

Interview with MGMA Secretary-General Daw Khine Khine Nwe

1. What is the current situation of the Myanmar garment sector?

It is going through a very bumpy ride with ups and downs, smooth and rough, through a mixed road. A MGMA survey of 50 factories reported that they saw their export value halved in late 2021 compared to 2019. Of the around 600 garment factories that are currently operating, nearly 500 are MGMA members. Around 170-200 factories have closed since January 2020. Some permanently and some on a temporary basis.

From the data we have collected, over 150,000 people lost their jobs, with between 450,000 to 500,000 still employed. But this number is in flux, as some factories resumed operations and rehired workers. As some factories reopen, we are hearing that there are as many as five to eight applications for every opening at those factories. This shows how dire the overall situation is for the garment workers. Then you have subcontractors. Data is scarce on them, but any impact is bound to be stronger.

2. How has the COVID-19 pandemic impacted the Myanmar garment sector?

In 2020, COVID's impact was two-fold. First, when China imposed strict measures in response to COVID-19, we suffered because of a major shortage of raw materials. The Myanmar garment sector imports more than 90% of its materials from China, so materials just dried up. But once China managed to control its COVID-19 situation, our main export countries stopped their purchases and imports because they were starting to experience the impact of the virus. We suffered quite a lot.

Our factory survey reported that these factories experienced a 26% decline in exports in 2020 compared to 2019. 2021 was a very mixed picture. The COVID third wave was quite bad but the COVID-19 mitigation measures implemented since 2020 proved effective. However, factories had to close due to other factors like insecurity and halted orders.

Overall, COVID-19 forced temporary as well as permanent closures. There were a few high-profile cases where factories closed and the owners fled without paying the mandated severance fees. As far as we know, there were no outstanding wages but the owners were unable to pay the severance fees. We understand that arrangements are being made to cover those fees for the workers through selling the assets left behind. For the vast majority of garment factories that

unfortunately had to close down, they stood by their obligations and paid the severance fees as per the labor laws.

With prices increasing across the board and the general economic situation, those laid off will have to find work soon. They cannot rely on those severance fees or donations for long. We are hearing of many laid-off workers returning to their home villages and towns to try to find whatever opportunity they can to rebuild their livelihoods.

A silver lining from COVID-19 was better understanding between employers and employees as well as the strengthening of a mutually caring mindset. Both the employers and employees are in this together, trying to keep the sector alive. Either we swim together, or we all will sink together.

3. How has the recent political crisis affected the garment sector?

Almost three quarters saw decreased orders between January and September 2021. Export values for 2021 decreased by almost a third compared to 2020, which itself was about 26% less than 2019. According to data from the Factories and General Labour Law Inspection Department, 64 CMP factories have closed for good or in the process of doing so, around 140 have closed temporarily, and over 80 factories have reduced or are reducing their workforce between February 2021 and January 2022.

This can be attributed to both the political situation as well as the COVID third wave. The banking sector issue is a key challenge, causing difficulty to access cash for salary payments. Many migrant workers also left the main industrial zones in Yangon in March, but they returned by end-April. There were also incidents of arson and threats against factories, as well as reports of broad daylight robberies. Orders did pick up slightly after June. While some had to close down, others are trying to reopen and rehire.

We were viewed as a sector that creates hundreds of thousands of jobs for young and vulnerable women, often with limited education opportunities. And we still are. But some groups think that our continued operation is helping the current administration. In fact, the garment sector works on a CMP basis only receive a service charge. The bulk of the earnings go towards employees' wages. And the sector is exempted from export and commercial tax.

The beauty of the garment sector is job creation after job creation, especially for those who did not have decent education opportunities to seek employment elsewhere. When the sector grows, jobs grow with it.

The accusations being floated around are by groups, many of whom do not have sufficient knowledge of the industry. With the calls made by those groups, international brands and buyers have hinted from time to time that they may stop placing orders. This in turn is amplified by media reports. These concerns and rumors themselves alone can kill the industry, and with it, the livelihoods of over half a million people.

4. There are concerns and allegations that the garment sector has many human rights and labor abuses. How would you respond to these?

I cannot say “it is one hundred percent NO” to those allegations. I can definitely say that the majority of enterprises in the sector do not engage in these abuses. As you know, brands and buyers from western markets as well as renown Asian brands place great emphasis on their suppliers’ compliance with their Codes of Conduct. These codes include various provisions on rights, health and safety. Without passing this compliance level, factories do not receive any orders, plain and simple. Brands and buyers know very well about the factories they are placing orders. And I very much expect that they would speak out when exaggerations are made.

Over the years, different stakeholders – departments, international partners and organizations, NGOs and CSOs, unions, and international brands - have invested so much time and energy to improve the condition inside the garment sector. And these efforts have instilled a culture of responsible and ethical business practices and mutual respect among the garment manufacturers. A 2021 survey of garment employees said that 85% of the 1200 respondents reported feeling that their employers respected their rights. The situation may not be perfect, and it is a continuous process to improve and safeguard these standards and values. And these will not be so quickly or easily undone by the factories.

5. There have been calls for brands to cancel orders, for foreign factories to close, and for the imposition of broad economic sanctions. How would such measures impact the Myanmar garment sector?

The Myanmar garment sector is a 99% export oriented industry, and depends almost exclusively on exports. And foreign companies form an overwhelming portion of the sector. Looking at the MGMA, around 85% of our CMP members are fully-foreign owned or joint ventures. Think of how many jobs and livelihoods that will be ruined should foreign factories close.

As I have said earlier, the garment sector is exempted from export and commercial taxes. Thus, the main outcome of targeting the sector will be for over half a million mostly young women still employed to lose their jobs. Two to three million family members as well as a larger ecosystem of micro and small businesses and services rely on garment workers. The impact will be directly on millions who have nothing whatsoever to do with what is going on.

It is very, very easy to destroy something. But it takes much more time and effort to rebuild it. The sector took 16 years to fully recover from the effects of sanctions imposed in 2003. Back then, there were lots of “experts” saying how targeting the garment sector will bring about their desired objectives. Some even downplayed or wash their hands of the fallout as tens of thousands of young women lost their jobs.

We all know what happened. Hundreds of thousands of livelihoods were ruined in 2003, young women forced into prostitution, manual labor or human trafficking. Add to that the jobs that were never created. We have seen exactly what happened to the sector. We will see the exact repeat of this with these heedless calls. COVID already forced young women working in the sector to resort to sex work. We are seeing more and more young girls around street corners, under the trees, forced to sell their bodies to put food on the table.

6. MGMA recently conducted a survey on garment workers. Can you share some findings?

Yes, we commissioned an independent survey of over 500 employees. Over two-thirds said they were extremely worried of their job security. Nearly 90% of respondents were concerned that their factory might shut down, while over 80% said they were worried of reduced or no more orders from foreign buyers. Two-thirds said they would spend less on food should they lose their employment, and about half said they will have food insecurity. Other challenges for garment workers, should they lose their jobs, include difficulties in paying rent or loans, and being forced to sell jewelry and valuable assets, or having to move back to their hometowns. The findings are similar to those from other surveys and interviews that consistently show that workers are really worried about losing their jobs, and that losing their employment will cause significant negative impact on the garment workers as well as the many more people who rely on them.

7. What is MGMA doing to help the sector?

We are fighting tooth and nail to keep the sector viable and operating. During the COVID-19 crisis in 2020, MGMA was part of the team that digitally inspected worksites to ensure compliance with COVID mitigation measures. This complemented the active involvement of employers and employees in factories such that to date, factories have been relatively safe and have been able to operate throughout. We also negotiated to ensure that garment workers were prioritized in being vaccinated against COVID-19, so that they can work safely and reduce outbreak risks.

We also continue to raise awareness on Myanmar labor laws and international norms on labor rights, as well as to provide labor-related trainings. We appointed a Labor Officer and a Junior Officer for these trainings, which we have been doing since 2016, and we have never stopped doing this even during these difficult times. We also help link our members with external markets so that they can keep on operating and retain their employees. Sometimes, we have to help clarify rumors or misinformation so that misunderstandings do not occur. A good example was around recent claims that the minimum wage was lowered. We had to immediately clarify with our members that no such directive or practice was issued, and to clearly communicate with their staff. If not, there could have been misunderstandings that spiraled out into something undesirable for both the employers and the employees.

8. Can you please tell a bit more on MGMA's efforts to ensure that workers' rights are respected at the workplace?

We published and launched our Voluntary Labor Compliance Assessment (VLCA) last year where we first raise awareness of labor laws and grade members' compliance. We plan to expand this initiative, including enforcement, once we have built up a critical mass. Our Labor Officer visits workplaces from time to time to inspect the floor situation. We also advocate our members to contribute to social security coverage for their employees, and to abide by the social security law, rules and regulations, so that workers receive their entitled benefits.

Another thing we do is to verify and respond to complaints from trade unions and employees, and work to mitigate disagreements or disputes between management and workers. MGMA has been active in the Elimination of the Worst Form of Child Labor, and we are planning to conduct trainings on the prevention of sexual exploitation and abuse, as well as other pertinent issues.

9. What is your outlook for the sector?

If we can convey to people that we are responsible and ethical in our business conduct, if we can maintain the momentum in controlling the COVID-19 situation, continue to practice honest and constructive tripartite dialogue, and if we can keep as well as improve the industry to be a safe haven for young women to find gainful work, then there is some hope for the sector.

Thank you very much.

Note: The interview has been edited for clarity.