FAIR.
Myanmar’s opportunity to become the new “it-destination” for (responsible) garment production.
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This report aims to deliver organizations such as the Myanmar Garment Manufacturing Association (MGMA), the International Apparel Federation, Fair Wear Foundation and other stakeholders that would like to (responsibly) engage in Myanmar’s garment sector with fundamental knowledge to be considered before doing so. It examines the reasons for an increasing shift of garment production to Myanmar and the challenges that come with this industry shift. The report outlines the development of Myanmar’s garment industry and investigates obstacles that currently stand in the way of creating a responsible production environment.

Myanmar is predicted to become the fourth fastest growing economy in 2017 and with this, also its garment industry is currently experiencing a rapid economic boom. Approximately two garment factories open every week which puts Myanmar in the position of becoming a rising competitor of common low cost production countries such as Bangladesh and India. After frequent media publications about horrible production conditions in such low cost sourcing markets, Myanmar seems to be the perfect country for brands to take the opportunity to have a “fresh”, sustainable start.

Brands do not only profit from its untainted reputation in the garment industry, but are also intrigued by the low labour costs, a vast accessible workforce, tax brakes and the support from the Myanmar Garment Manufacturing Association (MGMA) that helps to set up production. However those brands need to realistically evaluate if they can face draw-backs such as outdated infrastructure, corruption, a very slow move from Cut-Make-Trim production to Free-On-Board production and a lack of trimming, fabrics and packaging suppliers.

Especially brands who would like to engage in a more responsible way of production need to watch out as the following issues might take a while to be solved. Workers often complain about low wages, excessive overtime, missing safety measures, contracts and a lack of voice. But on the other hand also factory owners and managers experience issues. These problems are often closely related to pressure from buyers. A decrease in buying prices leads to a decrease in wages and increase of overtime for workers, who then end up switching factories as they do not understand the principles of loyalty and contracts. Workers unions are commonly in place and are supposed to facilitate communication between the workers and managers, however they mostly do not function properly yet.

However, brands could profit from exciting opportunities in Myanmar, especially the ones who would like to get away from having an irresponsible image in the media. But the future of Myanmar is not easily predictable and strongly depends on its political advancements. Producing in a responsible manner in Myanmar is a multifaceted challenge. Buyers, factory managers, employees, the government and organizations all need to understand the risks involved. Once those risks are identified, clear corporate social responsibility guidelines can be set, implemented and optimized.
During the course of my apprenticeship in leather crafting, which I completed in 2012, two internship periods were crucial part of the program. I conducted one of the internships as a factory worker at a handbag production site of Chanel in France. Just like any of the other workers, I sewed, glued and had targets to reach. Ever since this experience, my view on fashion production and consumption has changed. Noise, harmful particles in the air and machinery that release electric shocks were exhausting. As this was a factory with the highest standards, owned by Chanel, one of the most prestigious luxury brands itself let me assume that the production conditions elsewhere are most probably worse. This assumption has been proven by the media, which outlines how hard the working conditions of billions of garment workers around the globe are. It has stayed with me ever since. The courses at the Amsterdam Fashion Institute have further raised my awareness towards responsibility and sustainable concerns, and evoked the ambition to contribute to a change in the industry.

This ambition, paired with my personal interest for Myanmar lead to this research paper. Especially after I had been in Myanmar in August 2015, I have been following the news about this South East Asian country even more closely. Several articles predicting that Myanmar becomes the new Bangladesh pushed me to research this statement. This led to my decision to go back to Myanmar in December 2015 to further investigate the local garment sector. Interviews with industry specialists, conversations with friends who live and work in Myanmar, attending a conference about Myanmar’s prospects at Polytechnic University of Hong Kong and a great amount of articles all allowed me to form a vision on the industry’s current state. Therefore the following pages will investigate the present situation of Myanmar’s garment industry and outline the problems that are currently in the way of a responsible production environment.
Acknowledgement

This research paper was enriched by the information gained from my interviews. Therefore I would especially like to thank Hillary Yee, Jacob Clere and the MGMA team, for answering my many questions and allowing me to gain a better understanding of this topic by looking at it from more than one perspective. Another big thank you goes out to my friends in Yangon who did not just integrate me wholeheartedly during my stays in Myanmar, but who also gave me valuable information and connected me to industry specialists. A great help and motivator were my friends and family who were always willing to give me feedback and supported me to continuously optimize this research report. I also would like to express my gratitude for my coaches Charlotte Corstanje and Jan Piscaer who guided me with their knowledge and always pointed out further areas of possible research so that I could broaden the scope of knowledge I will take with me after AMFI. The past 4 years at AMFI have opened my eyes to look into new directions and have prepared me for what is to come in the future. Lastly I would like to thank Koen Oosterom and Hendrine Stelwagen from Fair Wear Foundation for taking me onboard to help develop the Workplace Education Program in Myanmar. I am excited to be part of this project and look forward to facilitate change in Myanmar factories in the end of August 2016.
Glossary

Abbreviations

ASEAN = Association of Southeast Asian Nations
CCC = Clean Clothes Campaign
CEO = Chief Executive Officer
CMT / CMP = Cut-Make-Trim / Cut-Make-Pack
CSR = Corporate Social Responsibility
CTUM = Confederation of Trade Unions in Myanmar
FOB = Free-On-Board
FWF = Fair Wear Foundation
H&M = Hennes & Mauritz
ILO = International Labour Organization
MGMA = Myanmar Garment Manufacturing Association
Myanmar = Burma (Country)
Myanmar = Burmese (Inhabitants)
NGO = Non-governmental organization
NLD = National League for Democracy
PCI = Production Cost Index
SAM = Standard Allowed Minutes
WEP = Workers Education Program
WRAP = Worldwide Responsible Accredited Production
Definitions

During this report I will refer to several terms that need to be defined specifically for this research.

**Responsible/Ethical Manufacturing:**

There are various definitions about what ethical and responsible production is. I felt like something was missing in each one of them. So I decided to combine the definition of Corporate Social Reasonability (CSR) and Strategic Workers Right Objective\(^1\) of the International Labor Organization (ILO) and the living wage definition of the Clean Clothes Campaign to create a complete definition. For the following research I define responsible and ethical production as follows: Responsible production is complied to, when the basic needs of a worker are met which include: a safe and healthy working environment, a living wage (defined below), a binding working contract, with holidays that must be fulfilled. Furthermore all strategic objectives of the ILO (defined below) should be implemented and complied to.

**Living Wage:**

In the global minimum wage report by JustJobs Network (p. 116, 2015) a living wage is defined as follows: “A living wage is the minimum income necessary for workers to meet their and their families’ basic needs - including nutrition, housing, health care, education, clothing, transport and savings for retirement and life risks.’ Increasing inflation, the rising cost of living and consumer goods, as well as the cultural context (one working person often needs to support a whole family) all need to be taken into consideration.”

**Strategic Objectives of the ILO for Workers Rights:**

The ILO is an agency of the United Nations (UN) that commits to promote social justice, human and labor rights. The ILO aims to encourage fair employment, social protection, workers rights and strengthens the dialogue on work-related issues, and therefore builds the foundation for social compliance standards. The following principles should be basic rights for workers:

1. Freedom of association (convention 87), which protects the workers’ rights to freely establish and join organizations;

2. Right to organize and collective bargaining (convention 98), which defines the right of workers to be protected against any form of discrimination caused by being members of trade unions and the right to bargain collectively;

3. Forced labour (convention 29) and abolition of forced labour (convention 105), which prohibit the execution of any form of forced or compulsory labour (all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily);

4. Minimum age convention (convention 138), which sets a 15-year-old minimum age for admission to any type of employment or work;

\(^1\) Definition follows in the next column
5. Child labour (convention 182), which prohibits the use of any form of child slavery or similar to slavery;

6. Equal remuneration (convention 100), which guarantees the right for women and men to receive equal salary for work of equal value;

7. Discrimination (convention 111), which prohibits any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin of the workers. “
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Introduction

We live in the year 2016. The effects of globalization make the world feel smaller and everything seems to be just a stepping-stone away (Newworldencyclopedia.org, 2013). A vast improving network of infrastructure and trade-facilitating policies result in the blossoming of international trade. This comes with advantages and disadvantages, both affecting the fashion industry. “Made in China” or similar labels on products do no longer strike consumers. A majority of large fashion companies seizes the opportunities that a global supply chain allows them to buy their garments from manufacturers in low-wage countries (The Economist, 2015). Most of the time it is stated to be a ‘win-win’ situation: A win for the companies, because they can reduce their production costs due to lower labor costs, and a win for the people in underdeveloped countries, because more jobs become available to them. But is this really true?

Through developments, such as the Internet, technological enhancements and infrastructure that makes affordable traveling possible, consumers have become more and differently educated than before. The fashion industry often makes it into the news with headlines that inform for example, about factories collapsing, child labor and dramatic scenes of unions on strikes. Customers thus are more and more aware of labor grievances and ask questions about where and how products are produced, putting pressure on clothing brands (Randolph and Panknin, 2015). However, mixed messages about ethical behavior in the fashion industry headline in the media, leading to confusion and incredulity. In the documentary ‘The True Cost’ (2015), the filming team gives insights into how garments are produced and the tragic consequences the fashion industry causes to many employees, mostly at the bottom of the supply chain. Large corporate businesses such as Hennes & Maurits (H&M), ensure a fair code of conduct, but Narbara Briggs, associate director from the global labor rights committee (a non-profit organization) states “what we see case after case, is that those codes of conducts are not worth the paper they are written on” (The true cost,1:11:30, 2015). She criticizes that even though most companies have fair code of conducts written out, they are very often not complied with. Gisela Burckhardt CEO of FEMNET e.V., is also actively looking into how the garment industry can be made more responsible confirmed that during the podcast “Neugier genügt”3, she confronted H&M with findings about bad practices in their manufacturing companies. Nonetheless, they did not change anything nor did they show commitment to change whatsoever. Therefore it is important to identify the obstacles that prevent responsible production at the moment and outline how all stakeholders could implement measures to produce responsibly.

The global wage debate report by JustJobs Network (p. 116, 2015) states: “Suppliers often can not influence the price of raw materials, energy, and transport much; in contrast, labor costs are relatively easy to manipulate” and therefore, laborers and

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2 Defined in the glossary p. 15
security measures are most often saved money on. Even though many public and private organizations such as the United Nations and independent audit organization WRAP have the goal of creating and ensuring fair working conditions, it seems that no positive effects can be recognized (LeBaron and Lister, 2016). It appears that the current garment production environment encounters difficulties in ensuring responsible standards are complied with. With consumers getting more and more educated brands increasingly start to pay more attention to their corporate social responsibility (CSR) actions. The following paragraphs will therefore identify some of the most prevalent problems encountered to then indicate possible solutions.

Myanmar: A country awakes

During the course of last year some newspapers published articles stating that Myanmar is about to become “the new Bangladesh” (Stürzenhofecker, 2015). This alarming statement led to the focus of this research paper: Myanmar - a striving garment production country.

After years of exclusion in international trade due to the military dictatorship, Myanmar (also known as Burma) started to open up for trading again in 2011 (World Trade Organization, 2015). Since then, it has been one of the fastest developing countries in the world. Especially the apparel sector is flourishing (Oelrich, 2015). “‘One new factory opened every week in 2014,” says Khine Khine Nwe, the secretary of the Myanmar Garment Manufacturing Association (MGMA).” With very low labor wages and industrial land prices, it attracts many fashion brands such as Adidas, H&M and GAP, to bring production there (Randolph and Panknin, 2015). The apparel export earning of Myanmar is likely to increase to $2 billion in the next three years, which in 2012 was only at $900 million (Asfar, 2016). This makes Myanmar a relevant focus for this research paper, as it is new territory for many fashion brands.

With its location on the ‘silk road passage’ (also known as “Belt and Road” strategy), Myanmar has a prime position for trade with its vast neighboring economies China and India but also for international trade. Myanmar’s geographic position comes with access to a 2.3 billion consumer base across all its neighboring countries (Wheeler, 2016). This gives the Burmese an advantage over countries that are also cheap for garment production such as Cambodia.

Myanmar is slowly emerging as a likely competitor to low cost production countries like Bangladesh in the world apparel market (Banerjee, 2015). As a production country in its infancy, this allows for possibilities in setting up manufacturing that can be sustainable and that allows the world market to draw on lessons learnt from catastrophes, such as the collapse of Rana

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4 The ‘silk road passage’ refers to a logistics and transportation network of trade routes that was, and still is used for interaction on the Asian continent between China, the West, the East and the Mediterranean Sea.
The aim of this research is to explore the following:

“As fashion companies are starting to source garments from Myanmar, which factors need to be considered before entering this market in general and especially for stakeholders that would like to produce responsibly?”

In order to find the answer to this main question I will answer the following sub questions:

1. What is the current social economic situation in Myanmar?

2. How did Myanmar’s garment industry develop over the past 25 years?

3. What are the challenges and opportunities that brands face wanting to start garment production in Myanmar?

4. What are the predominant issues that currently stand in the way of responsible garment production in Myanmar?

Plaza⁵ in Bangladesh. Some fashion businesses, like GAP and H&M, sourcing from Myanmar collaborate with non-governmental organizations (NGO’s) to identify problems they currently encounter while manufacturing there and to find solutions to improve the conditions for garment workers. Together with the government they are implementing an initiative on Labour Law Reform and Institutional Capacity Building to improve labor rights and practices in Myanmar (Gapinc.com, 2015). On paper this sounds like a promising step to take, but the actual impact of these changes is hard to evaluate as of yet. Production shifting to Myanmar could give fashion brands that are committed to producing ethically, the opportunity to collaborate responsibly from the beginning and may give room for social entrepreneurship⁶.

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⁵ In 2013 the 8 story factory building Rana Plaza in Bangladesh collapsed, killing 1134 people and leaving many more injured.

⁶ Definition Social Entrepreneurship: Creating opportunities for financially/socially disadvantaged people by giving them the means to earn a living by themselves (often through employment).
Methodology

I focused on conducting qualitative research rather than quantitative research. I used the information of primary ethnographic research that was conducted in August and December 2015 during a stay in Myanmar where I experienced, observed and discussed the current situation of the country with various people working and living there. I questioned two specialists from the field; The first was Jacob Clere leader of the SMART project (via mail). Secondly I interviewed Hillary Yee founder and owner of Burmese fashion label CiCi who is helping her parents to manage the garment manufacturing company “GRAND SPORT” (via Skype). Furthermore I contacted associations operating in the Myanmar garment industry. I also conduct secondary research, reading articles, reports, studies etc. printed and online. A majority of the secondary research was taken from recent publishing dates (2014-2016), to ensure the accuracy of information, as Myanmar’s market is changing rapidly.
A snapshot of Myanmar’s current context

In order to fully understand all chapters of this report and the concluding product it is important to know the basic social economic situation in Myanmar. The social setting, political situation and economic growth naturally shaped the Burmese culture. The following information therefore plays an important role in understanding work ethics and cultural differences.

General information:

The republic of Myanmar encompasses around 676,600 km² of land and has around 53.96 Million inhabitants (Oung, 2015). The Asian country has a great geographical location for trading, bordering China, India, Bangladesh, Thailand and Laos on the landside and the Bay of Bengal at its coast. There are 8 major minority groups, 135 different languages spoken and over 5 religions practiced, but Buddhism is the main religion accounting for 89.2% of the total population’s believes. In 2015 a minimum wage of 3600 Kyat (equivalent to 2,65€) for a standard 8-hour day was introduced, mainly due to demands from labor organizations and international buyers.

Political situation:

Myanmar was colonized by the British Empire from 1886 to 1948. Fourteen years after the period of colonization ended, the military junta took over the power and imposed their rule upon the Burmese from 1962 until 2011, largely setting back the country’s economic development. During the time of nearly 50 years under military rule, Myanmar seems to have been isolated from the rest of the world.

After attempts of holding elections in 1990, of which results were ignored, Myanmar’s public was called to vote again in 2010. Even though the accuracy of the election results is questionable, a new civilian government took over in 2011, but most of the members were still related to the military (Farrelly and Chit, 2016). When the next elections were held in November 2015, the democratic party National League for Democracy (NLD) won. These elections are seen as the first vote representing the nations wishes since a long time in Myanmar’s history. The take over by the democratic party will bring many changes and Myanmar citizens are optimistic that their country will strive again after so many years of political conflicts. The NLD started to govern on the 1st of April 2016 and the elected president Htin Kyaw is hoped to lead Myanmar to democracy, stability and peace.

Gross Domestic Product (GDP):

Myanmar is the seventh largest economy in the Association of Southeast Asian Nations (ASEAN) with processing, manufacturing, construction and transportation being

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7 This number is a rough estimation by the Myanmar Population and Housing Census, as the last census was held in 1983
8 Currency rate on the 20.03.14 on www.finanzen.com
9 During the time of the Second World War the Japanese took over ruling Myanmar, but handed the power back to England after the war was over.
10 The association of Southeast Asian Nations (ASEAN) encompasses the countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.
the biggest sectors (Emerging-markets-research.hktdc.com, 2014). According to the World Bank, Myanmar has shown a solid GDP growth increasing from 5.9% in 2011 before the military regime had ended, to 7.8% in 2016. The GDP is expected to grow to 8.5% in 2017 and 2018, mostly due to foreign investment and is therefore higher than the speculated growth of 6.2% of East Asia and the pacific region (Data.worldbank.org, 2016)\(^\text{11}\). These numbers indicate that Myanmar’s economy is growing steadily. The country’s standard of living is increasing quicker than in other parts of East Asia. A prediction of the World Bank states that Myanmar will become the world’s fourth fastest-growing economy by 2017 (Unhedged, 2015).

**Cultural insights and work ethics:**

People who would like to interact with Myanmar markets should understand some key characteristics of Burmese culture. Generally speaking, the Myanmar culture is strongly characterized by its predominant religion: Buddhism. Burmese have a quiet, subtle and respectful nature that makes them reliable and honest business partners (Hays, 2013). Years under military rule have made them fear freedom of their own expression, which can cause communication problems in factories, as the emotional barrier to complain is high. Directness and different opinions at the workplace are often not valued, which can be a struggle for workers unions. Many workers find it difficult to express their thoughts and feelings at the workplace, as loosing your own or someone else’s (employer/employees) face is fraught with problems. Criticism is not seen as constructive but rather offensive. The exclusion due to military suppression resulted in Burmese people focusing on the short-term rather than on the long-term, as their future has been unpredictable in the past.

### Conclusion

Myanmar has a great geographical location and is one of the fastest growing economies with a steadily rising GDP. Besides the fact that the country’s development is still behind most other Asian countries, many foreign businesses would like to profit from Myanmar’s growth. The new president Htin Kyaw of the NLD is hoped to lead Myanmar to democracy and economic upsurge. As the military regime left the country in arrears there are many issues to resolve for him. Many reforms need to be changed and this will naturally take time. The nation is impatient and everyone expects his or her own problems to be solved by the new government. There is the possibility that the new government struggles in the coming years and if the people are not patient enough, the military might take back its power, like it happened in its neighboring country Thailand. Even though most people are full of optimistic hope, the future of Myanmar is not easily predictable and

\(^{11}\) Developing countries only
stakeholders should evaluate the pros and cons carefully before entering this new market.

Myanmar people are honest and reliable business partners. Companies starting to establish business relationships there already now, even though the future of the local economy is uncertain, will most probably be rewarded with an upright and favorable long-term partnership. Brands, such as Bestseller, confirmed that they are treated advantageous over other brands because they started production at an early stage (beginning 2015). Anders Gam, buying director of Jack and Jones states that with the increasing amount of brands sourcing from Myanmar they are happy to have started collaborating from an early stage on, because they were able to contribute to the built up and training of factories they produce in. Therefore brands have the opportunity to play an active role in shaping Myanmar’s garment industry while gaining an advantageous position for the future.
Myanmar’s evolving garment industry

Myanmar only recently started to be mentioned by Western companies, when talking about striving garment manufacturing locations in Southeast Asia. But why is Myanmar starting to arouse interest only now? In order to understand the present situation of Myanmar’s garment industry, its past needs to be inspected. After gaining an understanding about Myanmar’s socioeconomic situation, this chapter will focus on the influences this has on the local garment industry.

Sanctions and the revival of Myanmar’s garment manufacturing industry:

As consequence of the military regime Myanmar suffered from periods of trade embargos imposed by several countries. The EU and the USA set up trade sanctions from 2003 until around 2012\(^1\), which had a big impact on Myanmar’s garment industry. Before the implementation of sanctions the garment industry was steadily rising with a growth in total exports from 2.5% in 1990 to 39.5% in 2000 (MGMA, 2014). In the beginning of the second millennium there were approximately 400 garment factories with more than 300,000 workers generating an export volume of US$ 600 million (MGMA, 2014)\(^1\). Based on this number the output of one worker in Myanmar produced in 2014 was US$ 6.90 per day. The USA alone was liable for over 50% of all exports, whereas 40% were shipped to the EU.

When the EU and USA decided to boycott products made in Myanmar, mainly because of human right violations\(^1\), it had a big impact on Myanmar’s economy effectively causing the collapse of the local garment industry from one day to the other. From then on the approximately 130 garment factories that survived this time of isolation only exported to countries in Asia i.e. Japan and South Korea. Through increased trading with Japan, the skills of the workers and quality of the products had to improve, to satisfy the Japanese market requests of small quantities in high quality garments. Consequently, the workforce from that time is highly skilled and can still satisfy expectations from international buyers today. Furthermore, Japan introduced a tariff exemption on woven products from Myanmar resulting in 93% of their garment exports in 2012 being woven. However, recently the industry realized that there is a high demand for knitted and crocheted apparel. Because of this, the enterprises have increased their capacities in these product categories to 18.7% of the garment exports. This shows that product diversification is happening. Some companies are also starting to specialize in children’s wear, underwear and sportswear. According to the SMART Myanmar Export Guide (p. 5) Myanmar factories are most active in delivering rather complex garments for the mid-to-high end quality market segment. This is because Myanmar cannot compete with common low-cost

\(^1\) Referring to sanctions affecting the garment industry, sanctions on arms and jewels, for example were longer.
\(^1\) Referring to sanctions affecting the garment industry, sanctions on arms and jewels, for example were longer.
\(^4\) Sanctions were imposed due to on going news of genocides, violations of human rights by the military junta and the invalidation of election results. The EU and USA used sanctions as a coercive measure to express their disagreement of how the military junta ruled.
and low-end production countries like Bangladesh yet, as the capacity to form efficient production lines is not evident.

When Myanmar transferred power to a new union government in 2011, the sanctions concerning the garment industry were lifted. Today Myanmar enjoys both duty and quota free export access to the EU, which leads to rapid growth in the industry. As depicted in the table below, the garment exports grew from 904 million USD in 2012 to 1.48 billion USD in 2014 (Lehman, 2015). In order to attract business, the government has decreased export and income taxes, eased restrictions from the financial sector by implementing currency reforms and revising the law of foreign investment\(^\text{15}\) (Emerging-markets-research.hktdc.com, 2014). According to information from the MGMA this has positive effects on the garment industry: Approximately two new garment factories are currently opening every week. This statement supports the prediction of McKinsey, which indicates that Myanmar will be one of the top four sourcing markets for the next three years\(^\text{16}\) besides Bangladesh, Vietnam and India.

\textit{“McKinsey indicates that Myanmar will be one of the top four sourcing markets for the next 3 years”}

\textit{Insight into Myanmar’s garment industry today:}

Currently the garment sector consists of roughly 350 factories and employs approximately 230,000 workers but the industry association of Myanmar wants to increase this number to 1.2 million within the next ten years (Lehman, 2015). There are a number of reasons why production is shifting to Myanmar. Businesses seeking diversification in their sourcing practices, low wages, tax brakes and other reasons that will be discussed in the next chapter make Myanmar a suitable destination for future production. More and more brands (e.g. GAP, H&M and Adidas) are interested in placing orders in factories operating in Myanmar.

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US Dollar thousand & 200,000 & 600,000 & 800,000 & 1,000,000 & 1,600,000 \\
\hline
\end{tabular}
\caption{Garments exported by Myanmar}
\end{table}

Source: \textit{SMART Export Promotion Guide p.5, 2015}

\textsuperscript{15} Since November 2012 100\% foreign ownership or joint venture is allowed.
\textsuperscript{16} The report was published in 2014 and made a prediction for the next 5 years, thus the prediction accounts for 2014-2019.
and are currently testing production there. The present situation demonstrates a great opportunity for local garment suppliers, if they can turn the interest of buyers into long-term partnerships.

However, not only local businessmen profit from this upsurge but foreign operators as well. Around 50% of the factories are owned by Burmese, while foreigners\(^\text{17}\) own the other half (Yee, 2016). Remarkably is, that even the locally owned companies are managed by foreigners most of the time\(^\text{18}\), because they are better educated and more experienced (Yee, 2016). Most of the big corporate brands are not sourcing directly from Burmese factories. They order from Chinese and South Korean intermediaries they are already trading with, such as the logistics company Li & Fung that sources also from Myanmar.

Most local entrepreneurs who would like to set up a garment factory encounter various difficulties. First of all they face sanctions and various restrictions which make it more difficult for local businesses to export goods abroad in comparison to their competitors from abroad. Furthermore it is very costly\(^\text{19}\) to set up a factory. The interest rates on a loan from banks are as high as 18% and hard to get (Clere, 2016). There are no government initiatives to help local entrepreneurship, but some foreign programs exist. In this case local people have managed to build up a company, they need to have excellent international connections, so that they get orders in (Yee, 2016). That is also one of the reasons why nearly all locally owned companies are managed by foreigners: because of connections and expertise, as few Burmese have had the chance to develop both. Nevertheless, this might change in a few years, as the selected few that were able to afford to study abroad are coming back now, since they see many opportunities in their home country. The concept of social entrepreneurship was introduced in Myanmar after the lifting of sanctions in 2012. Even though the number of social enterprises is rising, most of them are small and operate in niche fields, and there is only one operating in garment production (Clere, 2016). Kind Stitch is a social enterprise that employs around 12 workers, which is tiny compared to Myanmar’s biggest factory that occupies 4000 employees. Even though social enterprises can do good work, their overall impact on the market is limited if they are at a micro size.

Conclusion

Myanmar illustrates being a garment production country that provides many opportunities. Product diversification is happening and with an experienced workforce that is used to Japanese quality requirements, Myanmar will be able to attract foreign buyers. There is still a lot for everyone in the industry to learn and implementations need to be done to be able to compete it with the efficiency of the

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\(^{17}\) Mostly Chinese and South Koreans

\(^{18}\) Often from China and Sri Lanka

\(^{19}\) Around 1 million USD are needed
neighboring major production countries such as China and Bangladesh. It is of utmost importance that brands support factories in these steps. The lifting of sanctions boosted the garment industry and many factory owners see rising opportunities. For now it is difficult for locals that do not belong to the “upper class” to profit much from upsurge of the textile industry, as the government is not supporting entrepreneurship yet. I assume that it will still take time until this changes, as the financial help is not available and the education necessary to succeed is not available to most people. For now and the coming few years it will be mostly foreign investors or already well-earning locals who can take advantage of the garment industry’s boost. After having gained an overview of the development of Myanmar and its garment industry, the question why production is shifting there becomes more and more relevant. Which opportunities do brands see, and can they profit from these without being confronted with other draw back?
Weighing out the advantages over the threats

The previous chapter outlined the current situation of Myanmar’s garment sector and identified it to be an exciting destination for brands that are looking to source from new markets. However shifting production to another country is a time consuming and costly process, therefore brands should ask themselves the question: will the benefits outweigh the disadvantages? Parties interested in sourcing from Myanmar have to understand the challenges and opportunities this implementation comes with. The following paragraphs will therefore outline general challenges of Myanmar’s current (garment) manufacturing sectors. This information should be considered by brands that would like to engage with Myanmar.

Production challenges in Myanmar

**Infrastructure:**

Myanmar’s underdeveloped infrastructure is its biggest weakness. Electricity fallouts belong in many areas to the daily routine and Internet connection is not a given. The unreliability of these necessary means for production can cause difficulties on production sites. Road and railway conditions are poor which lead to bottleneck traffic situations on the road, which can delay deliveries. However Myanmar is geographically excellently positioned bordering China, India, Bangladesh, Thailand and Laos. Which is the reason why Chinese investors support much of the infrastructure developments as part of the ‘silk road strategy’. On the map on the next page you can get an overview of selected roads that build an important network connecting the Southeast Asian regions. The extension of reliable electricity sources and Internet bandwidth are developing quickly – ultimately improving the speed and quality of production in the area. At the moment Myanmar cannot export big quantities via the ocean, as a deep-sea port does not exist yet. However, to facilitate the growing amount of exports, the first deep-sea ports in the special economic zones Dawei and Kyaukphyu are under construction. On the map a 3rd industrial zone named Thilawa (in the Yangon region) can be seen. Once completed, the three zones will provide Myanmar with the largest industrial zone in Southeast Asia (Myanmarburma.com, 2016). The government also needs a reform strategy that supports Myanmar’s financial sector’s rapid development so that stability and accessibility are given.

**Corruption:**

Corruption and flawed human right records could prove to be a problem for garment retailers that seek to produce ethically in Myanmar. As reported in the latest corruption perception Index published by Transparency International in 2015, Myanmar is ranked #147 out of 167 scores, and thus highly corrupt. Bangladesh China and India are only ranked on place #139, #83, #76 respectively. According to a recent UN-led survey of over 3000 firms operating in Myanmar, 60% indicated paying bribes for registration,
licenses or permits, and around 20% saw corruption as a “very severe obstacle” to their business in the country (Berrie, 2015). Even though anti-corruption laws were passed in 2013, ethical clothing companies are advised to collaborate with local and foreign organisations (e.g. the UN Global Compact) and the government, in order to build up an anti-corrupt supply-chain (Brownhill, 2014).

Few trimming, fabric and packaging material suppliers:

There are currently only about a dozen trimmings and cotton ginning suppliers in Myanmar, which can be a draw back (Barrie, 2015). For now, fabrics, trimmings and packaging material are mostly imported from China and India and therefore the most profitable part of the value chain stays in those countries.

Free-On-Board vs. Cut-Make-Trim:\n
Nowadays many buyers request free-on-board\(^2\) (FOB) production, where the company is in charge of organizing fabrics, trimmings, dyeing and finishing up to the transport to the port. Most factories are not used to this as they have worked with the cut-make-trim\(^2\) (CMT) system. CMT means that the client provides all materials, designs, patterns and instructions to the manufacturing company. Therefore the factory is just in charge for stitching and packing the garment before it gets sent to the buyer. In the table below, you can see an example of an FOB file that shows all the other areas CMT production misses profit margins. Thus CMT allows much lower profit margins than FOB does. However, at the moment very few factories

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\(^2\) Many more production methods exist, but since these are the two production methods that are the most relevant for Myanmar, I will only focus on these.

\(^3\) There are 3 main FOB methods. Myanmar is currently trying to start option 1.

1. Manufacturer purchases input materials for processing from suppliers that are designated by foreign buyers. The difference between this and CMP is thus very small.
2. Manufacturer receives garment samples from foreign buyers. Based on these samples, they produce similar garments using materials that they must procure somewhere without any directions from buyers.
3. Under this arrangement, the manufacturer initiates production of garments based on their own design, with no prior commitment of any kind from foreign buyers.

\(^2\) Often also referred to as cut-make-pack (CMP) system.

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Advantages of starting production in Myanmar:

This is all the bad news, however there are many advantages which brands profit from if they engage in the Myanmar market. It is important to outline these in order to understand why more and more brands start production in Myanmar.

Low labor costs:

In 2013 the Federation of Trade Unions of Myanmar demanded a minimum wage of 7,000 Kyat per day\(^{23}\) per three-person household (Roughneen, 2015). When the actual minimum wage was discussed in 2015 union lowered their requests to a minimum of 4,000 Kyat per day while managers said they could not pay more than 2500 Kyat (Hammond and Aung, 2015). In the end the minimum wage was set to 3600 Kyat (equivalent to 2,65€)\(^{23}\) per day, which makes Myanmar one of the cheapest production countries in the world. Only Bangladesh with a monthly minimum wage of 1500 Taka (equivalent to approximately 67,45 U$D has a lower monthly minimum wage than Myanmar where the monthly minimum wage is around 87000 Kyat (equivalent to approximately 73,45 U$D)\(^{24}\). Since Bangladesh’s reputation as a clothing production country with bad working conditions increases, companies look to operate in new countries and Myanmar is an upcoming destination for them.

Another measure to evaluate new sourcing destinations is by comparing production prices. The system of using standard allowed minutes (SAM) to calculate product prices is slowly being introduced and explained to factory managers.

\(^{23}\) Which would be 182 000 Kyat of a standard working month of 26 days.
\(^{24}\) Calculation to be found in appendix A
by members of the SMART Project. A garment that takes 25 minutes to be made, costs 1,25€ in Myanmar and therefore the same price as in Bangladesh (Salmon, 2013). Brands wanting to pay a living wage should pay SAM cost of 0,08€ instead of 0,05€ indicated in Kurt Salmon’s Global Reference Report (p. 174, 2013).

**Vast population:**

Myanmar, with a population of nearly 51.5 Million inhabitants, has a vast population that could engage in the garment-manufacturing sector. Since majorly CMT production is currently done, employees are only required to have basic education and thus factory owners can hire from a large workforce. Moreover, the employees that have been working in the fashion industry over the past decades are very skilled, as they had to satisfy the high quality level Japanese buyers demand.

**The latecomer advantage:**

Myanmar has the advantage that its garment industry is booming now and businesses can be set up correctly from the beginning on. The country and everyone who wants to engage in the garment sector have the opportunity to learn from mistakes made in other countries. Thomas Ballweg of the association “German Fashion” says that he sees real potential as he notes that factories have been well built with only one or two floors - unlike Rana Plaza with its eight floors. “The workrooms are clean and the supervisors open to ideas.” (Oelrich, 2015).

**The Myanmar Garment Manufacturing Association (MGMA):**

The MGMA is an association that collaborates with organizations (such as the SMART Project), factories and even educational institutions, to enhance opportunities of the garment sector in Myanmar. Its presence is an advantage for international buyers that seek to produce in Myanmar. They act as intermediates between local suppliers and buyers. The MGMA helps both parties with various tasks (such as: technical training services, expert reports and advice for members and matching up suitable partners) and also set up a standard code of conduct that they

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26 Stated for small volumes (e.g. socks, underwear) KSA Global Sourcing References p. 80 The calculation of the production cost assumes a model factory of 140 direct employees. The Production Cost Index takes into account the cost of production per Standard Allowed Minute (SAM) and includes:
- Direct and Indirect labour costs (including bonus and non-wage labour costs)
- Average working time per year
- Industry-specific productivity
- Depreciation for machinery and buildings
- Interest rates
The UK is the basis and set at 100. The calculation assumes that the material costs are the same in all countries. Duties and customs are not taken into consideration in this study, as they are very product specific and change significantly over time. Grants, tax concessions and export subsidies are also not included. It includes production and logistic costs to UK.
27 Indicates total costs of the Production Cost Index (Detailed calculation in the appendix p. 28/29
28 One of their members is a pattern-making training school.
advice to comply with, but for now it is not mandatory yet.

**Tax breaks:**

The Myanmar government is offering certain investment and tax incentives to establish manufacturers in special economic zones. These measures include a five years tax-holiday, custom duty exemptions on imported machinery and equipment as well as the value of the machinery that is considered part of the capital investment requirement (Insightalpha.com, n.d.). As previously mentioned the government also provides a tax exemption for CMT production.

**Conclusion**

Even though foreign investment helps to improve the infrastructure, there is a risk that this is done in a rush and not in the quality needed to last the next decades. In case this is not done properly, Myanmar’s garment factories might risk collapsing and ending in tragedies like in Bangladesh. However, for now it looks like factories are built with more thought behind them that will provide a lasting, secure working environment.

Currently only a few trimming and fabric suppliers operate in Myanmar, but this number is expected to increase. However, to start setting up factories workers with excellent skills and expertise are needed. Since most indigenous people were not able to get education in this field in Myanmar, foreigners will probably take these jobs. Therefore it is questionable how many Burmese people engaging with the garment sector can actually profit from its boom for now.

Brands who have struggled with bad media publications about unethical production can take advantage of the introduction of “Made in Myanmar”; a label that most customers do not have a negative nor a positive connotation of yet. Since organizations, such as the SMART Project promote garments produced in Myanmar as being responsible, this may change and its reputation is likely to excel the image of other low cost countries. Therefore moving production and spreading risks is a favorable choice for brands to consider. However, it first needs to be evaluated if the production environment realistically allows responsible production to happen.
Worker’s view

In the following paragraphs the focus will be on the workers. It outlines the biggest issues that the workers encounter according to the study “Made in Myanmar” by Oxfam published in December of 2015, which questioned 123 garment factory workers.

Wages:

On the 1st of September 2015 a compulsory minimum wage of 3600 Kyat for a normal 8 hours workday was introduced (Mollman, 2015). This raised the income of many garment workers, but is still not seen as a living wage (Glossary p. 7). The actual living wage for Myanmar was not yet identified by the Asian Floor Wage and will differ from company to company, as the costs of living depend on the environment the workers live in. Workers complain that they have to borrow money from the bank, with high interest rates up to 18%, in order to pay for food and accommodation, which should be a given. Especially in the garment industry many workers cannot lift themselves out of poverty, no matter how hard they work.

Obstacles standing in the way of ethical production:

The garment production market is highly competitive and many factory owners fear that they will get replaced if they do not agree to the buyers’ policies. Buyers often ask for impossibly low buying prices and frequently only allow very short lead-times. The workers who make the garments are the ones who suffer most of the time because their wages get reduced as much as possible and excessive overtime comes along with it. Most “Western” brands have code of conducts that are supposed to ensure fair production, but since many source their garments via subcontracting logistics companies such as Li & Fung, it can get very untraceable for the brands where and by whom the garments are produced. Therefore there is no proof that the given code of conduct is complied with. Corruption and nepotism is another issue that is rooted deeply in the culture of most Asian production countries, which is hard to identify and to go against.
Contracts:

In another study about labour conditions in Myanmar from Action Labour Rights (ALR, 2016), around 40% of the workers claimed not to have signed a contract and some of the one’s who have contracts say that they do not have access to it. Another issue is that many workers do not know how long their working contract is valid for. Therefore they find it hard to plan for the future and unexpected events such as sicknesses.

Overtime:

In the Oxfam report 22% of the workers expressed that they had to do forced overtime and that they sometimes do not even get paid for the additional working hours. Workers feel under huge pressure to reach the production targets. If they reach the set targets they claim that these get increased until the point where they get unrealistic. When they want to take a day off or sick leave, they risk being fired or getting their salary reduced, even though law prohibits this. Some workers also complain about health problems caused by overtime, such as exhaustion and dehydration.

Safety concerns:

Over a third of workers said that they do not feel safe at, before and after the work. If a fire would start, they would not know what to do, as they did not receive any fire training. The machines are also intimidating the workers, as they often do not get taught how to work with them and are scared of getting injured. Some workers also stated that they are afraid of going home after an overtime shift, as the shuttle busses to and from the company are only operating during the regular working times, thus compromising their safety.

Lack of voice:

Since 2011 it is legal to form workers unions in Myanmar, the formation of which has already improved the working conditions of many workers. Through unions workers can participate in collective bargaining and negotiate improvements at the workplace and security legislated national labor protections (e.g. minimum wage). Some workers are still intimidated to make complaints because they are afraid that it will be held against them. Since most factory managers are not Burmese, there are also language and cultural barriers that can stand in the way of negotiations. Gender is also an issue in Myanmar in that some women have to choose between familial obligations and union participation and often end up choosing the former.
Factory manager’s/ Owner’s view

But there are two sides to the coin: not only do the employees face problems but the managers have struggles to overcome as well. In the following paragraphs I will explain the issues that the factory owners and managers struggle with. The information stated derives from an interview with Hillary Yee, owner of the Burmese fashion brand CiCi and who is helping to manage her parents’ factory “GRAND SPORT”. The arguments stated will be supported by additional sources where suitable.

Pressure from buyers:

One problem is that Japanese and South Korean firms and buyers often care less about social standards and negotiate the company down to unrealistically low prices (Clere, 2016). The factory managers see what they can do to accept the negotiated prices. In this situation money is most often saved on necessary safety measures or a decrease in manufacturing and product quality. Managers are afraid that the buyers will place their order elsewhere if they do not get the requested prices. European and Central American buyers are a lot more considerate in that regard and encourage factories and the government to create a responsible working environment.

Loyalty:

Since the garment industry in Myanmar is booming, workers have a lot of job opportunities. There is a large workforce, but many employees are not loyal to their employers. It is a common problem for factory managers that workers just do not show up to work anymore, without notice, because they switched factories. They go to whichever company pays more and do not have a sense of responsibility for their positions within the factory.

Wages:

If factory managers only pay the bare minimum of 3600 Kyat a day = 93600 Kyat for 26 days, the employees will not be satisfied and go on strikes. Even before the minimum wage was introduced, most factories already paid more than that amount. The minimum wage acts as the basis for a salary but in order to run a factory efficiently managers offer incentives and bonuses to facilitate more productivity and have full attendance from the workers. In Hillary Yee’s opinion a fair wage would be around 170 000 – 180 000 Kyat per months, including incentives.

Contracts:

Following the Employment and Skill Development Law (Art.5, 2013), factory managers must give employees a written contract in local language within 30 days of the commencement of work. However the enforcement of this legislation is still quite weak. Since working in a garment factory does not require any education, the problem is that most employees do not understand
how a contract works and that a contract is binding. For the factories this is a big issue, because even though workers sign the contracts, if they do not fulfill it or leave the company without giving notice, the labor departments cannot do anything about it. In that sense, the employees are “not fair” because they do not see the importance of communicating if they leave, which makes it hard for the company to plan. The other problem is that employees do not understand the system of “moving up the ladder”. They see so many opportunities in front of them by switching factories but they do not understand that they will get promoted if they show ambition. They act shortsighted and switch to the companies that offer a better entry wage without considering the future opportunities. This is a liberal educational, rather than a cultural problem and is rooted in the habits that came along with the country’s long period of isolation. Work ethics and a sense of initiative, as it is common in many western countries, is not integrated in their educational system, which makes it complicated to create a working, responsible framework.

Unions:

The Labour Organization Law (2011) states that managers need to allow the workers to participate in unions, but they request that the union activities do not interfere with the working hours. In Myanmar the issue is that once the workers decide that they want to negotiate, they protest and stop working without prior notice. This is comparable with what happened during the period of political suppression; authorities neglected democracy and the folk tried to protest. Consequentially, this puts the manufacturer under enormous pressure, as he will not be able to fulfill the order deadlines if his employees are on strike. If a company misses a deadline, the whole order will either be cancelled or discounted so that there is even less money for everyone. In China it works better, because workers appoint representatives who act as intermediates to negotiate the workers wishes, but they do not stop working during the time of negotiation and therefore the workflow is not interrupted.

There is no doubt that unions should exist and act in Myanmar, but the whole system needs to be taken into consideration. Managers and employees should try to find solutions on friendly terms. Since most Myanmar garment workers do not live where the factory is, a lot of employees also do not have the time to participate in a union meeting, whereas in China unions discuss after work, as they often live very close to the factory.

Conclusion

The identified issues are severe obstacles that currently prevent a responsible production environment in Myanmar. Brands aiming to communicate an “ethical image” by starting production in Myanmar need to understand these threats.

Even though the minimum wage was set in 2015, the employees currently need to find other sources of income in order to have enough to cover their basic expenses.
Nobody working a minimum of 40 hours a week should need to take up a loan to cover his or her basic expenses. It is crucial that the Asian Floor Wage for Myanmar is calculated soon. Once brands are confronted with a realistic benchmarking price they can implement this information in order to facilitate more responsibility in their supply chain. I am convinced that Hillary Yee’s opinion of a fair living wage of around 180,000 Kyat per month is accurate, as it also reflects the unions wage demand of 7000 Kyat in 2013. However, further research should be conducted to determine the accuracy of this amount. Furthermore a living wage should not only be attained when working overtime hours. Therefore managers need to set incentives for employees that promote efficiency but are reachable at the same time.

Contracts are found to be an issue for both sides. The workers do not know how long their contracts are valid for and managers experience employees noncompliance. This leaves both parties unable to plan resulting in uncertainty, which is negative for both sides. The employer plays a crucial role in explaining and setting examples in how the system works. It is necessary that employees fully understand the meaning of a contract and their rights. If both parties learn the importance of clear communication both will profit.

Safety concerns exist mostly due to uncertainty of how to behave in the case of a fire or how to handle machinery. The biggest issue here is again a lack of training which the managers should provide to the workers, so they know how to handle emergency situations. Since most factories are newly set up they comply with safety regulations, but if the workers do not know how to respond in an emergency, even a correct set up cannot prevent accidents.

Unions are allowed and exist in Myanmar but employees are not educated enough to negotiate effectively. The problem is that workers are not informed well enough about their rights and how to bargain with their employer. A lack of time on the side of the workers and language barriers at both ends are also standing in the way of effectively lead unions. This is a severe problem that prevents the formation of a responsible production environment. Merely allowing unions to exist, does not mean that they are effectively standing in for their rights. In my opinion workers should find the time to have union meetings, as it can help them to achieve their goals. It is the manager’s responsibility to find an intermediate person who can facilitate the communication between him and the workers in case of language barriers. Organizations such as Fair Wear Foundation can play a part in educating union members on how to bargain and communicate with employers that then can share their knowledge and raise awareness among co-workers.

The above research shows that the problems are not to be evaluated only from one viewpoint. The biggest issue is a lack of general education, communication and understanding for each other.

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28 See low labour costs page 35
Conclusion

Myanmar proves to be an exciting opportunity for brands that want to start sourcing garments from a new market. The country has a history in garment manufacturing and a large workforce that can easily be trained to manufacture apparel. The future of the country as a leading garment manufacturer depends strongly on the political change to a democratic leadership. Industry experts are very optimistic, but are also aware of the complexity in predicting a stable future.

After having conducted and outlined found research in the previous chapters, the conclusion aims to answer the originally proposed research question: “As fashion companies are starting to source garments from Myanmar, which factors need to be considered before entering this market in general and especially for stakeholders that would like to produce responsibly?”

Brands can utilise the untainted reputation of Myanmar’s garment industry while profiting from low labour costs, a large workforce, tax breaks and the support from the MGMA. However the obstacles facing Myanmar should also be taken into consideration: an underdeveloped infrastructure, high corruption, the lack of local material suppliers and a predominantly CMT oriented industry. The garment industry in Myanmar has huge potential but starting production there can be a struggle at first. Only if brands are committed to building long-lasting partnerships, is it advisable to move production to this rapidly developing country. However, foreign investors, organizations and the government are actively working on minimizing the previously mentioned drawbacks. This will likely result in Myanmar becoming a leading exporting country for apparel within the next five years. Looking at the future prospects of Myanmar it can be an intelligent choice for certain brands to start apparel production there.

Brands that want to engage in the garment sector responsibly need to be especially aware of the worker’s and manager’s concerns. Workers struggle to make enough money to live from, work frequent overtime, have safety concerns and struggle to receive and to understand the nature of contracts. In most other production countries unions play an important role in helping to solve these issues, but even though they exist in Myanmar they do not function effectively yet. Brands that actively work on improving their corporate social responsibility need to be aware of these risks and should strive to help eliminating them. They can do this for example by paying a production price that allows a living wage (SAM for total costs = 0.08€). Furthermore, they should set realistic production deadlines in unison with the factory management’s estimation so that no overtime must be demanded. Also, they should collaborate on raising employers and employees CSR awareness. This can be done with the aid of organizations, such as Fair Wear Foundation or the Clean Clothes Campaign.

But there are two sides to the coin: not only do the employees face problems but the managers have struggles to overcome as well. The pressure generated by buyers, a lack of loyalty from employees and malfunctioning unions are the issues at hand. If buyers
communicate openly, honestly and show understanding for the factory management, the pressure can be minimized. In order to create a responsible business environment both parties should aim to enter a mutually beneficial partnership: “One day I help you, one day you help me”. Both parties will be able to profit from this in the long-term.

The research shows that the problems are intertwined in a complex manner. The biggest impact in creating a more responsible environment will be attained if every stakeholder is committed to take on their responsibility and move towards solving the outlined issues. Factory managers and owners, buyers, the government, workers and international organizations all need to be aware of the risks that (could) hinder ethical production from taking place. Having identified these risks allows clear and corporate social responsibility guidelines to be set, implemented and optimized.

To conclude it can be said that education, communication, transparency and understanding for each other are key to the process of creating a responsible garment-manufacturing environment in Myanmar. In order to play an active role in facilitating change I decided to focus on the educational part to create a product. I strongly believe that more awareness will resolve issues between workers and employers effectively and thus improve working conditions. Therefore I decided to collaborate with Fair Wear Foundation to create a product that aims to educate workers and factory managers. I chose Fair Wear Foundation, as it is a NGO that strives to improve working conditions and helps brands to be more responsible. Since 2012 FWF has been setting up Workplace-Education-Programs (WEP) in China, Bangladesh, India and Turkey. The aim of the WEP is to raise the awareness of workers and factory management about workplace standards and dispute handling. Since more and more FWF affiliates start production in Myanmar, it is the right time to develop this program tailored to the specific challenges that prevail in Myanmar.

confidential and therefore a password will be required when accessing the website.

The Workplace Education Program

My responsibility in setting up this educational program is to optimize the basic content used for general WEP’s and adjust it to the country specific issues previously outlined in this paper. Therefore I adjusted 3 PowerPoint presentations about the FWF Labour Code and legislations in Myanmar, communication and grievance mechanisms and an introduction to the FWF complaint hotline. Furthermore I added a quiz for the workers in order to engage them more and test their understanding of the communicated content. The WEP will be implemented in Myanmar factories in the end of August 2016 by one local trainer, one FWF country manager and myself.

In order to facilitate easy access to the teaching material, a website was created for the person who is giving the training. The website will guide the trainer through
the teaching material and explains why the specific material is relevant. All buttons with a black frame indicate that the content to be found on that page was created or adjusted by myself. Clicking on the button will lead you to a page briefly explaining the content and purpose of the document and allowing you to download it. All information stated on the website, as well as the WEP material is confidential and therefore a password will be required when accessing the website.

http://www.myanmargarmenteducation.com
What role do you play in the Workplace-Education-Program (WEP)?

In order to provide the best training in Myanmar we are convinced that local knowledge and the ability to speak Myanmar is key to the success of the WEP. Since you have this knowledge and on top of that are experienced in providing training in Myanmar's garment factories, we selected you to help us in the FWF mission. We have adjusted the contents of the basic WEP to match the current situation in Myanmar. Your role is to review and adjust the material and provide the workshops with us in Myanmar.

What makes us different is what we do. And what we don't do.

Benefits of a factory with a satisfied workforce:
- Workers that understand their rights and are treated fairly will be satisfied and stay loyal to the factory and work better and more efficiently.
- This will result in the manager making accurate production plans and reach the set targets in better quality.
- Which results in a satisfied buyer and thus a solid relationship with their customers.
- Brands committed to meet CSR goals and will support the manufacturer to reach these goals.

Drawbacks of a factory with an unsatisfied workforce:
- Workers that don't understand their rights or don't know how to communicate with their employees are likely to go on strike or don't show up at work anymore.
- Which leaves the factory manager unable to make a correct production plan.
- Which then results in missing the set production deadlines and thus an unsatisfied client who might not order again.
- Or more overtime for the other employees and therefore if those complaints are discovered (often through audits), the company risks to be neglected by buyers, and brands could face negative publications in the media.

Let's get started!

Please click on your choice to continue:
- I want to train workers
- I want to train managers

Questions? Remarks? Message us!
Workplace Education Program for Myanmar
Training Module for Workers

Let’s get started...

This image will guide you through the files composed for the workers in the factory. You can download the files both as PDF or as PPT, so you can easily adjust the content if necessary. If you don’t have the FWF font Naiv installed yet, please install it to avoid the format to be messed up.

Schedule:

We put together an overview of the topics we want to address, the material we have for that and how much time it approximately takes. This outline is used for both managers and workers. This master file should be used as a guide, if you would like to adjust the order, please contact us to discuss the change. You can download the PDF or Word doc so you can propose adjustments.

Presentation 1: The FWF Code of Labour Practices:

This presentation will outline the FWF code of labour practice, ILO conventions and local legislations. It is not common for workers to know the FWF Code of Labour Practice at all their legal rights. Therefore we have put together a presentation explaining these. This presentation is going to be rather intensive but of course you should try to engage the employees by asking questions and encouraging them to share their experiences.

Awareness —> Satisfied employees —> Better work & more efficiency —> Satisfied client

Presentation 2: Quiz

After having explained the FWF Code of Labour Practices, cards with the matching icons and headings as explained in the previous presentation will be handed out. The employees are now encouraged to put the right sentences with the right icons together. In order to bring in some more interaction between the workers and you, a quiz was developed. This document will help to find out if the workers understood the FWF Code of Labour Practice and outlines examples that were mentioned in research reports to be an issue in Myanmar.

Fair Wear Foundation Hand-outs:

After explaining the FWF hotline and complaint procedure, these cards and sticker will be handed out in local language. Employees are encouraged to distribute them among other workers and a poster will be put up at the notice board of the factory.
Limitations

I am aware that I have a “Western view” on this topic and that a Myanmar person working in the garment industry may have different opinions about the findings and conclusions of this report. However, to display an accurate view on the current situation I looked at the topic from two different viewpoints: the employees vision through assessment of the research study “Made in Myanmar” conducted by Oxfam and the factory owners view point, through an interview conducted with Hillary Yee, who is co-managing the garment factory “GRAND SPORT”. It needs to be kept in mind that the information in chapter 5 indicating the factory managers/owners view derived from one single, but extensive interview. Therefore the information represents the statements of only one industry professional and my own analysis. In order to crosscheck if this presentation can be generalized, further interviews could be conducted. I intended to write this thesis in an objective way, however my personal passion and interest for Myanmar and judgments about the fashion industry may have influenced the writing.

I have selected the most suitable published reports and articles that I could find on the topic of garment production in Myanmar. Since it is quite a broad topic the choices I have made consequentially result in a natural limitation, as not all literature published about this subject could be taken into consideration. There are still a lot of areas that could be studied further in order to gain an even better understanding of Myanmar’s garment industry and responsible garment production.

Some examples for further research could be:

- Defining the Asia Floor Wage for Myanmar
- Is Myanmar becoming the new Bangladesh? A comparative study
- How can stakeholders engaging with Myanmar’s garment industry act more responsibly?
- Outlining a benchmarking system that can be used to indicate responsible performances of Myanmar garment factories.
A. Minimum monthly wage in Bangladesh = 1500 Taka = 67.45 U$D*
Minimum wage in Myanmar 3600 Kyat a day
24,16 days of work per day
24,16 x 3600 = 86976 Kyat = 74.41 U$D*
*(Finanzen.com 04.06.16)

B. The following calculation aims to indicate the standard allowed minutes (SA) for the Production Cost Index with a living wage assumed (indication by Hillary Yee, 2016) to be 180.000 Kyatt per month in Myanmar.

The Production Cost Index takes following factors into consideration:
- Direct and indirect labour costs (including bonus and non-wage labour costs)
- Average working time per year
- Industry-specific productivity
- Depreciation for machinery and buildings
- Interest rates

This calculation is based on figures of the Kurt Salmon Industry Report 2013 and data could have fluctuated since then.

Figures:
Working hours per day: 8
Current wage per hour: 0.44 € - 578 Kyat
Current wage per day: 3.53€ - 4625 Kyat

Living wage for one month said to be: 180.000 Kyat
Working days per year 290 days
290 (working days a year) : 12 (month a year) = 24,16 days per month
180000 (living wage) : 24,16 (days per month) = 7450 Kyat – 5.67€ per day
7450 (living wage per day) : 8 (working hours a day) = 930 Kyat – 0.71 € per hour

Assuming that we change the hourly labour costs from 0.44€ to 0.71€ we can calculate the labour and general costs:
(317.265 x 0.71) : 0.41 = 549.410€

Therefore the general costs are:
93.750 + 97.500 + 549.410 = 740.660€

Total costs: 740.660€
Productive Presence: 9627.072 min/year

740.660 : 9627.072 = 0.08€ per SAM (total costs)

In order to find out the SAM just for the labour and general costs the calculation is:
549.410€ : 9627072 = 0.06 per SAM (labour and general costs)
### Basic Data for Calculation of Sourcing Cost Index

#### Myanmar

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of working days per year</td>
<td>290 days</td>
</tr>
<tr>
<td>Vacation days per year</td>
<td>7 days</td>
</tr>
<tr>
<td>Public holidays per year</td>
<td>16 days</td>
</tr>
<tr>
<td>Working days per week</td>
<td>6 days</td>
</tr>
<tr>
<td>Working hours per week</td>
<td>48 hours</td>
</tr>
<tr>
<td>Working time per day</td>
<td>8 hours</td>
</tr>
<tr>
<td>Ø productivity level (regarding industry)</td>
<td>52 %</td>
</tr>
<tr>
<td>% of staff away sick</td>
<td>5 %</td>
</tr>
<tr>
<td>Ø Hourly labour cost incl. bonus, non-wage labour cost</td>
<td>0.44 €</td>
</tr>
<tr>
<td>Interest rate for capital costs</td>
<td>13.0 %</td>
</tr>
<tr>
<td>Linear depreciation</td>
<td>13 %</td>
</tr>
<tr>
<td>Ratio direct to indirect staff (regarding industry)</td>
<td>5.0</td>
</tr>
<tr>
<td>Number of direct, present productive employees</td>
<td>140</td>
</tr>
<tr>
<td>Capital employed</td>
<td>0.750 mn. €</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence (considering absence due to illness)</td>
<td>18,513,600 min./year</td>
</tr>
<tr>
<td>Productive Presence (= presence x productivity level)</td>
<td>9,627,072 min./year</td>
</tr>
<tr>
<td>Labour cost for direct productive employees</td>
<td>120,176 €/year</td>
</tr>
<tr>
<td>Social costs for direct productive employees</td>
<td>24,035 €/year</td>
</tr>
<tr>
<td>Labour cost for indirect productive employees</td>
<td>144,211 €/year</td>
</tr>
<tr>
<td>Social cost for indirect productive employees</td>
<td>28,842 €/year</td>
</tr>
<tr>
<td>Depreciation, linear</td>
<td>93,750 €/year</td>
</tr>
<tr>
<td>Capital investment</td>
<td>97,500 €/year</td>
</tr>
<tr>
<td>Labour and general costs</td>
<td>317,265 €/year</td>
</tr>
<tr>
<td>Total costs</td>
<td>508,515 €/year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour and general costs / Standard Allowed Minute</td>
<td>0.03 €/min.</td>
</tr>
<tr>
<td>Total costs / Standard Allowed Minute</td>
<td>0.05 €/min.</td>
</tr>
</tbody>
</table>
References


Clere, J. (2016). Interview with Jacob Clere - Leader of the SMART Myanmar Project.


Yee, H. (2016). Interview with Hillary Yee, Founder of Burmese fashion brand CiCi and Co. managing her parents garment factory GRAND SPORT.