and employers also think that the distribution of income

must be equal from the gain of the industry (Kaufman, 2004). This can also called the achievement of industrial peace since it shows the unity of thoughts. When this happens, it affects production because highly co-operative workforce can produce great outcome (Koh & Yer, 2000).

The leaders of actors in the ranks of workers- and the government set up a new relationship with a spirit of true democracy in good industrial relations (ILR, 2014). If both the objectives of national development and increased labor protection are to be achieved, there must be harmonious relationship between management and labor (Heron, 2008). Social protection and welfare can work our effectively and efficiently in an atmosphere of industrial when new technology and projects are introduced and workers are encouraged (ILR, 2014).

## **2.5. Industrial relations in Myanmar Industrial Zones**

As a developing country, Myanmar needs to intervene in industrial relations in the interest of the whole economy. According to (Badejo, 2014), the state already has its role as the prime mover of the total social system. The role of the capitalist state is described as having various roles and functions which include the role as legislator, agency of conflict resolution, employer, economic manager and regulator in industrial relations (Badejo, 2014). Using the industrial relations theory it is able to see the changes of Myanmar' external and internal environment with the key actors being held to respond in a relatively uniform and mechanical manner to a given environmental changes (Badejo, 2014).

Industrial relations in Myanmar have been firstly encouraged by the labor unions whose major responsibilities are supporting workers on negotiating social



welfare such as health and decent working conditions. In spite of the important role of each stakeholder and their collective efforts in improving industrial relations in the country, the cooperation between those stakeholders has been considered as a lack of consistency and understanding. For example, in some cases, it is seen that the new rights-based industrial relations framework drifts towards a conflict model. This risk has been increased by the perceptions created by several high-profile disputes and a lack of consistency in enforcing labor laws – a recognized weakness in Myanmar (MCRB, 2014). Hence, the practice of good industrial relations among stakeholders needs to be considered in order to promote productivity in the long term. Government, businesses and workers should engage more cooperation on the good industrial relations practice by capacity building, improving policies and procedures and enhancing cooperation among stakeholders.

### **2.5.1. The effectiveness of legalization in Industrial Relations**

According to the Ministry of Labor, Employment and Social Security website announcement<sup>7</sup>, government has encouraged amending and enacting the labor laws those encouraging strong industrial relations. Such kind of laws has been on paper but never been on the ground for decades. Table 8 shows the effectiveness of the law that comes into force after 2012. In 2012, the three laws have been enacted following with the amending of other existing labor laws continuously in 2013 onwards. For example the regulations of Minimum Wage Law (By Law) have come out in 2015 that has been enacted in 2013. However, Minimum Wage Law 2013 did not mention the exact minimum wage amount and the 2015 regulations meet the detail information of minimum wage.

Table 8 Labor laws enacted after 2012

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<sup>7</sup>See More on <http://www.mol.gov.mm/mm/regulations/>

Law / Year	2011	2012	2013	2014	2015
Labor Organization Law (2011)		Enacted			
Amending the Settlement of Labor Dispute Law				Amended	
Settle of Labor Dispute Law		Enacted			
Social Security Law		Enacted			
Minimum Wage Law			Enacted		
Amending Law of Leave and Holiday Act 1951				Amended	
Regulations Settle of Labor Dispute law				By law	
Regulations of Social Security Act (2014)					By law
Regulations of Minimum Wage Law					By law

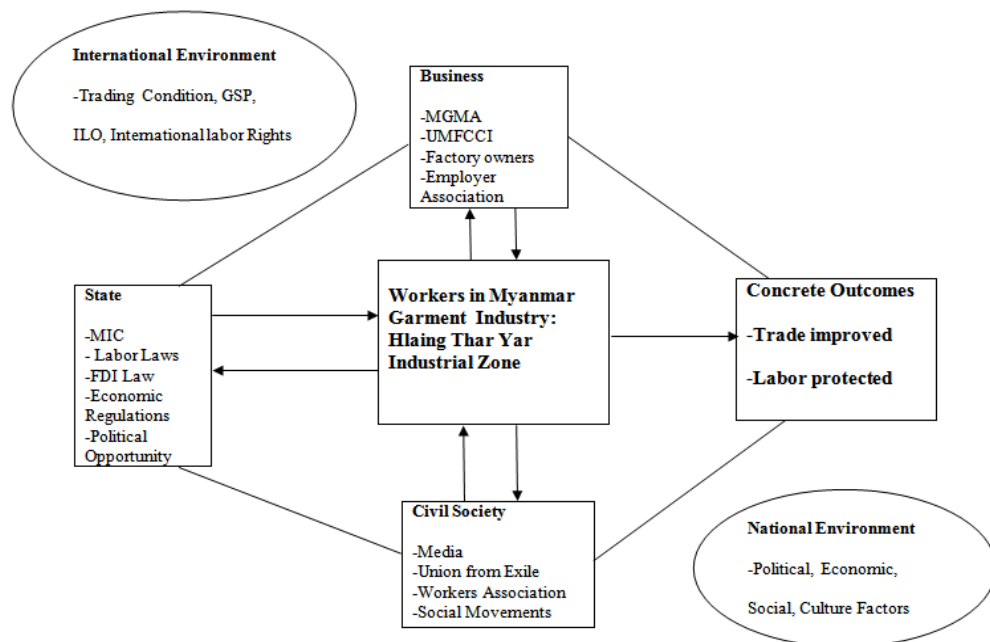
In 2012, after the first Labor Organization Law was enacted, the wave of industrial strike occurred in Yangon and the whole nation. As mention above in Section 2.2, the workers have their right for the freedom of expression includes strike, campaigning and organization activities. The arbitration council has settled 90 labor disputes<sup>8</sup> in 2012-2013 when there was total 800 labor strikes happened in Myanmar (Kudo, 2013).

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<sup>8</sup> See more on <http://www.mol.gov.mm/mm/departments/central-trade-disputes-committee/council/>

## 2.6. Conceptual Framework

Figure 4 Conceptual Framework Diagram



As shown in the Diagram, this thesis used industrial relations approach to examine how the civil society, business and state affect the garment sector in the industrial zone. And this approach was able to help determine the industrial relations impacts to the garment export trade. The diagram shows that in terms of industrial relations, the government can benefit from the political opportunities in international environment which may create more favorable legal framework for labors if there is the participation of different related stakeholders in the industry including employers, workers and support organizations. Thus, the approach was able to support the thesis in exploring the situations and the roles of industrial relations in garment sector in industrial zone after the sanction lifted in 2012.

Further, in order to examine the situation of labor protection in industrial zone the thesis also analyzed the economic, social and cultural factors present in the industries included in the study. By looking at these factors, the thesis was able to -

analyze the labor organizations in Myanmar in terms of their access to decent working conditions and minimum wage amidst the growth of industrial capitalism and enhancing trade. The labor situation was able to be theoretically explained within the framework of industrial relations and labor protection in industrial zone and this was also useful in arguing for the role of industrial relations in supporting the garment trade and the workers in the garment sector in Hlaing Thar Yar Industrial Zone.



## **CHAPTER III: GARMENT FACTORIES IN YANGON INDUSTRIAL ZONE**

This chapter intends to answer the research question: ‘What are the situations of garment trade in Industrial Zone after 2012?’ This chapter is divided into three sections to analyze the situation of garment industry after 2012 and to see how it has changed based on the national and international environment dynamics during the economic reforms in Myanmar. Section 3.1 provides information on the situation of garment trade which includes General Specific Preference GSP, ASEAN Economic Community (AEC), production types, export products and market assessment. Section 3.2 provides the general information on the Myanmar garment industry which mentioned the location, size, wages and salaries of the workers in in Yangon Industrial Zone. The research analysis will be more scoped down to Hlaing Thar Yar Industrial Zone in Section 3.3 where a the case study area will be discussed to understand the situation of that industrial zone and the garment trade after 2012 as well as to understand the impact of the changing international environment to Myanmar economy. Moreover, this section will also discuss the changes brought by the lifting of the US sanction and analyze how the garment industry developed. This section will also discuss how the actors: stakeholders, government and labor organizations cooperate in developing garment industry and how they are overcoming the current challenges. The conclusion will answer the research question and analyze the opportunities and challenges of the garment trade in Myanmar.

The data and facts of garment factories in Myanmar are mostly drawn from the reviews of secondary data collection from Myanmar Garment Manufacture Association (MGMA) combined with primary data analysis. MGMA is the only one garment manufacturer associations which keep records not only on factory and export data but also keeps updated information of the company’s details. MGMA has been organized under the Union Myanmar Federation of Chamber of Commerce and Industry (UMFCCI), a non-government organization established by the employers

and traders. There are about 386 membership companies of MGMA in 2015. Most membership includes design firms, commodities inspection companies, a few retail shops and a pattern-making training institute. Member-companies are both local, foreign and joint venture doing garment for export market. Therefore,, the data from MGMA will be able to support well to answer the research questions. The purpose of this chapter is to analyze the political economy of Myanmar in enhancing trade in garment sector after 2012 when the US sanction was lifted and came along with GSP preferences from EU in 2013.

### **3.1 Situation of Garment Trade after 2012**

#### **3.1.1. Lifting of US sanction and EU GSP**

In 2012, Myanmar got the EU's Generalized System of Preferences (EU GSP) which came after the lifting of the US sanctions. Thus, all original products of Myanmar except some sensitive items<sup>9</sup> got full tax free and quota free access to the EU market. During this time, the government implemented economic reforms through amending economic policies and facilitated the rising cooperation with International Labor Organization (ILO). The lifting of the US sanction and the reinstatement of the GSP by the EU provided significant political opportunities for Myanmar as the country began to participate ILO activities on child labor, forced labor and freedom of association. The purposes of government emphasizing on labor rights in terms of industrial relations are especially for the development of and reforming the economic sector through liberalization. Increased trade is major part of economic reform that comes with the opening up of industrial sectors and inviting foreign investments in labor intensive garment industries.

Because of the benefits of the GSP given by the EU, the Myanmar government became more focused on the garment sector because it is labor intensive. This sector

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<sup>9</sup> Ammunition and Arms are not allowed in EU GSP

can give employment opportunities not only to uneducated labor force but also to women. According to the nature and culture of Myanmar women, rural and uneducated women face difficulty in getting jobs or having difficulty working in other sectors for instance in construction, mining and wood-based industries. Thus, the garment industries became the only industry that can create jobs for women. Garment industries are directly linked with the government policy on poverty reduction since they were able to create employment for the poor. The political opportunities that came after the US sanction was lifted have directly benefitted the garment sector. Garment sector has increased trade by enhancing productivity, going through in line with international and national labor rights. The majority of foreign direct investors became attracted to Myanmar and expressed interest in the garment sector because of its cheap and abundant labor (Interview with Myanmar Industrial Association, CEC member on 19 May 2015).

According to an interview with the Union Chamber of Commerce and Industry (UMFCCI), the special economic zone Special Economic Zone (SEZ) law enacted in 2011 has been in force under the same procedure as the industrial zone law. The newly formed ministry, the Ministry of National Planning and Economic Development (MNPED) plays a major contributor in managing the manufacturing sector. The changes in political economy bring up the trade improvement after 2012 as the garment trade increased export volume from 900 million USD in 2012 to 1.2 billion 1200 million USD in 2013 and 1.4 billion in 2014. However, the wave of industrial strikes occurred after Labor Organization Rule was enacted in 2012 due to difficult mechanism and approach among returned exile union and local labor organizations, these made the sector slowdown in terms of grabbing the economic opportunities of the market. Most of the labor associations and unions are formed in garment sector since the sector is labor intensive. This means that there were more industrial strikes that ever happened in garment factories than any other sectors.

The employers association, unions and business organizations in the garment sector started to emphasize the knowledge and importance of industrial relations in trading in 2015 while multinational companies started to push the Myanmar garment

sector to comply with consumer rights as demanded by customers of branded products who would prefer buying garments produced from the factories that observe international labor rights. The government encouraged good industrial relations practice by moderating between stakeholders by establishing committee and Department of Labor Disputes to take legal action on labor dispute cases during 2013. At the same time, export market to EU countries has been increasing gradually. More foreign direct investment projects entered into the garment industry in this period where about 65 more garment companies came to Myanmar in 2014 despite the fact that the infrastructure and other industrial facilities in the country are not yet ready (Interview with MD of Maple Trading Co Ltd on 18, Aug 2015).

### **3.1.2. Export Market**

Garment factories in Yangon are mainly targeting the EU market and are expecting to get more investment in the garment industry from the ASEAN Economic Community (AEC). EU has never put sanctions on Myanmar products but the consumer rights of branded clothes block the ways to export. However, after GSP opened, EU import increased from 143.45 million in 2012 to 309.52 million in 2014. The number of investment companies in garment sector also increased from 258 to 361 during 2012 to 2014 (Interview with MD of Best Industrial Co Ltd, 20, August 2015).

Figures from MGMA show that Myanmar exported about 1.5 billion million worth of products in 2014. The country was able to export about 560 million USD worth of garments to Japan, 462 million USD to South Korea, 83.49 million USD to England, and combined 309 million USD to 28 countries in the EU. Other countries that follow include China with 34.48 million USD, United States with 16.07 million USD, France with 10.84 million USD, and Canada with 4.17 million USD of exported garment products. Garment exports have been steadily increasing even before 2014 when Myanmar brought in approximately 1.2 billion in 2013 and 900 million USD in 2012.



Currently, local factories majorly rely on the Japan orders despite the few quantities but high demand on quality which means more production cost for the factories. The assembly line of work need to set up for each design they made. So if there are lots of quantities, the line only need to cost one time which can be used for two to three months. But with few orders for difficult design, the factory needs to setup the design template which can only be used for two or three weeks which can cost more for the factories. The raw materials like textiles and accessories for clothing are imported from China, South Korea, Japan, Italy, Thailand and Taiwan (Interview with Tat Nay Win Ne Co. Ltd on 18 Aug 2015).

According to the research findings, Myanmar as a member of ASEAN, the government has been encouraged to keep at par with other ASEAN countries by taking advantage of its abundant natural and human resources and its expansion to global market economy. Being a new comer, Myanmar has presently been considered to be participating in the beginning stage of integration comparing to other country members, thus preparing for the AEC plays as the first priority of the Government in industrial sector. According to the research interview with economic experts and employers, to get the full benefit of AEC, export volume should be more than the import by means of trade balance. Thus, the government is focusing more on enhancing trade given the favorable conditions for the garment industry such as the Hlaing Thar Yar industrial zone where most of the garment factories exist. Seeing its relevant contribution to the Myanmar economy, the next section, therefore, will discuss the production, trade and social factors of Hlaing Thar Yar Industrial Zone.

### 3.2. Garment Industry in Myanmar

The Myanmar garment industry is rapidly growing after 2012 because of the country's effort to accelerate the economy by promoting the manufacturing sector. There have been more and more investments coming into the garment industry due to low cost for labor and the opportunities that come with with the UE's GSP. Since Yangon is the industrial hub of Myanmar, the majority of investments to garment industry are flowing through Yangon Industrial Zone.

Yangon is the former capital city of Myanmar where most of the businesses exist. In Yangon, there are more than 29 industrial zones with more than 3,000 factories which employ over 300,000 workers, among them 250,000 laborers in the garment sector. Because of this Yangon region alone contributes 70% of the total GDP. There are four industrial zones and two ports that are located nearest to Yangon City, which include

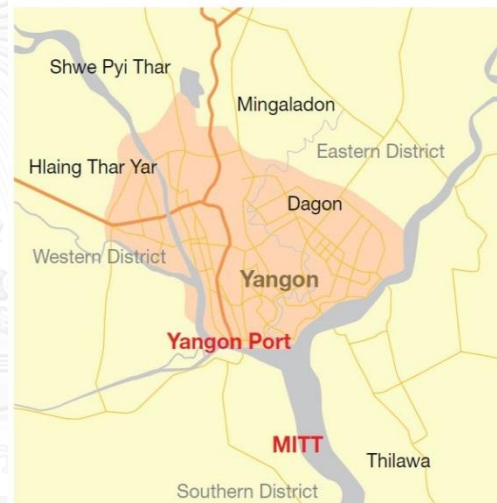


Figure 5. Yangon Industrial Zones and Ports

Shwe Pyi Thar and Mingladon Industrial

Zone at the North, Hlain Thar Yar and Dagon Industrial Zone at the South with Yangon and Thilawa (MITT) port (Figure 5). This section will see the location, size and wages of the garment factories in Yangon. Moreover, most of the garment factories are situated in Hlaing Thar Yar Industrial Zone which is the research case study area which will be discussed separately in Section 3.3.

#### 3.2.1. Location of Garment factories in Myanmar

Garment factories are mostly located in Yangon Industrial Zone. Most of the population in this zone is of labor age. As mentioned in the literature review, there are about 300 garment factories in 29 Yangon Industrial Zones mostly producing for international markets (MGMA, 2014b). Some locally owned low volume factories are producing for domestic market. Many investors who are interested to do joint-ventures are local partners with 100 percent investment in Yangon due to its advantages of abundant skilled workers and electricity supply is better than the rest of the country (MGMA, 2014a). Moreover, there are three ports near Yangon including Thilawa which support to develop more to attract foreign investments. Thilawa is situated 25 kilometer south of Yangon with 2,400 hectares special economic zone. Major infrastructure development projects for Thilawa deep sea port are currently in the initial stages of implementation with support from Japan International Corporation Agency (JICA) and other foreign partners. Also, several international garment manufacturers especially from Hong Kong expressed interest in launching factories in Thilawa SEZ where there will be more garment factories entering the zone after 2015 according to the interviews with Aung Win from Maple Trading Co. Ltd. There are also garment factories located in Patheingyi Industrial Zone 152 kilometer west of Yangon and Bago Industrial Zone 68 kilometer North of Yangon. Patheingyi and Bago have the advantages of abundant labor and low land price which benefit foreign investors there. The availability of a 50-year leasing for foreign factories and a government commitment to provide secure electricity supply attract more investors in these zones. There are over half a dozen garment factories which have been setup in Bago and that these factories benefit from the close proximity to Yangon (MGMA, 2014b). There are also more than six factories in Hpa-An industrial zone which is under construction, 158 km southeast of Yangon. Hpa-An got the attention of the international investors in the recent years relatively due to its close location to the Thai border and the ASEAN East-West Highway, which serves as the connection between Hpa-An with Mae Sot in Thailand (Mon, 2014), which has been opened in 2015. Moreover, there are many garment workshops in Mandalay, the second largest

city of Myanmar. However, most factories are in low quality and quantity targeting to domestic market rather than export. According to MGMA (2015), there are several cotton ginning factories and larger government run textile factories which are under Myanmar's Textile Industries, a division of the Ministry of Industry. Therefore, Mandalay has a sizable textile industry, but not much of a garment industry (MGMA, 2014b; Mon, 2014).

### **3.2.2. Size of Garment Factories in Myanmar**

The size of garment factory can be measured by its productivity and number of laborers. According to Small and Medium Enterprises (SME) Law<sup>10</sup>, the workers should not be more than 500 in a specific business. Therefore, most garment factories are out of the SME list because there have been approximately more than 500 workers in each garment factory. A garment company can have up to 2,400 workers in total combining all the factories the company owns. A single factory usually holds from 250 to 800 garment workers covering an area of about 28,000 to 40,000 square feet according to the secondary data review of Hinrich Global Trade leader Foundation (Hinrich, 2015). They can produce about 7,500 pieces of garments per month if it is for the production of complicated jackets to about 20,000 pieces for much more simple casual wears (Gaung, 2015). Their monthly sales income ranges from about 40,000 USD to 1 million USD (Hinrich, 2015). The CMP price the factories get ranges from about 1.5 USD for a vest to about 6 USD for a jacket (MGMA, 2014a).

Most manufacturing work is done in-house while some are given subcontracts to smaller garment factories but making sure that their quality is met. Most of the

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<sup>10</sup> The SME Law was enacted by the Pyidaungsu Hluttaw Law No. 23, 2015 Chapter 1. The enterprise, if it is labor intensive or mainly works for piecework business, which shall not be more than 300 employees as regular basis or not be more than 500 million kyats capital investment can be define small enterprises

factories will give the subcontract for the whole garment. Most of the factories make for the midrange level for garment export but some are also making for the high-end market. Majority of small garment factories are locally owned and foreign owned factory operate with more labor force for mass production.

### 3.2.3. Wages and Overtime of Garment Workers in Myanmar

Currently, the Myanmar Garment Manufacturers Association (MGMA) has followed the rule for minimum wages for garment workers (Table 9) which upgraded the government instruction of 2015 Minimum Wage Act. This latest act of minimum wage was approved by the government in July 2015 after the discussion between government, owners and workers association. The current minimum wage is at Myanmar Kyat (MMK) 3,600, about 3 USD per day for 8 working hours and MMK 108,000, about 90 USD per month<sup>11</sup>. According to information gathered from interviews, most workers in Hlaing Thar Yar garment factories receive this amount which started on 1<sup>st</sup> of September 2015. For example a skilled sewing operator (Grade B worker) who works for a month plus 44 overtime hours will be getting US\$112 per month (Table 9). According to the Minimum Wage Act 2015, the minimum wage can only be applied to permanent workers in legal business and that trainee-workers are not eligible to get paid the minimum wage.

As shown in (Table 9), workers are supposed to work 8-hour per day, 26 days per month and the overtime is 2-hours per day, which is in total of 44 hours per month. Apart from the 8-working hour per day and 26 working days per month, the overtime hours and other allowance are calculated on average in order to see overall wages and overtime that would be different according to the factories' production. The method of calculating overtime has based on the formula mentioned in literature

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<sup>11</sup> The exchange rate of Kyat is 1210 kyats on July 16, 2015 based on the central bank of Myanmar reference date.

review<sup>12</sup>. According to the Myanmar Leaves and Holidays Act, 1951 which was amended in 2014, the owner has to allow the worker to at least get one rest day in every week with full pay. Thus, the government has added this additional paragraph in 2014 to the former act of 1951 that says that the monthly salary has counted based on 30 days instead of 26. The exchange rate of Kyat is 1,210 kyats per US dollar on July 16, 2015 based on the central bank of Myanmar reference date. This research data on average model wages combined the basic salary, cost of living allowance, overtime, regular attendance, productivity bonus to see the total wages in Myanmar Kyat (MMK).

Table 9 Current average wages and overtime for garment workers

Unit: Myanmar Kyat (MMK)

	Basic Salary		Cost of Living Allowance		Overtime		Regular Attendance (Monthly)	Bonuses (Monthly)	Total Wages (Monthly)
	Daily	Monthly	Daily	Monthly	Hourly	Monthly			
Sewing Operators (Grade B)	4,000	120,000	500	15,000	1091	96,008	5,000	5,000	241,008 (\$199)
Sewing Operators (Grade C)	3,600	108,000	300	9,000	982	86,416	3,000	3,000	209,416 (\$173)
Trainees	1,500	45,000	100	3000	409	35,992	3,000	0	86,992 (\$72)

Source: (T. Kudo, 2013) modified by Soe Sandar Oo

According to data gathered from field work, the research found out that labor unions representing workers have been requesting for a minimum wage at about US\$4 for an 8-hour work day (about US\$120 per month) which excludes welfare benefits,

<sup>12</sup> See Section 2.1.3 in Chapter 2.

overtime and bonus payments before the Minimum Wage Act has confirmed. The request is equivalent to the recent modest pay rise of civil servants according to the interview with Khine Khine Nwe from Best Industrial Co.Ltd. However, in terms of the garment employer side, only the minimum wage set at US\$1.2 for an 8-hour work day (about US\$36 per month) has been proposed before the minimum wage act has confirmed<sup>13</sup>.

After the Minimum Wage Act has been declared, all industries had to comply with the law which created disagreement among garment employers, especially those from China and South Korea factories, on the amount of minimum wage. The implementation of the law was considered as a bad call for Chinese and South Korean investors, threatening to shut down the factories or withdraw the investments made<sup>14</sup>. The research found out that some factories have already reduced the facilities for workers after they have started to comply with the minimum wage policy. For example, ferry bus services for workers have been cut down, lunch at factories has been removed, and workers who seemed to be lacking on skills are terminated. According to interviews with employers, since the international way of calculating overtime is the base salary for a day multiplied by 1.5, the Myanmar way of calculating overtime pay multiply by 2 which is seen as unfair for some employers. Nevertheless, the wage increase has been lauded by the ILO, US and EU investors which they consider as a good change to improve trade and labor practice in Myanmar according to interview with Maple Trading Co Ltd. This wage increase, however, was considered as bad for business as one employer expressed:

“Wages is particular topic in labor’s demand that also reason for many cases of industrial strike. The discussion on minimum wage is more than 30

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<sup>13</sup> However some employers from wood processing factories are willing to accept a minimum wage of US\$3 per day (US\$90 per month) which is current temporary minimum wage.

<sup>14</sup> See more on International Business Times, <http://www.ibtimes.com/myanmar-garment-factories-source-popular-brand-name-clothing-retailers-aim-defeat-40-2010505>

times<sup>15</sup> between government and stakeholders as well as stakeholders themselves (employers-employees). But government decision on MMK 3,600 (2.77 USD) for all industry is too much for the garment sector. Because the factories are just open up to international market and the infrastructures which have to be supported by government are in very poor stage. So, we cost more on electricity, transportation etc. compare with other manufacturing focused ASEAN countries. With that amount some factories may not able to survive in the long term.” (Interview with Maple Trading Co Ltd, on 18 Aug 2015)

### 3.3 Hlaing Thar Yar Industrial Zone

Hlaing Thar Yar Industrial Zone (HTYZ) is one of the biggest industrial zones in Yangon where most factories operate for export manufacturing products. Moreover, HTYZ is famous among investors due to its advantages of good transportation system both shipping and on land since it is situated near Haling river (Figure 6) and the availability of other facilities such as electricity and water.

Figure 6: Hlaing Thar Yar Township and Industrial Zone (encircled)



Source: Google Map (left) & Myanmar Industrial Association (right)

<sup>15</sup> The discussion has been doing since the enacted of Minimum Wage Law 2013 onwards.

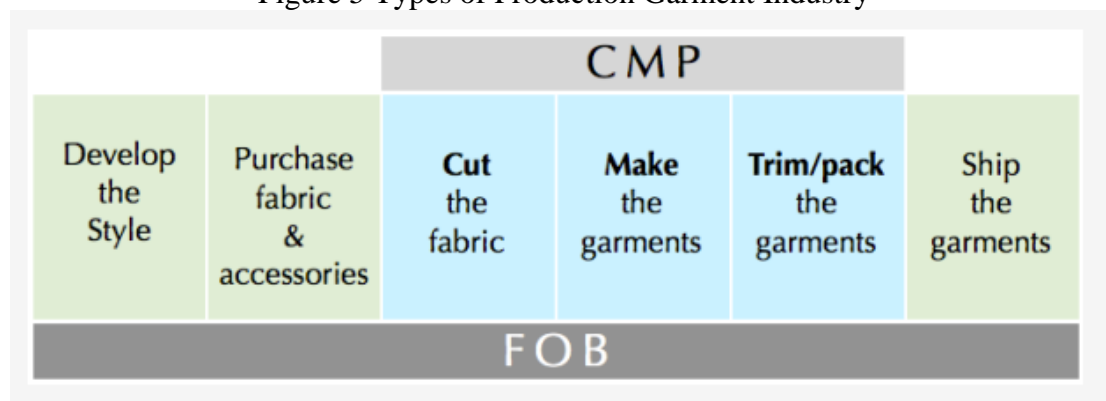


### 3.3.1. Production Types: Cutting, Manufacturing and Production Free-On-Board

The majority of garment manufacturers who export the products in Hlaing Thar Yar industrial zone are doing Cutting, Manufacturing and Production (CMP) work as opposed to Free-On-Board (FOB) which involves the full process from production to exporting (Figure 7). The garment factories in Hlaing Thar Yar acquire the raw materials from the side of the buyer or trading house abroad and incorporate the textile to carry out the labor-intensive task of cutting the textile fabric, sewing garments together according to design specifications and then packing the garment for export to international markets (Figure 8). The manufactured garment is then sold abroad with the brand name of the buyer. Therefore, the garment factories in Myanmar, earn a processing charge to manufacture the garment.

The alternative is the FOB “free-on-board” or sometimes called as the “freight-on-board” system. According to this approach, retailers only need orders from the factories in overseas market which are highly capable and well financed. The factories are basically responsible for producing the garments in their entirety and arranging for shipment including developing the style, purchasing the fabric and accessories, cutting the fabric, making the garments, packing the garments and shipping the garments to international markets. The retailer makes a purchase and doesn’t need to take as large a part an involvement in the production process.

Figure 5 Types of Production Garment Industry



Source: Myanmar Garment Manufactures Associations(MGMA, 2014b)

On the other hand, the CMP system is easy to engage by both government and business due to a tax exemption for this type of production. Garment producer in Myanmar will receive an endorsement certification from MGMA for \$5 which is valid up to 3 months plus extensions. Subsequently, the Ministry of Commerce will support import license for companies using the CMP system which can be used to secure a tax exemption on imports through customs. Clearly, the current tax system favors CMP rather than FOB, which doesn't receive such a tax exemption.

Myanmar garment industry has primarily engaged in CMP system due to lack of financial system, sourcing and design. The owners from the garment industry said that the current banking system is not relevant with FOB system due to the old custom that can only match with CMP. For example, the recent reform in Myanmar banking sector may soon make available letters of credit and back-to-back letters of credit (MGMA, 2014b). The FOB system needs sophisticated sourcing network and knowledge to perform the raw material for production. Thus, Myanmar garment sector have begun outsourcing services to transfer to the FOB system. Despite the effort, significant lack of knowledge in local factories in fashion design and patterns block its way to shifting to the FOB system.

Myanmar garment factories have developed more in terms of producing garments with quality standards even before the sanction was released in 2013 due to the continuous orders from Japanese and Korean market. However, the production line efficiency is below that of competitors in neighboring ASEAN nations due to the weak production and financial systems of the factories. Most factory owners including local and foreign counterparts prefer to develop FOB system since CMP only can earn processing charge. According to interview with employers, to be able to upgrade from CMP to FOB system, factories would need upgrading in their banking systems which is major expectation of garment sector after 2012 (interview details insert here).



### 3.3.2. Export Products

For the current CMP work in Haling Thar Yar, uniforms stood at the top place as the main product exported, second is the men's dress shirt and third is the men's suit (MGMA, 2014b). Moreover, ladies wear, jackets, rainwear, boxer shorts and pants are on the fourth most popular products exported according to MGMA (2014b). Myanmar exports the abovementioned products based on the product demands as ordered by Japan. Jackets are products exported mainly to South Korea, which has high demand for the product as shown in (Table 10). The political problem between China and Japan has been seen as favorable to Myanmar because the country is able to take up the market share lost by China (Min & KUDO, 2012). On the other hand, the raising labor cost in China and improved access to electricity and logistics help Myanmar shorter lead time in the future (K. Kudo, Umezaki, S., 2013). For the US and EU market, uniforms for schools and office, woven jacket and pants are the products that the suppliers are expecting to export (Table 10). Woven men's dress is also a product that is expected to be shipped to UK, which can also be done in the US and other countries in EU in the future.

The factories in the economic zones specialize in one or two products for export but are still ready to produce various types of garments depending on the market orders as in the case of Japan. For example, Best Industrial Company specializes in bestselling items such as jackets, pants, uniforms and rainwear clothing items. Around 80 per cent of their productions are uniforms, 15 per cent are for jackets and only 5 per cent are for baby and children's wear. Their CMP price starts from about 1.5 USD per piece such as jackets to 6 USD for some vests. Cotton, polyester, polar fleece and nylon are the main materials used and are sourced from the

buyer. All of the raw materials and the designs are instructed and sent by the buyer side. The price of the garment also depends on the level of difficulty in making the garment.

Table 10 Export Products and Market of some garment factories in Yangon Industrial Zone

Company	Export market	Average Output (Pcs/per month)	Export Products
Best Industrial Co Ltd	Europe, Korea, Japan	35,000	 <p data-bbox="991 1227 1070 1256">Jacket</p>
Famoso Clothing Co Ltd	Japan	25,000	 <p data-bbox="991 1809 1102 1839">Uniform</p>

Hallmark Manufacturing Co Ltd	Japan, target Holland	40,000	 <p>Raincoat</p>
Rising White Tiger Mfg Co Ltd	EU, Europe, Russia, UK	20,000	 <p>Jacket (Vest)</p>
Tek Nay Wunn Ni Mfg Co Ltd	Japan	20,000	

			Style pants
UMH Co Ltd	Japan	495,000	 Pants
Maple Trading Co Ltd	Japan, South Korea, the Netherlands and Germany	100,000	 Men's Jacket

Source: Hinrich Global Trade Foundation (Hinrich, 2015) modified by Soe Sandar Oo

Myanmar relies on Japan and the Asian market in garment export after US sanctions were imposed in 2003. Japan has taken over all other Asian countries as it stood as the top buyer of Myanmar garment with 348.70 million US import following with 123.98 million USD for South Korea in 2010 (Interview with Best Industrial Co Ltd on 20, May 2015).

### **3.3.3. Social Condition of Hlaing Thar Yar garment factory workers**

Since Hlaing Thar Yar Township which is also located near Thilawa Port and SEZ, areas that are becoming the industrial hub in near future, and close to Ayeyarwaddy Region (Figure 5), is a town where there is available and abundant source of labor. As mentioned in the scope of research in Chapter 1, the Nargis Cyclone that hit Ayeyarwaddy Region in 2008 left the people in vulnerable situation which led to the development of slum communities around Hlaing Thar Yar Township (Figure 6) where majority work in the garment factories are happening. Moreover, according to interviews with labor unions, most residents of Hlaing Thar Yar Township are also workers from HTYZ (Figure 7). Kayin ethnic people represent the majority of workers, while those coming from Magway and Saging region stood second then followed by workers coming from Rakhine region at the third place.

The social and economic factors that define the condition of the workers are changing together with the opening up of the political and economic systems of the country. For example, almost all of the workers are able to access their mobile phones to exchange information about their salary each other from different factories. The workers can now comprehend on how to calculate their overtime payments and are more assertive about their 10-day casual leave that they have never had in the past. Thus, some workers were able to demand for their overtime pay that had been dishonestly counted over the last 10 years. As a consequence, the workers from different factories in Hlaing Thar Yar follow the way of factory workers who have been successful on their demands, for instance, getting back the compensation for incorrectly cutting their overtime pay in the past. Moreover, garment workers from Hlaing Thar Yar are the first group who protested in demanding for the minimum wage according to interviews with media. Currently, the industrial workers including garment workers from Hlaing Thar Yar were able to get the benefit of minimum wage

that started on 1st of September 2015. Further, as mentioned in detail in section 3.1.3, the basic worker can get at least MMK 3,600 per day (8 working hours) and MMK 108,000 per month excluding all additional benefits and entitlements specified under the Leave and Holiday Act. However, this is only for the monthly paid workers. Daily workers, however, are not illegible to pay for the rest day until they upgrade as monthly workers.

However, the chairman of CTUM said that when everything is linked with globalization, it is not at the same as 30 years ago, where the nature of work and value chain was changed. To prepare for the ASEAN integration, union training is an essential thing to be done (Interview with CTUM Chairman, date?). Some laborers that have high school education can be trained but most of them cannot join the training because most of them have primary level education. The laborers from Hlaing Thar Yar Industrial Zone expressed that the basic laborers can rarely join the overseas training or workshop because their education cannot catch up with the expectation of the training. The laborers are also tied up with the assembly line in factories where one cannot just quit during the operations to attend training. If this happens, the CMP assembly line will fall apart.

The employers claim that government should take responsibility for the social security for workers. Despite the recognition of employers that workers face issues about food, health and education insecurities, according to them these have been already addressed by the wages that they pay. As argued by U Naing Win Aung from Tek Nay Wunn Ni Manufacturing Co Ltd, education is necessary so that workers can perform labor and manage their lives. Following this line of thought, some factories are providing reasonable food for lunch for the laborers because under the idea that workers will not be able to work hard if they don't have enough nutrition in their bodies.

“Laborers spend money on social, health and education of their children which means there is not enough for them to have proper food. But they still need to work with full capacity. If laborers do not have enough for a



living even after the minimum wage has been set up, that is not the problem of employers. That would be the government's responsibility for to provide for the basic needs of workers.” (Interview with U Naing Win Aung, 18, May 2015)

Since the HTY zone has become larger in scope and the population of workers has been increasing, the industry is now also known as the most active venue of industrial strikes in Yangon Region. Because of this, laborers in HTY Township were encouraged to form more associations and unions including a conflict resolution group which is partly government body. The detailed information about labor unions in Hlaing Thar Yar industrial zone will be discussed in Chapter 4 since it is linked with the role of industrial relations.

Figure 6 Slum Communities in Hlaing Thar Yar Industrial Zone



Photo: Google Map, 24, October 2010

Figure 7 Workers in Hlaing Thar Yar Industrial Zone



Photo: Nickey, 7 Days New, 17, October 2015



#### 3.3.4. Trade situation in Hlaing Thar Yar garment factories

According to an interview with the MGMA spokesperson conducted on 20 May 2015, the lifting of the US sanction led to the increase of the number of factories by four factories per month in average which is ahead of the ASEAN free trade agreement and AEC which allow for the free flow of investment within the ASEAN region. However, the number of garment factories in HTYZ is confusing due to the unsustainable investment within the zone before and after the imposition of the US sanction. Therefore, the number of factories can only be analyzed from the literature review. Moreover, the data assessment on trade in Myanmar is very limited partly because factories are not dividing into groups according to the type of production in

the zone. However, based on the findings, it was found out in this thesis that most of the garment factories are in Zone 3 out of 7 zones in HTYZ. The number of factories in HTYZ is increasing from 40 garment factories in 2012 to more than 200 in 2015 according to interview with media on 2 May, 2015. The majority of new comers are Chinese factories who come along with long term buyer from EU and would want to benefit from the GSP chances. The factories that are operating under the CMP system produce knit wear, shirts, jackets, uniform and pants.

The foreign factories have their own buyers especially countries from the EU which order more in quantity and reap more profit under the CMP system. The foreign factories can do both FOB and CMP system. However, the global branded products have the audit that check whether the products have produced in line with international labor rights. The factories are being checked whether the workers are able to work in a safe (presence of fire exits), humane and clean workplace. Garment factories can only access EU orders only if they can upgrade the factories' workplace condition according to the international audit's ideals. Usually, EU orders require a product volume ranging from 50,000 to 500,000 within one month that is why local factories need to combine at least ten factories to accept that order. However, the audit cannot check for those ten local factories whether they comply with their standard or not. So, even if they are able to comply with the EU order, the capacity of local own factories cannot afford it and the buyer would decide to go to foreign-owned factories.

Further, the research found out that even before the US sanction was lifted, the restriction on import products was very sensitive that the custom authority checked carefully and make sure that the export should be exactly the same amount as with the imported amount of textiles. Thus, the checking process delays the cargo for the shipment. However, the process is very quick nowadays according to interview with employers (specify interview details here). Moreover, the customs authority only allow for three months of storage of the imported raw materials Because of irregularities in the system. There have been some dishonest people who import and sell in the local market which clearly opposes the the Government economic policy on trade (i.e. encouraging "export more and import less"). That is why the government

keeps strong control against the proliferation of the black market by the law. In effect, the employers in Hlaing Thar Yar industrial zone who are actually doing business in manufacturing and exporting are facing difficulties since they get only three months for the processing time.

“There would be more grantee order if the time for storing imported raw materials is about one year. We can hire labor for one year for sure if we can get both orders and raw materials for one year. On the other hand, I can plan for one year budget if we have order for one year. The important thing is to get quota even has EU released GSP. And we are still expecting for US GSP as well. We are still learning and observing EU GSP on how we can handle the standard and market to export. The Ministry of Labor has encouraged forming employee-employer association for the last few years to negotiate between stakeholders. That was going through constructive way after struggling one year of disagreements and conflicts. Currently, it started to shape as negotiation instead of protest which means everything is in the beginning stage. Employers are following to keep in line with international labor standard so that we can get EU orders. Government needs to release more on regulations and system that serve as obstacles to improve the garment trade”. (Interview with Best Industrial Co.Ltd on 29 May 2015)

Figure 8 Garment workers operating for the export products at their working place in garment factory, Hlaing Thar Yar industrial zone

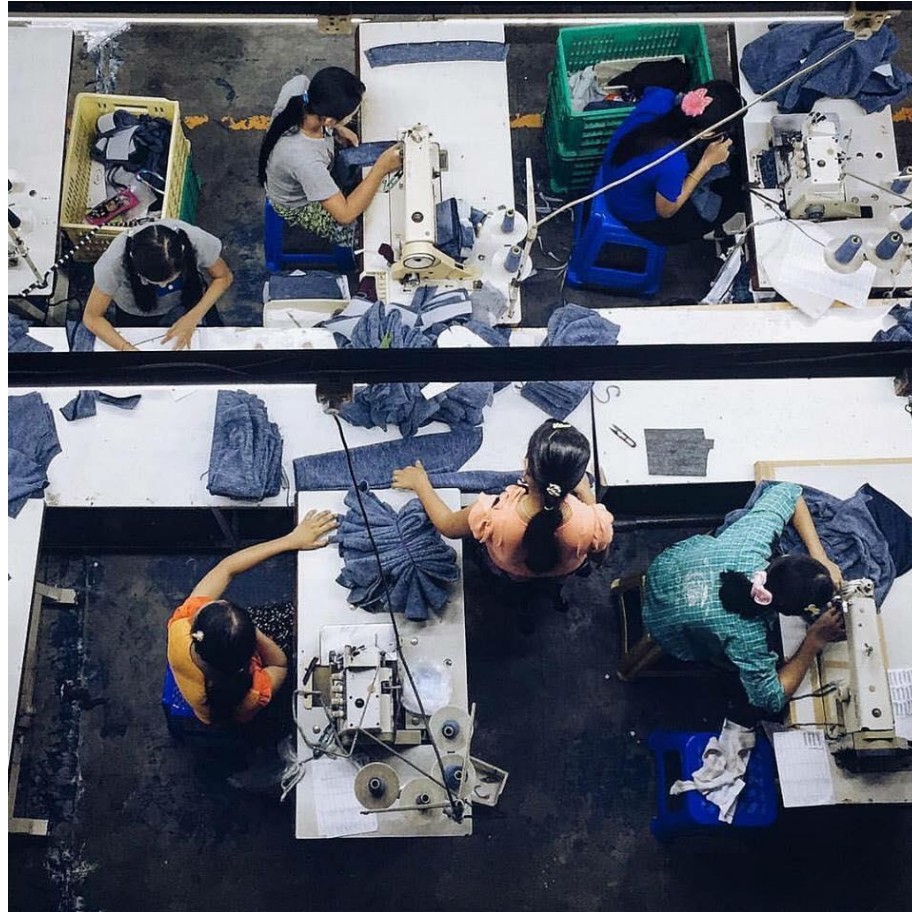


Photo: Phyo Hein Kyaw, 17, October 2015

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### 3.4. Conclusion

This chapter answers the situation of garment trade in industrial zone after 2012 by analyzing the data on the situation of garment industry which include the Yangon and Hlaing Thar Yar industrial zones. The findings showed how the garment trade has flourished and how it was able to access the international market again after the US sanction was released based on the political and economic pressures asserted by the national and international community. According to the research findings, trade has been improved in Myanmar garment but the opportunities of trade openness have their own challenges to face especially in terms of upgrading the trading system in the factories. For example, the employers are trying to upgrade the trading system from

CMP to FOB system but the banking sector cannot follow up to make the system easy and at par with the one that the factories are using. Because of this difficulty, it was found out that employers suggested that to be able to solve this problem, the government should take the responsibility to make the process easy by upgrading the banking system so that the garment trade industry will be able to achieve its full potential. The research also found out that the whole sector is expecting for US and EU orders in the future and trying to be in line with international standard through FOB system. The factory owners are well convinced that they need to pay attention to labor rights and comply with global labor standards so that they will be able to qualify and gain enough access to the international market. All the findings on this chapter will support the discussion on the next chapter where the role of industrial relations will be discussed in relation to trade and labor rights protection.



## **CHAPTER IV: INDUSTRIAL RELATIONS, ITS ROLES ON TRADE AND LABOR PROTECTION**

This chapter will analyze the dynamics of industrial relations in Myanmar. The practices on labor protection in the country and the roles of industrial relations in supporting the garment sector will be discussed in order to answer questions 2 and 3 of the research, namely: ‘What are the situations of industrial relations and labor protection in industrial zone?’ and ‘How do industrial relations play a role in supporting the garment sector in Myanmar?’ Section 4.1 will analyze the perception on industrial relations by each industrial actors and the role of each actor in industrial relations (IR). This section will also see the challenges of practicing IR system within the industry. Section 4.2 will discuss about the labor protection practices in industrial sector in terms of law, regulations and policy. This section will also examine how negotiations among stakeholders are done on the issues of minimum wage and overtime pay. This section will also include an analytical discussion about the trade union, government and political party in terms of their roles in establishing industrial relations through negotiations and implementation. Section 4.3 will examine how industrial relations play its role to support the garment sector by looking at the good and bad examples of a case study area in HTYZ. A conclusion will be provided at the end this chapter so that an overview of the discussions will be laid out to reflect on the questions that needed to be answered by the findings of the thesis.

### **4.1. Industrial Relations**

Myanmar, being a developing country trying to pave its way to the global economy started to democratize when it held its election in 2010. Before this turning point, the political situation in Myanmar is questionable. Every law in the country was just on paper and was never on the ground especially the practice of state capitalism which created the economic situation isolated from the international market. The democratization process has been able to help the country gain several support and received favorable conditions from other countries. In effect, the international

community particularly the ILO, international NGOs and civil society provided institutional help in bringing up awareness on good industrial relations among industrial actors after 2012. The more increased knowledge on industrial relations practices, the more there is acceptance in this system in cooperation for the economic development mainly on trade. Due to Myanmar's traditional culture, the social and cultural factors naturally help local garment factories from getting involved in labor disputes. For example, local garment factories mostly recruit the relatives of their existing workers or with someone recommendation. In this way, the workers recognized their recommender volition and avoid conflict. Instead, they prefer suggestion and negotiation openly. The industrial strikes mostly happen in Chinese and Korean owned factories or some joint venture factory which means that the investors pay less attention on the employer-employee relationship even after the labor law was enacted. Nevertheless, investors from EU and western countries are insisting their sourcing factories to comply with the local and international policy. However, the high tension among some employers in the factories, the government felt pressured to finalize and implement a stable policy on labor practices. On the other hand, the laborers, in spite of their improved knowledge on industrial relations still prefer social movements' activities, for example, campaigning or protest actions during working hours which arguably discourage good industrial relations. The government believes that for good industrial relations to happen effectively, it should start from the side of the laborers according to interview with Naing Win Aung from Tek Nay Wunn Ni Manufacturing Co Ltd.

#### **4.1.1. Perception of industrial actors**

Based on the research findings, the knowledge about industrial relations has been very limited in the side of the government, business and laborers in the early period of economic and political reforms before 2012. According to interviews with union leaders, before this period, employers and government officials were not willing to discuss with labor associations on how to improve labor relations in factories. On the other hand, laborers would also prefer to do protests rather than



negotiate with the government. As a result, the only mechanism of labor organizations at play during that time has been to organize a strike to demand for their rights.

The perception and awareness on industrial relations started to change and spread out regarding after the industrial strikes had widely affected the industrial sector in 2012, according to with the members of the media (insert details of interview here). The labor strikes affected the economy of Myanmar when foreign investors began to feel widely concerned about the long-term effects of the political unrests in the industrial zones to the trade arrangements between Myanmar and the investors. Because of this, the confidence of foreign investors particularly in the manufacturing sector like the garment industry began to weaken as the unrest was seen as an obstacle to the economic reforms that the Myanmar government was pursuing. The employers would prefer to negotiate with workers before they could start organizing social movements including strike which obviously would affect the production process. However, some employers are not willing to participate in union activities in their factories even if they know the nature of unions or not, before 2012 (Interview with Informant No.1, Consultant of Myanmar Trade Union Federation MTUF on 28, May 2015). One of the reasons is that the association leaders lack the leadership qualifications. For example the leader was not able to recognize whether their demand is representing an individual only or labor association as a whole. So, the owners prevent workers from grouping especially in foreign-owned factories. Thus, most of the union leaders or associations were dismissed from their jobs after the wave of strikes in 2013. Some industrial strikes started from the case of dismissing one worker from the factory because of not following factory rules or were unproductive in his or her according (Interview with Informant No.2, employer from the Myanmar Ayeyarwaddy garment Co. Ltd, 28, May 2015). The informant further explained that:

“In my factory, we don’t have the labor association but the line manager takes responsibility for the relationship between employer and employee. We are convinced that industrial relations play a very important role in preventing industrial strike and in enhancing productivity. However,

we have been faced with some conflicts among between the employer and employees due to unqualified association leader in our other factory.” said Informant No.2, employer from the Myanmar Ayeyarwaddy garment Co. Ltd, 28, May 2015.

The other significant finding in the research is that the misleading role of translator who combined job and personal feeling to workers leave several misunderstanding issues in the factories. However, employers still have to employ a translator according to the foreign investment policy because of the different cultures present in the factories. Even the owners who were able to learn and speak the Myanmar language to workers, the way of talking and tone are still different which contribute to the tensions that re already there in the factories. For example, a foreign owner who uses his or her foot to point at things instead of his or hand is considered a very bad manner in the Myanmar culture. Myanmar society strongly disagrees with putting their human dignity in a bad light even when the employer pays high salary to the workers. The workers, who pay high respect to their own culture in the society, also highly values industrial relations (Interview with factory workers on 12 August 2015).

The demands regarding working hours (eight working hours per day/ two rest days in a week) and social security services are the fundamental requirements of workers that the factory owners haven't fulfilled in the past. In this case, laborers prefer campaigning in trying to get what they want instead of negotiating. In spite of all this, local factories have fewer problems and better industrial relations due to cultural factors. For example, local factories usually employ workers who are relatives of the existing laborer or someone from the factory who recommended someone for employment. In this way, according to Myanmar culture, the workers who were employed due to recommendations keep in mind the kindness of the person who recommended them. This way, many rarely participates in industrial strikes. During conflict situations, those workers go to the person who recommended them instead to raise their complaints or demand for something in a positive approach to negotiate their case.

Based on the research findings from both interviews of union leader and members, even after 2012, the owners do not allow the usage of association as “Union” even if they agree on forming a labor association. The owners think that “Union” means just for strike in order to meet their demands. However, the legal term of forming the labors as a group is “Labor Organization” according to Informant No.1. The demonization of the term “Union” can be traced during the 1990s when 1990 when the people grouped as unions in each sector in the industrial zone and organized strikes for democracy nationwide. This political nightmare would not want for the government to happen again. The activists and workers’ unions are also sensitive about the words “association” because it had been used by the military government to wipe out the union by establishing its own groups of “government body association” in the military era. But all these situation and perceptions of government have changed from 2013 onwards and awarded the title union and even federation to confederation status of labors organizations. For example, Confederation of Trade Unions in Myanmar CTUM which has been an exile union based in Thailand for 24 years returned to Myanmar in 2012. CTUM has several unions under its umbrella which include those in agriculture, mining transport, construction and industrial<sup>16</sup>.

Even though the number of organization has increased gradually it still very small amount compare with total labor force population in Myanmar. (Interview with Informant No.3, officer of the Confederation of Trade Union in Myanmar (CTUM), on 1<sup>st</sup>, May 2015. The objective of labor unions is to protect the laborers and to perform activities relevant to their goal, namely: giving awareness on national and international labor rights, rules and regulations of labor laws, providing training both in local and overseas, performing collective bargaining activities, social welfare and helping to establish more and more enterprise level association in various sectors<sup>17</sup>.

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<sup>16</sup> See more on <http://www.aflcio.org/Blog/Global-Action/Myanmar-Officially-Recognizes-Trade-Union-Confederation>

<sup>17</sup> See more on <http://www.industrial-union.org/building-strong-unions-in-myanmar>

The detail number of labor organization in Myanmar will be mention in below Section 4.2.2.

Figure 9 Figure 11The first forming congress of Industrial Workers



Photo: industrial ALL, 29, October 2014

In 2014, the employers are more willing to negotiate with workers to increase productivity, product's quality and industrial peace. They try to comply with international labor rights norms by offering competitive pay, decent working conditions and human resource development training (Interview with a member of employers association, on 11, August 2015). All industrial sectors are trying to follow social obligation which include minimum wage, provisions under the Leave and Holidays Act, occupational health and education. For example, recently, both employers and employees have discussed and negotiate about minimum wage through face to face meeting.

The research findings found out that some leaders of union and associations have been removed from their job positions by their respective employers recently in

accuse of failing their responsibilities in the work place while the leaders have been attending for the minimum wage implementing meeting. The incident has reached to the knowledge of the ILO and pointed out in a conference held in May 2015 that industrial workers have fewer guarantees on employment since the employers can fire without any justifiable reasons, disgracing the democratization process of Myanmar. Because of this strong statement coming for the ILO, the employee contract policy has come out in September which can serve as a protection mechanism for workers against getting fired abruptly or from being unsecured in his or her employment in the factories. All industrial sectors have to follow this employment contract which has started on 1<sup>st</sup> of October 2015.

Despite the good intentions of the policy, the employers perceive, in some cases, that the negotiation is essential which doesn't mean that employers do not want to follow the law, but to uncover their concerns in following international labor standards instead. One of the members of an employer association from Yangon Industrial Zone expressed that the importance of industrial relations from the employer's perspective is directly linked not only to increase productivity, but to access the international market (Interview with Informant No.4, on 10, August, 2015). By promoting the emergence of unions paves its way to get collective bargaining power between employers and employees which lead to collective agreement system among the stakeholders. In this way, industrial strikes may be reduced and productivity may be accelerated while the international buyer encourages supplier countries to have human rights and social protection. In fact, industrial relations are a kind of international practice which is one of the angles for trade promotion as well as trade facilitation. In particular, employers perceive industrial relations as a means of creating a global impact which refers to social obligations for workers around the world.

It was found out in the research that one of the employer-employee discussions was on the minimum wage wherein the Myanmar economic sector is much more improved compared with what it had for the last four years because of the government reform process (Interview with Informant No.5, on 28, April 2015). The

government went through liberalization approach especially in trade and foreign direct investment matters. Currently, Myanmar is transforming from resource-based economy to labor intensive economy. Regarding this, the government is emphasizing on the social and economic development of labor accompanied by an emerging fair labor policy which has been valued by the international community. As for the government, having good industrial relations means first, promoting and developing the capacity of labor, second, for the employers to increase productivity, and third, for the government to encourage the development of the economic sector for the whole country.

Since 2012, the government has been granting freedom of association and the labor department has become the moderator between stakeholders following the labor law enactment which allowed labor unions to be registered in Myanmar. This only showed that the government has made an effort to access the international market even before the lifting of the US sanction and the implementation of the EU GSP. The government perceived that the unions or civil society organizations with good situational analysis will also possess strong negotiation skills especially during collective bargaining agreements.

Based on the information gathered during the ILO conference held in May, the government is aiming to push investors to comply with national and international laws ahead of the ASEAN Economic Community (AEC) (Interview with Informant No.6, on 28, April 2015) so that the industry sectors have better access to US and EU. On the other hand, if the prices of the manufacturing products of Myanmar are not competitive enough, there would be no competitive advantage in the regional market in the AEC according to Informant No.6.

#### **4.1.2. Role of Industrial Actors in Industrial Relations**

After 2013 onwards, all industrial actors have increased awareness about industrial relations by lesson learned through the past whole year together with

several labor disputes and industrial unrest. Based on the data collected, 80 per cent of the industrial strike or conflicts have occurred due to lack of understanding on good industrial relation practices (Interview with Informant No.7, on 30, May 2015). In the past, union leaders were perceived by the government as politicians or labor activists. For example, the government had never allowed for union interventions on labor dispute cases in 2012.

According to an interview with journalists, the industrial actors which comprise the employers, employees, and the government are perceived to be likely sharing the same ideology and are recognizing their roles within the relationship and start trying to provide stability to the economic system. On the other hand, the union leaders are convinced well that establishing good relationship with the employers and the government is more effective than protesting (Interview with Informant No.8, on 30, May 2015). For example, unions who have a standing relationship with the government have not experienced harsh interventions from the government during strikes. However, unions who have complained against the government in 2012 have their union leaders arrested. Further, in extreme cases as a result of the strikes, factories had to be shut down (if the union won the case) and laborers had to lose their jobs (if the factory won). Nowadays, unions have become to recognize that they are able to negotiate with their employers in order to demand for labor rights with the help of government bodies such as the arbitration council or the Labor Disputes Department. Currently, as shown in Figure 12, stakeholders work together to discuss their roles and what actions to take in each and every issue in a diplomatic process rather than involving themselves in an emotional battle of who will win or lose (Interview with Informant No.1, 28, May 2015).

“In the past, government has made a mistake. But workers have been always in the vulnerable situation. Nowadays, it’s totally different. Anyway, government is trying to reform leading a good change. Workers also should change their perspective on that case. They don’t need to strike. They can negotiate. That’s what I always advice to the union to change the mechanism

leading towards negotiation.” (Interview with Informant No. 1, on 28, May 2015)

This perspective on industrial relations further argues that employers put more emphasis on industrial relations to attract labor for better productivity and promote social dialogue. In effect, employers encourage representatives of stakeholders to be involved in leveling off discussions in relation to the industry’s operations. As international companies pay attention to compliance on international labor rights, employers in Myanmar reconsider their stance on the working relationships with laborers. Because of these significant changes in industrial relations, labor unions have also changed their strategies from protests to negotiating with their employers. The social and cultural factors led to the labor changes turn to a positive sign after 2013 when the government has begun to cooperate with the International Labor Organization for better policy and regulation implementation in settling employee-employer disputes and labor conflicts.

This significant change in trade and labor dynamics in Myanmar has gained the approval of small local garment factory employers. A certain employer from Tek Nay Wunn Ni Manufacturing Co Ltd. agrees with forming union or association in his factory. As mentioned in Chapter 3, most of the locally-owned garment factories are small enterprises that need to survive since more and more investors are coming into Myanmar which heightens the competition within the garment industry. The idea of using industrial relations as a tool to save local business in the long run is working well for local employers because there has been less industrial strike or conflict in local garment factories. Therefore, the situation of understanding and acceptance of industrial relations among the stakeholders are much better in 2015. Some employers started to support the skills development of workers as well as human resources enhancement trainings for employment which are offered to workers free of charge.

“This is what we did as corporate social responsibility in terms of human development to the workers. The training promotes the importance of industrial relations between laborers and owners as well as to convince



laborers that stakeholders rely on each other.” (Interview with Naing Win Aung from Tek Nay Wunn Ni Manufacturing Co Ltd, 18, August 2015)

The unions are also contributing to the institutional roles of factories in terms of providing human development trainings by means of assisting in vocational trainings, pre-employment trainings for migrant workers, and basic skills training for workers. The government and unions work together in promoting human development in the workplaces in line with International Labor Organization guidelines. Thus, ILO focuses on social security, social protection and social welfare. ILO framed the international practices of industrial relations in Myanmar economic sector by promoting human development through social dialogue.

Moreover, union leaders expressed that they try to change the mind-set of workers convincing their important role in industrial relations in terms of increasing the productivity of the factories which will benefit all stakeholders in the factory. This only means that the higher productivity, the more income for the owners as well as to the workers in terms of income distribution. Currently, labor turnover due to increasing number of factories in the area and lack of skilled laborers affect the productivity of the factories which have become a huge challenge to the garment sector.

Figure 10 Successful negotiations between employee and employer in one of the factories at Haling Thar Yar Industrial Zone



Photo: Nyein Nyein/ Irrawaddy English Magazine, 6, June 2012

#### 4.2. Labor Protection

Myanmar has already introduced the principle of the Freedom of Association (FOA) which is one of the provisions under the ILO Declaration on Fundamental Principles and Rights at Work. Based on this, the Labor Organization Law 2011<sup>18</sup> and the Settlement of Labor Disputes Law<sup>19</sup> were enacted in order to protect labor rights of workers in Myanmar. The labor department under the Ministry of Labor, Employment and Social Security performs its duties to settle the labor dispute cases by acting as the moderator in between two erring parties. According to the research findings, it was found out that when a dispute occurred, stakeholders first

<sup>18</sup> Download pdf file on <http://www.altsean.org/Docs/Laws/Labor%20Organization%20Law.pdf>

<sup>19</sup> Download pdf file on [http://www.ilo.org/dyn/natlex/natlex4.detail?p\\_lang=en&p\\_isn=90651&p\\_country=MMR&p\\_count=86](http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=90651&p_country=MMR&p_count=86)

seek for consultation with the unit of labor dispute within the factory. Second, they go to the Township labor office if the factory unit cannot handle the issue. Third, if the township level cannot solve the problem for three times, the arbitration unit intervenes in the situation. Fourth, the stakeholders can go to arbitration council if they are not satisfied with actions made by the arbitration unit. Fifth, at the stage of arbitration council, if owners reach up to council, workers also have rights to campaign or strike. In campaigning, the workers' strategy is to pressure the owners to give in to their demands by stopping the factory operations and in turn decrease the productivity and profits of the owners. The workers on strike also demand for compensation even without working in the factory during the protests. In 2014, most of the industrial strikes were based on the demands of labor rights mainly on minimum wage and working conditions.

Figure 11 Workers at the Hlaing Thar Yar Garment Factory



Photo: Myanmar Times, 20, March 2015

#### **4.2.1. Role of government in labor protection**

In Myanmar, the government plays an important role in enhancing industrial relations in the garment industry by mediating discussions on minimum wages among stakeholders. Only strong industrial relations in factories can maintain the consequences of minimum wage changes according to interview with employer association. The increased understanding of the advantages of minimum wage and why it is needed must be explained so the stakeholders so that the enforcement of the law will be easier. Union leaders and government officials cooperate with each other to solve the issue by participating in transparency meetings among stakeholders. It can be argued that if the negotiation on the issue of minimum wage is failing, there would be more informal businesses that will emerge as a response to the deadlock which in turn can affect the country's economy especially the formal businesses in the garment industry (Interview with Informant No.9, 28, April 2015)

To be able to analyze wages, an official survey on minimum wage structure was conducted by a national committee in 108 townships to gather data on daily expenses of families, sizes of families, regional price indexes for basic commodities and income, as well as the occupations of able bodied family members in 2013 from governmental officials and representatives from employees and employers (MOI, 2015). As mentioned in Chapter 3 and literature review, minimum wage has been set up in Myanmar effective 1<sup>st</sup> September 2015. However, the minimum wage policy itself has the risk of being implemented unequally among labors since income differs in legal and illegal businesses within country and it can also increase unemployment rate. For example, while the minimum wage is fixing for legal business, there would be an income gap for the laborers who are working in illegal business sector (Interview with Informant No.9, on 28, April 2015).

Currently, the labor policy and laws are implemented by the Ministry of Labor which has four departments and each department takes into account the laws

respectively. There are a total of 18 labor laws including new laws, amended law and some laws which are on the process of implementation. These laws are being supported by the industrial relations policy especially those that are related to social protection. Furthermore, the laws implemented in Myanmar cover provision for the protection of women, minimum wage, decent working conditions, employee contract and rights of labor depending on gender<sup>20</sup>.

According to the ILO data, 97 per cent of the industrial laborers urgently need access to social protection especially the ones that link to social relation and social justice as well. Promoting social protection is argued to encouraging social justice and at the same time improving the industrial relations in factories which would lead to the development of the country' economic situation. In this case, the policy of employee contract has been activated on 1<sup>st</sup> September 2015 in order to reduce the social problems (Interview with Informant No.10, 1 May 2015).

Despite the huge changes happening in Myanmar, there has been a huge labor strike that happened in September and October 2015 due to the disagreement of some of the facts in employment contract and dismissal of some laborers due to cost reduction by factories after minimum wage has been decided. The implementation of the law, in effect, allowed employers to conduct disciplinary actions on workers. For example, if a laborer quits a job during duty hours without notice, it affects the production process in a particular place and the employer would find it difficult to get a substitute in that worker's place immediately. The economics laws including Foreign Direct Investment (FDI) law, Special Economic Zone (SEZ) law and Land laws are already on paper since after 2012.

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<sup>20</sup> See more details of Labor Laws on <http://www.amrc.org.hk/sites/default/files/field/alu-article/files/ALU%202014%20%2383%20-%20Labour%20Laws%20in%20Myanmar.pdf>

Figure 12 Garment workers from Hlaing Thar Yar Industrial Zone demanding for minimum wage in front of Department of Labor in Yangon



Photo: Irrawaddy English Magazine, 28, May 2014

#### 4.2.2. Roles of Trade Union in Hlaing Thar Yar Industrial Zone

There are more than 30 registered labor organizations in Hlaing Thar Yar Industrial Zones. Based on the research findings, laborers are treated like a slave in the work place before 2012 (Interview with Informant No.11, 19 May 2015). After labor unions have been allowed to form according to the Labor Law 2011, there are more than 900 labor dispute cases recorded which ranged an average of four to five disputes per day. There are about 10 to 15 cases to be solved at the labor department after 2012. This is because of the increased awareness among laborers against labor rights violation. According to on the website of the Ministry of Labor Employment and Social Security<sup>21</sup>, there are total 1,800 employee- employer associations in the whole country (Table 11). The table shows that there is only one township level employer organization which is from Hlaing Thar Yar Township and one federation

<sup>21</sup> See more on [www.mol.gov.mm](http://www.mol.gov.mm)

which is the Union Chamber of Commerce and Industry (UMFCCI). There are 80 labor organizations in township level and as mentioned above, 30 are from Hlaing Thar Yar Township. Moreover, there is only one national level employee organization that is CTUM mentioned in above chapter.

Table 11 Total labor Organization in Myanmar

Total labor organization <sup>22</sup>			
Type	Employer	Employee	Total
Basic Labor Organization	28	1676	1704
Township Labor Organization	1	80	81
Region or State Labor Organization		6	6
Labor Federation	1	7	8
Myanmar Labor Confederation		1	1
Total	30	1770	1800

Source: Ministry of Labor, Employment and Social Security (January, 2012 to May, 2015)

Some employers recognize unions as legal organizations but some still avoid discussing the issues face to face because they see union members as activists. This is also due to the fact that there are ‘unqualified’ labor union leaders who need to change their mindset according to some union leaders. In some cases, even the arbitration council are not willing to mediate in disputes because of some dishonest employers who create false allegations against the laborer dismissed from or forced to quit from his work.

Information provided by basic organizations in HTY Township found out that the organization operate under the funding of MMK 200 per month paid by member laborers. The fund is used for social welfare programs especially on sad occasions

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<sup>22</sup> Labor Organization includes Basic Labor Organization, Township Labor Organization, Region Labor Organization, Labor Federation and Labor Confederation formed according to Labor Organization Law 2012.

like death of a family member of the laborer. When this happens, the association will provide MMK 10,000 for the family of the deceased. Apart from this, the association fund is also available at the member's disposal to address health issues and some vulnerable situation of laborers (Interview with Informant No.12, 18, August 2015).

It was also found out in the research that work overload is one of the struggles of the workers in the factories. Because of the demand to increase productivity of the factories, some employers were oblivious of the laborers' capacity limit to work in such high pressure. The role of unions within the industry, therefore, is to negotiate with the employers for a decent working condition by demanding to respect the human dignity and comply with the labor standards that are already in force globally. As already mentioned in Section 4.1, the government has given the power to association representatives to solve labor dispute cases in their respective factories after 2013. This means that the unions have a major role in forging industrial peace by negotiating on behalf of its union members in cases of disputes in factories.

During the process of democratization in Myanmar, the international and national political party and human rights group pay attention to the labor rights issues in the garment sector. For example, the democracy icon of Myanmar, Aung San Su Kyi, leader of National League for Democracy (NLD) party and UNHCR goodwill Ambassador Angelina Jolie have visited Hlaing Thar Yar garment workers in August 2015 to give solidarity with the workers working conditions<sup>23</sup> in the factories (Figure 12).

Figure 13 Aung San Su Kyi from National Lead Democratic Party and UNHCR goodwill Ambassador Angelina Jolie talking to the women workers from garment factories in Haling Thar Yar Industrial Zone

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<sup>23</sup> See more [www.i24news.tv/en/news/international/asia-pacific/8066-150802-angelina-jolie-visits-myanmar](http://www.i24news.tv/en/news/international/asia-pacific/8066-150802-angelina-jolie-visits-myanmar)





Photo: i24News, 1, August 2015

### **4.3 Roles of Industrial Relations in Supporting Garment Industry**

Since Hlaing Thar Yar industrial zone is famous for its active unions, the zone has been taken not only as case study area for researchers but also to show as the example for the good and bad practices of industrial relations which will be discussed in this section. Hlaing Thar Yar Industrial Zone has the workers union, arbitration councils which analyze the existence of employer-employee relations whether these are of constructive form of economic trade unionism.

Since every sector is in the beginning stage, Hlaing Thar Yar becomes the role model for the introduction of industrial relations. Thus, government and stakeholders have been learning by experience during settlement of disputes cases on minimum wage and working conditions in the factories. According to the media, industrial relations play its role in terms of negotiating through the arbitration council in times of disputes. Despite the ongoing positive feedback on industrial relations among

stakeholders, this good practice is not being appreciated by everyone. For example, some Chinese and South Korean factories warned the government that they would withdraw their investments on Myanmar if they are forced to implement the minimum wage of MMK 3,600 per day against their standing wage of MMK 1,500. Because of the relationship forged between the government and the workers, the former was able to negotiate with the stakeholders the implementation of the MMK 3,600 minimum wage. But the wave of industrial strikes suddenly appeared due to the deduction of social services in and other facilities of workers. The controversial situation was immediately handled by government by means of approving some labor protection policy. For example, after minimum wage has been set in July 2015, the employment contract policy was introduced in mid-September and was in force on <sup>1</sup> October 2015. This procedure was seen very rush both drawn on paper and implemented on the ground according to some employers interviewed for this thesis.

The above example showed some controversial crisis of Hlaing Thar Yar industrial zone for the time being. However, the laborers themselves would prefer campaigning or social movements in the case of demanding their rights because they believe that the government or employers would take immediate action if they derail the operations of the factories (Figure 15). In the meantime, union leaders are trying to negotiate between workers and employers with the help of government in these issues. With this, it can be argued that the existence of union demonstrating the role of negotiator in between two erring parties is a good example of industrial relations in practice.

However, according to the research findings, there are two groups of unions, one is the typically experienced exile group and the other is a local union that has been transformed to a political party. The different mechanisms between those two groups also vary in the approach since the exile group follows the ILO mechanism that discourages social movements but encourages trade unionism. The exile group is being funded by national or international organizations. On the other hand, the local union uses the social movements approach by encouraging campaigning and is being funded its own members through contributions. Despite the differing approaches, both

groups are promoting negotiation under the same goal to protect labor rights of the workers.

It can be argued that industrial actors are shaping their own interests through the interaction of each other's goals in the concept of industrial relations by means of supporting the garment industry through increased investment, increased productivity and finally the increase of trade. Thus, Hlaing Thar Yar industrial zone have shown the lesson learned for future economic zone or industrial zones through the experiences from both good and bad practice of industrial relations from 2012 to 2015.

Moreover, by analyzing the increasing number of registered labor organization, it can be argued that the practice of industrial relations is stronger in among stakeholders and government after 2012 onwards. Table 12 shows that the number of basic labor organizations has increased from 356 in 2012 to over 1000 in 2014. In 2015, the first Myanmar Labor Confederation has been organized as national level which is CTUM, 10 regional level labor organizations and three labor federations. Thus, the role of industrial relations becomes more active in solving industrial strikes with increase number of organization reached national level in 2015.

Table 12 Number of Labor Organization from 2012 to 2015

Total labor organization <sup>24</sup>				
Type	2012	2013	2014	2015 (Jan- Oct)
Basic Labor Organization	356	519	596	324
Township Labor Organization		21	30	43
Region or State Labor				10

<sup>24</sup> Labor Organization includes Basic Labor Organization, Township Labor Organization, Region Labor Organization, Labor Federation and Labor Confederation formed according to Labor Organization Law 2012.

Organization				
Labor Federation	1	1	2	3
Labor Confederation				1
Total	357	541	628	381

Source: Ministry of Labor, Employment and Social Security (January, 2012 to October, 2015)

Figure 14 Workers protest in Haling Thar Yar Industrial Zone demanding minimum wage and decent working conditions



Photo: DVB news, 12, November 2012

#### 4.4 Conclusion

It can be concluded in this chapter that the actors despite having their own interests have the same target to improve the garment industry. The stakeholders also generally believe that labor disputes can be settled through a negotiation process. Moreover, the voices of union, general workers and government body showed that they all understand and accept that industrial relations is one of the best practices in establishing industrial peace and increasing trade. Further, this chapter discussed the role of each actor in industrial relations and the importance of labor protection through policy implementation as a road map in implementing good industrial

relations. Findings revealed that challenges remain to hamper the implementation of labor policy reforms in Hlaing Thar Yar's industrial zone because of unfavorable actions made by uncooperative employers in some factories. This chapter pointed out that the state involvement in the process was seen necessary to enforce better industrial relations among stakeholders. For example, in the case of minimum wage, government was precisely approved the proposed amount of minimum wage committee even though some employers are unwilling to pay warning backward investment from garment sector. Foreigner owners from US and EU better to support industrial relations through complying international and national labor standards. But owners from China, South Korea, and Japan working joint venture with local have found out low support to industrial relations since industrial strikes used to outbreak in their factories. Labor protection for workers stood a better chance with all the stakeholders working together toward a fair and just working condition for the laborers. This chapter was able to examine the role of industrial relations in supporting the garment industry through three pillars: the government, the employers and the employees.

## CHAPTER V: DISCUSSIONS AND CONCLUSION

This chapter will summarize all my findings in research include Section 5.1 will provide the information about difficulties on trade improvement, limited infrastructure of industrial sector and policy implementation by the government that provide in order to accelerate economic reform. And mention the increase awareness of people about industrial relations together with difference perception on it. Section 5.2 is the discussion that analyze on the weakness and strong factors of trade and industrial relations. This section follows with the conclusion part of Section 5.3 provide lesson learned from this Thesis research and comments.

### 5.1. Summary of Findings

In this section the research findings mainly summarized on the trade sector from the employer side generally on their concern. On the other hand, the improvement of labor organization within short period of reform and constrain existing situations between stakeholders rooted from different perception. As shown in Figure 14, research find out that Myanmar trade sector has been improved since the export has been increased year by year after 2012. But together with the opportunities the trade has been facing various challenges as mention in Section 5.1.1. The labor protection has been processing by policy implication plus the roles of unions get involve visibly after 2012. Based on the rule of laws, industrial relations play its role well in negotiation among industrial actors and support increase productivity and improve trade.

Figure 15 Summary of Findings



### 5.1.1. Trade

The findings on trade is mainly the difficulties of employers who trying to comply with international labor standard to get the global market access. After minimum wage has set, the employers are facing increase cost on both labor cost and operation cost. Before, they have already facing the poor infrastructure of Myanmar industrial sector such as the unqualified road, unconditionally cutting electricity and labor turnover. Their hope of being access to EU also requires compliment of following every international and national labor laws that made stack in the situation with forwards. Moreover, the more releasing on some rules and regulations of trade should have done by the government since it open to global market and inviting foreign investment ahead of AEC. For example, banking system cannot access credit finance, leap time for storing raw materials have given only three months.

### **5.1.2. Industrial Relations**

My research findings on industrial relations are that some dispute cases are ending with shutting down the factories from the owner side or dismiss the job from employer side before. But nowadays labor union and people becomes more aware of industrial relations practice. The workers also have been strike in every disagreement without negotiation. Thus, the affect is directly link to the productivity which can cause tax reduction for the country and increase unemployment problem. The general labors in garment factories have a strong desire to be under social protection and collective bargaining activities and being a member of a union or association are their only one hope protected from the socially injustice by the employers. The relation with factories owner and employers is better after union was forming recently which is also due to willingness of Ministry of Labor and some garment employers. However there are so many obstacles in industrial relations process due to the lack of understanding and conservative attitudes that can see the new right-based industrial relations towards increase conflict. Industrial relations also have its risk while the perceptions created by various disputes case and the weak point of the labor law and its implementation process. At some point, employers are incentive with more facilities or discriminate against labor union leader who demand their rights in accordance with the new laws.

### **5.2. Discussion Analysis**

In this section, I will discuss about some points that should implement to be better employer- employee relations include negotiations skill of stakeholders, increase policy level to improve trade and system, engagement of the country's new opening situation, improve internal relation and institutional help. From the side of workers, they need many educated youth in the industry especially as the commutation post such as translator. So, they would able to explain to foreign



employer about Myanmar culture, local laws and what they need to compliance about the law. This is requirement from the employer's side as well in order to lessen the misunderstanding between employer-employee.

Moreover, the industries should pay more attention on development of labor which is the only way to solve shortage of skillful labor. The new investments should come together with the Cooperate Social Responsibilities (CSR) activities which encourages vocational training and scholarship opportunities for the graduate labor. The vocational training should be long term and on job training so that it can save time and more effective. The owner can see privilege of workers through on job training and can decide which position is suitable for them.

Regarding with supporting trade system the level of policy implementation should be effective since that is the responsibility of government. The owners also should ask from the government because they are difficult to stand in the long run for the cost of infrastructure and land prices. For example, after the investor buy the land with the very expensive price from the powerful group of local business group who play the land by controlling the price, owners are not afford or unwilling for the expend on the wages on labors so they started to limit the salary avoiding to follow the national laws.

For example, Myanmar not have required infrastructure to promote industrial development, the custom office still have corruption that discourage trade and banking system is not able to facilitate completely especially it doesn't have credit financing. The employers of Myanmar are not in the convenience situation since the overhead cost: diesel and generator for electricity and water. Thus, government has the responsibility to fulfill basic needs in order to promote industrial sector especially labor intensive industries so that they can create job opportunities.

Since Myanmar is the new comer and just opening stage in every sector, the stakeholders also need to engage in the system. For example, the foreign owner should head up in the front role of stakeholders meeting instead of targeting its own

profit and quiet. On the other hand the right to make decision for the labor and for the country should have completely access by the person in the meeting who represents the factory in garment industry. The investors should think for the development of the country where they are doing business. Thus, it is the way to support industrial relation in garment industry.

In fact, the most of conflicts and labor disputes case due to the weakness of internal relation within the factory. The factor owner should promote by level talk system that is the workers can talk to manager if they disagree with something instead of protesting. On the other hand the employer should avoid shouting at the labors or respect to their human dignity. In this case, both employer and employee need support from the institution such as department of labor, ILO and International Labor Organization in order to learn the international practices. Even there have been some training program, the support should be nationwide.

### **5.3 Conclusion**

This section will conclude about the situation of garment trade in Myanmar after 2012 and how industrial relations play its role to support garment industry and labor protection. Industrial relations somehow, have its barriers to implement the system and this chapter would conclude on policy implication to support the good industrial relations practice for the Hlaing Thar Yar garment labors.

By doing research on this thesis, the lesson learned about the development of the country is that only reforming economic and openness of the country inviting foreign investors are not enough to bring up the country into one of the developed countries without pay attention on labor right protection and human resources development. Moreover, national environment include government policy, law and regulations are of vital important to improve trade since it is the major role in bring up the country economy. For example, Minimum Wage Law 2015 has strong impacts on trade and industrial relations. It attracts increasing EU and US investment but it discourage local small business to survive in the long run. That arouses conflicts

between employer and employee since the disagreement from both side becomes tense instead of negotiation. The last lesson is that the labor valuing their human dignity than money means the study of culture aspect of a country and careful about the culture is of vital important for the foreign investors.

In order to gain the strengths and tackle the challenges in industrial relations system in the country which leads to the disputes between the supply and demand, it is fundamental to understand the relationship amongst stakeholders by analyzing the roles and situations of government, employers and employees in promoting Human Resource Development in the (HRD) country. That should be the further study of this thesis.

Regarding to the Government side, at the policy planning level, it is mentioned that most of the laws related to workers, but which are out of date and do not meet the rapid transformation of economic and working reality in Myanmar, even lies behind other countries in the region. Furthermore, the MOED and MOLES are two ministers playing fundamental roles in improving HRD. In which, the MOED plays a central role in carrying out the policies and programs through basic education to higher education (Htay, 2012), and MOST takes responsible for promoting Technical and Vocational Education Training (TVET). As of 2012, there has been counted as total of 161 higher educational institutions in the country. This prepares for workers with relevant educational level, as well as practical and essential skills to the labor market. In addition, the MOLES plays an important role on the human resource development programs focus on the employment settlement, vocational training, and social security plan (MODiNS, 2000). For instance, the MOLES in accordance with investors develop professional training system with national skills qualifications framework to building capacity for on-job workers in industrial zones or new SEZs. Besides, the MOLES has cooperated with international organizations, for examples, ILO, UNDP, etc. to organize trainings programs for the labor in some sectors.

In terms of employer's side, most of HRD programs carried out are capacity building programs and corporate social responsibility (CSR) projects in order to

attract labor for better productivity and promote social dialogue. Labor should have enough education, health and capacity to catch up with the current reforming. For example, they should know that they have to produce workforce in equal with their wages. On the other hand employer also should know how to adjust to get the work capacity from the labors. The other issues can be social problem like health issue, education fees that made delay for the workers development. Thus, government has the responsibility to encourage social, health and education to solve the labor problems on basic human needs. Treating lunch at factory and support accommodation for workers are one of the strategies to provide them good health and collective action in work. The government and owners interested the follow up issues of industrial but the workers only interested in the wages. The most important duty of Labor Unions is to give awareness to labors for the development of their social and education. But that things, they need funding and others that is the only support can get from the government but not from the owners.

Related to employee's side, most of HRD have been implemented by labor unions whose major responsibilities are supporting workers on negotiating social welfare such as health and decent working conditions. After permission of registering legally labor unions in 2011, local unions are active on human resource development trainings and workshops.

In spite of the important role of each stakeholder and their efforts in improving HRD in the country, the cooperation between those stakeholders has been considered as a lack of consistency and understanding. Government, businesses and workers should engage more cooperation on the human resource development by capacity building, policies and procedures improving and cooperation enhancing.

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APPENDIX

**List of Interview**

No.	Name	Organization Working for	Date of interview
1	Khine Khine Nwe	Best Industrial Co Ltd	15/Aug/2015
2	Aung Win	Maple Trading Co Ltd	17/May/2015
3	Naing Win Aung	Tek Nay Wunn Ni Manufacturing Co Ltd	18/May/2015
4	Informant No.1	Myanmar Trade Union Federation (MTUF)	28/May/2015
5	Informant No.2	Confederation Trade Unions Myanmar (CTUM)	1/May/2015
6	Informant No.3	Myanmar Ayeyarwady Co Ltd	28/May/2015
7	Informant No.4	Employer Association (Hlaing Thar Yar)	10/Aug/2015
8	Informant No.5	President Adviser Senior Research Fellow at Myanmar Development Resource Institute (MDRI)	28/April/2015
9	Informant No.6	Ministry of Labor, Employment and Social Security	28/April/2015
10	Informant No.7	Myanmar Trade Union Federation (MTUF)	30/May/2015
11	Informant No.8	Hlaing Thar Yar Township Labor Organization	30/May/2015
12	Informant No.9	Union of Myanmar Federation Chamber of Commerce Industry (UMFCCI)	28/ April/ 2015



13	Informant No.10	Director General, Ministry of Labor, Employment and Social Security (MOLES)	1/May/2015
14	Informant No.11	Myanmar Garment Manufacture Association (MGMA)	1/May/2015
15	Informant No.12	Chairman of Hlaing Thar Yar Township labor association	18/August/2015
16	Informant No.13	Myanmar Garment Manufacture Association (MGMA)	1/May/2015
17	Informant No.14	Myanmar Investment Commission (MIC)	1/May/2015
18	Informant No.15	Hlaing Thar Yar Township Labor Federation	1/May/2015
19	Informant No.16	Basic Labor Association (Hlaing Thar Yar) Famoso Trading Co Ltd	1/May/2015
20	Worker1	Maple Trading Co Ltd	5/May/2015
21	Worker2	Maple Trading Co Ltd	5/May/2015
22	Worker3	Maple Trading Co Ltd	5/May/2015
23	Worker4	Maple Trading Co Ltd	5/May/2015
24	Worker5	Best Industrial Trading Co.Ltd	18/May/2015
25	Worker6	Best Industrial Trading Co.Ltd	18/May/2015
26	Worker7	Best Industrial Trading Co.Ltd	18/May/2015
27	Worker8	Best Industrial Trading Co.Ltd	18/May/2015
28	Worker9	Tek Nay Wunn Ni	18/May/2015

		Manufacturing Co Ltd	
29	Worker10	Tek Nay Wunn Ni Manufacturing Co Ltd	18/May/2015
30	Worker11	Tek Nay Wunn Ni Manufacturing Co Ltd	18/May/2015
31	Worker12	Tek Nay Wunn Ni Manufacturing Co Ltd	18/May/2015
32	Media 1	Irrawaddy English Magazine	20/May/2015
33	Media 2	Myanmar Times Journal	18/August/2015
34	Media 3	7 Days News Newspaper	10/August/2015

## VITA

Soe Sandar Oo (b.1989) is the author of this thesis. She is Myanmar and currently studying in the graduate program of International Development Studies in Chulalongkorn University's Political Science Department. She has a bachelor degree of commerce in Myanmar. She had worked as a journalist covering news on economic sector before coming to Thailand for this program.

