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LIVELIHOODS HANGING BY A THREAD: A survey of garment workers and firms

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Executive summary

Until 2020, Myanmar's garment sector employed over one million workers, and contributed to about a third of the overall merchandise exports in the country. Over the last decade, the garment sector was an engine of growth, contributing to halving the poverty rates in the country between 2005 and 2017. However, the double shock of Covid-19 and the military takeover in 2021 is having a significant effect on both the workers and firm owners engaged in the garment sector. In particular, the double shock is expected to have a negative impact on women's livelihoods; women represent over 90% of the garment sector workforce.

Against this background, there are conflicting views regarding Myanmar's garment sector and, in particular, supply to the European market. Myanmar unions in exile, allied with some international unions, argue for a total end to sourcing by European buyers ('Comprehensive Economic Sanctions'), claiming that such an approach will hasten the fall of the military regime. They, and some others, also argue for the withdrawal of tariff preferences under the EU's EBA (Everything But Arms Regulation). These preferences are extended based on the consistent application of international human rights standards in the beneficiary country, which is clearly not in place in Myanmar. While others argue that a continued presence of European buyers committed to responsible business conduct, not only provides employment and acts as a significant driver for poverty and vulnerability reduction, but they importantly can also ensure decent jobs since European companies can use their leverage to ensure appropriate working conditions. Some companies seeking to take advantage of Myanmar's now highly competitive labour market - due to a heavily devalued local currency - use the argument of job creation to justify ongoing sourcing, even under exploitative working conditions. Some of these companies while providing much needed employment are reportedly responsible for violations of workers' rights including wage cuts, excessive working hours, reduced attendance bonuses, workplace harassment, and failure to make severance payments.¹

Given however the current political circumstances, lack of application of any effective legal framework guaranteeing decent jobs, and if there was any significant change in the investors' profile (from European to Asian), there can be no certainty that there would be sufficient respect for workers' rights, or freedom of association with entities that could advocate for better working conditions. Myanmar has also adopted a low-tax approach designed to attract mobile, labour-intensive industries producing for exports: so the garment sector is not a major contributor to state revenue. The regime has only a minority ownership in only one factory out of 750 in the sector².

There is indeed a lack of any effective legal framework guaranteeing decent jobs. Any change in the investors' profile (for instance, from European to Asian), might in practice risk a lowering in respect for workers' rights, or freedom of association with entities that could advocate for better working conditions. At the same time, it is unlikely that disinvestment would exert significant additional pressure on the regime. Myanmar has also adopted a low-tax approach designed to attract mobile, labor-intensive industries producing for exports: so the garment sector is not a major contributor to state revenue. The regime has only a minority ownership in only one factory out of 750 in the sector.

The purpose of this survey-based study is not to adopt a position for or against these conflicting positions, but rather to hear directly both from the workers as well as firm owners on how the current context is affecting their livelihoods and businesses, respectively. While cognizant of the issues described above, the survey focuses mainly on understanding the challenges to firm owners in

1 Global garment brands unable to safeguard labour rights in post-coup Myanmar. Available at <https://teacircleoxford.com/policy-briefs-research-reports/global-garment-brands-unable-to-safeguard-labour-rights-in-post-coup-myanmar/>.
2 Eurocham Myanmar, "Myanmar Garment sector factsheet", January 2022.

continuing operations, the difficulties encountered by workers who are either laid off or forced to move to another occupation, and the perceptions of both these groups on the outlook for the sector. The Study highlights key issues that came to light. These cannot be representative (given the nature of the sample) but rather indicative. They do require further exploration before developing policy that may determine the future viability of the sector.

The study finds significant negative impacts of the crises on workers' lives. The recent World Bank economic monitor and business surveys³ indicate that the sector may have started recovering slowly from the shock of Covid-19 and regime change, but this may be stalled if the trade sanctions imposed on Myanmar are widened and deepened. Workers' livelihoods, already squeezed by the impact of Covid-19, can further deteriorate, with potential intergenerational consequences, thus making the effects of the ongoing crisis long-lasting. Similarly, a report by ILO (2022) indicates significant reduction in both working hours and employment, particularly among women. More specifically, the ILO estimates that 1.1 million fewer women and men were employed since 2020 in an updated estimate that indicates a small recovery in jobs, but well below 2020 levels. Threatened by sanctions and internal policy chaos and coupled with banking and supply chain disruptions, the sector could see significant reduction in the incomes of its workers, leading to increases in poverty rates and vulnerability.

Building on existing evidence (e.g., ILO, 2022), the objective of this research report was to assess the impact of the military takeover on both garment factory workers and owners. A survey of 1,600 current and former garment sector workers was conducted to take a snapshot of the impact of the military takeover on livelihoods of garment sector workers and their households. Questions in the survey captured changes in income since the military takeover as well as topics including changes in the overall wellbeing. This was coupled with a qualitative survey on a sample of 55 firms (garment sector firms and other firms gravitating around the garment sector such as retail, transport, hospitality and other services), to study the effects of the military takeover on businesses. The questions covered wide range of topics including changes in production, coping with changes in production as well as outlook for the near and medium term future.

We compared three groups of workers: (i) current garment sector workers; (ii) former garment sector workers now working in other sectors; and (iii) unemployed former garment workers. In addition, the analysis examined gender differences.

A summary of the key findings from the survey are as follows.

During the previous decade, Myanmar's garment sector grew rapidly, contributing to employment for low-skilled workers. The sector employed over 1.1 million workers, while garment products accounted for close to a third of Myanmar's merchandise exports. Following the military takeover, the sector has been in serious trouble.

On average, incomes of current and former garment sector workers have gone down sharply. There are notable differences in wages between men and women (of about 10 percent), which were evident prior to the military takeover, and differences in wages between the garment sector and the sectors that have absorbed former garment workers. While the incomes of female workers (both in the garment sector and other sectors) have registered a drop, some men in the sample have moved to sectors that offer higher returns to their labour.

3 <https://www.worldbank.org/en/news/press-release/2022/07/21/myanmar-economy-remains-fragile-with-reform-reversals-further-weakening-the-outlook>



Since February 2021, 26.3 percent of households with children (about half of the sample) have reduced their children's food consumption. This coping mechanism is particularly prevalent among households with two or more children.

Some unemployed former garment workers (men in particular) are actively looking for jobs, while women have tended to revert to traditional gender roles inside the home. The prospects of finding a job are slim, with half of unemployed respondents believing it may take them between one and six months to find a new job. About one in 10 unemployed former garment workers are discouraged: they are neither employed nor looking for a job.

About 76 percent of respondents stated that their household incomes have gone down, with the number rising to 85 percent among unemployed former garment workers. In households with garment sector workers, this reduction of household income is due to drop in wages (also due to high inflation). Unemployed former garment workers are mostly dependent on incomes from other family members and, two thirds of this type of households do not have a secondary source of income, heightening their financial vulnerability.

Households with garment sector workers have had to reduce buying non-food products, sell assets or use their savings to cope with the effects of the economic shock. Reducing non-food consumption has been the principal coping mechanism. In the garment worker survey, 9 in 10 households used this coping strategy. As the analysis of historical data shows, the share of households reducing non-food consumption has been going up over the last two years. Even though not as essential as food, this part of household expenditure includes items necessary for normal living (e.g., healthcare expenditure, fuel, hygiene products). Also, households have been selling assets (e.g., gold and jewellery) to generate additional income. Some people have resorted to selling modes of transport and livestock, therefore reducing their income-generating potential and making recovery extremely challenging. Children are also likely to suffer. About a quarter of households with children (half of the total sample) have reported a reduction in food intake. This coping mechanism is particularly prevalent among households with two or more children.

Households with unemployed former garment workers are the most likely to use unsustainable coping mechanisms, such as eating less. This finding emphasizes their dire economic situation. In fact, about two thirds of households with unemployed workers have resorted to this coping mechanism. In addition, these households are more likely to sell productive assets (e.g., motorbikes), potentially keeping them in a perpetual poverty trap.

These dire circumstances (e.g., loss of income, negative coping strategies) are having an impact on the overall outlook on life of garment workers. Nearly all respondents worry about the future of

their children. Only about half of the respondents reported feeling safe in their ward/village. Finally, less than one in three respondents are satisfied with life (with satisfaction being particularly low among the unemployed respondents). Compared to the findings of a nationally representative survey done just before the COVID-19 pandemic, our analysis of garment sector workers shows a worsening of all 'outlook on life' parameters.

Economic and personal insecurity may have led some of the respondents in the survey to migrate.

About 5 percent of the respondents in our sample could be defined as reverse migrants, i.e., they returned to live in rural areas. While some of them feel more secure living in rural areas, they earn less than those who have remained near the garment factories. This would also mean further reduction of remittances (which, according to our estimates could fall by USD 110 million), particularly if the sector fails to protect the employment of current workers.

Nearly all the respondents welcomed Myan Ku assistance (EU's flagship social assistance programme for garment sector workers implemented in the wake of Covid-19), which provides direct cash transfers to terminated and laid-off garment workers.

Close to four fifths of respondents used Myan Ku money to buy food products, while another 10 percent used it for other household expenditures, such as paying rent. However, while most respondents state that Myan Ku was an appreciated addition to the domestic budget, it did not offset the drop in the standard of living.

Ninety-nine percent of respondents stated that the special privileges granted to the garment companies should continue. This finding is in line with smaller surveys that have also assessed workers' sentiment regarding this issue.

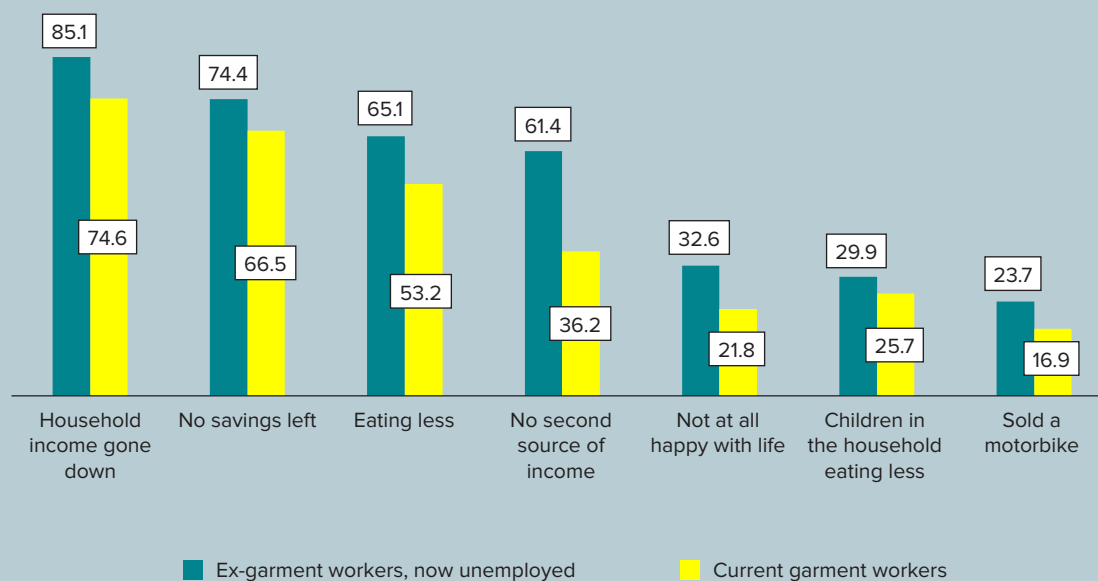


As expected, due to loss of income, garment workers who have lost their jobs are worse off on nearly all indicators in the survey (Figure 1.1), underlining the importance of being able to keep their jobs. In other words, relevant governments and companies should make all efforts to ensure that current garment worker jobs are protected as much as possible. The alternative could be tragic, with workers ending up in the humanitarian assistance space, with a tremendous impact on their livelihoods and the well-being of their families.

Since the military takeover, the pre-existing obstacles faced by garment firms in Myanmar have been amplified. Our survey of garment and auxiliary firms reveal that access to electricity has significantly worsened, with many firms having to buy generators which, with the increasing price of fuel, reduces profit margins. Increases in prices of other inputs (e.g., raw materials) as well as lengthy procedures in obtaining them, further compound the already dire situation. Banking sector issues and lack of access to finance are additional obstacles that firms currently face.

The ongoing political crisis has impacted upon firms' performance, in particular affecting the production of garments. When asked to rank aspects of business most affected by the ongoing crisis, firms pointed out production, followed by the demand for garments. It was noted that there has been a reduction in orders from the US and Europe, while orders from Korea and Japan are less affected. Firms stated that employment is also affected, as a direct effect of decreased demand for and production of garments. Consistent with the findings from the garment workers survey, the firm

Figure 11. Measures of objective and subjective well-being of former and current garment workers (percentage)



owners confirmed that some of the workers that have been laid off have been absorbed in sectors such as construction (males) and agriculture (males and females).

The ongoing situation has forced many firms to adjust the way they are doing business. Some of the adjustments included changes in working hours. The unstable supply of electricity is forcing some of them to work odd hours (whenever there is electricity), with a potential impact on the health and well-being of the employees. In addition, some of the employers use their own savings to pay workers upfront before the order is complete. Just as garment workers themselves are coping, some garment factory owners have been forced to sell assets (land, gold, jewellery and livestock) to keep their businesses running.

Training of employees is, on average, welcomed by some business owners. The findings from the business survey indicate three types of business owners with regard to their attitude towards training for employees. The first is quite welcoming to the idea; the second welcomes the idea with the caveat that they already provide some level of basic training to employees. The last type of employers is sceptical about providing training, stating that some skills (e.g., weaving) are learned outside the workplace.

With the ongoing challenges, the short- and medium-term outlook for the sector is grim. Most of the employers interviewed through our business survey do not think that the overall situation will improve soon. Some businesses think that improvement in the political situation is a sine qua non for the sake of the economy. With that said, most of the businesses aim to simply survive. This situation is further compounded by banking sector chaos (adding significant financial burden) as well as import restrictions, which have increased the number of days required to deliver orders, thereby increasing the overall costs of the industry. Thus, garment firms are caught in a double dilemma of internal policy which are disabling, and external factors including the reduction of demand and foreign investment in the sector, and the Ukraine crisis.

1. Introduction

In the last decade, Myanmar embarked upon a transition towards a market-oriented economy. The trade openness and foreign direct investment that ensued, turned Myanmar into one of the fastest growing economies in the wider Asia and the Pacific region.⁴ The garment sector was fundamental to the economic transformation of the country. According to official statistics from UN Comtrade, textile and apparel accounted for nearly 30 percent of Myanmar's total merchandise exports in 2019.⁵ In addition, industry data indicates that the textile, apparel and footwear industry employed more than 1.1 million workers in Myanmar in 2018, up from only 0.3 million in 2016.⁶ Between 2015 and 2019, Myanmar's apparel exports to the world enjoyed an impressive 57 percent growth. Myanmar's apparel exports to the EU grew particularly quickly (97 percent annual growth).⁷ The export growth somewhat flattened in the first year of the COVID-19 pandemic, given the measures that were implemented in the country.⁸ Moreover, data since the coup, particularly on export growth and the fiscal revenue of the sector, is patchy and difficult to find. Nevertheless, some existing evidence points to a reduction in the export of Myanmar garments, particularly to the European Union (EU) and the United States (US).⁹ Low production costs, duty free market access in the EU (as well as Japan and the Republic of Korea), and foreign direct investment, have been cited as the main determinants of the impressive growth of the Myanmar garment industry over the last decade.

As many of these garment factories are in Yangon, this rapid growth was one of the factors responsible for the

city having one of the lowest poverty headcount rates in the country in 2017 (Figure 1.2). Furthermore, our analysis of MLCS 2017 data suggests that the poverty rate of households with garment sector workers in Yangon was 20.1 percent (5 percentage points lower than that national average), further attesting to the role of the garment sector in improving standards of living in Myanmar.

The size of the garment sector (in terms of employment) is comparable to that of Cambodia but is a fraction of that of Indonesia and Viet Nam. Geographically, three quarters of the garment sector employment is heavily concentrated in just three regions: Yangon (302,100), Mandalay (152,500) and Sagaing (87,100). As in much of developing Asia, the industry in Myanmar is comprised of mostly women who account for around four in five of the garment sector workforce.¹⁰ Existing evidence points to the fact that garment sector workers are primarily young with limited education. The median age of workers is just 27 years (an average of 33 for men and 26 for women). Notably, four in five have less than a primary education or at most a primary degree.¹¹ Half of the garment factories in Myanmar are foreign owned. In addition, Myanmar specializes in making higher quality functional/technical clothing (i.e., outerwear like jackets and coats). This is different from other apparel exporting countries like Bangladesh, Vietnam, and Cambodia which export low-cost tops and bottoms.¹² The sector has, until recently, benefited from preferential access to some of the biggest markets, including EU and the US (see Box 1).

4 <https://databank.worldbank.org/source/world-development-indicators> [retrieved on the 20th of April 2022].

5 <https://shenglufashion.com/2021/02/03/a-snapshot-of-myanmars-apparel-industry-and-export>.

6 <https://shenglufashion.com/2021/02/03/a-snapshot-of-myanmars-apparel-industry-and-export>.

7 <https://shenglufashion.com/2021/02/03/a-snapshot-of-myanmars-apparel-industry-and-export>.

8 <https://www.gnfm.com.mm/manufacturing-exports-shrink-to-3-13-bln-as-of-12-march>.

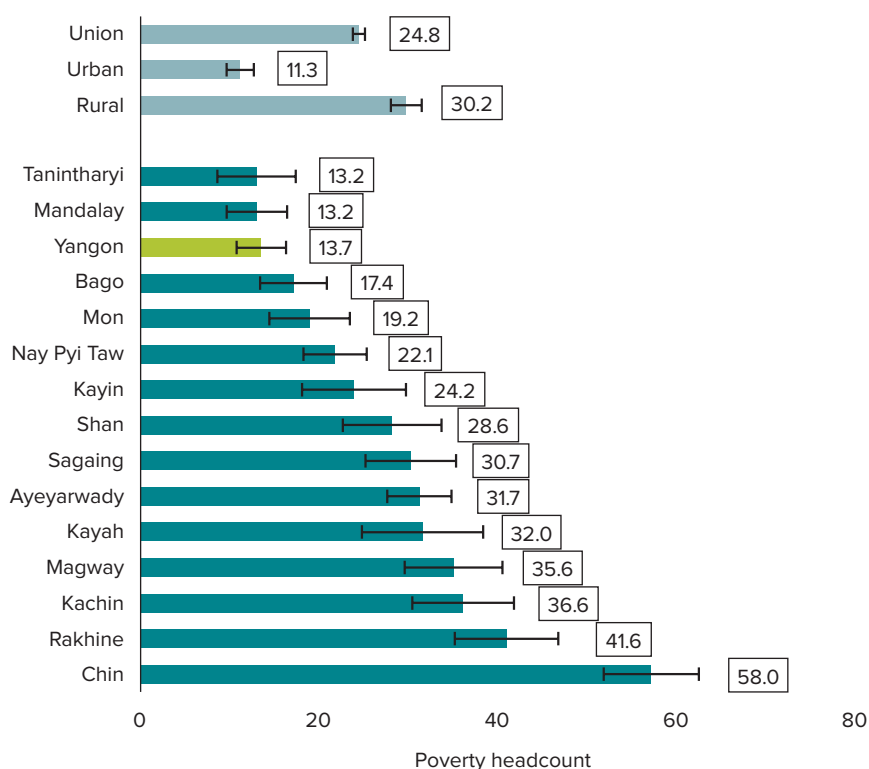
9 Correspondence with EuroCham office in Myanmar.

10 Asia-Pacific Garment and Footwear Sector Research Note Issue 6, November 2016, ILO.

11 Asia-Pacific Garment and Footwear Sector Research Note Issue 6, November 2016, ILO.

12 <https://edepot.wur.nl/524911>

Figure 1.2. Poverty headcount rates in 2017



Source: Myanmar Living Conditions Survey 2017: Poverty Report | UNDP in Myanmar

Box 1. Myanmar's trade relations with its biggest trading partners

Country/region	Trade relations
European Union	In 2013, the EU reinstated Myanmar into its Generalized System of Preferences (GSP) under the Everything But Arms (EBA) trade preference category. The EBA trade privilege provides the world's least developed countries (LDCs) with tax-free access to vital EU markets for their exports, except for arms and ammunition, although such preferences can be removed if countries fail to respect core United Nations (UN) and ILO conventions. For the time being, EU has not changed its trade preferences for the country.
United States	In November 2016, the US government reinstated Myanmar's GSP trade benefit to recognize the progress that the government had made in protecting workers' rights. GSP allows developing countries exporters to pay lower or no duties on their exports, giving them access to markets and contributing to their economic growth. However, in March 2021, the U.S. suspended all engagement with Myanmar under the trade and investment agreement signed between the two countries in response to the escalating violence in the country. The US GSP was particularly useful for the handbag/ backpack/luggage industry. It resulted in a rapid boom in bag production in Myanmar (over 50 new factories established quite quickly) during 2018 and 2019, which was hit hard by the pandemic in 2020 and harder by the March 2021 policy change. Bag factories were particularly affected by the pandemic, as they were recent market entrants in Myanmar and were forced to halt production and lay off their workforce.
Japan	Myanmar has been granted LDC status by Japan, which grants it tax exemption up to 10 percent.



All of this, however, came to a halt in February 2021, when a military takeover took place. The effects of this situation continue to be felt by both garment workers and garment business owners. On the business side, a rapid assessment of the Myanmar economy conducted by UNDP indicates a significant drop in both production and demand for garment manufacturing.¹³ While rapid assessments of the garment sector (conducted by international organizations) suggest that there are initial signs of bottoming out of the initial shock, the sector is still far from a full recovery.¹⁴ As a result of the shock, employment has suffered significantly, with initial estimates suggesting over 200,000 jobs in the garment sector lost because of the military takeover, representing over 20 percent of the total jobs in the sector.¹⁵

Poverty, which is likely to rise two-fold¹⁶ (erasing all the benefits of the economic growth registered in the last decade), is taking its toll on garment sector workers and their families.¹⁷ Living in poverty, households are forced to resort to sub-optimal coping strategies (e.g., children eating less, children being removed from school), thus negatively impacting the next generation, and keeping a large number of Myanmar households in a perpetual poverty trap. The impact of the military takeover came on top of the COVID-19 pandemic, which had already impacted salaries, working hours and overall working conditions in the garment sector.¹⁸

¹³ UNDP (2021), Myanmar High Frequency Indicators, Round 1 report, mimeo.

¹⁴ UNDP (2022), Myanmar High Frequency Indicators, Round 2 report, mimeo.

¹⁵ <https://www.myanmar-now.org/en/news/nearly-a-third-of-garment-industry-jobs-wiped-out-by-coup>

¹⁶ In urban areas, such as Yangon, poverty is expected to increase three-fold, as per the latest projections by UNDP.

¹⁷ <https://www.undp.org/press-releases/myanmar-urban-poverty-rates-set-triple-new-united-nations-survey-finds>

¹⁸ "Impact of COVID-19 and complex emergencies on garment industry in Myanmar", Centre for Economic and Social Development, October 2021, PPT presentation.

2. Objectives

Against this background, the objectives of the research are twofold:

(i) Conduct a situation analysis of the lives of the garment sector workers, their incomes, how they are coping with the ongoing crisis and their overall outlook on life.

(ii) Document the main challenges that garment sector firms and auxiliary firms (i.e., firms gravitating around the garment sector) face because of the ongoing political crisis.¹⁹



¹⁹ While the impact of Covid-19 is still being felt, we argue that the effect of the military takeover trumps that of the pandemic. With the advent of vaccines, Covid-19 is gradually coming under control, while the pressures on the sector from the military takeover (e.g., deepening and widening of sanctions, etc.) are still present.

3. Methodology

3.1 Garment sector workers and ex-workers

The impact of the military takeover on garment workers was assessed using a telephone survey of 1,600 current and former garment sector workers (1,200 female and 400 male). The sampling frame was a list of garment sector workers that had received Myan Ku social assistance, provided by the EU's representative office in Myanmar. Myan Ku is the flagship social protection programme administered by the EU to garment sector workers in Myanmar.

The sample frame consisted of approximately 37,000 people who received money from Myan Ku. Of these 15,014 of them work or used to work in garment factories in Hlinethaya and Shwepyitha townships in Yangon. In the final sample frame, only garment factories containing 239 or more recipients were included. Myanmar Survey Research (MSR) selected respondents using a systematic random selection approach. The list of workers was sorted by gender, factory and name.

The total sample frame for each gender was divided by the sample size required, and every Nth number was selected to be interviewed. Gender was not coded in the original sample frame so MSR coded gender based on the name in the file.

Data collection took place between 11 and 27 March 2022. The average length of interview was 24 minutes and the response rate was 75 percent. The analysis encompassed descriptive statistics disaggregated in two ways. First, the respondents were grouped into three categories:

- (i) current garment sector workers
- (ii) former garment sector workers who moved to working in other sectors (e.g., started their own businesses, work in agriculture etc.)

Project Fact Sheet



Funded by the European Union

Managed by UNOPS

EU Myan Ku Fund	
Quick facts	
Project name	EU Myan Ku Fund
Funded by	European Union under Nexus Response Mechanism
Budget	10 million EUR
Duration	April, 2020 - February, 2022
Lead agencies	United Nations Office of Project Services (UNOPS) sequa gGmbH Wave Money
Local partners	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="display: flex; align-items: center; gap: 5px;">  MGMA - Myanmar Garment Manufacturers Association </div> <div style="display: flex; align-items: center; gap: 5px;">  CTUM - Confederation of Trade Unions Myanmar </div> <div style="display: flex; align-items: center; gap: 5px;">  CESD - Centre for Economic and Social Development </div> <div style="display: flex; align-items: center; gap: 5px;">  Pyi Gyi Khin </div> <div style="display: flex; align-items: center; gap: 5px;">  ONOW Opportunities NOW </div> <div style="display: flex; align-items: center; gap: 5px;">  Thone Pan Hla </div> </div>
Unique cash disbursements in 2020	108,320 payments issued of which 99.9% distributed using mobile money
Volume of cash disbursed in 2020	8.1 billion MMK / approx. 5 million EUR
Estimated number of beneficiaries in 2020	60,000 factory workers, majority of which women migrant workers
Support payment range	25,000 MMK minimum/month 125,000 MMK maximum/month



Major objectives

Vulnerable factory workers, such as pregnant workers, internal migrants, and other workers with acute needs based on eligibility criteria, are supported with cash assistance during periods of unemployment and under-employment.

Migrant workers and pregnant workers receive counseling on nutritional behavior, as well as hygiene and financial literacy.

Key activities

- A call centre is established to process enrollment of approximately 70,000 beneficiaries for mobile money assistance.
- Project coordinates with employer organizations, civil society and trade unions to enroll unemployed workers for support.
- Project cooperates with the Social Security Board to explore joint actions to reduce economic hardship for unemployed factory workers during the COVID-19 pandemic.
- Nutritional counseling is conducted with at least 2,000 pregnant workers, workers with young children and internal migrants.
- Project facilitates job matchmaking for unemployed workers and deployment of vocational training stipends.
- Research is conducted on the economic and social impact of CoVID-19 within the Myanmar garment sector and on Myan Ku's impact. Nutritional research is conducted with selected beneficiaries.

Project implementation by...




- (iii) former garment sector workers who are currently unemployed.

Secondly, the analysis was examined by gender.

Further details of the data collection are reported in Appendix 2. For the Myan Ku programme some pregnant and lactating women were given significantly more funds. For this subgroup, their responses on life satisfaction, income levels, coping strategies etc. would skew the findings of the general population and have warranted adjusting the questionnaire. Nevertheless, we have included a separate section on pregnant women and lactating mothers based on available secondary data.

3.2 Garment and auxiliary firms

The impact of the military takeover on garment firms was assessed through a qualitative data gathering exercise. An open-ended questionnaire was administered to 55 firms, 45 of which were garment sector firms. The rest of the firms were interviewed to assess the impact of the military takeover on sectors revolving around the garment industry. In particular, the focus was on three additional sectors:

- retail
- transport
- services/hospitality catering to garment sector workers

As in the garment workers survey above, most of the interviewed firms were based in Yangon and the surrounding areas. To account for any spill-over effects of the ongoing crisis on other regions, firms from other states and regions were also included in the sample.

Data collection was conducted throughout April and May 2022 using an open-ended questionnaire. The questionnaire was developed based on a literature review of the impact of economic crisis on firms and

industries (see Appendix 1 for details). Overall, the questions aimed to gauge the effects of the ongoing political turmoil on the garment business. Topics covered in the survey included: obstacles to doing business (including access to finance), the impact of business obstacles on the functioning of garment businesses (e.g., production, demand, employment), adjustments to the production processes necessitated by the ongoing political crisis (including any coping mechanisms that businesses have adopted) as well as the outlook for the future, both in the short and medium-to-long run. Some of the questions included in the survey aimed at eliciting information about how workers are affected by the ongoing crisis (to compare the findings with those stemming from the garment workers mentioned above).

The firm level data was analysed and the main themes and most reported issues were summarized into the major groups:

- (a) garment sector firms
- (b) auxiliary firms

4. Results of the garment workers survey

4.1 Description of the sample

A description of the sample is provided in Table 4.1.²⁰ The sampling design was to provide an overall 75 percent/25 percent women-to-men ratio. Consistent with previous research from other developing

countries²¹ as well as the information presented in the introduction section above, the average age of garment workers is 27 with close to 80 percent of the workers below the age of 30.

Table 4.1. Garment workers survey sample, by employment status (percentage)

	Garment workers	Other sector workers	Ex-garment workers, now unemployed
Female	77.1	50.3	80.5
Male	22.9	49.7	19.5
Average age in years	27	28	29
Households with female head	22.2	17.7	14.4
Education			
None	0.2	0.0	0.5
below primary	5.8	2.0	7.0
primary	38.6	26.8	37.2
middle	41.4	50.3	38.1
high	10.2	15.0	12.6
tertiary	3.7	5.9	4.7
Marital status			
single	51.1	31.4	33.0
married	45.1	63.4	63.7
separated/widowed/divorced	3.8	5.2	3.3
Average household size	4.4	4.0	4.5
Average number of children per household	0.9	0.7	1.0

20 The breakdown of the three categories of the entire sample is as follows: (a) garment sector workers (77 percent); (b) ex-garment workers now working in other sectors (9.6 percent); (c) ex-garment workers now unemployed (13.4 percent).

21 https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms_754669.pdf

Given that the garment sector does not require a high degree of specialized labour, most respondents were found to have completed either primary or middle school (about 80 percent of those working in the garment sector).^{22, 23} As most of the respondents are young, it is not surprising that about half of them are single and, furthermore, the average number of children per household is less than 1. Similar results are obtained when the breakdown is repeated separately on women and men subsamples (Appendix 2, Table A 1). Overall, union membership in the sample is low, with minor differences among the three types of workers (fewer than one in 10 workers belong to any union).²⁴

4.2 Opinion on special trade privileges for the garment sector

As indicated in the introduction, the key to the upsurge in the garment sector in the last decade was the lifting of economic sanctions as well as the restoration of the EU's GSP, which gave Myanmar better access to EU markets. Since the military takeover in February 2021, there have been calls to deepen and widen sanctions against the garment sector. These have been coupled with calls to remove preferential access (i.e., removal of a benefit as well as imposition of a sanction).

Two distinct reactions in Myanmar have emerged. On the one hand, some of the trade unions have urged foreign fashion firms and governments to sever trade ties with this sector to put pressure on the military.²⁵ On the other, critics of harsher sanctions and the removal of the special privileges have suggested that deeper economic sanctions could do irreversible damage to the sector and put workers at further risk.²⁶

Driven by fears of losing their jobs, 99 percent of respondents stated that the special privileges granted to the garment companies should continue, with no difference across the three types of workers and across gender. Previously, a survey of 400 workers (290 from garment and shoe factories, some of them already unemployed) found that 97 percent did not support the unions' campaign for broader sanctions.²⁷

4.3 The impact of the takeover on the income of garment workers

Since the military takeover, emerging evidence has suggested a drop in incomes of Myanmar workers across the board including garment sector workers.²⁸ The changes in income in the garment sector since February 2021 were assessed through two sets of questions: (i) questions on individual incomes of two types of workers: garment sector workers and former garment sector workers now working in other sectors; and (ii) questions on household level income. As the incomes of the garment sector workers and former garment workers were asked in nominal terms, an additional adjustment was made to account for the inflation rate.²⁹

As Figure 4.1 suggests, since February 2021, the incomes of both garment sector and other sector workers have gone down in real terms. On average, the daily income of the garment sector workers in our survey has gone down by about 300 kyat (about 6 percent), while that of the other sector workers has gone down by only 34 kyat (less than 1 percent).

While the nominal average wage of 4,800 kyat has remained unchanged in the time period of this study, the rising inflation pressures are eating into the overall purchasing power of the minimum wage.

22 Some of this contrasts with some of the existing evidence from Myanmar. A recent report prepared by the Centre for Economic and Social Development suggest that a large majority of the garment sector workers have completed either middle or high school. Some of these differences could be attributed to different sampling methodologies used in this exercise.

23 These results are comparable to the overall education attainment of the 589 garment sector workers in MLCS 2017, where 84 percent of garment sector workers have completed middle school or lower.

24 Similar to recent research by CESD finding six percent union membership.

25 <https://www.reuters.com/article/us-myanmar-crisis-workers-idUSKBN2IS012>

26 <https://www.openlynews.com/i/?id=885e5aed-c12d-4bac-9417-fb89eb043d31>

27 <https://www.reuters.com/article/us-myanmar-crisis-workers-idUSKBN2IS012>

28 <https://www.asia-pacific.undp.org/content/rbap/en/home/library/sustainable-development/myanmar-people-pulse-survey-report-2021.html>

29 Wages for 2022 were adjusted for inflation, to express them in 2021 terms. In doing so inflations estimates (IMF) of 6.5 percent were used as of 14 April 2022].

Figure 4.1. Average daily wage of garment sector and other sector workers, in real terms (Kyat)

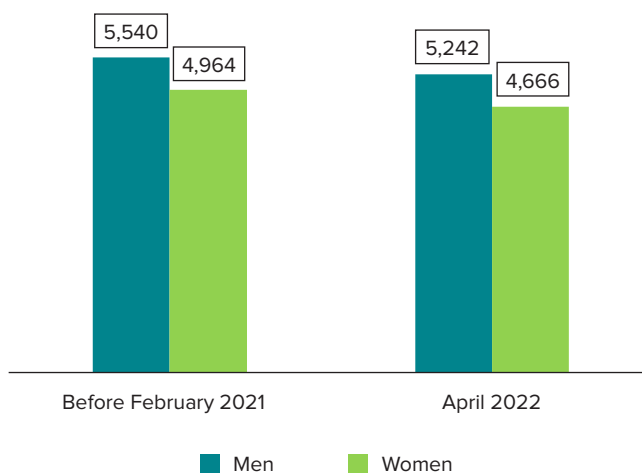


Focusing on garment sector workers (Figure 4.2), it transpires that wages of both women and men have gone down in real terms. Figure 4.2 suggests that the gender wage gap has persisted during the political crisis. Even before the events of February 2021, evidence points to a 9 percent gender wage gap in the garment sector.³⁰ As documented in the existing literature, this gender wage gap is mostly driven by the sector of employment, with women working in lower paying sectors and earning about the minimum wage.³¹

The gender wage gap shown in Figure 4.2 remains in the same ballpark.

The gender wage gap has also persisted for former garment workers working in other sectors (Figure 4.3). Figure 4.3 shows that while the average wage for women has reduced in real terms, some men in the survey have moved to sectors which are more lucrative.

Figure 4.2. Average daily wage for garment workers, in real terms, by gender (Kyat)



30 https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_535188.pdf

31 Findings from the Myanmar Living Conditions Survey in 2017 indicate that about 44% of women earn minimum wage, or lower, driven by the heavy concentration of women in agriculture and lower paying industries.

Figure 4.3. Average daily wage for workers in other sectors, in real terms, by gender (Kyat)

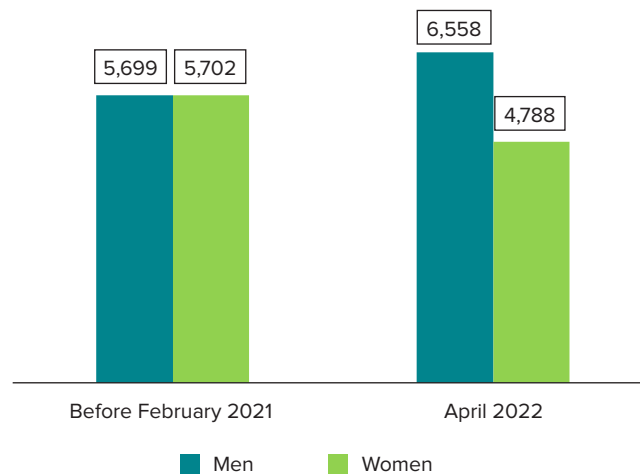
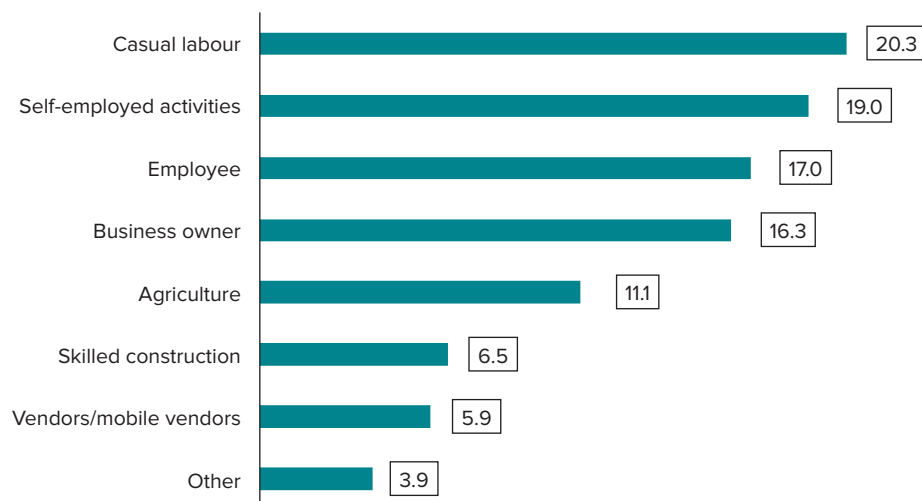


Figure 4.4 captures the sectors that have provided employment to some of the former garment sector workers in the survey. About a fifth of the former garment sector workers have gravitated towards doing casual labour (odd jobs). Another one fifth have started an entrepreneurial activity, while about one in 10 went into agriculture.³² Some of the former garment sector workers (mostly men) have moved to the construction sector.

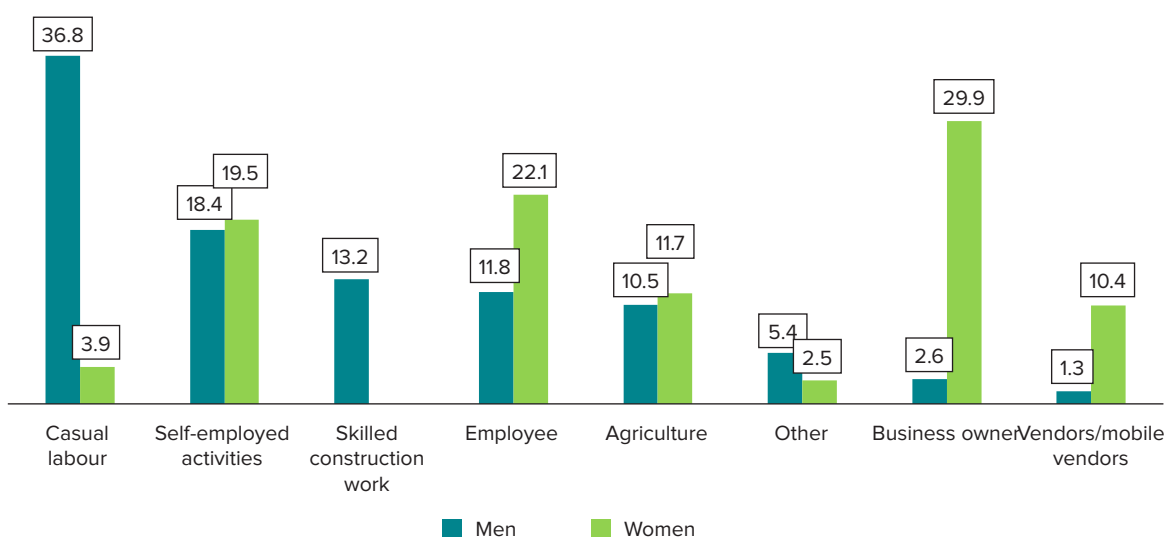
Figure 4.5 shows that there is a significant difference in sector participation by gender. For example, while more women (29.9 percent) than men (2.6 percent) have become business owners, more men have moved into casual labour (37 percent of men as opposed to 4 percent of women).

Figure 4.4. Sectors where former garment sector workers currently work (percentage)



32 Gustavo Nicolas Paez, Myat Su Tin (2021) "Gender-based differences in Myanmar's labour force", World Development Perspectives, Volume 21, 2021.

Figure 4.5. Sectors where former garment sector workers currently work, by gender (percentage)



The return on labour in these sectors differs by gender, which also explains the differences in average earnings by gender as outlined in Figure 4.3. For example, the average monthly wage in the construction sector is roughly 300,000 Myanmar Kyat (about three times higher than the average wage in the garment sector).^{33,34} Even though it has been impacted like the other sectors, there have been some ongoing activities in construction, mostly small-scale projects.³⁵

4.4 Ex-garment workers, currently unemployed: activities and job search

As the currently unemployed respondents do not earn income, they were asked about their current activities (e.g., looking for a job, involvement in domestic work) as well as their prospects of finding a job. Previously ILO estimated that in the first six months since the military takeover, an estimated 250,000 jobs were lost, with 86 percent of those jobs being held by women.³⁶

Figure 4.6 captures the gender differences in the current activity of former garment workers that are presently unemployed. Three quarters (76.2 percent) of men are actively looking for a job, only about a third of women (35.3 percent) are doing so.

Unemployed men search for work more proactively due to lack of financial stability as well as due to their being, in general, the main income earner in a household.³⁷ Unemployed women, by contrast, tend to revert to the more traditional gender roles, doing the housework.

This finding, which echoes the notion that women affected by economic crises resort to doing domestic chores,³⁸ has two implications. First, by losing hope and being stuck doing unpaid domestic work, women potentially miss out on the emancipatory aspect of doing paid work. Historically, women’s integration into paid work has been one of the important forces to financial independence and growing gender equality. Second, this has broader social implications.

33 The average wage in the garment sector is calculated using the minimum daily wage (4,800 MMK and average working month of 22 days).

34 <http://www.salaryexplorer.com/salary-survey.php?loc=148&loctype=1&job=17&jobtype=1>

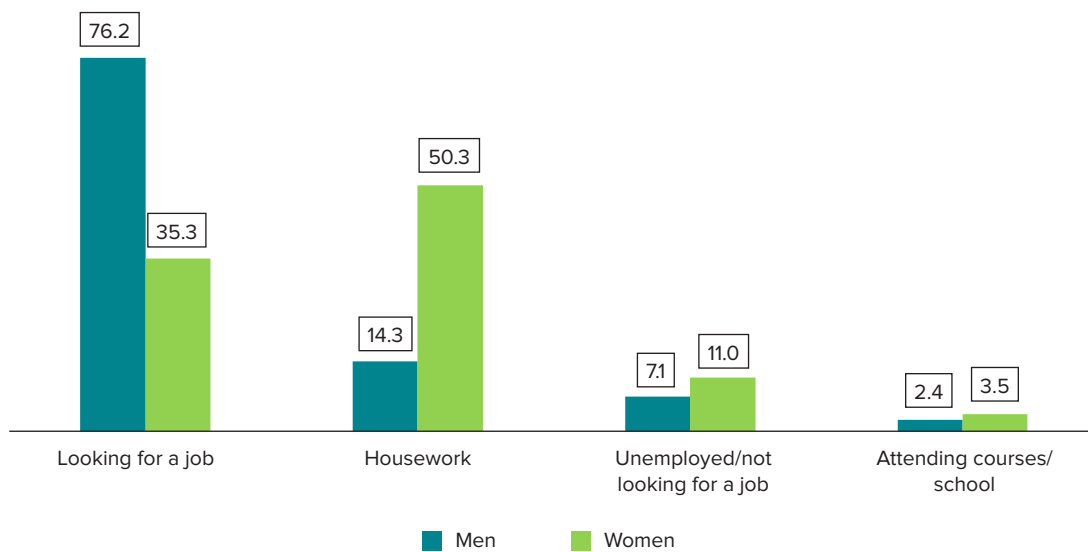
35 Further details on the impact of the coup on the construction sector is outlined in the first and second round of the High Frequency Indicators reports.

36 https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-yangon/documents/publication/wcms_814681.pdf

37 <https://www.hiringlab.org/2022/03/08/job-search-gender-survey-childcare/>

38 In addition, the existing evidence also suggests that childcare is another reason for non-urgent job search among women (<https://www.hiringlab.org/2022/03/08/job-search-gender-survey-childcare/>).

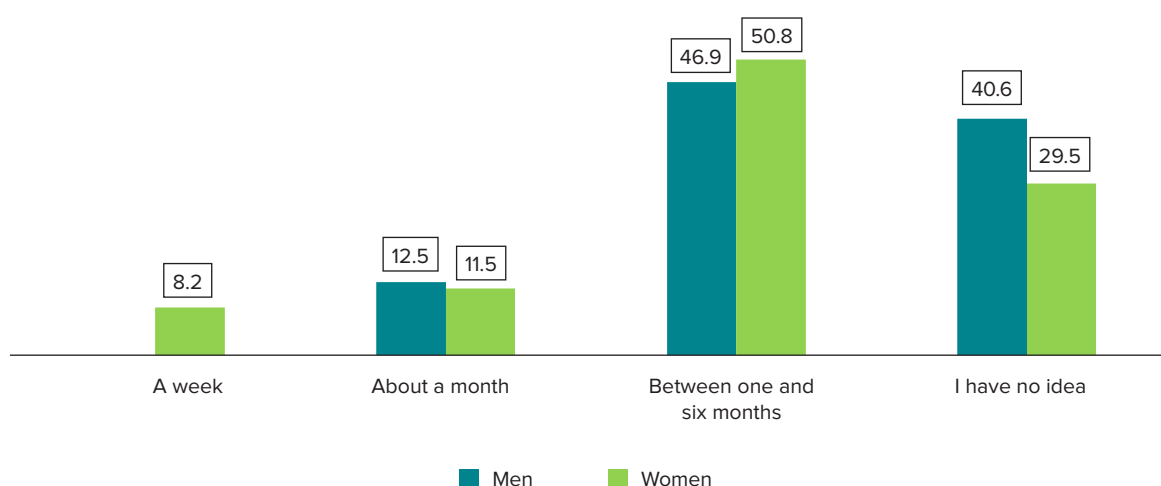
Figure 4.6. Current activity of unemployed ex-garment workers, by gender (percentage)



By impacting quality of life (discussed later in this report).³⁹ Furthermore, while about 3 percent of unemployed female respondents are taking courses (and thus potentially looking for qualification or requalification), about one in 10 female unemployed respondents in the sample are unemployed and not looking for work (i.e. are discouraged workers).⁴⁰

This lack of hope is also evident when unemployed respondents are asked to estimate the time until they find a job, with a third of them stating that they have no idea as to when this may happen (Figure 4.7). As Figure 4.7 suggests, about half of unemployed men and women in the sample think that it may take them a while (between one and six months) to find a new job.

Figure 4.7. Expected time to find a new job for ex-garment workers who are not currently working, by gender (percentage)



39 <https://www.bmj.com/content/374/bmj.n1972>

40 This in turn may have an impact on the official statistics as these worker won't be counted as participating the labour force.

4.5 The decline in household income

In addition to affecting workers individually, the dire economic situation has also affected overall household incomes (Figure 4.8). When considering the entire sample, over three quarters of respondents (76.8 percent) have stated that their household incomes have been reduced⁴¹ and this share is particularly high among the unemployed respondents, 85.1 percent.

These financial vulnerabilities are further outlined in Figure 4.9, which captures the sources of income of the three types of households. As the figure shows, wages and salaries (both declining in real terms) have been the main source of income for, in particular, garment sector workers. It is thus, unsurprising that over three quarters of households with garment sector workers reported reductions in household incomes.

Figure 4.8. Share of respondents stating that household income has gone down since the takeover, by employment status (percentage)

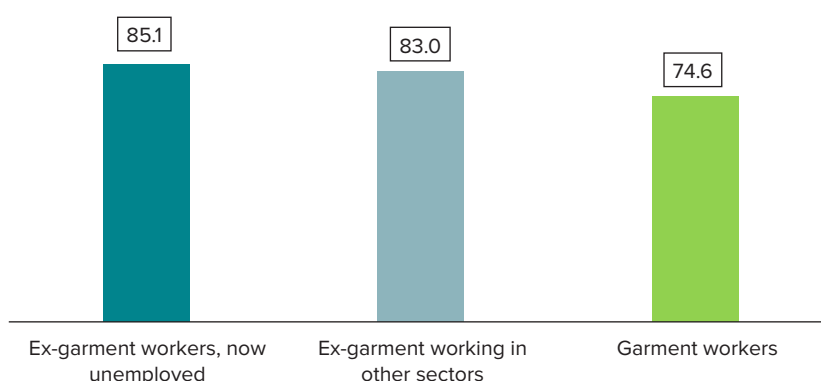
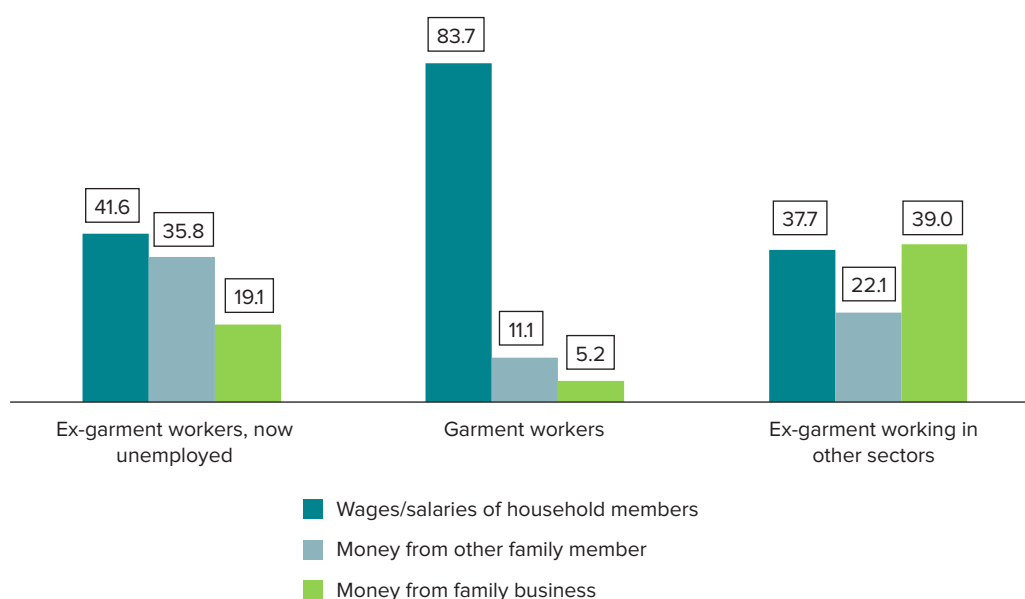


Figure 4.9. Main source of household income, by employment status (percentage)



41 These findings are comparable with a nation-wide survey conducted by FAO, which found that, on average, about two-thirds of households reported reduction in income. Our findings are slightly higher than the national average, also suggesting that households with garment workers tend to be more financially vulnerable. <https://data-in-emergencies.fao.org/pages/monitoring>

In households with members working in other sectors, money from family business and from other family members have supplemented their income, but they have not been able to offset the reduction in wages, resulting in 83 percent of these households reporting a reduction in income.

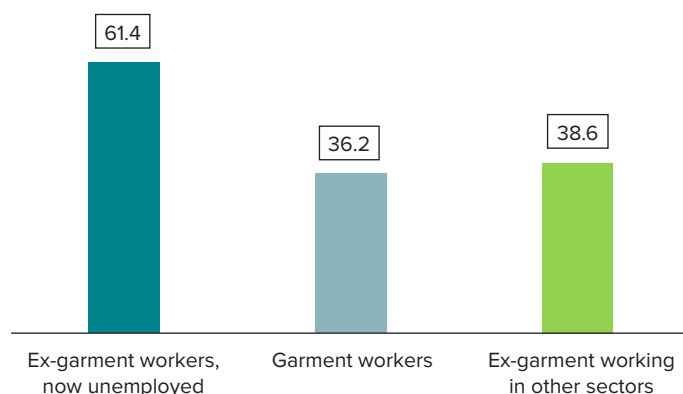
Furthermore, households of former garment sector workers that are currently unemployed are particularly dependent on incomes from other household members (wages and salaries and other sources of income of other household members).

Less than 1 percent of households stated money from Myan Ku and other social protection programmes as their primary source of income (not shown in Figure 4.9).

On average, the funds received from Myan Ku has been approximately 79,000 Kyat, about one fifth of the monthly household budget.^{42,43} Even before the ongoing political crisis, the social protection system was underdeveloped, with Myanmar being Southeast Asia’s lowest spender on social protection.⁴⁴

This precarious situation, highlighted in Figure 4.10, shows that about two thirds of unemployed ex-garment workers live in households with no financial back-up, i.e., no secondary source of income. This has a significant impact on the current livelihoods of these households. The economic situation of these households could significantly deteriorate if they lose their only source of income.⁴⁵

Figure 4.10. Percentage of households without a second source of income, by employment status



42 To calculate this share, we took the average household expenditure of households with garment sector workers (from MLCS), which is 360,000 Myanmar kyat a monthly. The amount of 79,000 was then calculated as a share of this overall budget. We ought to emphasize that once this is a rough estimate, treating both amounts in nominal terms. If we took account for the negative impact inflation since 2017, the share would be even lower.

43 While this corresponds to an average of a single transfer in the first half of 2021, recipients averaged 2.2 transfers in 2020 (so something like 175,000 at that time). The amount of transfers increased to 90,000 in Sept. 2021, but transport fees to access vouchers normally ate into 7,000 MMK or so. Generally pregnant and lactating mothers tended to average 5 transfers of 150,000 MMK each, so 750,000 MMK (highest commonly awarded was 900,000 total).

44 <https://databank.worldbank.org/source/world-development-indicators>

45 These findings are consistent with the FAO survey mentioned above, which found that close to three quarters of households do not have access to a secondary source of income. <https://data-in-emergencies.fao.org/pages/monitoring>

4.6 Coping mechanisms

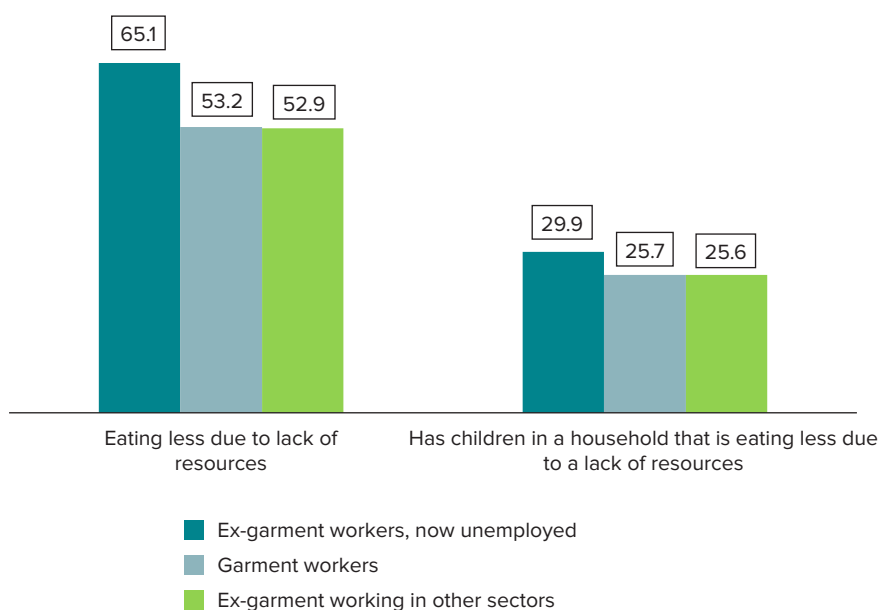
The significant reduction in incomes since February 2021 resulted in extreme coping strategies such as eating less (Figure 4.11). Two thirds of households with former garment sector workers who are currently unemployed have done so, while about a half of the rest of the households have reduced their intake of food. While the share of households whose children are eating less is not as high (26.2 percent of households with children have reported using this coping mechanism), it is worrying that some households resort to cutting down of food intake among children, impacting the physical and cognitive development of children.⁴⁶

The rest of the coping mechanisms that households have resorted to are reported in Figure 4.12. There are a few findings that emerge from the figure. First, reduction in non-food consumption has been the most dominant coping mechanism, with minimal difference across the three groups of workers, potentially driven by the nature of the intertwined shocks of the pandemic and the takeover.⁴⁷ The reduction of non-food expenditure includes medicine, fuel etc. which are important for day to day existence.

Second, a high share of households resorted to selling assets. Close to two thirds of garment workers' households and over two thirds of the remaining households have sold assets as a way of coping with the shock. Relying on savings has been the third most prevalent coping mechanism. Informal borrowing (from family and friends) is also widespread,⁴⁸ as is taking out loans from formal institutions, which is understandable, given that most of the households in our sample tend to be urban or peri-urban where the banking sector is more developed.

Over a year into the political crisis, the effectiveness of savings as a coping mechanism has been reducing and a large majority of households across all three types of garment workers have no savings left. Three quarters of households with unemployed former garment sector workers have no savings left (Figure 4.13). When relying on savings, a higher share of garment sector workers (about a third of them) rely on their own savings, compared to former garment sector workers now working in other sectors (19.6 percent) and former garment sector workers now unemployed (21.7 percent).

Figure 4.11. Lower food consumption due to a lack of money or other resources (percentage)



46 <https://pubmed.ncbi.nlm.nih.gov/21676102/>

47 Covariate shocks affect a large set of households, unlike 'idiosyncratic shocks, such as illness or death in the family which affect only certain types of households.

48 <https://core.ac.uk/download/pdf/132202311.pdf>

Figure 4.12. Coping strategies by employment status (percentage)

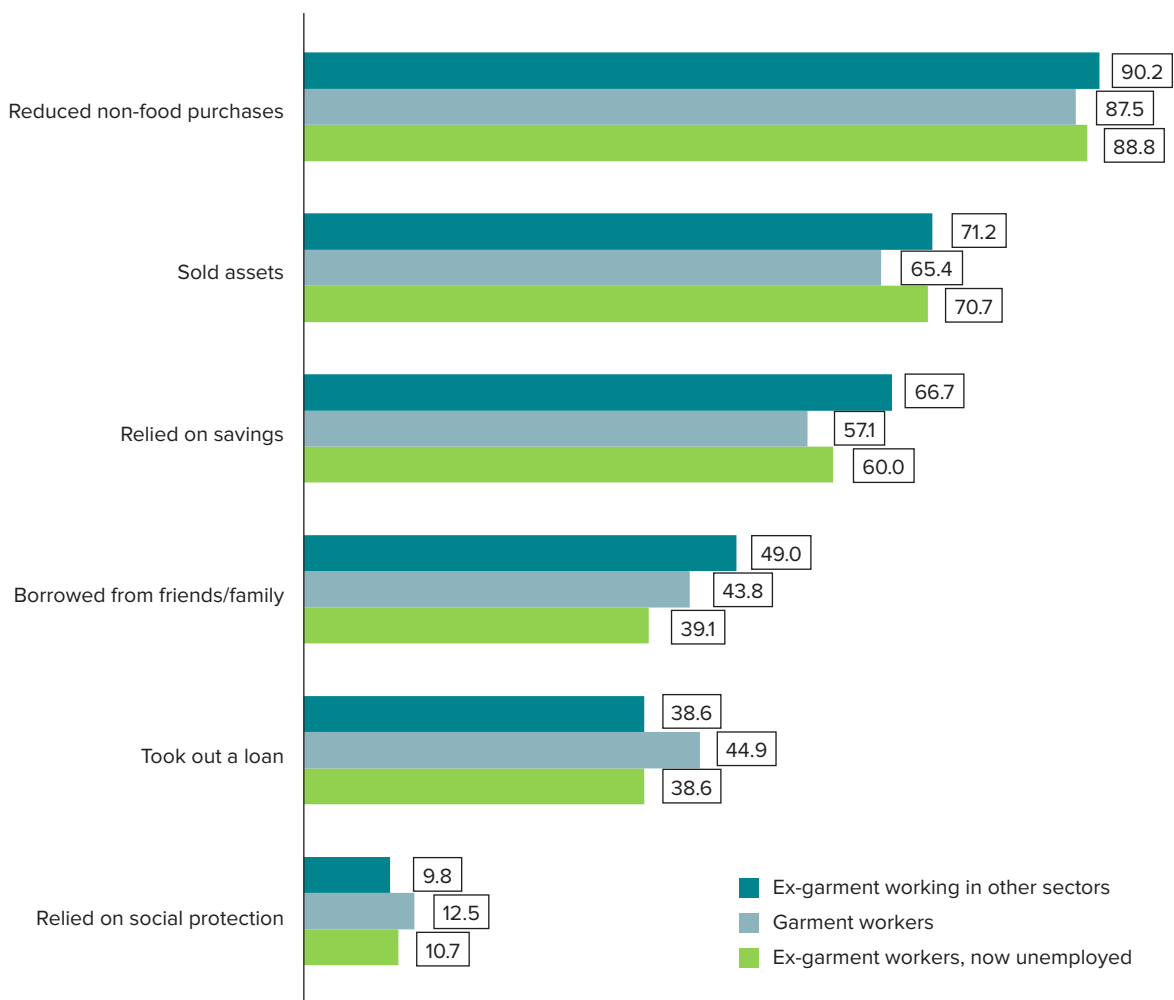
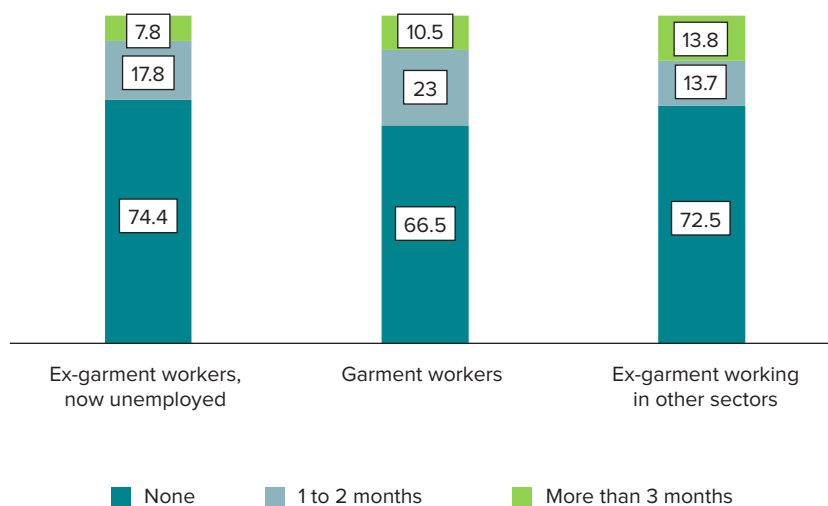


Figure 4.13. Number of months of savings remaining, by employment status (percentage)

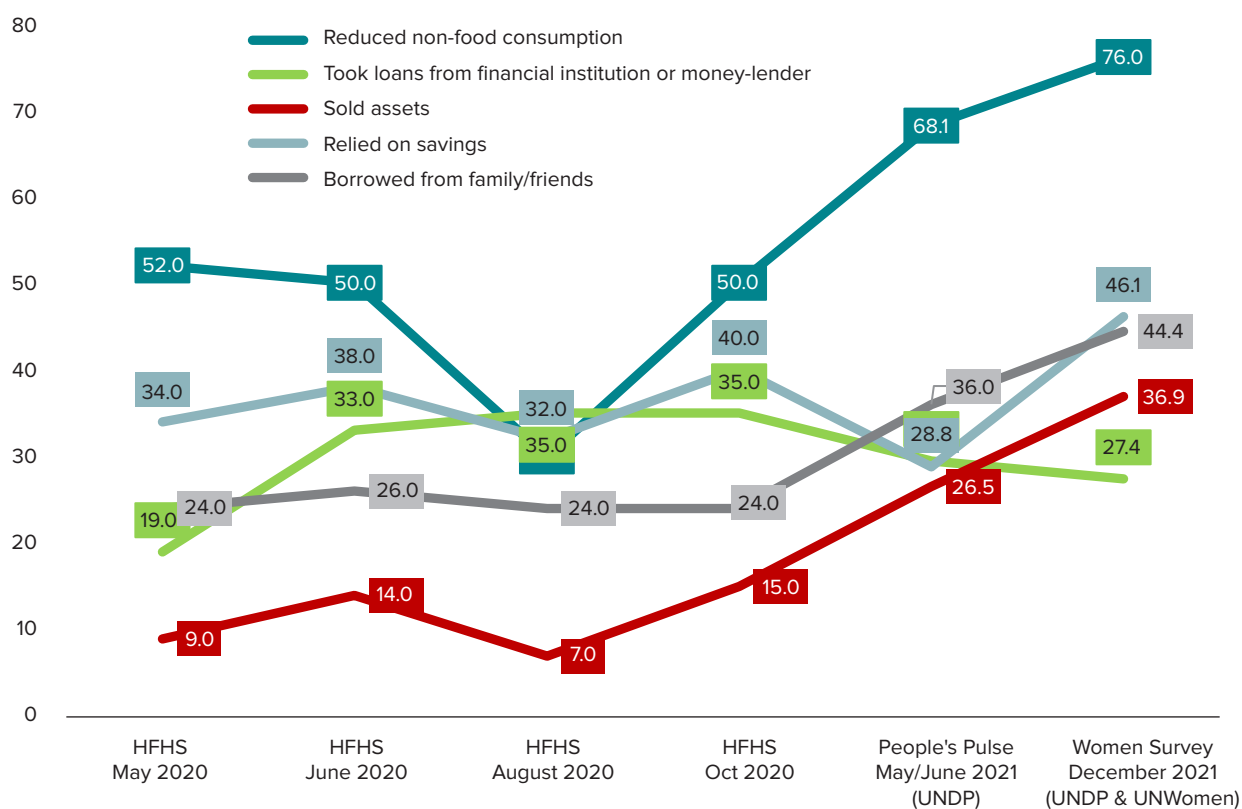


The COVID-19 pandemic, followed by the military takeover, spurred significant interest in understanding how these twin crises have affected households across Myanmar and how households have coped with them. That said, to date, there is sufficient data to cautiously observe some of the adoption of the coping mechanisms outlined above with national level data gathered over the last two years.

The evolution of the share of households adopting various coping mechanisms is reported in Figure 4.14. There are a few findings that this comparative figure elicits.⁴⁹ First, the reduction in non-food consumption has been reported by an increasing share of households over time. The share of households in the garment survey reporting reduction in non-food expenditure is slightly higher (87.9 percent) than the national average reported in Figure 4.14. Moreover,

it is also in line with the so-called permanent income hypothesis, suggesting that as an economic crisis hits and persists, and as incomes are squeezed, households gradually reduce consumption until they reach a new equilibrium.⁵⁰ As most of the households in our sample rely on income of workers working for minimum wage, they are relatively more affected than an average household in the country. In other words, given the economic realities of respondents in our sample, they are at a greater risk than the general population. Second, we also observe a higher share of households in our sample selling assets as a coping strategy (66.7 percent). As the households in our sample gravitate around Yangon (where many of the financial institutions are located), a higher share of households in this survey have relied on formal borrowing (43.4 percent).⁵¹

Figure 4.14. Coping mechanisms over time, percentage of households



49 There are caveats attached to these findings as the surveys have different sampling strategies and different levels of representativeness, thus we caution against a direct one-for-one comparison. Second and most importantly, the survey used in this paper focuses only on a selected sample of garment sector workers (current and former) and thus is more limited in scope.

50 https://www.asia-pacific.undp.org/content/rbap/en/home/library/democratic_governance/covid-19-coup-d-etat-and-poverty-impact-on-myanmar.html

51 <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/151001580754918086/myanmar-living-conditions-survey-2017-socio-economic-report>

As many households have depleted their savings and have cut most non-food expenditures, they have run out of sustainable coping options. Faced with ever increasing food prices,⁵² they have been forced to resort to extreme coping mechanisms such as reduction in food expenditure⁵³. In our sample, 54.7 percent of respondents resorted to this coping mechanism. Given that most of the households in our sample are on the lower end of the income spectrum, it could be argued that a higher share of them have been forced to reduce their food intake, compared to an average household in Myanmar (Figure 4.15).⁵⁴

While the brunt of eating less is equally borne between men and women in the household in most cases (Figure 4.16), in close to one in three households, women have reported eating less than men. This is worrisome as most of these women are young and of childbearing age; thus, food deficiency could have an impact on their overall health (e.g., resulting in anaemia) with further impact on their potential future offspring. As current research suggests, women who are undernourished at the time of conception are unlikely to improve their nutritional status during pregnancy, when they have additional demands due to the growing foetus.⁵⁵

Figure 4.15. Reduction in food expenditure as a coping strategy, over time (percentage of households)

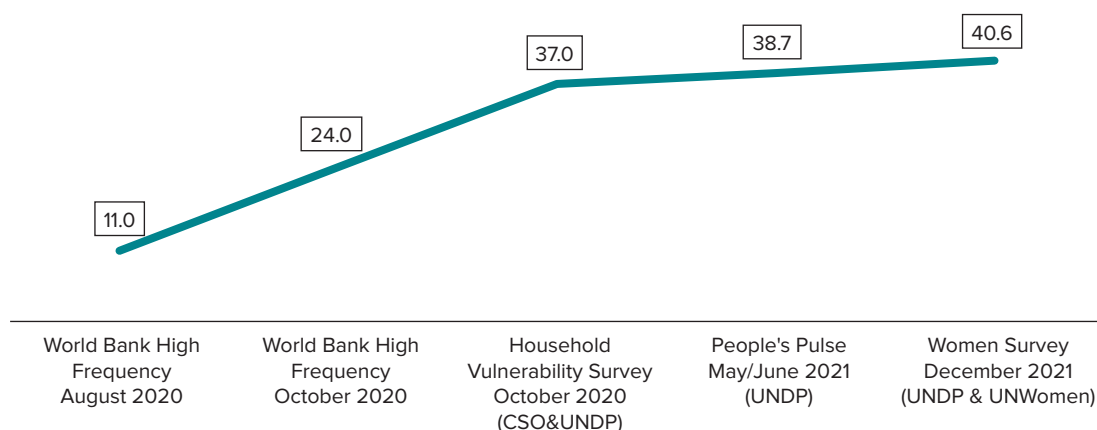
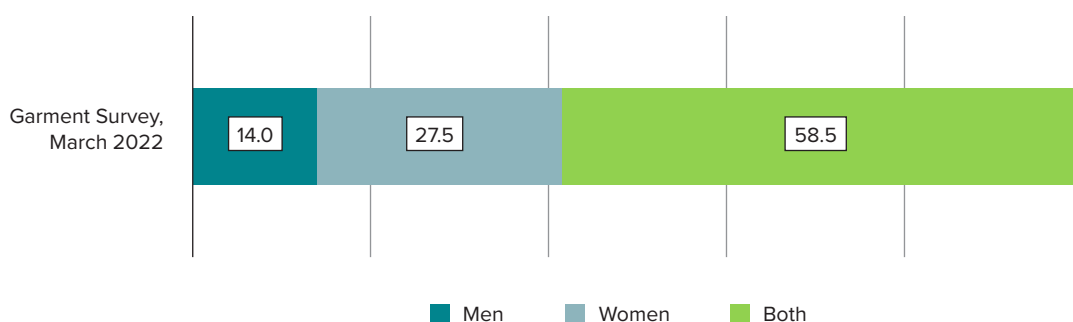


Figure 4.16. Persons who ate less due to a lack of food or other resources (percentage)



52 <https://tradingeconomics.com/myanmar/food-inflation#:~:text=Food%20inflation%20in%20Myanmar%20averaged,percent%20in%20April%20of%202021.>

53 https://reliefweb.int/sites/reliefweb.int/files/resources/IFPRI_Myanmar-SSP_RN70.pdf

54 There are caveats attached to these findings. The various surveys have differing sampling strategies and levels of representativeness; thus, we caution against a direct one-for-one comparison. Importantly, this survey focuses on a sample of garment sector workers (current and former) from Yangon and so has a specific scope. Appendix Table A2 further outlines these issues of comparability of data used in this report.

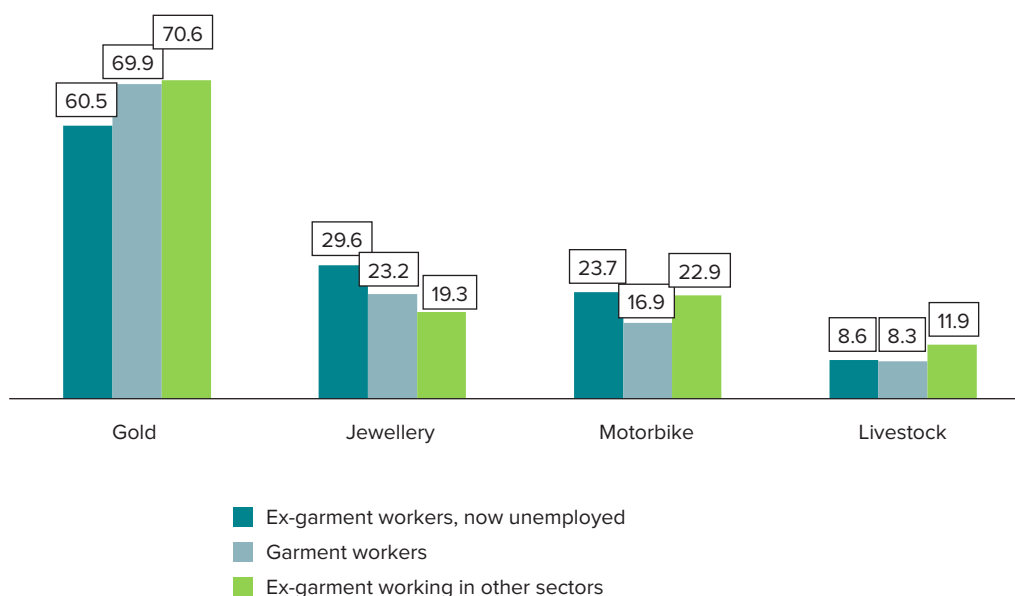
55 <https://www.karger.com/article/fulltext/345165#:~:text=Maternal%20undernutrition%20or%20chronic%20energy,dueto%20the%20growing%20fetus.>

Consistent with existing research,⁵⁶ selling of assets has been one of the most prevalent coping mechanisms among respondents in this survey. Figure 4.17 captures the most common types of assets sold. Gold and jewellery (given their role as a store of value, particularly when a national currency is depreciating fast)⁵⁷ have been the most common type of assets sold. Over two thirds of the respondents who have sold assets resorted to selling gold as a way of coping with the economic consequences of the military takeover. Jewellery has been mostly sold by households with unemployed garment sector workers (29.6 percent). Furthermore, households have also resorted to selling personal modes of transport (e.g., motorbikes) and livestock. As documented in literature, the sale of these types of assets may limit the income generating potential of households, keeping them locked in a perpetual poverty trap.⁵⁸ The share of households reporting selling motorbikes is slightly higher among

unemployed garment workers, further worsening their already dire situation. It is also important to note that a higher share of assets sold are owned by women (38 percent) compared to men (12 percent). This would not only impact the economic standing of female garment sector workers but could potentially have an impact on their leverage in household decision-making.

The share of households that reported selling of assets is higher in the garment industry compared to previous national assessments of coping strategies (Figure 4.18).⁵⁹ As indicated above, this is the result of an interplay of a few factors including worsening of the overall economic situation for all households in the country. Furthermore, Figure 4.18 also shows that as most of the workers/ex-workers in this survey live in urban or peri-urban areas, a slightly higher share of households has sold motorbikes, while fewer than 10 percent have reported selling livestock.

Figure 4.17. Types of assets sold, by employment status (percentage)



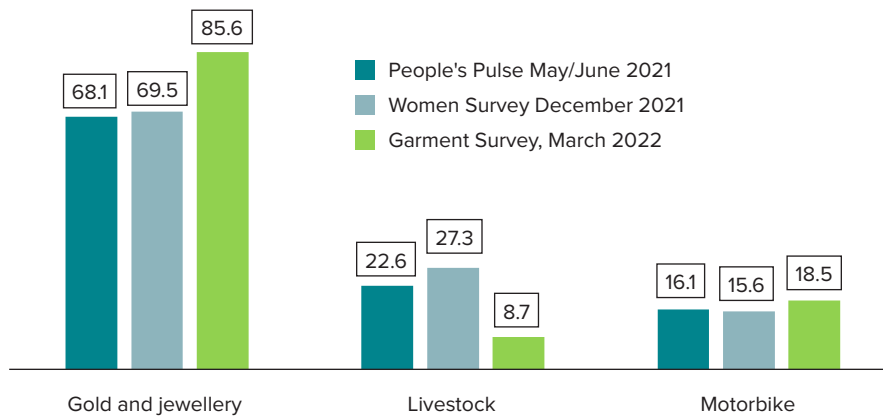
56 <https://www.asia-pacific.undp.org/content/rbap/en/home/library/sustainable-development/myanmar-people-pulse-survey-report-2021.html>

57 <https://elevenmyanmar.com/news/rapid-depreciation-of-the-kyat-devastating-myanmar-consumers-and-businesses#:~:text=In%202021%20the%20Myanmar%20kyat,Ks2%20C430%20on%20October%201st.>

58 <https://www.economist.com/leaders/2020/09/26/covid-19-has-reversed-years-of-gains-in-the-war-on-poverty>

59 There are caveats attached to these findings as the surveys follow different sampling strategies and have different levels of representativeness. We caution against a direct one-for-one comparison. Second and most importantly, the survey used in this paper focuses on a selected sample of garment sector workers (current and former) and has a different scope. Appendix Table A2 further outlines these issues of comparability of data used in this report.

Figure 4.18. Types of assets sold over time

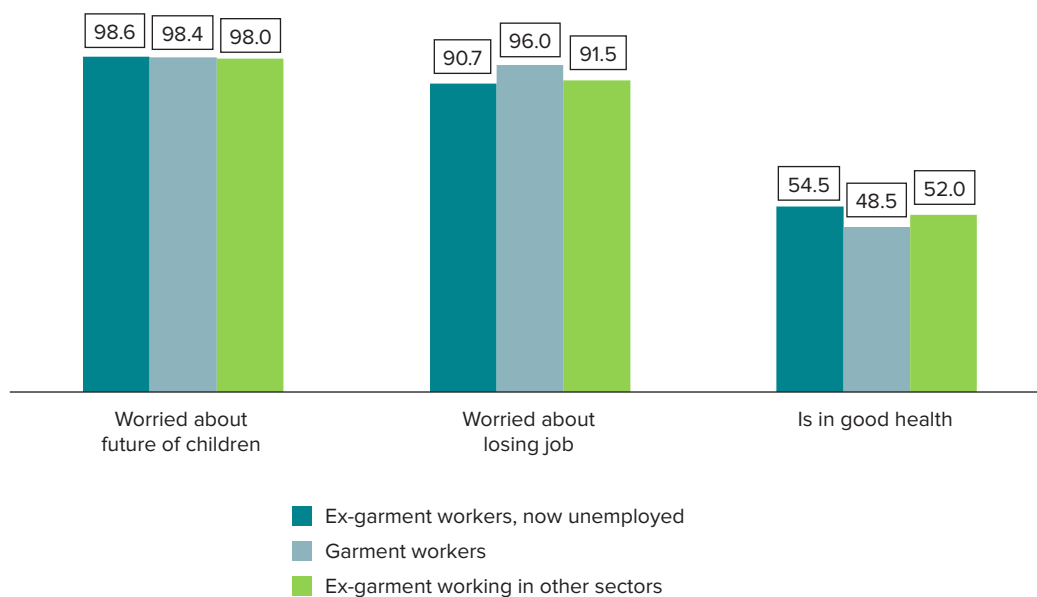


Even though not captured in our survey, a small segment of the affected garment workers has also resorted to the sex trade to survive. While the extent is difficult to determine, about 56 of the Myan Ku recipients were involved in the sex trade. Of those 56, 82 percent were young mothers. Further evidence from some of these women indicate a significant degree of desperation. Some of them had been raped by the police (or, as they said, “pressured to give free sex”) so as not to face arrest.

4.7 Outlook on life

Nearly all respondents worry about the future of the children. Equally high is the share of respondents worrying about losing their job or finding a new job. Virtually all (96 percent) of the interviewed garment sector workers worry about potentially losing their job. This, it could be argued, impacts upon their overall health. Fewer than half (48.5 percent) reported being in good health (Figure 4.19).

Figure 4.19. Subjective well-being, by employment status (percentage)



The economic situation has also impacted upon the overall satisfaction with life (Figure 4.20). Over two third of respondents across all three employment categories are either not very happy or not happy at all with life. This confirms the previously established notion that economic crises reduce overall happiness and life satisfaction.⁶⁰

The lack of satisfaction with life is particularly high among the unemployed respondents: 32.6 percent of them are not happy at all with life,⁶¹ which is particularly pronounced among unemployed males (Figure 4.21). Life satisfaction is higher among garment than other sector workers, with minor differences between genders.

Figure 4.20. Overall satisfaction with life, by employment status (percentage)

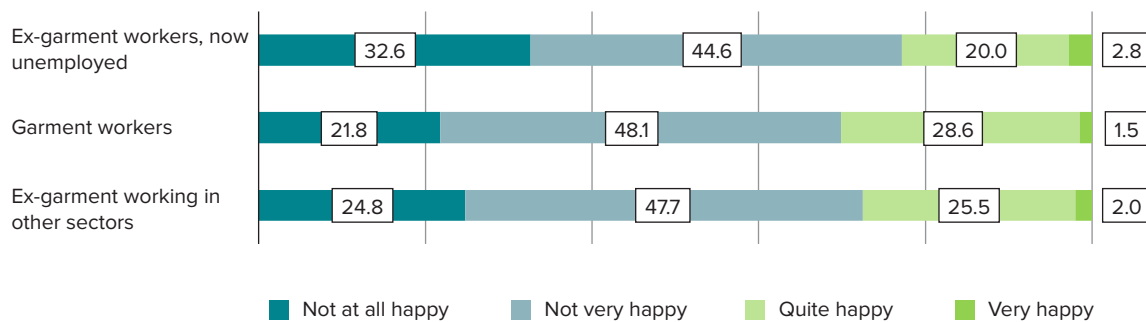
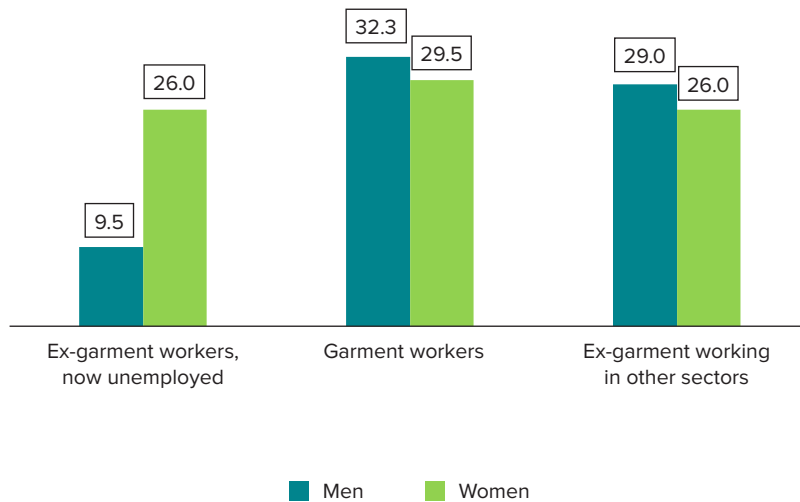


Figure 4.21. Quite or very happy with life overall, by gender (percentage)



60 <https://www.jstor.org/stable/48615587>

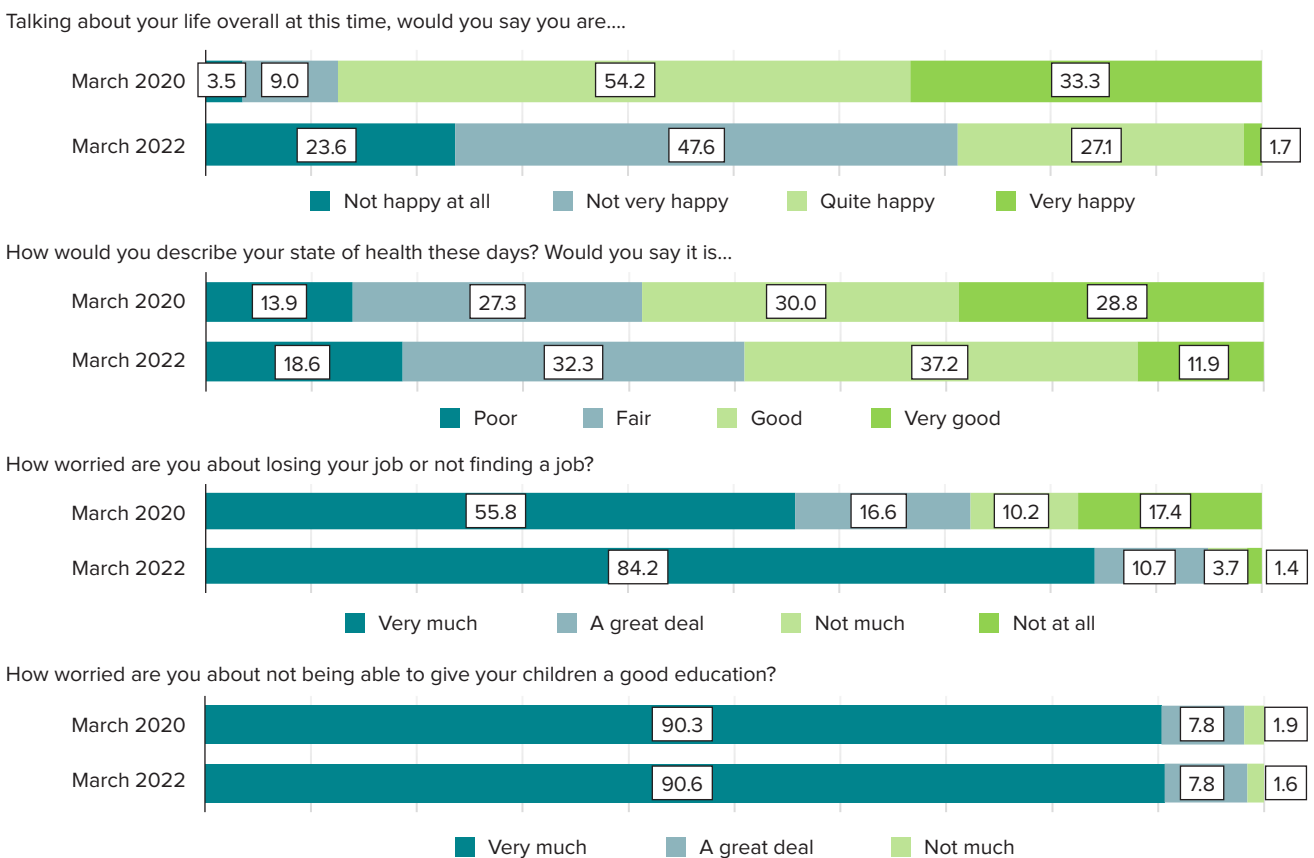
61 Existing research has documented that the Great Recession (2007-2009) has particularly impacted upon the overall life satisfaction of unemployed individuals. It could also be expected that this effect could be longer lasting (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6114278/>).

Figure 4.22 provides a on life dimensions mentioned above in a historical context. It compares the results from the garment sector survey with results from the World Values Survey in Myanmar, conducted on a sample of 1,200 respondents in March 2020.⁶² The life satisfaction questions from the two surveys follow the same wording, allowing for a good comparison.⁶³

As Figure 4.22 shows, the overall outlook on life has become grimmer over time. First, there is a significant jump in share of respondents feeling not happy at all

or not happy from 3.5 and 23.6 percent in 2020 to 9.0 and 47.6 percent in 2022, respectively.⁶⁴ Second, the share of respondents who claim to be in good health has reduced by about 10 percentage points over the two years between the surveys. Third, the share of respondents worried about losing their job has increased by 1.5 times between 2020 and 2022. Finally, some concerns have remained the same over time, such as providing a secured future for their children in Myanmar.

Figure 4.22. Subjective well-being between 2020 and 2022 (percentage)



62 This was a period of buoyant growth, right at the cusp of the first COVID-19 waves and it provides a good benchmark for comparing the results.

63 Some caution should still be exercised when comparing the national numbers with the numbers from the garment sector survey, given its level of coverage and representativeness.

64 Which is consistent with some of the elaborations in the preceding paragraphs.

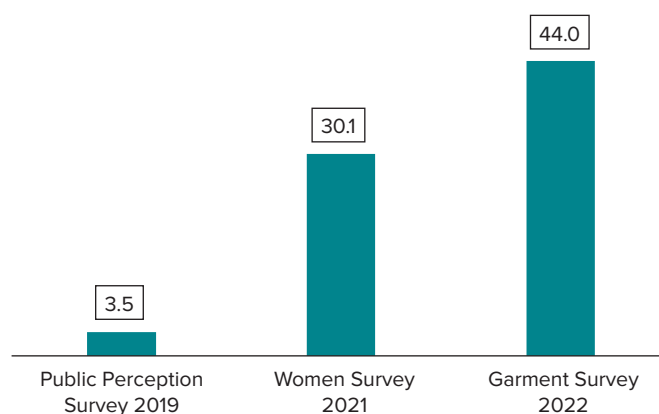
4.8 Feelings of security in own village/ward

Nearly half (44.0 percent) of women feel unsafe in their own ward or village during the day. The share of men feeling unsafe is slightly higher (47.0 percent), in part reflecting the deterioration of the security situation in the two townships featured in this report (see further below).⁶⁵

As Figure 4.23 shows, the garment sector workers in the selected townships feel particularly unsafe. To

gauge the security situation in Myanmar (which has been characterized by an increased violence against civilians)⁶⁶ UNDP constructed the **Vulnerability to Conflict Index (VCI)**, ranking all 330 townships in terms of severity of the index, with higher ranked townships having higher vulnerability to conflict. The two townships used in this survey are in the top tercile based on the index, Hlinethaya – ranked 39th and Shwepyitha – ranked 87th, which highlights the high share of people reporting feeling unsafe. This explains why the share of women feeling insecure is 14 percentage points higher than the national average reported at the end of last year.

Figure 4.23. Percentage of women feeling unsafe in own ward/village during the day, by year



The UNDP **Vulnerability to Conflict Index captures violence against civilians** at the township level in Myanmar. The index is constructed by analysing primarily ACLED data (Armed Conflict Location & Event Data Project) for events where civilians were the main group impacted by violence. Two additional indicators were created by the UNDP reflecting (1) civilian fatalities and (2) the number of events leading to displacement. Indicators were measured as the cumulative number of events or fatalities from **1 February 2021 to 31 January 2022**. Based on the variation in indicators across townships **seven indicators were included:**

- Shelling/artillery/missile attack
- Arrests
- Looting/property destruction
- Displacement
- Civilian fatalities
- Attacks
- Remote explosives

Min-max normalization is applied before aggregating the indicators using equal weights.

65 <https://www.frontiermyanmar.net/en/a-day-of-tragedy-and-terror-in-hlaing-tharyar/>

66 <https://www.nytimes.com/article/myanmar-news-protests-coup.html>

4.9 Myanmar garment workers: migrants' viewpoint

Feelings of insecurity coupled with the worsening economic situation has forced thousands of manufacturing and garments sector workers to migrate back to their native villages. Sometimes, this 'reverse migration' has been prompted by hopes that workers that were employed in the thriving manufacturing and services industries in Myanmar's cities could fare as equally (if not better) by working in agriculture. It is estimated that over 100,000 garment workers initially fled Hlaing Thayar in March and April 2021. A significant number of them returned to Hlaing Thayar by late April and early May, as they knew no other decent path to pursue cash income and the level of violence had somewhat lessened. This reiterates the criticality of the garment firms to be able to provide livelihoods to these workers who seem to have no alternatives left.

Some jobs had immediately disappeared due to the arson attacks. Roughly, the Myan Ku programme estimates this to be about 18,000 or more. Over 36 factories suffered significant damage. Twelve factories that Myan Ku engaged with were severely damaged and shut down permanently or temporarily. Several of these firms repaired or rebuilt their facilities in late 2021, such as Sen Ma Te and Meijie, but others are yet to follow suit given the deep uncertainty about the fate of the sector in the international market.

As the survey does not contain a question "Have you gone back to where you are from?", we defined '**reverse migrants**' as follows:

- (i) the respondent is not currently living in a dorm;
- (ii) the household of the respondent lives in a village.

Using this definition, 4.8 percent of the respondents could be considered reverse migrants.

Lack of opportunities and an overall sense of desperation are the leading causes of reverse migration. Also, lower costs in rural areas (including the possibility of growing one's own food) could be an additional factor of reverse migration. However, as Figure 4.24 suggests, on average, the earnings of reverse migrants are lower than those of non-migrants and they have been dropping in real terms. Reverse migrants in the survey make 270 Kyat less than non-migrant workers.⁶⁷ The reverse migration, particularly of former garment workers that are now unemployed, also means less money for the family than previously sent as remittances. Our estimates suggest loss of remittances in the ballpark of 111 million USD if all the jobs in the garment sector are wiped out, with former workers returning to their families in respective states/regions.⁶⁸ This will have a severe impact on the poverty head count.

Furthermore, the data shows that reverse migrants in our sample worry more about economic hardship. Figure 4.25 shows that 85 percent of migrants singled out economic hardship as one of the most pressing problems in their lives. While the issue of safety might have driven some workers out of Yangon, safety concerns of migrants have subsided, possibly as a result of the relative calm of villages.

67 When adjusting the wages for the inflation rate, we have applied the same CPI across (urban and rural) even though the price rises could be lower in rural areas.

68 There are a few caveats attached to this number. First, when calculating the loss of remittances, we considered migrant workers from our garment survey, which is heavily biased towards respondents with families in Yangon and its areas. Second, the survey which we use, as discussed above is not representative of the entire garment sector workforce. Third, there is a recall bias on the question used to capture remittances; furthermore, we assume that the share of income that respondents do not keep for themselves is fully counted as remittances. In other words, the above stated number of 111 million USD is the lower bound estimate of the overall loss in remittances because of garment jobs being wiped out.

Figure 4.24. Average daily wage, by location status

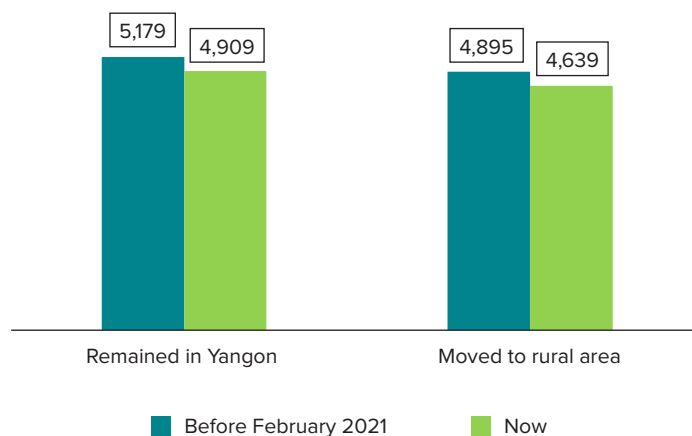
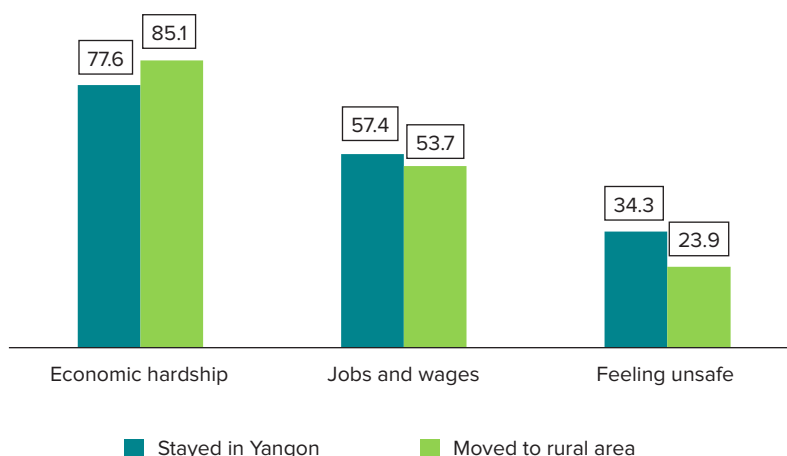


Figure 4.25. Main problems faced by the household by location status (percentage)



4.10 Funds from the Myan Ku initiative: use and targeting

As of October 2021, cash support payments from the Myan Ku initiative⁶⁹ totalling over 3.5 million Euro had been disbursed to garment and footwear factory workers who had been laid off or furloughed. Workers from over 340 factories have been assisted by the Myan Ku programme and the cash was transferred using the Wave Money mobile phone platform.

As a result of the Myan Ku programme roll out, between 90,000 and 100,000 workers have been reached

(which, assuming a total workforce of 700,000, works out to 14 percent of workers). In addition, there have been a total of 157,000 transfers made (cash or vouchers). To reach as many workers as possible, the net has been cast as wide as possible, using, inter alia Myanmar Garment Manufacturers Association. Average support size per payment across all these transfers was 81,000 MMK (trending upwards from May 2020 until December 2021). By the end of December 2021, a total of 11.4 billion MMK worth of transfers were made; in addition, another 368 million MMK worth of vouchers were transferred. Since the end of 2021, there has been a slowdown in money disbursement, due to a lack of funds.

69 <https://smartmyanmar.org/en/news/eu-myan-ku-fund-issues-over-54-billion-mmk-in-support-to-garment-factory-workers>

The main precondition for receiving the aid is losing a job in the garment sector (this implies that in the workers database, even the employed workers were, at some point over the last couple of years, unemployed). Since January 2021, this main condition has been coupled with additional conditionalities: (a) being pregnant or being a mother with a young child; (b) being a migrant worker; (c) experiencing extreme hardship; and (d) re-skilling (payments made conditional on workers completing vocational training) (Box 2).

The money distributed as part of the Myan Ku scheme has, mostly, been used to purchase food, as reported by 77.5 percent of respondents (Figure 4.26). About one in ten of the respondents have used it to pay rent. About 4 percent of respondents have used the help from the programme to cover health expenses.

The average payment received from Myan Ku represents less than a fifth of the monthly domestic budget,⁷⁰ except for families with pregnant or lactating mothers who received a much larger amount (see Box 2). While this is helping households, it could still not offset the significant impact of the economic shock caused by the twin crisis.

Nevertheless, it could be argued that Myan Ku has been well-targeted. Given the nature of the survey, we have used the question on the importance of Myan Ku as a proxy for targeting. With that said, 53.7 percent whose household income has gone down since the takeover, considered the assistance obtained from Myan Ku as ‘very important,’ as opposed to 41.1 percent of those whose incomes have remained the same (Figure 4.27).

Figure 4.26. Main use of Myan Ku funds (percentage)

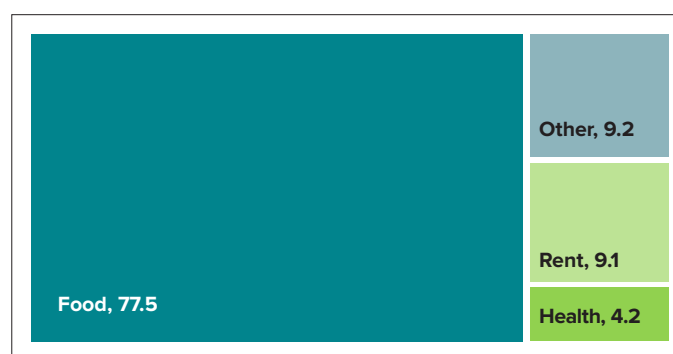
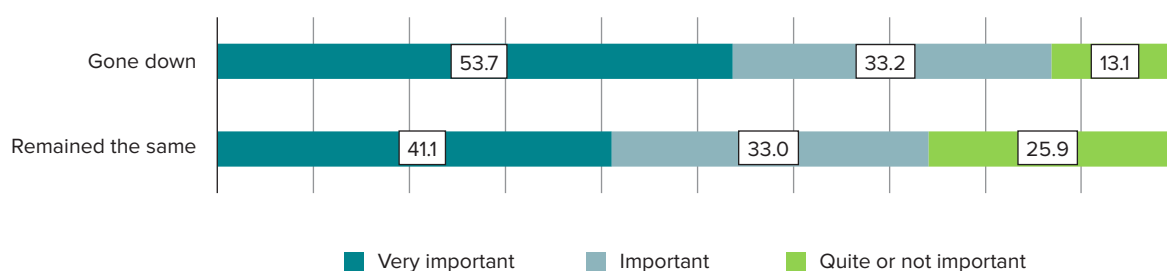


Figure 4.27. Importance of Myan Ku funds by whether household income has gone down or remained the same since the takeover (percentage)



70 To calculate this share, we took the average household expenditure of households with garment sector workers (from MLCS), which is 360,000 Myanmar kyat monthly. The amount of 79,000 was then calculated as a share of this overall budget.

Box 2. Myan Ku and pregnant women/lactating mothers

Since early 2021, a key focus of the programme has been to help pregnant women and lactating mothers. There are a few ways in which the programme is different for this subgroup of the population: (i) the transfers for pregnant women and lactating mothers are, on average, longer, lasting for about six months; and (ii) the upper limit for these transfers is 750,000 MMK, which is significantly higher than what the rest of the former garment sector workers receive.

The socio-economic and demographic characteristics of pregnant women and lactating mothers are similar to our main sample in that: (a) they are young, with most of them under 30 years of age; (b) are married; (c) about two thirds of them have completed primary or middle school. In addition, and unlike the former garment sector workers included in our survey, pregnant women and lactating mothers do not work. Similarly, the perception of these women regarding the impact of the twin crises (and how they cope with it) is broadly comparable to the findings of our survey. Based on an evaluation conducted by Smart Myanmar on this subgroup of Myan Ku recipients, almost all of them reported reduction in household incomes due to the economic shock. Borrowing, reducing expenditures and selling assets (similar to what we found in our survey) have been the most common coping mechanisms employed by this group of former garment sector workers. Finally, money from Myan Ku has been most often used to buy food and other supplies for the household.

The evaluation mentioned above has also looked at the relationship between receiving Myan Ku support and some broad health and nutrition outcomes for both mothers and children. Some broad conclusions that emerge are:

- a. The probability of households experiencing moderate or severe household food insecurity at endline was 39.0 percent, which represents a reduction from 45.6 percent at baseline.
- b. There has also been a slight increase in the share of women receiving a minimum diverse diet between the baseline and endline.
- c. Complementary feeding indicators were suboptimal, apart from the introduction of solid, semi-solid or soft foods (6–8 months) which was timely for the majority of the sample. The researchers note substantial improvements in some nutrition indicators and worsening in others over time. It is important to note that some of these positive changes may be due to children being older.
- d. In children, receiving higher amounts of cash assistance between baseline and endline was positively and significantly associated with MDD (minimum diversified diet), MAD (minimum acceptable diet), egg and/or flesh food consumption, and unhealthy food consumption.
- e. Finally, as per the final evaluation of the assistance, the knowledge of both maternal and child nutrition has increased.

4.11 Training needs for work

During the interview, all respondents were asked “If offered training for work purposes what topics would be most useful for you?” Figure 4.28 captures the type of training that respondents would like to receive. Over a third of respondents would like to receive further training on sewing/fashion design, potentially following on from their current job as well as building on their insights into the fashion business.⁷¹

There are notable differences between men and women. Men are more likely to list mechanical work, languages and information technology, while women would prefer training in sewing/fashion design, business management/accounting and information technology. Partly this is driven by the desire of some of the respondents to open their own business in case they lose their job in the garment sector (Figure 4.29).

Figure 4.28. If you were offered training for work purposes what topics would be most useful for you? (percentage)

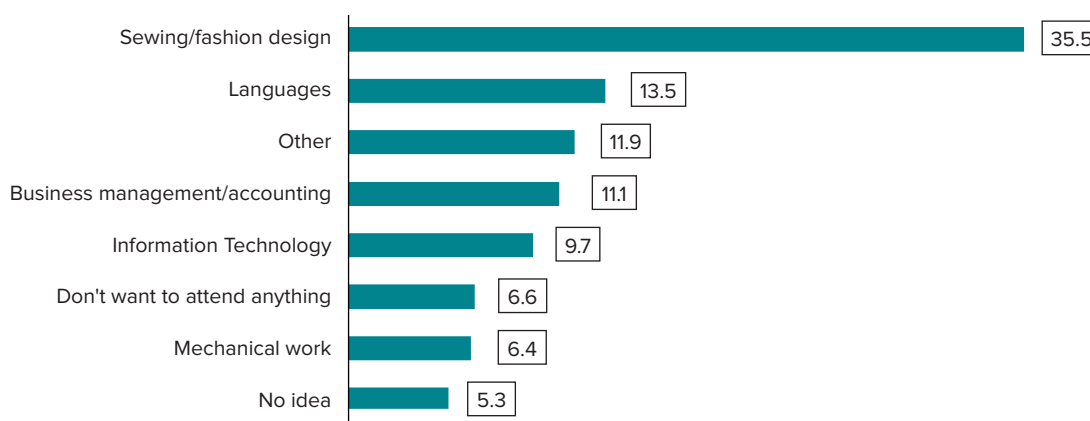
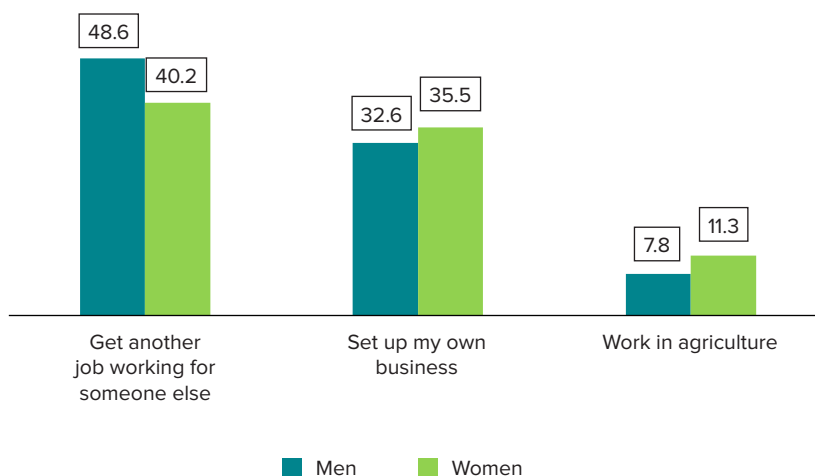


Figure 4.29. What would you do if you lost your job in the garment sector? (percentage)



⁷¹ Some training opportunities are currently being provided through the LIFT initiative mostly women pouring into Yangon's garment industry from across Myanmar – to enhance their knowledge on safe migration, labour rights and gender-based violence (GBV) while gaining competencies and skills for gainful employment. See for example: <https://myanmar.un.org/en/181622-lift-fund-supported-womens-cafe-becomes-lifeline-young-woman-hlaing-thar-yar>

5. Results of the survey of firms

5.1. Description of the sample

As mentioned in the methodology section, the sample of firms consisted of 55 firms answering a questionnaire with open ended questions. Forty-five of those firms (about 81 percent) were garment firms, while the rest were classified as ‘auxiliary’ i.e., firms that revolve around garment firms. They included retail shops (with both physical and online presence), suppliers of machinery used in the process of garment assembly (e.g., suppliers of sewing machines) as well as transport firms.

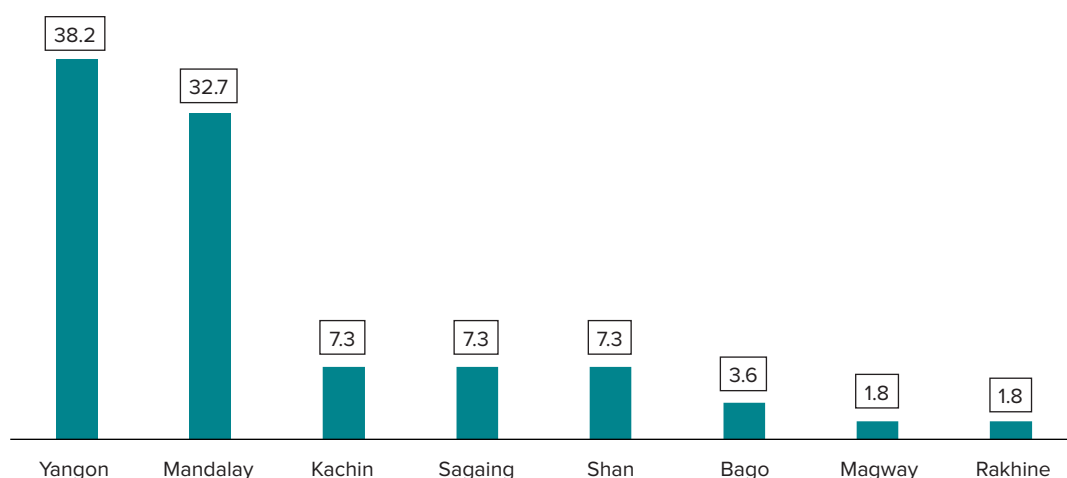
About two fifths of the firms were in Yangon, with another 38 percent situated in Mandalay. The rest of the sample includes firms scattered in a few additional states/regions (Figure 5.1).

On average, the firms employ about 59 workers, so they fall within the domain of small and medium enterprises (SMEs). The garment sector firms are slightly larger (employing on average 66 workers), while the auxiliary firms employ, on average, 29 workers.

5.2. Obstacles to doing business

As a result of the lack of security and a generally turbulent period in the wake of the military takeover, many businesses had to remain shut for at least three months (some of them up to six months).⁷² While production resumed since and is slowly picking up, the effects of the crisis are still being felt throughout the sector.

Figure 5.1. Geographical distribution of the firm sample (percentage)



⁷² A UNDP HFI (Round 1) indicated that several garment factories were set on fire in March 2021, forcing some companies to completely shut down operations in the March/April period.

With that said, there are three business obstacles that plague the garment sector in Myanmar. The first one is related to the power cuts, which make production and running of the business difficult and unpredictable. The existing literature suggests that access to electricity is crucial for the continuous growth of SMEs. Available empirical evidence reveals that more power outages are associated with lower productivity and lower employment growth of small and medium size enterprises.^{73,74} The literature also points out that poor infrastructure may lead to the allocation of production to less efficient firms, which may substitute labour for capital.⁷⁵

The challenges associated with the lack of access to electricity, however, are not new to Myanmar, nor to the garment sector of Myanmar. Figure 5.2 summarizes

the main obstacles that firms in Myanmar faced, based on the latest available Enterprise Performance Survey for Myanmar conducted in 2016. The chart suggests that access to electricity was singled out as the second biggest obstacle for firms in Myanmar. The share of garment firms who complain about access to electricity is similar with the share for the total sample. The ongoing political crisis amplified the challenges associated with access to electricity, which were common in the pre-COVID, pre-military takeover period.⁷⁶

Thus, some of the firms interviewed for this report mentioned resorting to buying generators as a back-up energy supply. However, given the ever-rising price of fuel (Box 3), this implies a significant increase in the cost of production, reducing the profit margins.

Figure 5.2. Main obstacle faced by firms (percentage)



Source: Enterprise Performance Survey, 2016.

73 Aterido, R.; Hallward-Driemeier, M. 2010. "The impact of investment climate on employment growth: Does Sub-Saharan African mirror other low-income regions?", World Bank Policy Research Working Paper No. 5218.

74 Aterido, R; Hallward-Driemeier, M.; Pagés, C. 2011. "Big constraints to small firms' growth? Business environment and employment growth across firms", Economic Development and Cultural Change Vol. 59(3), pp. 609–647.

75 The existing empirical literature suggests that lack of infrastructure (e.g., power outages) may shift the process of production towards firms relying on less capital (but more labour) who are less sensitive to power outages and lack of access to electricity. At the same time however, these type of firms are also much less productive (i.e., using more workers to produce the same amount of output).

76 There are some exceptions to this general findings. As pointed out by one of the respondents whose business is in a Special Economic Zone (SEZ), access to electricity tends to be better and more reliable within the SEZ compared to elsewhere.

Box 3. Myanmar and the conflict in Ukraine: a garment firm's viewpoint

On 24 February 2022, war broke out between Russia and Ukraine. The conflict's biggest impact has been the increase in prices of fuel and food, as well as food shortages. This is understandable, given that both, Russia and Ukraine are the breadbasket of the world. A recent issue of *The Economist* points that the full impact of the crisis, particularly vis-à-vis prices of food, is yet to be felt.



Source: *The Economist*, "The coming food catastrophe," 7 May 2022.

Against this background, the respondents in our survey were asked if they have heard about the conflict and how it may impact them. They unanimously agree that rising fuel prices are hurting them and that they expect further increases.

There are additional channels through which the crisis in Ukraine is affecting Myanmar. Generally, global cotton prices have increased, and China is trying to buy all of Myanmar's cotton it can get, hurting MSME textile firms. Because fertilizer prices are much higher too, the situation requires nuanced analysis. Myanmar is the 13th or 14th largest cotton producer in the world, so not completely insignificant. The Ukraine crisis and the reduced demand in western markets may push Myanmar to the category of exporter of raw cotton, rather than finished products which are far more profitable.

Second, just as the rising prices of staples were eating into the meagre incomes of the garment workers featured in the first part of the report, the ever-increasing prices of raw materials (in addition to the rising prices of fuel as indicated above) further squeeze the profit margins of the garment businesses. Some of the interviewed business owners suggest that in addition to an increase in prices of raw materials, there is an unstable supply of the same, which is often disrupted, further impacting upon the overall process of production.

In addition to the rising prices of imported raw materials, the process of importing is taking longer than usual. As indicated by a respondent in the survey, the process of raw material import under normal conditions would take one month; however, it could even take as long as five months currently. Some of these disruptions have already been documented by UNDP's High Frequency Indicators (Round 2). That report argues that the reduction in number of ships and handling capacity at ports has resulted in major bottlenecks, with challenges booking places on ships

(both for imported and exported goods) coupled with soaring freight charges.

Third, problems with the banking sector and the persistent cash crunch issue have become a big challenge to garment businesses. Having to pay an additional percentage for online payment transactions and preference for cash transactions increases the overall production cost. This is summed up well by one of the respondents: "I have had to pay up to 7 percent in fees just to take out cash so that I can pay the salaries to my employees. Since then, I am hesitant to put money in my bank, and withdraw as long as there is a deposit. This cripples my business and I lose my profits. I had received a project worth fifty-seven million kyats. I had to withdraw cash for that project from a government owned bank, MEC, and it costs 6.5 percent. There was hardly any profit."

The problems with the banking sector are closely connected with access to finance, which continues to plague small and medium size firms in Myanmar.

As in the case of access to electricity, the ongoing political crisis has amplified the challenges associated with access to finance, which, even before the crisis, was listed as the main obstacle faced by firms in the country (Figure 5.2). Small firms are likely to face liquidity problems, as they are considered expensive to serve, thus less attractive to formal banks.⁷⁷ In other words, SMEs are more vulnerable to macroeconomic fluctuations (e.g., inflation, changes in business environment) and have less assets to cover potential losses. Thus, their risk as borrowers increases and banks lending to them could be more financially exposed. The bulk of the available empirical literature finds that alleviating credit constraints would boost small firms' growth.⁷⁸ For example, using World Bank data on firms in developing and emerging countries across the globe, Dinh et al. (2010) identified access to finance as the most binding constraint on firm growth⁷⁹. Similarly, the importance of loans for business growth is also acknowledged by one of the respondents of our business survey who considers SME loans to be beneficial to firm's performance. While there are some organizations offering loans, as indicated by the respondent, the process is too lengthy, and the requirement for collateral is too complex for a small business to secure the loan. Also, as another respondent voiced, while some of the local banks provide loans, the process is not based on the robustness and potential of the business, rather by the ownership of fixed assets and properties.

Thus, access to finance remains constrained. When borrowing for business purposes does happen, it tends to be informal. And while some firms have applied for loans, this was more the case during 2020 rather than in 2021.⁸⁰ Equally difficult has been the process of borrowing from microcredit institutions.

Some of these concerns are echoed by the auxiliary firms. Price hikes have been listed as a main obstacle to doing business by the auxiliary firms. This is coupled with problems in the banking sector, followed by exchange rates and unpredictability of policies by

the current regime. As one of the respondents puts it: "The constant change of policies affects the people doing business. There are so many issues regarding policy changes. Even within the first 14 months of the political change, there have been many policy changes including licensing policies, import policies and money transfer policies. Policies keep changing every two to three months."

5.3. Difficulties of doing business

While there are some respondents who think that COVID-19 (rather than the military takeover) has been a more significant issue (because of revamping mass work halls and work environments), most respondents agree that the military takeover posed a more significant challenge. In the words of one of them: "The pandemic posed challenges in its own way, but they all seem like a breeze now when compared to what we are going through." A similar sentiment was expressed by one of the auxiliary firms. "During COVID, the situation was grave for a few weeks; when the COVID wave is over, businesses resume as before. With the political shift in February 2021, it is a different story. It is like a free fall where there is only decline and it is a trend that everyone is in."

5.3.1. Production

The interviewed garment firms stated that production was the most negatively affected aspect of their business. With the curfew and political instability in some of the regions, operations had to be stopped by early evening (around 4 pm). This resulted in a significant drop in production.⁸¹ Thus, preliminary estimates in the first few weeks after the military takeover predicted that one in three garment factories may end up closing for good.⁸² However, as of late, production has been picking up, although, as noted by one of the respondents, there has not been the desired increase in the price of produced garments. The slow recovery of the sector has been documented by existing evidence from elsewhere. For example, a recent World Bank report suggests that garment

77 International Finance Corporation 2012. "IFC Jobs Study: Assessing private sector contributions to job creation and poverty reduction" (Preliminary Findings and Conclusions from Oct 2012), Development Impact Department, Washington, D.C.

78 Nkurunziza, J.D. 2010. "The effect of credit on growth and convergence of firm size in Kenyan manufacturing", *The Journal of International Trade & Economic Development* Vol. 19(3), pp. 465–494.

79 Dinh, H.T.; Mavridis, D.A.; Nguyen, H.B. 2010. "The binding constraint on firms' growth in developing countries", *World Bank Policy Research Working Paper* No. 5485.

80 In the words of one of the respondents in the survey: "The current government has been asking us to repay the COVID relief aid. I have been paying off the interest, but I am still unable to pay off the loan. Fortunately, the authorities have not pressured us yet.

81 The results from the UNDP High Frequency Indicator survey Round 1 suggest that the drop in production in the immediate aftermath of the military takeover has been significant, though the sector has been recovering since.

82 <https://www.ecotextile.com/2021062227965/materials-production-news/1-in-3-myanmar-garment-factories-to-close.html>

exports have steadily recovered after falling in the immediate aftermath of the February takeover, with a corresponding increase in the import of cut-make-pack (CMP) products over the same period.⁸³ Despite this, however, recovery has been slow and the sector has not reached the pre-pandemic, pre-military takeover capacity. Existing evidence points that the biggest loss is the deviation from the growth trend. Based on prior trends, exports ought to have been 10.5 billion USD or more in 2021. Instead, it was a mere USD 5.1 billion. This prevented higher wages, better working conditions and, generally, more dynamism in the industry.

As noted by most of the respondents, Yangon is the most affected region. This is in line with the UNDP High Frequency Indicators Round 1, which suggested that Yangon has been particularly hit by the double shock as about 70 percent of garment factories are located there. In the words of one of our respondents: “The smaller the factory, the bigger the impact of such disruptions are.”

Nevertheless, employers feel responsible to keep on going. As one of the respondents from our sample mentioned: “However, I must provide work for my in-house team so that they will get the salary for their livelihood and families. Therefore, I have started accepting the small orders from any local wholesalers who provide us the desired designs. It is fortunate that there is a demand for casual wear which is not my main business, however, it keeps my workers employed at least. Therefore, the production of my main business is completely non-existent; however, I still have enough jobs for my employees with the help of new production lines.”

This reduced production has, in turn, had a knock-on effect on auxiliary firms such as retail businesses. The problems are particularly amplified for online retail shops which rely on internet access and online banking transactions.

5.3.2. Demand

In addition to reduced production, garment firms also consider reduced demand as another significant impact of the military takeover (although it has picked up as of late, feeding into the slow recovery of garment production, described above). As indicated by one of our respondents: “At present, it is gradually getting better, and I must deliver the order once every two weeks. The sale has been getting back to this stage starting around September, October 2021 up until before the Thingyan holiday in 2022.”

The same knock-on effects are evident in the demand for products and services in firms revolving around the garment sector. In addition, there are other exogenous factors that have impacted upon the demand for products by the auxiliary firms. For example, according to one of our respondents, the sales of handwoven Chin textiles heavily rely on the tourism sector. Due to the ongoing political situation, with no visitors or tourists in Kale, there has been a significant decline in retail sales.

5.3.3. Supply chain

Trade-related bottlenecks have created significant obstacles for all businesses, including the garment manufacturing firms.⁸⁴ In addition, as witnessed by the UNDP High Frequency Indicators (Round 2), for a certain period, there have been shortages of trucks due to the protests of drivers, resulting in an increase of truck hiring costs.

The auxiliary firms also report issues around the supply chain related to the closure of roads (this has been particularly the case with the transport firms that were included in the survey). One of the businesses for example, mentions that currently, a delivery of an order takes about three to four days to get to destinations, due to checkpoints along the way as well as security and safety reasons. Before the takeover, it would take only a day. Second, while corruption is not reported as an issue faced by the garment firms, one of the auxiliary firms mentioned problems with red tape: “To elaborate, once vehicles depart from Yangon to other regions, at every check point along the way, the soldiers or police stationed there would ask for (unofficial) money for

⁸³ World Bank (2022). “Myanmar Economic Monitor”, January 2022.

⁸⁴ The UNDP High Frequency Indicators Round 2 lists some of the challenges associated with trade, ports and logistics. There have been various changes to the documentation process which, in turn, have increased the overall cost of doing business. For example, a recent policy change requires import license for many items which did not require a license in the past, resulting with red-tape and delays. Other challenges mentioned by the panel includes the reluctance by some buyers to place orders from Myanmar during the early months of the coup.

passage. There are even incidents that the soldiers or police slapped my drivers in the face and/or asked them to squat and stand. As a result of these additional costs, certain transport routes would even result in losses for us.”

5.3.4. Employment

While most of the garment firms report issues with production and demand, they do not report employment being significantly affected by the ongoing political situation. As noted by a few of the respondents in the survey, labour overall (and access to qualified workforce) is not much of an issue because certain large garment factories have closed, which resulted in a huge pool of trained and skilled workforce eagerly looking for jobs.

The closure (or in certain instances, reduced working hours) of the big garment firms has had a significant impact on the employees. Some of the evidence gathered through our firm survey further corroborates the findings of the garment workers survey presented in the first part of the report:

- (i) Reduced working hours and lack of overtime pay has increased the hardship of garment sector workers.
- (ii) Women have been more affected as they dominate the textile industry. According to most of the respondents in the survey, the ratio of women to men in the industry’s workforce is 90 percent to 10 percent. While men are less numerous than women, they tend to be hired to operate automatic machinery.
- (iii) Those that have been laid off have been looking for jobs elsewhere. As pointed out by one of the respondents, migration, including international migration (e.g., to Thailand) has increased, particularly since February 2022.
- (iv) Male employees who have been laid off have moved to sectors such as construction and agriculture (e.g., they choose to carry cement bags and vegetables in the markets) while former female employees also left for other jobs in the agriculture sector. While some of the respondents in our survey admit that while some of these new jobs are physically demanding and tiring, they provide higher wages.

5.3.5. Impact of the sanctions on business activities

For some of the businesses that have worked with Europeans, there are some signs of market withdrawal. As one respondent mentioned: “I already had the agreement as a local distributor with a Belgium-based brand called Premium Micro Clean which produces surgical gown, cap, and other accessories before the political incident. The agreement was to produce and fulfil their orders, then deliver the products to Belgium under their brand name. After the political incident in February of 2021, the agreement was withdrawn from the Belgium side.” Similarly, one of the respondents mentioned that, initially, there was a reduction in demand from the USA, which has still not recovered to pre-pandemic, pre-military takeover levels. However, the same respondents believe that orders may come back, through an intermediary (e.g., China). In other words, although some of these companies are not working directly with Myanmar, the orders are being outsourced to Myanmar. For example, one of the respondents mentioned that his subcontractor receives orders from the USA through a Chinese firm, and they export to New Jersey and Texas. For some firms, particularly those working in joint ventures with Japan, it is business as usual.

Overall, there is some cautious hope that some of the biggest brands would remain in the country, despite the ongoing challenging situation. Nevertheless, as pointed by the respondents of the survey, widening of the sanctions may further amplify the already discussed issues in the previous section (e.g., access to raw materials as well as problems with ports and logistics).

5.4. Adjustment to the production process because of the military takeover

5.4.1. Adopted adjustments and their impact on employment

There have been a few adjustments to how business is done. Some of these adjustments have had a direct impact on employment. First, as some of the respondents have mentioned, there has been a change in the working hours. As many business owners (including the ones we interviewed) cannot afford generators,⁸⁴ they operate their business whenever

there is enough supply of electricity.⁸⁶ This means that employees sleep or rest when the power is out and are back to work when there is electricity.⁸⁷

Second, some of the respondents have also mentioned changes in the way salaries are paid. Currently, salaries are paid upfront. In other words, regardless of the flow of business and the low demand, employers still pay their employees. Therefore, some of the business owners rely on withdrawing from their savings to pay wages. In some instances, personal resources of employers are used to pay wages weekly rather than a monthly salary. Some of the employers mentioned that they do this out of respect for the workers, as they know how dire their socio-economic standing is. In the words of one of the respondents: “Otherwise, they have to take small loans from loan sharks who ask for interest of up to 20 percent.”⁸⁸

5.4.2. Other coping mechanisms adopted by garment firms

The selling of assets has been a coping mechanism to help keeping businesses afloat. Some of the assets sold include jewellery and gold, cars, plots of land and livestock. Most commonly, assets have been sold to buy generators. Often, some of the money from selling assets is used to help employees. As indicated by one of the respondents: “Although it is not my responsibility, I provided my employees with food such as rice and cooking oil while the business was closed for around four months after the political incident”. In fact, one of the findings emerging from the survey of firms is that employers also act as a providers of last resort social assistance. They provide certain basic commodities such as rice, cooking oil, etc. and take care of their health (and the health of their relatives). Examples of this include help with out-of-pocket payments for health care visits or treatments. While the auxiliary firms do not explicitly mention selling assets, borrowing from formal and informal lenders and withdrawing from their personal savings are a common coping mechanism for this group of firms.

5.5 Training needs from the employers’ point of view

The survey also asked respondents about their views on the need for firm-level training. There are a few types of answers that emerge. First, according to some of the respondents, there is no need for training in weaving as this is a tradition which is passed down from generation to generation. Furthermore, some respondents do not think training is needed at all, as, with the closure of the big factories, there are enough trained workers. These types of employers are also weary of any additional training that they may offer to their employees. In their words: “In my opinion, training programmes that focus on the efficiency of employees, however, leave the firm once they become good and efficient. Moreover, I consider that the training programmes are more suitable for the big factories because the product house like mine does not need to use the complex process.” This type of employer also seems to believe that employees usually do not give much attention to such trainings because they tend to calculate how much wages they will lose to go there, not considering how much knowledge they will gain in return.

Second, there is a type of employer which offer internal training in basic sewing skills for inexperienced employees/recruits: “I have offered training courses for my employees in order to increase their productivity; however, they forget what they have learned if it is not applied constantly.” Third, there is a type of employer who believes that training would increase the skills of their workers. All three types of employers think that face-to-face training is better.

85 This inter alia allows them to economize on the cost of inputs, including fuel.

86 This is to be expected given the size of the firms included in our sample.

87 While this has a direct impact on workers’ health etc, results from the interviews indicate that only in two of the 55 firms there are unions that could address some of these issues. In most instances, complaints and challenges are dealt with directly with the employer.

88 This means 20% per month, which is equivalent to 240% on an annualized basis.

6. Final observations and limitations

6.1. Final observations

In the past decade, the garment manufacturing sector has been a significant and growing employer of workers in Myanmar, with over 900,000 employed in the sector and related industries by 2019. The export-oriented sector alone represented around 700,000 workers, roughly three percent of the country's labour force. Many of the jobs in the sector gave new opportunities to women, with relatively high levels of pay, as well as generating a considerable array of auxiliary industries in the areas around the garment factories, particularly in the peri-urban townships of Yangon.

There are a few specific observations that stem from this attempt to assess the situation of the garment sector in Myanmar, one year after the military takeover. Incomes of garment sector workers (both, individual and household) have been dropping in real terms. This is particularly the case for women in the sample, who tend to either be unemployed or stay in the garment sector but with lower pay. Some men, by contrast, have moved on to other sectors, where the returns on their labour have been slightly higher. Garment sector workers that have lost their jobs are becoming increasingly discouraged, with one in 10 not having a job nor looking for another one.

This reduction in wages explain why household incomes of garment sector workers have been falling. Moreover, the households with unemployed garment sector workers are in a particularly precarious situation, as two thirds of them do not have any secondary source of income (i.e., no financial back-up).

The reduction of household incomes has forced households to cope with the effect of the shock in several ways. Most households have been reducing

non-food consumption, selling assets or relying on savings. A high share of households (particularly those with unemployed garment workers and many with children) have been eating less, which, as our comparative analysis shows, has been going up over time. The consequences of this suboptimal coping mechanism include slower physical and cognitive development for children, impacting upon their human capital in the medium-to-long run.

While households have been selling gold and jewelry, some households have also been selling motorbikes and livestock (in turn hurting their prospects for emerging out of poverty).

All these woes are making garment sector workers (women in particular) very wary about future prospects. When considering the overall quality of life, worrying about losing a job as well as not feeling safe has preoccupied garment sector workers. Life satisfaction has been dropping and it is particularly high among the unemployed former garment sector workers.

The dire economic situation and lack of safety has forced some of the garment sector workers to migrate back to their village; while this has reduced their concerns about safety, these 'reverse migrants' also earn less. Remittances, which were instrumental in poverty reduction, could fall by USD 110million if the sector fails to protect employment of its current workers, not counting the growth in the number of new people looking for jobs.

The findings from the survey of firms indicate that the pre-existing challenges to doing business have been amplified by the ongoing political crisis. Access to electricity, prices of raw materials and problems in the banking sector (including access to finance) are listed

as some of the main challenges that garment firms face. This, in turn, has an impact on production and demand for garment products, with a knock-on effect on employment. Consistent with the findings from the garment workers survey, when laid off, employees are sometimes absorbed into other sectors such as construction or agriculture.

Garment sector firms (particularly the small and medium sized) have been forced to adjust the way they are doing business. This has, for example, resulted in working odd hours, whenever there is access to electricity. Moreover, some of them have been forced to adopt more drastic coping mechanisms (e.g., selling off assets) to keep their business afloat.

The banking sector chaos has added a significant financial burden (around 7 percent of each withdrawal amount) for money withdrawals, which was absent earlier. Import restrictions have raised the number of days required to deliver orders, again adding to costs and reducing profitability. Thus, garment firms are caught in the double dilemma of internal policies which are disabling, and external factors including the reduction of demand and foreign investment in the sector, and the Ukraine crisis.

Access to social protection in the firms included in our sample, as evidenced by the responses of business owners, is limited. It is often the case that employers act as last resort social assistance providers by giving their workers in-kind benefits (e.g., food). The financial assistance received through the Myan Ku programme has been welcomed by all recipients. While on average, a recipient has received 80,000 MMK from Myan Ku, the amount of money received by pregnant women and lactating mothers has been much higher (amounting to up to 750,000 MMK). Almost all respondents have used the money to purchase food and supplies for their households.

The ongoing challenges associated with the political crisis presents a grim outlook for the short and medium term. While some of the interviewed businesses think that improvement in the political situation is a sine qua non for economic growth, most of them do not think things will drastically change in the shorter term. Thus, many simply hope to survive.



6.2. Limitations

As in any other research endeavour, there are a few limitations associated with this survey-based study. First, this is a small, one-off, non-representative survey of garment workers (former and current) in a selected region of the country whose participation in the survey was based on their receipt of Myan Ku. Thus, the results of this survey should be treated with caution, particularly regarding their generalizability. Second, the analysis is descriptive in nature (i.e., no statistical significance testing was conducted), so some caution should be exercised when interpreting the strength of some of the disaggregated associations. Third, the findings from the business survey are drawn from a small sample of 55 firms and they are qualitative in nature. Moreover, most of the firms included in the business survey fall within the remit of micro and small size enterprises.

6.3. Considerations going forward

As shown by the analysis, the overall life conditions are much worse for households with unemployed garment sector workers. Thus, it is important to consider how best to maintain investments and sourcing to provide employment and wages while ensuring decent jobs.

- (i) For those that have lost their jobs, looking at ways to provide additional training, skill-building and removing obstacles for entrepreneurial activity, could help these types of workers in generating income and supporting their families.

- (ii) Myan Ku assistance is universally welcomed by households. It played a key role in preventing former workers from adopting unsustainable coping mechanisms. Such support should be continued and targeted at those currently unemployed in the absence of any other effective safety net. In parallel, skills training for alternative employment should also be provided.
- (iii) Addressing some of the ongoing business obstacles (e.g., improving access to electricity, providing access to financing) could help the smaller garment firms survive and maintain employees. These smaller firms should also be supported in their efforts as last resort social assistance providers.
- (iv) It is important for investors to remain committed to the sector. The violation of human rights in the country, violation of labour rights by firms, and the vulnerability of the workers and the smaller firms are all critical issues to consider and monitor closely: but is the most appropriate policy response to force western investors to disinvest and to withdraw preferential trade arrangements? The study shows that this is not what workers want and they have little option to diversify into other areas if jobs disappear in the garment industry.
- (v) In the absence of the effective application of labour laws and standards, as well as restrictions on the labour movement by the de facto regime, firm owners as well as international brands should take on a collective responsibility for ensuring decent jobs.

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Appendix 1.

Literature review for questions used in the business survey

One of the questions we are asking is if the shock to the textile industry has had an impact on other firms in the same industry (as well as in the supportive/auxiliary industries) in the other regions in the country. The reason for this is that some of the existing literature suggests that a shock in one part of a country could be propagated (through spatial linkages) to the rest of the country (see for example, work done on Japan by Dekle et al., 2016).

We ask a question about employment losses for both the textile industry and auxiliary firms. The reasoning for this is found in a paper on employment losses of mass layoffs in other industries in the affected region (see, for example, a paper on Germany by Ghatmann et al., 2017). We broaden this to also include a few other parameters (e.g., production, demand).

We also try to elicit to what extent the closure/downsizing of the textile industry has led to the reduction in aggregate income per year, in Yangon, as well as in the entire country. The basis for this question is anchored in the literature on restructuring industries (see, for example, a US FED paper by Figura and Wascher, 2008), which estimates that in addition to prolonged periods of unemployment for the workers in the restructuring (and allied) industries, the process is also associated with a reduction of aggregate income of about 0.5 to 1 percent per year.

We also ask questions on access/dependence on finance. A paper by Moore and Mizraeli (2016) suggests that while, during the global recession 2008/2009, most industries experienced a drop in production/output, the effect was more pronounced in those more dependent on external finance, and also in those industries that rely on trade credit due to underdeveloped financial intermediation.

Taking skills into account is an important facet when studying a recent decline in the manufacturing sector in Australia. A paper by Georgeson and Harrison (2015) finds that while the decline in the manufacturing sector had a statistically significant effect on employment and unemployment rates, changes in skill levels more than offset the negative impacts of the decline in manufacturing on employment and unemployment rates.

Questions asked to the garment manufacturing firms/sectors

Could you please tell me how the disruption in the garment manufacturing (since 1st of February 2021) has affected your firm?

Could you please let me know how production, demand and employment (as well as supply chains) have been affected? If you were to rank them in terms of impact (from most affected to least affected), how would the ranking look like?

Can you tell me if the negative effects on your firm are due to sanctions imposed in certain markets (EU, USA, any other?) What about the sector in general?

Do you see a significant shift of demand/sales from one region to another (e.g., from the EU to China or India or some other country)?

Since 1st of February, have you received any help (from the authorities or other sources) to compensate you and the workers for the losses in production because of the political crisis?

Have your fixed assets been affected? How? Were you forced to sell some of them due to the lower overall production? Any damages due to conflict?

Have you applied for business loans over the last year? If you have, could you please let me know about your experience with accessing this type of financial product?

Do you think that the ongoing disruptions affect other states/regions as well (i.e., going beyond Yangon)? If yes, could you please elaborate and let me know how?

Could you let me know what have you done to adjust your working to the changed environment? What experiences have you learnt from this changed environment?

What do you think will be the short-term implications of the garment manufacturing disruptions on the overall macroeconomic activity in the country?

How about the medium to longer-term implications for the overall macroeconomic activity in the country?

When thinking about the garment sector manufacturing and its impact on your firm, could you please let me know what have been the main reasons behind it? Was it COVID-19, or the coup d'état or a combination of the two?

Do you currently have a labour union operating in your firm? If NO

How are employee's complaints dealt with currently? If there is, do the garment workers know about the new complaint mechanism?

If jobs are being lost both in your own firm and your sector in general, are women affected more than men?

If your employees were offered training to increase their skills, what skills do you think would be most useful for your organisation in the current climate? How should the training mode be like (face-to-face or remote learning)?

Are you aware of the current situation in Ukraine? How is it affecting you?

Apart from impact of political and health crises, will there be impact of policy change of the SAC on the garment and its auxiliary sector? Such as the CBM order in reducing the duration of keeping export earning in bank account of exporters from 3 month to 30 days after transaction?

Questions asked to the firms revolving around (i.e., are auxiliary to) the garment manufacturing sector

In what capacity do you work with garment manufacturing firms (supplier of inputs in the production of textile, seller of textile products etc)?

Could you please tell me how the disruption in the garment manufacturing has affected your firm?

Could you please let me know how production, demand and employment (and supply chain), have been affected? If you were to rank them in terms of impact (from most affected to least affected), how would the ranking look like?

Since 1st of February, have you received any help (from the authorities or other sources) to compensate you and the workers for the losses in production because of the political crisis?

Have your fixed assets been affected? How? Were you forced to sell some of them due to the lower overall production? Any damages to those due to conflict?

Have you applied for business loans over the last year? If you have, could you please let me know about your experience with accessing this type of financial product?

Could you let me know what have you done to adjust your working to the changed environment? What experiences have you learnt from this changed environment?

What do you think will be the short-term implications of the garment manufacturing disruptions?

How about the medium to longer-term implications?

When you think about the challenges faced, could you please let me know what you think were the main reasons behind it? Was it COVID-19, or the coup d'état or a combination of the two?

Do you currently have a labour union operating in your firm? If NO

How are employee's complaints dealt with currently? If there is, do the garment workers know about the new complaint mechanism?

If your employees were offered training to increase their skills, what skills do you think would be most useful for your organisation in the current climate? How should the training mode be like (face-to-face or remote learning)?

If jobs are being lost both in your own firm and your sector in general, are women affected more than men?

Are you aware of the current situation in Ukraine?

Apart from impact of political and health crises, will there be impact of policy change of the SAC on the garment and its auxiliary sector? Such as the CBM order in reducing the duration of keeping export earning in bank account of exporters from 3 month to 30 days after transaction?

Appendix 2.

Further details to the data collection

Do No Harm

The collection of reliable information in conflict situations amplifies ethical challenges. Without an appropriate level of ethical understanding, research can do more harm than good. The survey of garment workers was undertaken within an ethos of Do No Harm and potential negative impacts were minimized by:

- Using mature and experienced researchers and interviewers aware of ethical dilemmas
- Being up to date with how the research is likely to be affected by, or affect, a local conflict
- Constantly monitoring the security situation and analysing risk, particularly by listening to local informants
- Ensuring informed consent was obtained
- Clearly explaining the objectives of the research
- Using methods to maintain confidentiality of the data (encryption, etc)
- Understanding the value of restraint, to know when to stop.

Limitations and weaknesses of CATI

Myanmar in the double crisis of COVID-19 and the coup is facing severe challenges in data collection. The switch to adaptive methodologies is taking place at an extremely rapid rate.

COVID-19 drove Computer-Assisted Telephone Interviewing (CATI) to be increasingly used in surveys. As the pandemic took hold, it was no longer possible for a respondent and interviewer to be in the same enclosed space and a phone call became the practical solution.

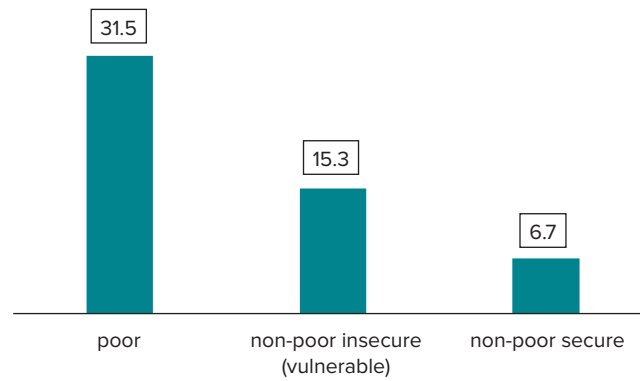
There are well-documented shortcomings related to CATI and the weaknesses that are particularly pertinent to this survey include the following:

- People living in areas where mobile coverage is non-existent or weak are excluded.
- Sensitive questions might not yield reliable data, as it can be difficult for the respondent to talk privately. Some topics cannot be asked in CATI interviews.
- Questions need to be concise. When doing face-to-face interviewing, questions can be longer to ensure more reliable responses.

In addition, people without phones cannot be interviewed. This is a worldwide weakness of the CATI method. Telephone interviews risk excluding the poorest parts of society and this is certainly the case in Myanmar. Figure A2 shows that poor households are less likely to own a mobile phone.



Figure A2. MLCS 2017: Households without a mobile phone, by poverty status (percentage)



Since the coup, the challenges have been compounded further. The perceived risks of providing data for the respondent and of gathering it for the interviewer have made collecting data increasingly difficult.

Appendix 3.

Sample by three groups of worker and gender

Table A1. Sample by the three groups of worker and gender (percent)

FEMALE	Garment workers	Other sector workers	Unemployed
Average Age	27 years	30 years	29 years
Female head	24.8	19.5	15.6
Education			
none	0.3	0.0	0.6
below primary	6.4	2.6	8.1
primary	41.4	29.9	38.7
middle	38.1	41.6	35.8
high	9.7	14.3	11.6
tertiary	4.1	11.7	5.2
Marital status			
single	54.6	37.7	32.4
married	41.1	53.3	64.2
separated/widowed/divorced	4.3	9.1	3.5
MALE	Garment workers	Other sector workers	Unemployed
Average Age	27 years	26 years	28 years
Female head	13.5	15.8	9.5
Education			
none	0.0	0.0	0.0
below primary	3.9	1.3	2.4
primary	29.4	23.7	31.0
middle	52.5	59.2	47.6
high	12.1	15.8	16.7
tertiary	2.1	0.0	2.4
Marital status			
single	39.0	25.0	35.7
married	58.9	73.7	61.9
separated/widowed/divorced	2.1	1.3	2.4

Appendix 4.

Survey comparability of data used in the report

The report attempts to compare the results from this survey with other surveys undertaken since 2015 (Table A2). **All surveys have differing methodologies and, in trying to tell a comparative story, the limitation of this approach is explicit in the descriptions of the specific results.**

Table A2. Survey sources of data used in this report

Survey	Data collection period	Sample size	Level of representativeness	Conducted by
1. Myanmar Living Conditions Survey	December 2016 to December 2017	13,730	Union level	CSO/UNDP & World Bank
2. High-Frequency Household Surveys	May, June, August & October 2020 (4 rounds)	Approximately 1,000 for each Round	Union level	World Bank/ Central Statistical Organisation
3. World Values Survey	Feb/March 2020	1,200	Union level	WVSA: Institute for Comparative Survey Research Vienna - Austria
4. Household Vulnerability Survey	October 2020	2,016	Union level	Central Statistical Organisation/UNDP
5. People's Pulse Survey 2021	May/June 2021	1,200	Union level	UNDP
6. Regressing Gender Equality in Myanmar: Women living under the pandemic and military rule, March 2022	Nov/Dec 2021	2,200	Women only at Union level	UNWomen & UNDP



United Nations Development Programme