The impact of COVID-19 in Myanmar: a study of income loss of workers in the garment sector

ILO Liaison Office in Myanmar

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Acknowledgments

Foreword

The COVID-19 pandemic has significantly impacted the garment sector and has been felt in every part of the global supply chain. Myanmar's garment sector, a major contributor to jobs and livelihoods for the country, has been no exception, and faces significant challenges to recover and respond to the pandemic.

The ILO with funding support from Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development commissioned two studies on the impact of COVID-19 on the garment sector.

This study, undertaken by Centre of Economic and Social Development (CESD) during July and August 2020 explores the experience of Myanmar's garment factories and workers during the COVID-19 pandemic. It examines the vulnerabilities of the sector and the production uncertainties factories faced as well as the significant impact on the workers' incomes and working hours. It also reveals the negative impact of COVID-19 on workers' well-being.

This study also illustrates the vital role that collaboration among international brands, suppliers, employers, and unions can play in finding win-win solutions to protect the livelihoods of employers and workers. For the ILO, social dialogue is an essential element of developing long term resilience strategies to respond to COVID-19 and other challenges facing the sector.

Donglin Li
Liaison Officer/Representative

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▶ 1.   Introduction

The global COVID-19 pandemic has demonstrated the extent to which garment sector worker's well-being is dependent on the overall changes in the global fashion industry[1]. With a reported labour force of over 600,000 workers in Myanmar's export-oriented garment sector[2], these workers have been affected by the disruptions in the garment industry's demand and supply during 2020.

In May 2020, the European Union reported a 50.5 per cent decline from the volume of retail trade compared to May 2019 for textiles, clothing, and footwear[3]. Declines in consumer demand during the pandemic and the disruption to the global supply chains means that the worker's livelihoods are threatened, leaving thousands of workers in a precarious position. Myanmar, too, has not been immune from these impacts and in 2020 experienced uncertainty, growing COVID-19 cases, workforce reductions, and a reduction of worker's wages. The disruptions also coincided with low seasons in some factories' order cycles, resulting in temporary or permanent factory shutdowns.

In 2020, the Government of Myanmar grappled with implementing COVID-19 policies in a rapidly changing environment. The Ministry of Health and Sports (MOHS), Ministry of Labour, Immigration and Population (MoLIP), and the Regional Government focused on Occupational Safety and Health standards in the garment factories in an effort to stem the spread of COVID-19, while keeping key economic sectors, such as the garment sector operating.

This research report presents survey and interview findings about the impact COVID-19 on workers' income in Myanmar's garment sector. The first part of this report provides an overview of the garment sector in Myanmar and its contribution to the economy. The second part situates the data collected and the survey administered to the workers. The third part focuses on the worker's experiences before and during the COVID-19 pandemic. The final part provides the key findings of this study.

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1   Myint Soe, MGMA, 2019
2   For the purpose of this research study, the garment sector refers to Code 14 of manufacturing apparel under the ISIC.
3   EuroStat, 2020

▶ 2. PURPOSE OF THE STUDY

2.1 Methodology

To conduct this research, both primary and secondary data collection methods were employed. Primary data relied on a garment worker survey and secondary data provides a bigger picture of the impact of the COVID-19 crisis in the garment sector. The report also draws on articles and reports in line with the report's theme providing an extensive literature review to understand the situation in 2020 and explores relevant case studies.

A quantitative survey was conducted to substantiate the analysis was conducted from 5 July to 1 August 2020. It was administered to 156 employed garment workers in 72 factories (representing 15 per cent of total export-oriented garment factories in Myanmar[4]) located in different parts of Yangon (see table 1). It was important to note that the probability sampling method was not used for this study as an adequate sampling frame for employed garment workers was not available.

The selection of workers was based on the Centre for Economic and Social Development (CESD) workers' contact list who were interviewed for previous studies. A respondent was required to be am employed worker with at least seven months' experience in a factory in Yangon to compare their wages and other monetary benefits before the COVID-19 period and June 2020. Those who did not meet these conditions were not selected for the survey.

In addition to the quantitative survey, this study carried out in-depth qualitative interviews with six employers including representatives of employer associations, two employed workers, three laid-off workers, two international brands, and two focus group discussions with trade unions. The interviews provided insights into the impact of COVID-19 on workers, changes in overtime hours, number of working days, income, and the challenges workers faced during this period.

In this report, any figures expressed in MMK during the study were converted to USD using the Myanmar Central Bank Rate of USD 1: 1,396.38 MMK, an average exchange rate for June 2020[5].

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4   According to MGMA, there were 488 active CMP factories as of March 2020.
5   Central Bank of Myanmar, 2020, Reference Exchange Rate History

Table 1: Locations of factories where surveyed workers are employed

Townships	Number of workers
Hlaing Tharyar	62
Mingaladon	22
Shwe Pyi Thar	14
North Okkalapa	13
Hmwabi	11
South Dagon	9
Dagon Myo Thint	7
Thanlyin	6
Others	12

2.2 Characteristics of respondents

This section describes the characteristics of surveyed workers to better understand how different workers were impacted by the closures and disruptions caused by COVID-19 to the garment sector. As shown in Table 2, a high proportion of the workers surveyed were aged below 25 years (31 per cent), consistent with the overall trends of factories hiring younger workers. With respect to educational background, almost half (44 per cent) of workers had completed a high school education, with only 12 per cent having completed post-secondary education. Most of the workers worked for either large (38 per cent) or extra-large (30 per cent) enterprises[6]. The workers had an average of 3.1 years' experience working in the garment sector. About 85 per cent of respondents were female, and nearly three-quarters were single. Among married workers, 42 per cent had children under 16. When asked about workers' migration status, 72 per cent stated they had migrated from outside the Yangon region, and the remaining 28 per cent were native to Yangon. Among migrant workers, more than half had lived in Yangon for less than five years.

Table 2:   Characteristics of surveyed workers

	Middle School and below	High School	Post-secondary (bachelor)	Graduate and above	Small	Medium	Large	Extra Large	Average years experience at current factory
	25%	44%	21%	9%	17%	15%	38%	30%	3.10
Age									
<25	31%	29%	39%	43%	46%	22%	31%	35%	2.52
25-29	26%	47%	30%	21%	31%	39%	31%	43%	3.26
30-34	23%	13%	12%	21%	19%	13%	21%	11%	3.12
35+	21%	10%	18%	14%	4%	26%	17%	11%	3.98

6   Under the Myanmar Small and Medium Enterprise Development Law (2015) a small enterprise is defined as having less than 300 workers. A medium enterprise is defined as having workers that do not exceed 600. The law however does not provide more definitions for enterprises with workers that exceed 600. For the purpose of this study enterprises with between 600 and 1200 workers are defined as large enterprises, and those that exceeded 1200 are defined as extra-large enterprises.

▶ 3. OVERVIEW OF THE GARMENT SECTOR IN MYANMAR

3.1 Growth of garment sector before COVID-19

Myanmar's garment sector has experienced up-swings and down-swings over three decades. The garment sector generated 30 per cent of total export revenue in the 2000/01 fiscal year. However, its contribution declined to 7 per cent in 2004/05 after the United States and the European Union (EU) imposed trade and financial sanctions on Myanmar in 2003[7]. With major political and economic reforms in Myanmar, the easing of international sanctions, and EU's reinstatement of the Generalised Scheme of Preferences (GSP) in 2013, the world's garment manufacturers and brands sought to tap into the Myanmar market. As a result, Myanmar's garment exports and the size of the garment sector expanded significantly. Exports grew almost 15 times, from USD 340 million in 2010 to USD 5.02 billion in 2019, which made up about 28 per cent of Myanmar's total export value in 2019[8].

In early 2013, Myanmar's garment industry consisted of approximately 170 export-oriented factories employing approximately 102,000 Myanmar workers. By the end of 2019, this had grown to 685 export-oriented factories employing approximately 630,000 workers, constituting 3 per cent of the country's workforce[9]. Within the manufacturing sector, enterprises in the garment sector engage the highest number of workers[10]. Around 90 – 95 per cent of the garment factories are in Yangon region, primarily within industrial zones. The garment sector's increasing employment opportunities benefited people from rural areas as more than half of workers (67 per cent) are from outside of Yangon region[11]. According to the 2017 CESD-IDRC garment factory survey, 83 per cent of workers in export-oriented garment factories are female.

Despite this growth, Myanmar's garment sector is still relatively small compared to its neighbour Bangladesh, where the garment sector consists of around 4,500 factories with approximately 3.6 million workers. Despite being export-oriented and the garment sector's significant expansion, Myanmar is still only focused on "cut-make-pack" (CMP) which is the lowest segment of the value added chain.

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7   ILO, 2015.
8   UN Comtrade (HS codes 61 & 62) (2020). Retrieved 2 October 2020, from https://comtrade.un.org/data/
9   Myint Soe, President, MGMA, 2019
10   World Bank, 2018, Enterprise survey.
11   LFS, 2019, Q3 and CESD, 2018

3.2 Impact of COVID-19 on the garment sector

The COVID-19 pandemic caused both public health challenges and socio-economic affects across the world. The World Bank (June, 2020) projected that Myanmar's GDP growth would decline to 0.5 per cent in 2020. This estimate is lower than the initial projection in April for 2020, which was 2.3 per cent[12]. The ILO estimated that in the second quarter of 2020, working-hour losses for the Asia Pacific region would amount to 265 million full-time equivalent (FTE)[13] jobs or 15.2 per cent[14]. For the third quarter of 2020, there was "a decline in global working hours of 12.1 per cent, equivalent to 345 million full-time jobs."[15]

Due to the pandemic, the Myanmar garment sector faced both supply and demand shocks. The supply chain experienced disruptions due to the closures of factories and ports in China and demand uncertainty from Europe and the U.S. According to the CESD-Just Job (2018) garment enterprise survey, 74 per cent of raw materials (e.g., fabrics, sewing silk) were exclusively imported from China. Furthermore, the MGMA reported that 90 per cent of raw material imports came from China[16].

Up to early March 2020, around 16 factories were temporarily closed down due to a shortage of raw materials supplied from China.[17] Some suppliers had to transport raw materials by air, whereas in usual circumstances, they would use shipping and land borders. In August 2020, employers explained how this delay created a backlog in August 2020 while some factories were still working on June/July orders. To overcome this situation, the Government of Myanmar initiated joint efforts with private sector associations and the Chinese Embassy in Myanmar to resume the garment factories' inflows of raw materials from China.[18] There were improvements in the initial disruption of the Chinese supply.

Yet, Myanmar's garment factories experienced further challenges of declining orders from buyers in the US, EU and Japan. Since 2016, the EU had been the largest importer of Myanmar garment products, followed by Japan and South Korea, respectively. The EU and Japan represented 75 per cent of Myanmar's garment export destinations in 2019[19]. In April 2020, Myanmar Garment Manufacturers Association (MGMA) with the Sustainable Textile of Asian Region (STAR) Network, released a joint statement outlining nine key points on how to sustain the industry during the pandemic.[20]

As shown in Figure 1, the volume of garment sector exports from Myanmar to EU and Japan declined by 79 per cent and 59 per cent respectively, from August 2019 to June 2020. According to McKinsey (2020), based on the projected decline of the global economy, the "fashion industry fortunes are highly polarized[21]" as some supply chain actors face challenges while others are faring well.

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12   World Bank (June 2020a).
13   FTE is defined by the ILO as "... a unit to measure employed persons in a way that makes them comparable although they may work a different number of hours per week. The unit is obtained by comparing an employee's average number of hours worked to the average number of hours of a full-time worker. A full-time worker is therefore counted as one FTE, while a part-time worker gets a score in proportion to the hours he or she works."
14   ILO Monitor, 2020, p. 7
15   ILO Monitor, 2020, p. 7
16   MGMA, 2020. Press Conference on the 'Current Situation in Garment Sector'. February 2020 Issue. p.11.
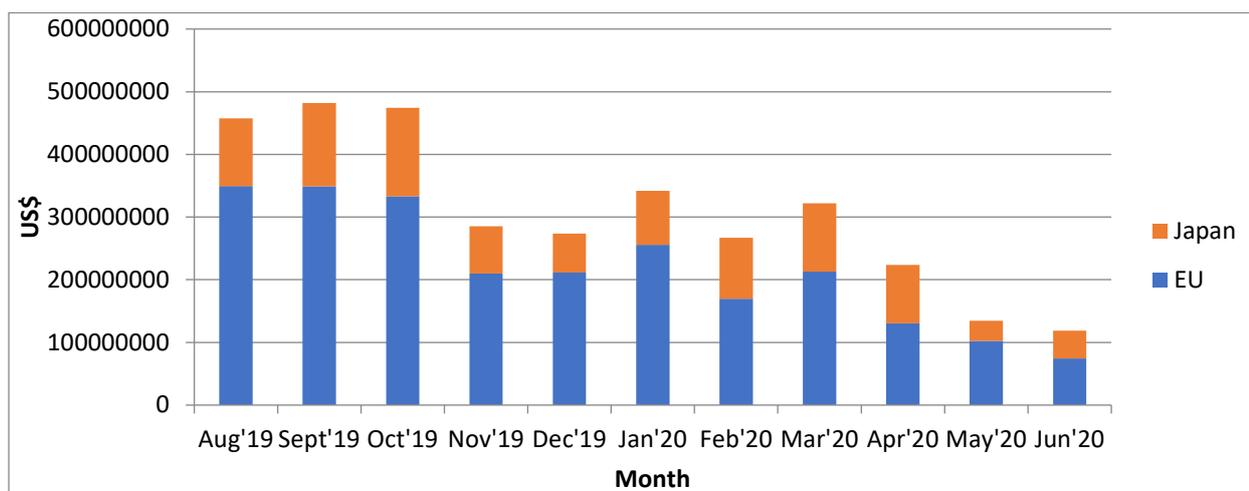17   Nyein Nyein, 2020
18   Global New Light of Myanmar, 2020
19   UN Comtrade, 2020
20   Joint Statement on Responsible Purchasing Practices amid the COVID-19 crisis, STAR. http://www.asiatex.org/ennewss/393.html
21   McKinsey, 2020

Figure 1: Myanmar apparel and clothing exports to selected countries

Source: UN Comtrade (HS codes 61 & 62) (2020)

3.3 COVID-19 policies implemented by the Government of Myanmar

Survey findings show that 95 per cent of interviewed workers indicated that their factories closed temporarily to comply with the Government's COVID-19 measures (see Figure 9). The Government of Myanmar set regulations that required all factories to conduct and inspection for COVID-19 prevention after the Thingyan New Year holidays from 20 April – 15 May 2020[22]. A collaborative response was implemented by the Ministry of Health and Sports (MOHS), Ministry of Labour, Immigration and Population (MoLIP), and the Regional Government to inspect garment factories that would resume operations upon receiving an endorsement/approval letter[23]. Factories that received "Grade A" could resume operations after an inspection. Those receiving a Grade B needed to make minor changes within the factory to resume operations. Finally, Grade C factories could not resume operations unless they made significant changes. Complaints were raised on the date of approval to resume operations as there was confusion among employers and employees about factory closure days. Some factories were also not sure which Government Ministry was responsible for communicating the approval to resume operations, whether they needed to call to follow up on their grading status or whether it would be shared with them.

The Government announced that workers that contribute to the Social Security Board (SSB) would receive 40 per cent of their wages for the day's factories were closed. The compensation would be available to workers who were already on the SSB scheme. Only 2.5 per cent of the population is covered by the SSB medical scheme or an estimated 1,450,000 workers[24]. The export-oriented CMP sector (especially garment and footwear) represents the highest share of SSB contributions in Myanmar.[25] At the time of this study, 16 per cent of workers surveyed stated they were not part of the SSB scheme. During the meetings with employers, this study found that some eligible workers still hadn't received 40 per cent of their SSB contribution due to the delay of administrative procedures.[26]

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22   Notification letter of Ministry of Labour, Immigration and Population on 19th April.

23   An endorsement or approval letter was issued by the Ministry of Health and Sports (MOHS), Ministry of Labour, Immigration and Population (MoLIP) and the Regional Government upon the successful inspection of the garment factories. This letter enabled the factory to resume its operations having met the necessary COVID-19 health regulations.

24   ILO, 2020b

25   This calculation is based on the SSB's reports when they dispensed 40% of compensation to workers during the inspection periods for COVID-19 measures in April and May.

26   Interview with employer, Yangon 2020.

3.4 Production levels and the pandemic

As mentioned earlier, Myanmar's garment industry has experienced significant growth in the last decade, with the share of exports reaching as high as USS 5.2 billion in 2019, mainly to EU, Japan and Korea. Figure 1 shows a decline in exports. One factory explained how in 2019 they produced between 80,000-100,000 pieces per month, whereas, during 2020, that production rate had dropped by half to 40,000-50,000 pieces per month[27]. Similarly, other factories interviewed also shared that their total production volume in the last six months decreased compared to the previous year's same period. Based on the fact that only a small number of in-depth interviews were with employers, it is difficult to estimate the changes in the garment sector's production level due to the COVID-19 pandemic. Nevertheless, the garment export in Myanmar did decline significantly from August 2019 to June 2020 (see Figure 2).

Figure 2. Impact of COVID-19 on garment sector orders

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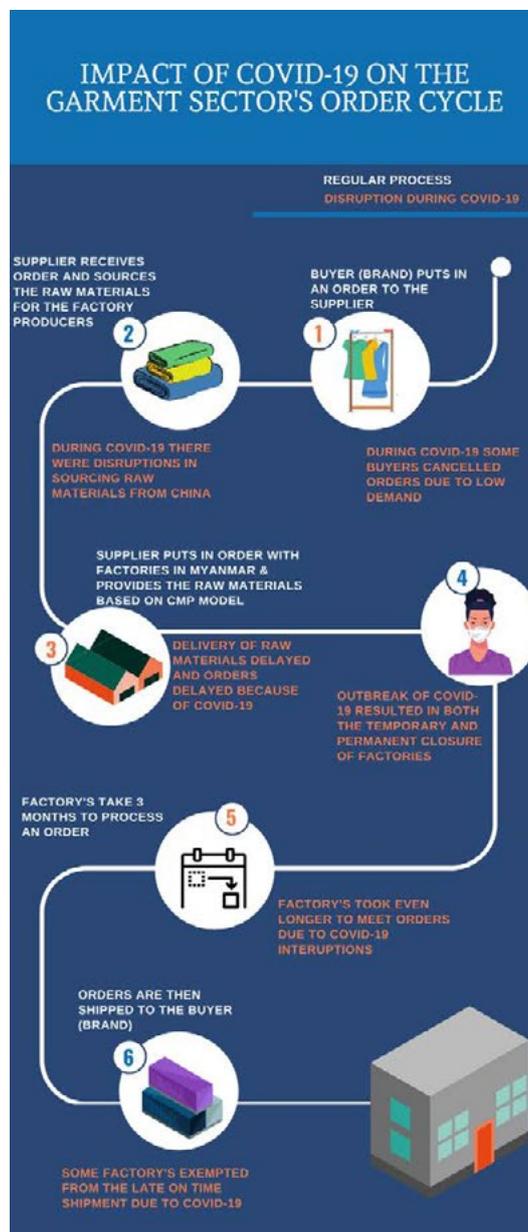
27   Key Informant Interviews, 2020, Yangon.

COVID-19 disrupted the order cycle of some factories in Myanmar. The key players involved in the order cycle include the buyer, supplier, and factory or, in some cases, a sub-contracting factory[28]. The order cycle is usually six months long, with factories taking 2 - 3 months to process one order. Usually, the product cycle will also determine the product type and the diversification of the market. What determines a peak season of a factory is what seasonal items the factory produces. Factories interviewed stated that they were scheduled to start working on orders in February 2020 with a delivery target in May 2020. However, they experienced delays in this entire process due to the pandemic. At the time of the interviews, the factories projected that they would receive a significantly lower level of orders during their off-peak seasons from August to September 2020 and December 2020 to January 2021. With the order cycle disrupted, the potential for a loss of jobs is high, and workers' vulnerability is heightened. None of the factories interviewed had their orders cancelled. Instead, the orders were put on hold.

The response by international apparel brands was mixed. Some reports cited how some US and European international apparel brands cancelled orders, and did not pay up to USD 16 billion for orders, and in some cases invoking force majeure[29]. Other international apparel brands who were interviewed at the time stated that they had not cancelled their orders but instead had placed them on hold. In contrast, others decided not to charge factories a late 'on-time delivery' fee[30].

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28 Sub-contracting factories refers to factories that are not export oriented and will often times be engaged by export oriented factories or suppliers to assist with an order. In most cases brands have only a relationship with the suppliers and they are obliged to mention any subcontractors they engage, otherwise that is considered an unauthorized subcontracting.

29 McNamara, 2020 and Bloomer, 2020.

30 The on-time delivery refers to a condition on a manufacturers contract that provides specific dates by which products are required to be delivered (Optimum Design, 2020). Usually suppliers would incur a fee if they missed this time. However, given some international apparel brands made the decision to wave this fee.

▶ 4. THE VULNERABILITY OF THE GARMENT SECTOR AND ITS WORKERS

4.1 Impact on working time and wages

Working time

The pandemic has had a significant impact on the state of the garment sector in Myanmar and on the working hours, days, and wages of workers. The study considered basic pay, overtime, attendance bonuses, and performance payments. The current minimum wage is 600 MMK (USD 0.43) per hour or 4,800 MMK (USD 3.44) per eight hour working day. Employers are legally obligated to pay overtime rates for additional working hours [31] which is calculated as double the basic wage.[32] In addition, working days should not exceed six days per week, and workers are entitled to one weekly rest day. As shown in Table 3, the total salary (net take-home salary) consists of basic pay, overtime, attendance bonuses, and other bonuses or performance payments[33]. Overtime and bonus or performance payments significantly contributes to workers' average monthly salary with basic pay comprising around 45 per cent to 65 per cent of the total salary depending on a worker's position.

The interviewed employers shared that regular operating hours (8 hours) were maintained, but overtime hours significantly changed. Sewing machine operators were typically offered 3 hours per day in overtime before October 2019, but during the COVID-19 this decreased to 1-2 hours per day[34]. Before the pandemic, workers could receive up to around 100,000 MMK (USD 71.61) per month for overtime, but this dropped to 57,200 MMK (USD 40.96) per month.

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31   Notification (1/2018) of Myanmar Minimum Wage
32   The Myanmar Factory Act, 195
33   Other bonus/performance fees include royalty bonus, performance fees such as piece rate, meal allowance and etc.
34   These hours applied before the pandemic and currently still apply now during the outbreak.

Table 3: Total salary composition based on worker's positions for November 2019 and June 2020

	Total (MMK)		Basic pay		Overtime pay		Attendance bonus		Other bonuses and performance payments	
	Nov 2019	Jun 2020	Nov 2019	Jun 2020	Nov 2019	Jun 2019	Nov 2019	Jun 2020	Nov 2019	Jun 2020
Skilled SMO[35]	222,846	212,490	59%	66%	26%	17%	4%	5%	11%	13%
Semi-skilled SMO	216,340	208,795	60%	65%	24%	18%	5%	5%	11%	12%
Supervisor/ line leader	352,737	306,267	44%	47%	15%	10%	3%	2%	38%	41%
Ironer/cutter/ packaging/ store/QC	235,823	217,539	57%	60%	25%	19%	6%	5%	12%	16%
Others	270,154	229,723	52%	58%	17%	19%	3%	5%	30%	21%

Findings also show changes in overtime in relation to the presence or absence of a trade union and a Workplace Coordinating Committee (WCC). A WCC is required for factories with more than 30 workers. As shown in Figure 3, the highest decrease in overtime (-44 per cent) was recorded in factories that did not have either a WCC or trade union. The second highest decrease in overtime (-32 per cent) was recorded for factories that only had a WCC. Workers that had the lowest decrease in overtime were in factories with a trade union (-29 per cent) or both a WCC and a trade union (-28 per cent). This research found that basic labour organisations (trade unions) and WCC's facilitated social dialogue to negotiate changes to workers' overtime as a result of COVID-19.

In terms of factory size, workers from smaller factories experienced a larger decrease (-46 per cent) in overtime Figure 2 shows the changes in overtime by factory size and ownership. Among the foreign-owned factories, workers employed at Korean factories experienced the highest decrease (-60 per cent) in overtime. Joint venture factories had the lowest reduction in overtime. (-17 per cent) followed by Chinese factories (-23 per cent). The export destination for Korean owned factories is predominately the Korean and European market[36]. For Chinese owned factories, the export destination is both the European Union and the United States markets. Overall, the factories that experienced the most significant decrease in overtime (71 per cent) were Myanmar owned subcontracting factories[37] due to a lack of shared orders from larger factories. Therefore, workers in sub-contracted factories were the most vulnerable, experiencing the most significant income loss.

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35   The Myanmar National Skills Standard Authorities divides the skills level of garment workers into four categories, semi-skilled, skilled, advanced skills and supervisory. However, at firm level, the criteria to define a worker's skill level is based on a grading system which varies across firms. Grading can range from A+ to C with points awarded based on the worker's years of experience at the factory, technical skills, piece or ticket rates that determine the productivity of the worker as well as their working relationship and attitude toward their supervisor or management. Often times, the production workforce can be classified as being a supervisor, line-supervisor, operator or helper at factory level. Normally, the grading system is mainly applicable to line-supervisor and operators, where skilled operators are often graded as either A+, A or B+/B and semi-skilled operator are often graded as C or lower. In this study, the respondents are categorized as a skilled SMO if they receive a grade B+ or higher or if they are able to sew difficult parts of clothing that require more specialized skills.

36   CESD-JJ, 2018

37   Sub-con factories are normally not engaged export directly or with international suppliers/brands directly. In order to meet tight deadlines and/or to be able to complete unanticipated orders, some factories subcontract certain production process to other factories, especially to a smaller one in many cases.

Figure 3: Changes in overtime hours by factory size and ownership
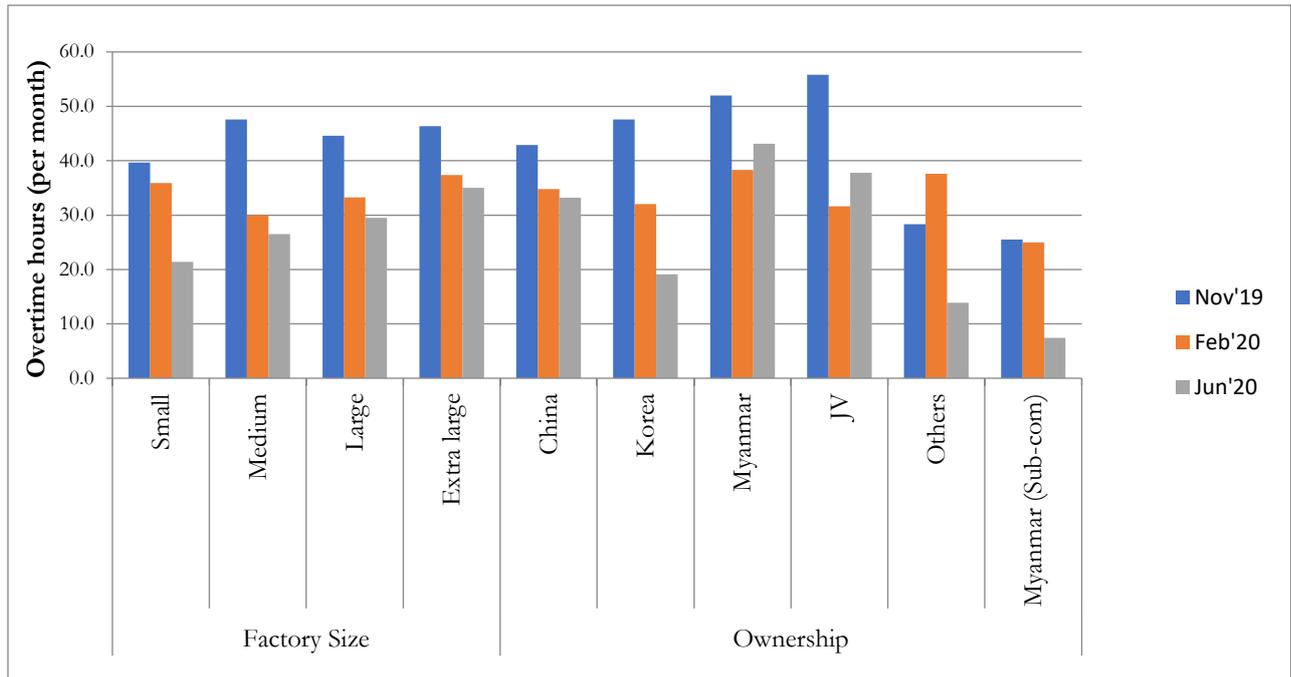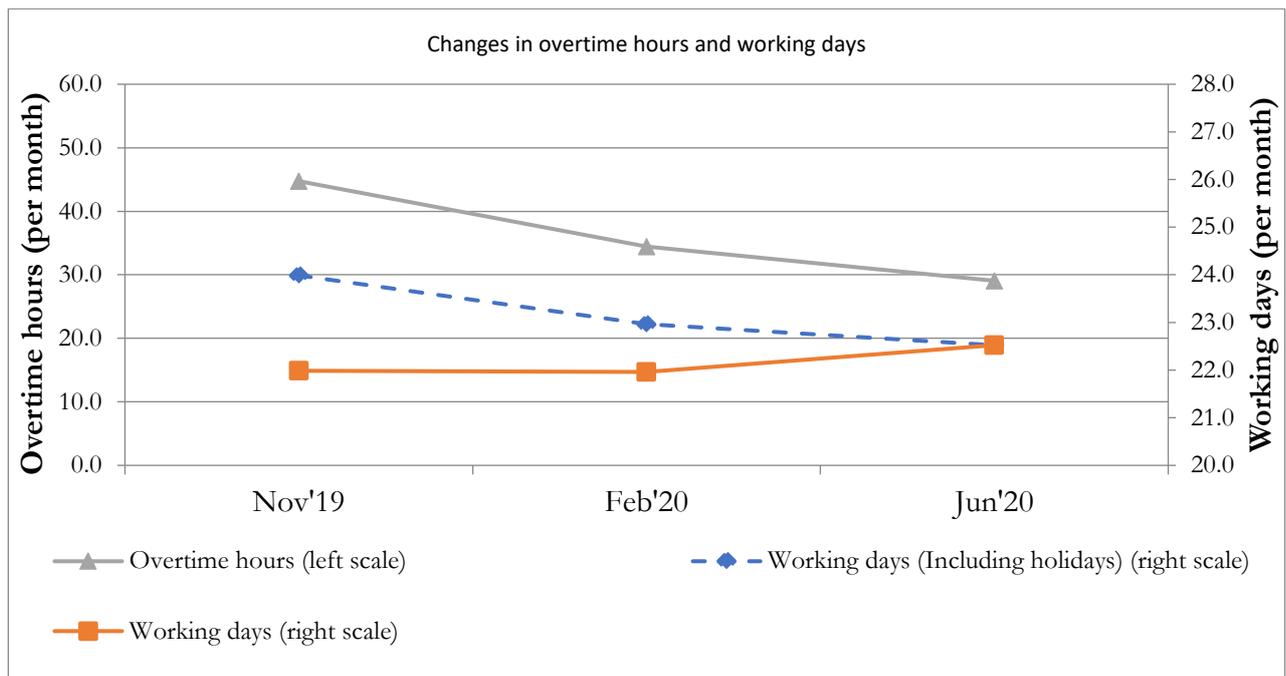

Figure 3 provides an analysis showing the actual overtime working hours and working days recorded by workers in November 2019 compared to June 2020. The overtime reported decreased from 44.7 hours per month to 29.1 hours per month. But there was no impact on actual working days.

Figure 4: Changes in overtime hours and working days

Wages

When looking at how worker's wages have changed during 2020, different categories and variables are considered such as the basic pay, overtime payments, attendance bonuses, other forms of performance fees[38], and worker's positions. As shown in Figures 4 and 5, workers reported an 8 per cent decrease in the proportion of the total salary (net take-home salary) received in June 2020 compared to the average salary received in November 2019. The decrease in the salary for the period from March to June 2020 is higher than the earlier period. The data shows no significant impact on the basic pay. The contributions of other bonus/performance fees to total salary have also remained relatively stable, around 20 per cent. In contrast, there is a significant decline in the contribution of overtime fees to total salary.

Figure 5: Composition of net salary reported by workers
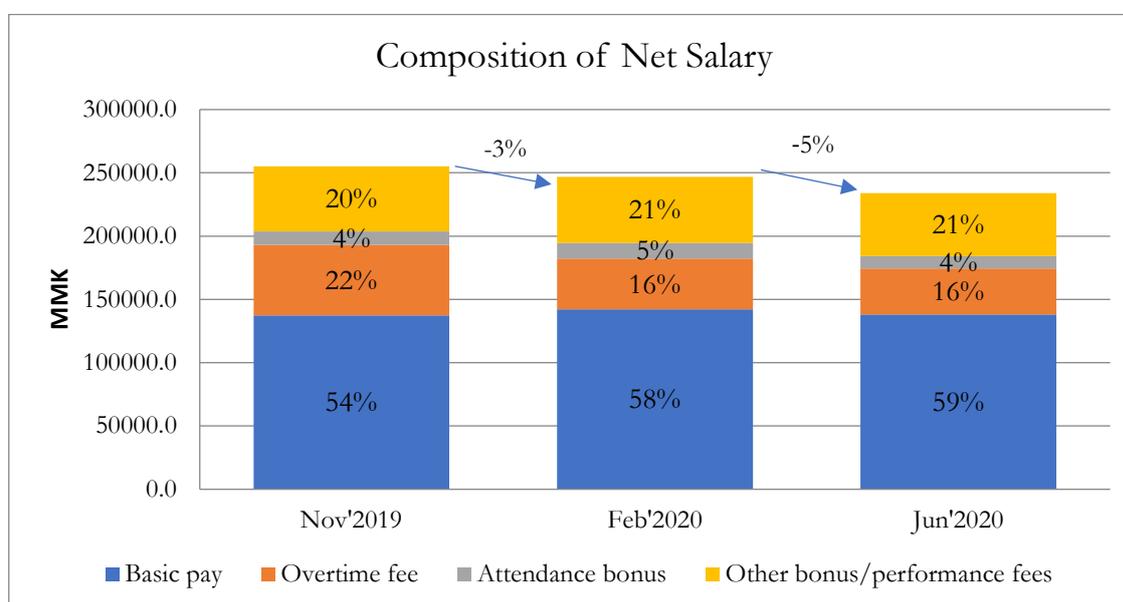
Reducing overtime hours was a strategy adopted by factories during the crisis. Factories interviewed also shared that changing bonuses and performance payments could affect the employer and employees' industrial relations. The first and second quintile income groups experienced the most significant decrease in monthly wages compared to other groups (Figure 5).

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38   Quintiles were divided into 20% per group

Figure 6: Monthly wages across quintiles

Monthly Wages Across Quintiles

Some employers explained how the income of workers decreased. For example, in November 2019, a skilled worker would receive an average of 300,000 MMK (USD 215). In contrast, in June 2020, the same worker would receive 230,000 MMK (USD 165) based on the reductions in overtime or performance bonuses. Some employers expressed that paying basic pay when a factory closed temporarily or during the public holidays hurt their business. Further, some employers interviewed explained that it is related to the number of public holidays employers in Myanmar are required to pay compensation[39]. Within ASEAN, Myanmar has the highest number of public holidays with 37 days in 2020, while Thailand, Cambodia, and Vietnam have 28[40], 25 and 11 public holidays respectively.[41]

Figure 7: Changes in monthly wages across different positions[42]

Changes in Monthly Wages (SMOs**)

Changes in Monthly Wages (Non-SMOs*)

Changes in Monthly Wages (Leader/Supervisor)

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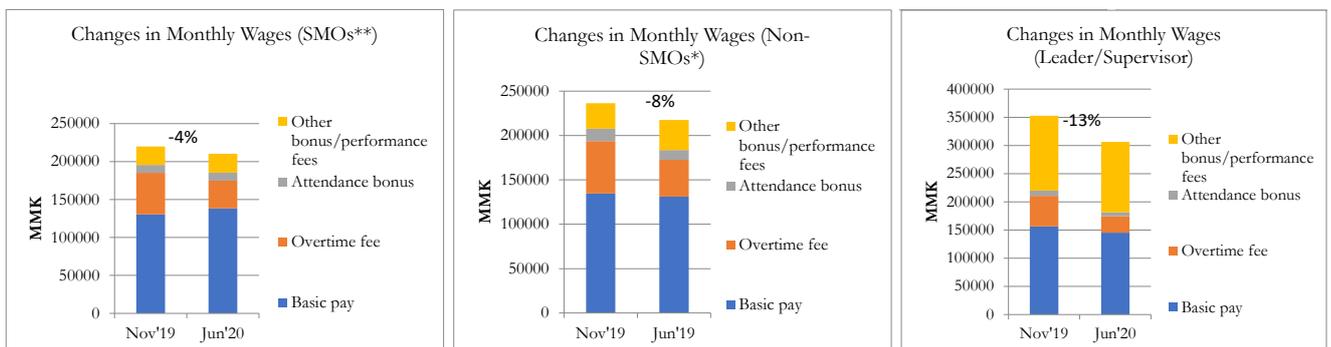
39 Khat, 2018.
40 Including special public holidays in some provinces
41 ASEAN Public Holidays 2020. https://www.qppstudio.net/publicholidays2020/asean.htm
42 **4041code

Figure 6 presents a series of graphs representing changes in monthly wages analysed according to workers' different positions to understand which workers were the most vulnerable. It is important to note that Sewing Machine Operators (SMOs) represen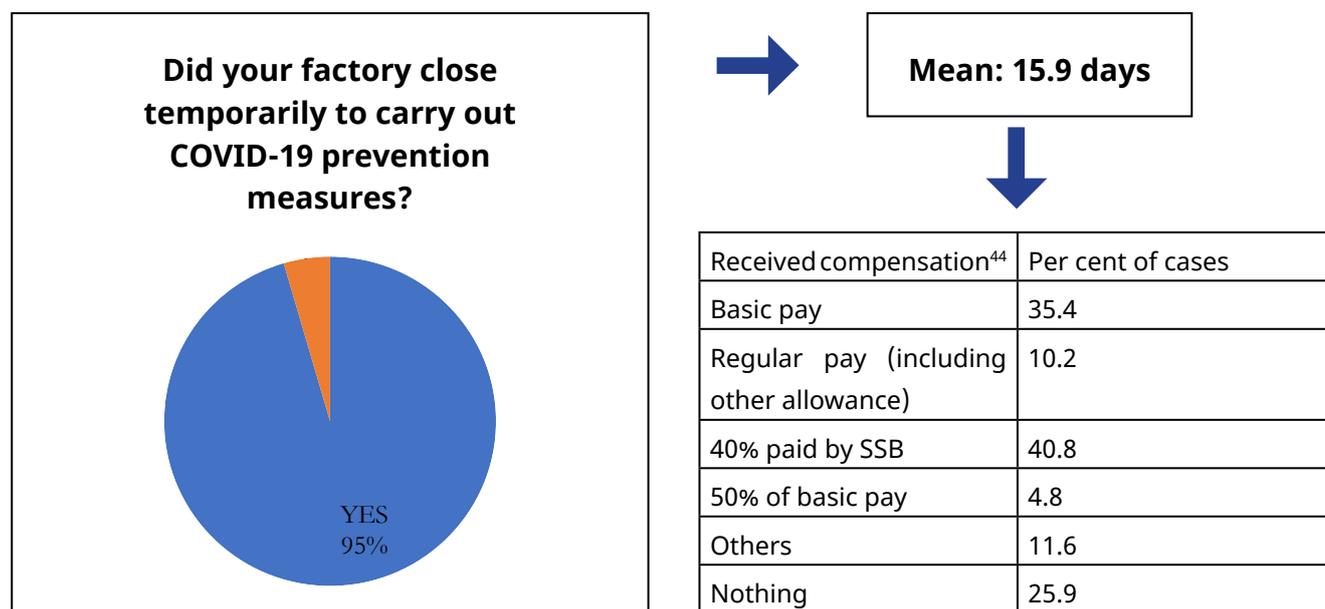t around 60 to 70 per cent of the export-oriented factories' production workforce[43]. The remaining 30-40 per cent were packers and designers, leaders or supervisors, or support staff such as security personnel and drivers. SMOs experienced the smallest decrease (-4 per cent) in monthly wages followed by non-SMOs (-8 per cent) and leader supervisor had the largest decrease (-13 per cent).

The group that experienced the highest decrease (-40 per cent) were those working for sub-contracted factories. In contrast, the total salary of workers from non-sub-contracted factories for June 2020 decreased by only 6 per cent compared to November 2019. The latter supports the overall trend of sub-contractor factories experiencing more difficulties during this period. Furthermore, smaller factories tend to not strictly follow the Minimum Wage laws and regulations, and workers often do not have employment contracts. Notably, SMOs' basic wages in November 2019, in comparison to June 2020, actually increased. Further investigation revealed that some workers were on probation before and did not receive full basic pay as full-time workers.

As explained earlier the date factories reopened depended on when they received approval following an inspection process. As shown in Figure 7, factories closed for an average of 16 days to carry out COVID-19 measures.

Figure 8: Compensation received during temporary factory closures

Did your factory close temporarily to carry out COVID-19 prevention measures?

YES
95%

Mean: 15.9 days

Received compensation[44]	Per cent of cases
Basic pay	35.4
Regular pay (including other allowance)	10.2
40% paid by SSB	40.8
50% of basic pay	4.8
Others	11.6
Nothing	25.9

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43   Key Informant Interviews(KII) with employers, Yangon, 2020

44   In this case, findings showed that a worker could receive more than one type of compensation. The parentage ratio is calculated based on whether a worker has received those listed compensation/benefits or not during the factory closure.

Union representatives stated that an average of 50 per cent of workers had received SSB compensation in the pay periods between May and July 2020. Out of the respondents surveyed, 83 per cent of the respondents were members of SSB. However, at the time of the survey in August 2020, only 47 per cent had received this compensation. Whether respondents received their payments outside the research period is not known.

According to the data collected, over a quarter (26 per cent) of the workers did not receive any compensation for closure periods. This group of workers was impacted the most by the lockdown policies implemented in response to the COVID-19. Less than half (35 per cent) of the workers interviewed received their basic pay, and a smaller proportion (10 per cent) received their regular pay that included other allowances. The highest share (41 per cent) of worker's income came from the SSB compensation. Other forms of compensation reported included in-kind support such as food given which is a common occurrence in Myanmar owned small factories.

To mitigate the impact of the pandemic, Myanmar's Ministry of Planning, Finance, and Industry launched a COVID-19 fund worth MMK 100 billion (USD 70 million) to support businesses in Myanmar to retain workers in the labour market. This fund provided soft loans at reduced rates to affected Myanmar owned businesses, prioritizing the CMP garment sector, tourism, and small and medium enterprises (SMEs). The hotel and tourism sector reportedly received the highest amount of loans, followed by CMP businesses.[45]

The EU launched a multi-stakeholder and collaborative initiative, the EU Myan Ku Fund, in April 2020 to respond to the impact of COVID-19 on the garment sector. Myan Ku supported 34,000 garment/footwear/textile workers, with 84 per cent of the beneficiaries being women[46]. Myan Ku Fund had sent a total of 60,464 support payments using Wave Money[47] ranging from 30,000 MMK (USD 22) to 225,000 MMK (USD 161), amounting to a total of 4.6 billion MMK (USD 3.3 million) at the time this research was conducted.

A consortium of industry stakeholders established, with support from the ILO, the Global Call for Action, which was adopted in April 2020 with the mandate to "catalyse action from across the global garment industry to support manufacturers to survive the economic disruption caused by the COVID-19 pandemic and to protect garment workers' income, health and employment.[48]" The primary purpose is to mobilize resources from International Financial Institutions and donors to assist the workers and support the development of social protection schemes. Myanmar is one of the eight priority countries identified in the Global Call for Action.

4.2 Employment levels and workplace conditions

Employment reduction

According to the SSB, as of 15 May 2020, over 150,000 insured workers across all sectors were laid off in Myanmar due to the pandemic. Among them, 55 per cent of those total laid-off workers were in the Yangon region. The Yangon Regional Minister for Immigration and Human Resources shared that from January to July 2020, 56 factories closed, the workforce was reduced in 175 factories. As a result, about 42,395 workers were laid off.

Table 4 outlines changes in the total number of workers, the actual average wages, and overtime. As identified earlier, Korean factories had the largest decrease in overtime. It can also be seen they had the highest reduction (-18 per cent) in workforce in November 2019 compared to June 2020. Some factories experienced a decrease in

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45   Myanmar Insider, July 2020

46   Smart Textile & Garments, Sequa, EU Nexus Response for Myanmar and UNOPS, 2020. For more information: https://smart-myanmar.org/en/news/eu-myan-ku-fund-issues-over-54-billion-mmk-in-support-to-garment-factory-workers

47   Wave money is a digital platform to transfer through mobile phone or from one agent to another agent.

48   ILO, 2020

the average wage expense per production worker[49], as shown in Table 4, with Myanmar (-3 per cent) experiencing the lowest decline and South Korea (-14 per cent) recording the highest decrease. Chinese-owned factories interestingly recorded an increase of 6 per cent for O.T. expense, which could be explained by the fact that after the factory re-open in May, the factory increased the O.T. working hours to meet the order delivery date to the supplier/brand.

Table 4:   Responses from factories on the changes between November 2019 and June 2020

	Chinese-owned			Myanmar-owned			South Korean-owned		
	Nov 2019	June 2020	Change (%)	Nov 2019	June 2020	Change (%)	Nov 2019	June 2020	Change (%)
Total number of production workers	958	838	-13%	1,416	1,339	-5%	606	498	-18%
Average wages per production worker (MMK) **[50]	235,785 (USD 169)	249,271 (USD 179)	6%	229,697 (USD 165)	223,078 (USD 160)	-3%	255,776 (USD 183)	220,884 (USD 158)	-14%
Average overtime per production worker (MMK) **	56,287 (USD 40)	51,370 (USD 38)	-9%	67,113 (USD 48)	66,200 (USD 47)	-1%	49505 (USD 36)	53,213 (USD 38)	7%

As shown in Table 5, within less than one month following the outbreak of COVID-19 between 17 March 2020 and 10 April 2020, 15 garment factories either closed permanently or temporarily and 57 factories reduced their workforces significantly. Consequently, over 22,000 workers were laid off[51]. Because of the lack of comprehensive data available for the garment sector, it is difficult to estimate which enterprises were the most affected. Furthermore, 82 per cent of those laid-off workers were female, which is reflective of the proportion of women in the garment sector. When asked about workforce reductions, 32 per cent of workers reported that their factories reduced the workforce. The average size of the current workforce of respondents' factories was 997 workers suggesting an average reduction of 10 per cent.

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49   For the purposes of this research production worker refers to a worker whose responsibility is limited to work done on the pro-
      duction floor of the factory.

50   Calculated based on the factory's actual wage expenditure and number of workers for June 2020 and November 2019

51   MOLIP, 2020.

Table 5:   Number of workers laid off in the garment sector (between 17 March 2020 and 10 April 2020)

		Ownership	Number of factories	Male	Female	Total
Laid-off because of workforce reduction		China (including H.K.)	25	792	8547	9339
		South Korea	5	126	1117	1243
		Myanmar	12	162	1493	1655
Laid-off because of factory closures		China (including H.K.)	8	297	3726	4023
		Myanmar	5	2466	1789	4255
		JV	1	51	338	389
		Other ASEAN	1	67	1271	1338

Interestingly, the Japanese-owned factory respondents said they did not reduce their workforces due to COVID-19. In contrast, all the respondents from the Association of Southeast Asian Nations (ASEAN) owned factories[52] said their workforces had been reduced. Findings from the interviews show that foreign firms preferred to lay off workers if there were fewer or no orders and re-hire workers because of a surplus of workers in the labour market[53].

Because of long public holidays, stay-at-home orders, and movement restrictions in April and May 2020, many migrant workers who returned to their homes during long public holidays in April could not return to their workplaces even though factories had re-opened. In such a case, an employer is not obligated to pay severance pay.

Figure 9: Average change in production targets by ownership nationality


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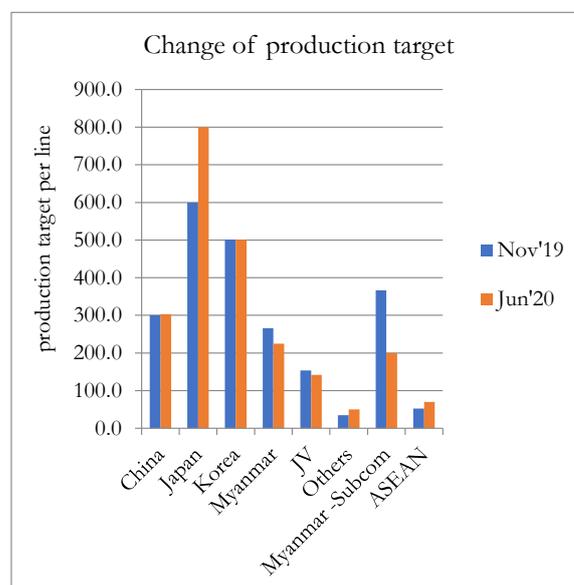
52   Factories were grouped under ASEAN and those represented included Thailand, Indonesia, Singapore and Malaysia.
53   Key Informant Interviews with employers, Yangon, 2020.

Figure 9 shows another perspective of how COVID-19 has impacted the garment factories' productivity as it looks at the changes in production targets in November 2019 compared to June 2020. Production targets for this analysis describes the number of product items workers needed to deliver in each production line. The graph shows how Korean and Chinese owned factories experienced no changes and Japanese and other ASEAN-owned factories experienced an increase of production targets. However, Myanmar subcontracting firms experienced a significant decline in production targets.

At the time of the survey, 19 per cent of the workers indicated that their manager or employer had signalled reductions in the workforce in the next three months. As shown in Figure 8, over a quarter of the workers surveyed felt more insecure about their jobs compared to November 2019 suggesting COVID-19 increased the feeling of job insecurity among the workers. Over half of workers surveyed (60 per cent) said their stress levels at work had increased compared to November 2019. The increase in the level of stress was reportedly due to the initial closure of factories, the added pressure to meet the backlog of order targets, new social distancing measures implemented in factories, and the general stress and mental strain of the pandemic itself. The Department of Social Welfare received training from the United Nations Population Fund (UNFPA) on mental health and psychosocial support to assist communities that had been impacted the most by COVID-19[54].

**Figure 10:   Workers perceived job security**
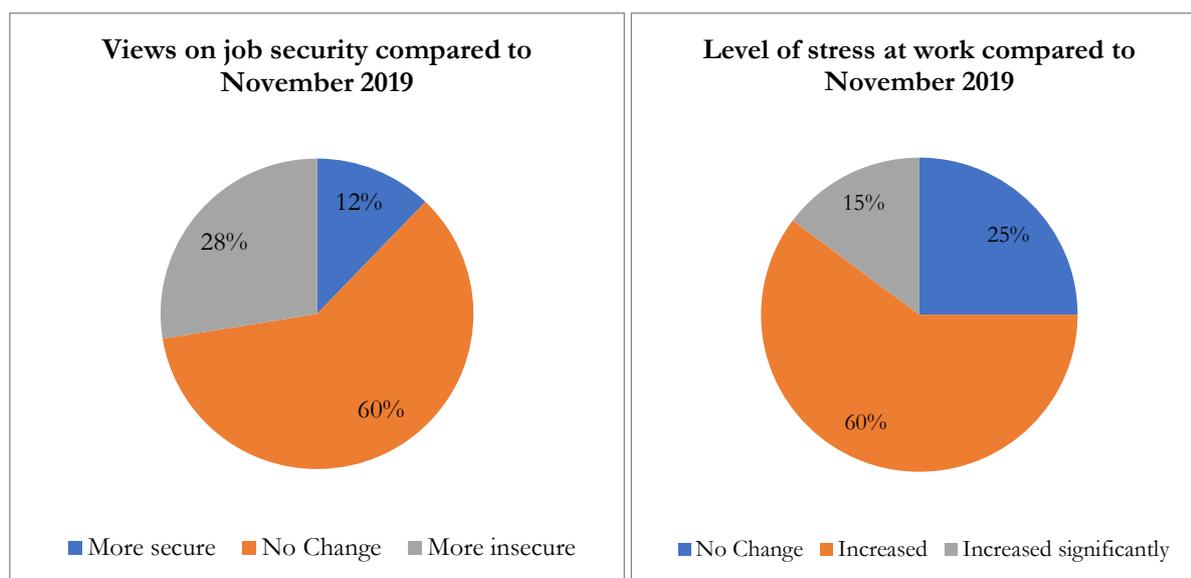
Workplace conditions

Regarding working conditions, respondents highlighted the difficulty in adjusting to COVID-19 measures by implementing physical distancing rules. In factories, workers are required to wear face masks or face shields all day, their duty stations have changed, and they cannot interact with their colleagues.

Interviewed workers that had lost their jobs reported that finding new jobs during the COVID-19 outbreak was challenging because of skill mismatches. Some factories were looking for highly skilled sewers whereas a majority of unemployed workers were low skilled or were operators with a different skill set. Workers also described a bias against hiring union workers, female workers above the age of 40, and against hiring males. COVID-19 has amplified these discriminatory practices.

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54   UNFPA, 2020

When workers surveyed were asked about what type of changes they had experienced in their workplace during the pandemic, the most cited change was reduced overtime hours followed by stricter COVID-19 regulations in the workplace. Another reported change was the reduction in bonuses and other monetary payments.

Figure 11: COVID-19 effects in the workplace[55]
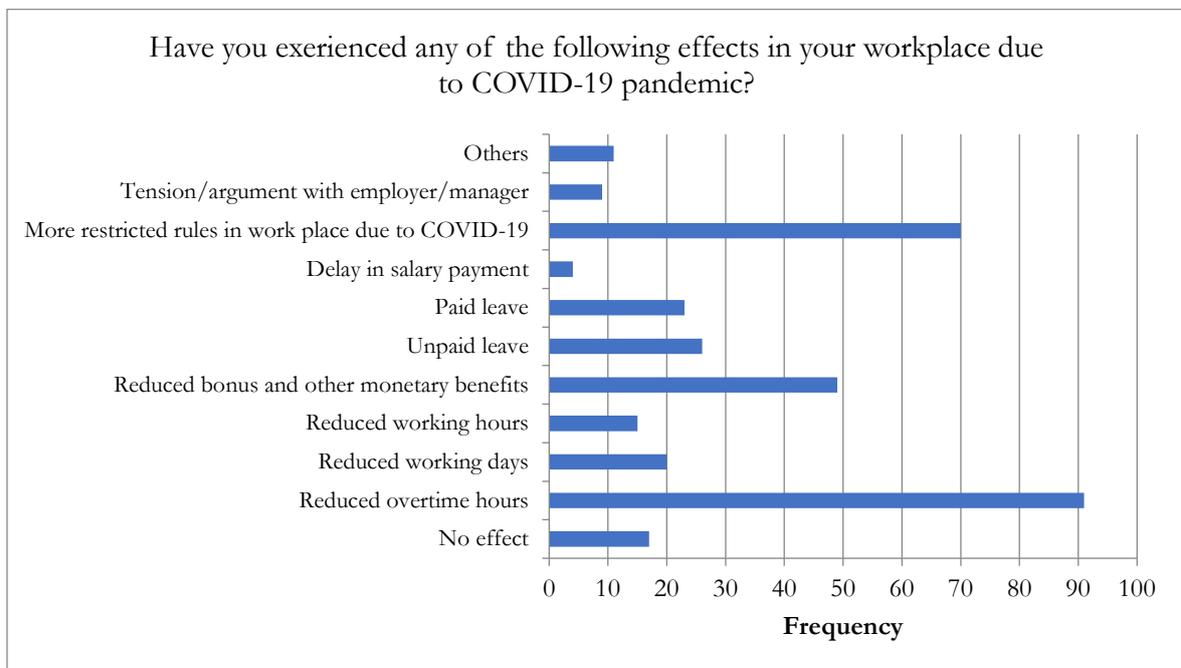
An employer explained that despite the Ministry of Health and Sports (MOHS) having checked whether the factory complied with the COVID-19 restrictions such as social distancing, it was crucial to consider what happens when the workers leave the factories. One interviewee referred to the challenge practicing physical distancing after working hours, either in workers' hostels, public transport, or other public spaces. Another change brought by COVID-19 as described by some interviewed employers is the uptake of digital solutions. Previously, it was hard to persuade workers to accept digital payments such as CB pay or KBZ pay, however, an opportunity to foster the use of digital financial services among the workers has emerged due to COVID-19.[56]

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55   This questions enabled respondents to select multiple options.
56   FGD with employers

▶ 5. CONCLUSION

This research study explored the realities of workers and employers in Myanmar's garment sector in 2020 during the pandemic. The following section presents the key findings of this research and lessons for future policy interventions.

The survey results indicate that garment workers experienced a decline in their total monthly net income of 8 per cent between November 2019 and June 2020 (under conditions when factories were fully active). Moreover, workers in Myanmar owned factories that operate on a subcontracting basis were the most affected group, and their total income reduced by 40 per cent. The loss of income was mainly driven by the drop in overtime hours. COVID-19 also had a negative impact on workers' stress levels along with concerns over job security and income loss.

Workers in the factories with either a trade union or a WCC had lower reductions in overtime hours compared to factories with no union and WCC present. However, the limited sample size and the lack of additional data, means that causality was not established in this study. Most of the factories with no union and WCC present were small or locally-owned sub-contracting factories.

Apart from workers' income loss under the conditions when factories were fully active, this study observed that most workers lost a significant amount of their income during the temporary closure of factories in late April and early May 2020. At least one-fourth of respondents did not receive any compensation, while most lost more than half of their total income.

The study observed that lockdown measures significantly impacted many respondents' income. Effective dialogue across all parts of system, including workers, brands, employers and government was needed to minimize the risk of a fragmented crisis response.

The interviewed employers shared that order stability is the most crucial factor for factories to ensure their continuity. Thus, close collaboration among international brands, suppliers, employers, and unions is vital to finding a win-win solution to ensure this sector's sustainability during this crisis.

An income support scheme for those who have lost their job or a significant proportion of their income will continue to be important in mitigating the workers' livelihood hardship and that of their families. The EU's Myan Ku Fund provided important emergency support to workers who were laid off due to the pandemic. Both employers and employees agreed that COVID-19 has illustrated the need for a strong unemployment insurance scheme that can better support laid-off workers.

Active labour market policies are needed to support workers who have lost their jobs. Creating job opportunities needs skills enhancement programmes or re-directing laid-off workers into other sectors to diversify their skills and match demand.

This study also illustrates that it is important that collaboration among international brands, suppliers, employers, and unions takes place to find win-win solutions to protect the livelihoods of employers and workers.

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