

## **Managing HR in CLMV: Background, Characteristics, and Trends**

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Governing structure of Myanmar has transformed from military regime to quasi democratic civilian government, the initiative of Myanmar reform waves were changed its history dramatically. The first wave of reform started in 2011 on political arena and was visible in public eyes by releasing much numbers of political prisoners, media freedom, relaxing censorships and legalizing trade union. Continuously, the second, third and fourth wave of reforms were engaged in the range of economic, civil service and private sectors development. During the president Thein Sein administration, real GDP growth rate has been grew up in real terms 5.9 % in 2011 to 8.5 % in 2014/2015. Its growth rate is about 7% per annum since country open up and started of economic liberalization. The political structure in Myanmar now is being stable which has shown recent election, that had done peacefully and government has formed systematic committee for hand over process of his power to opposition party NLD.

Since Myanmar is a resource rich country, highest share of FDI went to oil/gas, the second investment was in transport and third investment goes to the manufacturing sector during 2014/2015. After opened up of its economy, the growth of FDI, privatization schemes, the creation of industrial parks and 4 special economic zones were implemented in the plan for economic growth. When industrial sector expands, there is a shortage of electricity distribution which Myanmar still needs to expand the investment in electric power generation as only 30 percent of people drawing their lighting from electricity. Currently, the investment flows to manufacturing sectors focused on food processing sector (fisheries/agriculture) and garment sector. Growing manufacturing sector can create a lot more job opportunity but, it needs more human resources to improve productivity. Myanmar is planning to integrate ASEAN Economic Development in 2018, language barriers and shortage of managerial skills are also challenging at all sectors. Manufacturing, transportation, telecommunication, construction, retail, and service sector are also needed human resources broadly at the demand side of labor market. Since, Myanmar has comparative advantages having abundant of vacant and virgin land, existing strategic geographical location between giant country like China and India, a massive numbers of young labour, low labour cost compare to other ASEAN countries and favourable business environment with proper democratic transition , FDI flows to Myanmar is likely to be increase during next government administration.

Education law was enacted in 2014 in which formal, non-formal and Technical and Vocational training schools with quality assurance are considered to increase human resources development for job creation in labor market. TVET schools educations are related to produce the need of labor market demand to work in those required sectors. Currently students from TVET schools are not getting job when they applied at industrial sectors. Because, courses that students learned from TVET schools are not aligned with the requirement of job market and there is no linkages between TVET schools and Industrial sectors. Teaching method is mostly used class room type with lack of practical works and textbook are also being out dated. Since, expenditures for TVET are mainly uses for teacher salaries; it is constraint and limited to use the expenditure for capital budgets such as school facilities, equipment, laboratories, workshop and teaching materials etc.

In addition, many of government ministries are managing TVET schools with little coordination/cooperation and there is no only one central body at the managerial level exists. Not only Ministry of Education providing but also other miniserries involved by Social Welfare, Agriculture, Livestock and Fisheries, Trade, Industry, Transport and Communication ministry . The qualification of teachers in TVET is still not very high with few professors due to the limited scholarship opportunity for teacher to study in abroad. Creativity, research and development are very weak in all universities including TVET schools.

SMEs are widely recognized as significant drivers of economic output, employment creations, generating income and contributing to poverty alleviation and its development is also linked to innovation, introduction new products that could enhance productivity and economic growth. SME law in Myanmar is enacted recently in 2015 in which its definition of SMEs is complex. There is no reliable data that SMEs contribution to Myanmar's economic activity and no updated SMES registration scheme yet in Myanmar. Apparel manufacturings are included in SMEs sector and those investments in Myanmar have attractive significantly over the last 5 years and it is more competitive internationally. Conversely, locally oriented food manufacturing sector has not have such boom of new business entries and no jobs opportunity dominating in the market.

There is no proper accident prevention and safety implementation plan for workplace injuries especially at the mining industries and its environment. Very recently, there was nearly 100 dead due to collapsed of jade mine at the Northern part of Myanmar. Government should be focused on implementation plan for prevention and high risk for formal and informal workers in extractive industries.

### **Labour related laws**

Labor laws in Myanmar are introduced by the British colonial administration and most of those are being out dated, and do not stand the changing economic and real working situation even in Myanmar that lags far behind many other countries in many aspects. Since those regulations are at the early stage of development, engaging fair and predictable employment still remains major constraint for better investment environment. After country opens up, some of labor laws were updated such as minimum wage, working hours, social security payments and occupational safety etc. However, the majority of companies, construction workers, for example, are not wearing any protective clothing or equipments. Law just on the paper is being ineffective due to lack of awareness by users (workers) and enforcement by the employers for workers protection. A new research need to be carried out to better understand employers' and employees' awareness and perception of the social security schemes as well as utilization patterns.

A new Social Security Law was passed in 2012 with the aim of providing social insurance coverage for formal sector workers. The Government of Myanmar has formed a Technical Working Group on Social Protection to implement national social protection activities. MDRI-CESD is a member of this working group. The New Labor organization law was enacted in 2012 and it allows strikes that stage by labor organization with 3 days advance notice for private sector workers and 14 days advance notice for public sector employees.

In March 2013, a new Minimum Wage Law was enacted, replacing the 1949 Minimum Wage Act. In June 2015, the committee announced that it suggested a rate of 3,600 Kyat (2.5 \$) per day for MW. Objections against this announcement can be responded within 60 days after its proposal came out. There was employer protesting to government on this MW policy. There are positive and negative impacts were affected in labour market structure after MW law is enacted. Nearly 20 labour groups have submitted letters to the government, objecting to its proposal to increasing the daily minimum wage. The negative impacts are lying off some workers and reduction of overtime and other incentive payments due to increasing of production cost for labor wages. It is assumed that there will be positive effect on wage security for workers from formal sector and may occur labor moving from informal sector to formal sector as Myanmar has larger size of informal business environment. It is assumed that in the medium and long term, employer may invest more on increasing productivity and efficiency with effective labour. Employment and skill development law was enacted in 2013. Its included employment signing agreement, mentioned that if the employer has appointed the employee to work for an employment, the employment agreement shall be made within 30 days. But it shall not be related with government department and organization for a permanent employment. The following particulars shall be included in the employment agreement:

- (1) the type of employment;
- (2) the probation period;
- (3) wage, salary;
- (4) location of the employment;
- (5) the term of the agreement;
- (6) working hour;
- (7) day off, holiday and leave;
- (8) overtime;. The other laws such as workers' compensation act was amended in 2005, trade disputes act was reformed in 2012, with other old laws still in the process of reformation are factories act in 1951, leaves and holiday in 1951, shops and establishments act in 1951

### **Labour Market Characteristics**

Employee turnover at the entry level used to be quite high in Myanmar due to lower wage or dissatisfied with their responsibilities or management of supervisors. Poor English language skill also left youth population being unqualified to get jobs. There is labour migration from rural to urban and out migration to abroad. Skill shortage in Myanmar is being critical as there is skill and semi skilled labor migration to neighboring country especially to Singapore is also critical issue for depletion of human resources due to higher wages and job opportunity offered by receiving country. If the earning is comparable, those skilled workers may return to their homeland to fill its gaps in skill development between domestic workforce and foreign investors. There is no research yet exploring of Myanmar workers perspective from Singapore to come back and work in those industrial sector.

Data for labor market in Myanmar is still lacking as the old LFS (Labor Force Survey) was conducted since 25 years ago and did not include the child labor statistics. ILO has conducted LFS but, it needs to wait a few more months for the full analysis. Only after finishing the LFS report, it will help Myanmar to come up with labor policy. The Framework for Economic and Social Reform (FESR) recognized increasing employment opportunities and improved working conditions for the benefit of broad population and economic growth. In order to increase the job opportunities, FESR addressed the private sector development and increased foreign direct investment especially in labor intensive industry.

The education law has recognized link from non-formal education to formal education, private sector involvement with quality assurance, the fruitful benefit of education implementation process may see in medium term and long term period. More immediate creation of job opportunities requires short-to mid-term expansion of the private sector, especially in labour-intensive industries. Sectors where

Myanmar has comparative advantages included agri-food processing and garment manufacturing sectors which have proven important for economic growth and job creation.

The qualify private sector involvement and foreign direct investment in education sectors are needed to cover as a whole country. Investment law was also highlighted to create job opportunity for regional development. The FDI law was drafted recently in 2015, which delegate power to regional authorities and approval process decision will come locally so that it will speed up the process of approval and regional economic development. Likewise, Myanmar Citizen Investment law was also added allowing regional government in approval investment process and decision of accepting those investment based on the type of investment that could create job opportunities for regional development. (Deputy Minister Daw Lai Lai Thein, Ministry of National Planning and Economic Development).

### **Activities for HRM practice**

Although Myanmar has unexpected economic growth and in a transition from isolated to liberalization, there is skill gap between local laborers, foreign workers and owners. Most of enterprises are in risk of productivity improvement due to not spending on training providing to their workers and are failed to aware of linkages between training cost and productivity per worker.

SMEs sector could create employment opportunities and economic growth. But, those SMEs are lack of innovation and not competitive to foreign firms. ICT development and linkages to the external market for SMEs development are also important as majority of SMEs in Myanmar doesn't have their own website. Furthermore, there is limited domestic skilled labour in those enterprises. Therefore, government should be focused on supplying domestic labour skill not only at the workers level, also providing for white colour workers, managerial skill, clerical/accounting and financial management skills etc. FDIs should be addressed on technology and educational investment as well as skill and technology transfer from foreign skilled labours to local labours that should be prioritised so that it will promote domestic enterprise become productive and profitable as well as domestic labours also competitive to get jobs at the regional labour market in the long run. Government should introduce incentive firms to send their workers for domestic and overseas staff training with the form of grants, tax break or subsidies.

Recently enacted education law has coverage to all level of education sectors. It is also emphasis on TVET schools reform. Ideally, TVET institutions are needed their reform to be focused on labour market demand and finding funding for providing facilities for practical works and linking to industrial sector or work related sectors for job requirement of students.

In addition occupational safety scheme and secure working condition to provide as a prevention mechanism for workers are primarily important and needed to be implemented soon. Mining law has addressed provision for safety and the prevention accidents in mining and extractive sectors, but there is no specific bylaws and implementation strategy to manage affectively to those who have been affected and lost their life while living nearby or working in that worksites. Leadership training should also include topics such as risk management, disaster management and development of safety cultures.

Further implications in education sector for human resources management are show as below:

- 1) Formation of stake holders committee (government, private sector, civil society and informal educational sector) and consultation is needed to discuss the need of human resources to strengthen the labour market system.
- 2) Identifying indicator of quality assurances for building University and schools
- 3) Law should be set up detailed guide line for inviting private sector , joint venture and Foreign Direct Investment particularly in education sector
- 4) Domestic university should be co-operate with international university and more scholarship opportunities for students and teachers are needed to provide for Myanmar to study in abroad
- 5) Capital and current budget expenditure needs to be expand for human resources development and looking for external funding sources

However, despite the above recommendation within the short period of time, Myanmar still faces major challenges in its labour systems. Despite some legal reform, the broader legislative and regulatory regime requires further reform to ensure a positive investment environment, more job opportunities and improved working conditions. If working conditions for most workers do not meet international standards, labour disputes will be wide spread in the country.