

MGMA Chairperson's Interview

November 2022

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

Back in 2019, the sector exported over USD 5 billion worth of products. Bear in mind that our factories are CMP (cut-make-pack). So the sector actually earns 8-12% of that figure, as the rest are material, freight and other costs. Exports dropped in 2020 but rose a bit in 2021 and was nearly USD 5 billion.

Everything is in flux. Many factors are at play regarding the garment sector's situation. There are both domestic as well as global impacts. Our sector's survival is also pinned on the situation of foreign countries. Raw materials come from one; finished products are shipped to brands based in another; and they might then be sold in an altogether different country.

What this means is that, any issue in just one of these countries, like economic downturns, COVID-19 lockdowns or store closures, impact us on top of what happens inside Myanmar. To be frank, it is a very volatile industry exposed to many unexpected disruptions from various angles.

What can we do? Many of the disruptions are beyond our control. We can't domestically produce the raw materials yet. And because our sector is mainly CMP, we can't manage export.

What we can do, and are doing, is to manage compliance. To meet quality requirements, delivery deadlines, reducing wastage, and to treat employees in line with national standards and brands' stipulations. These are the only things in our hands.

2. There are calls for western brands to pull out of Myanmar. How could this impact the sector?

We don't need to say how these "could" impact the sector. We are seeing the impacts of uncertainty already. And we've seen first hand how bad things got in the 2000s.

In 2003, after sanctions, many garment workers fled to Thailand after losing their jobs. There were over 300,000 jobs and 200 factories in 2003 before the sanctions hit, and we were left with just 60,000 workers and 90 factories.

Where did the 200,000-plus workers end up? There was no domestic sector to absorb these. So, people left for the borders. That led to human trafficking, forced labour, sexual exploitation. And also, many shifted into the entertainment industry, to karaoke shops and bars.

After the sanctions were imposed, our team went to see some factories in the border areas to see how conditions were. The hostels had no windows, and some had armed guards like prisons. Workers had their passports confiscated and were stuck there.

And when things improved, the sector hired around 500,000 workers. Almost all are new employees. I highly doubt that the 200,000 workers who lost their jobs came back into the sector. We can't bear to see a repeat of what happened in 2003-2005.

Things now are starting to appear like what happened back then, even without sanctions. Buyers are wavering and this alone is impacting the workers. Hundreds of thousands of jobs are hanging by a thread. We already see young girls here and there on the streets.

3. Some major brands recently announced that they will stop sourcing from Myanmar and make responsible exits. What is your take on these?

I want to ask what they mean by "responsible exit". With no more orders from such brands, employers have to continue paying employees' wages. But it is more likely factories have to lay people off, and pay the proper severance fees as mentioned in the law. These fees won't come from the brands. So, the employees lose their livelihoods and the employers will bear the financial burden.

Some factories reopened recently because of requests from certain brands. Both old and new workers happily returned to work. In this current context, that job is very likely the only thing preventing the family from sinking into destitution.

But now these factories are told there will be no more orders. On short notice. And the brands might pat themselves on the back for being responsible, and wash their hands off whatever happens next. Tell me. In what way can that be responsible? And responsible to whom? Certainly not to the workers.

And there are also many different surveys and findings. We had our own survey of workers' perceptions. Eurocham prepared one factsheet and the UNDP did another survey. There are different snapshots and reports of the situation and what impacts there can be. The workers themselves have said how things will be devastating should brands leave. Yet, it seems some are only fixated on the one by ETI.

Instead of this "responsible exit", we'd like brands to work towards a "responsible exist". Nothing is perfect, but we are striving to improve the condition for our workers. And whenever we accept orders from brands, we have to follow their regulations and standards regarding employees' welfare and labour rights. And there have been many inspections and capacity building and projects over the years to cultivate a responsible garment sector.

We know it is a very challenging situation, both locally and globally. We are trying our best. It is more responsible of the brands to work for the employees, the hundreds of thousands plus much more dependent on their income, to do their due diligence and work with responsible businesses here.

4. On that matter, what is MGMA doing with regard to labour rights issues and other challenges?

We are rolling out the Voluntary Labour Compliance Assessment (VLCA) scheme to support factories in their labour compliance. The aim is to improve factories through the stakeholders: the employers, employees and brands. With ILO and ACTEMP Employers' Bureau's support, the VLCA was developed and launched in early 2020, just before COVID struck. After a pilot and roll out in about 40 factories, MGMA is now moving it online to expand enrollment.

This is just one component of our advocacy and service provision to address and improve labour rights issues. We have much to do and we have other activities in the pipeline.

5. What is your outlook for the sector?

There are many ups and downs. We can brave the storm for now. We can swim and surf the waves, so to say. But we don't know how long we can keep our heads above the water. And if there is a tsunami – that is, if all these things like brand pullouts and factory closures occurred, then we won't be able to survive. It will mean all sorts of unimaginable hardships for the hundreds of thousands of young women working in the sector.