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Worker revolt in Myanmar smashes garment factory and apparel brands' false promises of a better life


Posted by garrettbrown on April 10, 2017
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In February 2017, garment workers enraged by abusive and illegal working conditions stormed their factory and smashed $75,000 worth of equipment after attacking factory managers. The worker revolt in the one of the poorest and most vulnerable countries in the world also revealed the broken promises of international clothing brands that sweatshop apparel production would lead to better lives and "empowerment" of the overwhelmingly female garment workforce in Myanmar.

The Hangzhou Hundred-Tex Garment factory is Chinese-owned and exclusively produces for Swedish apparel giant Hennes & Mauritz (H&M), which considers itself a leader of corporate social responsibility (CSR) in the garment industry. H&M, along with U.S.-based Gap Inc., were founders of the "Myanmar Responsible Sourcing Working Group," coordinated by the San Francisco-based Business for Social Responsibility.

In a March 7th dispatch from Myanmar, the former British colony also known as Burma, Reuters news agency reported on the dramatic events:

> The dispute started with a strike in late January following the sacking of a local labor leader, according to workers and managers. Workers demanded a better performance review system [production quotas] and healthcare coverage…

> That Paing Oo [the fired worker] had led a labor protest late last year that successfully pushed Hangzhou Hundred-Tex Garment to compensate employees who did not receive overtime payment of 70 million kyat ($51,736) to almost all of its 570 workers based on a settlement reached with the workers in December…
>
> It turned violent on February 9, prompting the factory's closure. Video footage seen by Reuters shows dozens of female workers surrounding and beating a Chinese manager who was struggling to escape. One company manager and a local labor department official confirmed the authenticity of the footage.
>
> In late February [February 23rd] hundreds of workers stormed the factory and damaged facilities, including textile machinery, computers and surveillance cameras…
>
> The conflict is troublesome for H&M, which is widely seen as being at the forefront among large apparel companies in promoting workers' rights and fair wages.

Because of extremely low wages and abusive management practices, Myanmar's garment industry has witnessed hundreds of strikes, demonstrations and protests since the end of decades-long military rule in 2011. Management consulting firm Verisk Maplecroft found that Myanmar had the world's second lowest labor costs in 2015 – higher only than Djibouti in Africa – which were just too low to be passed up by international apparel brands and retailers.

In June 2014, Gap Inc. became the first US-based apparel company to source from Myanmar with the blessing of the U.S. Embassy and government agencies. The Gap partnered with US AID and CARE International to sponsor an "award-winning women's advancement program" to offer women garment workers (poor women coming from rural areas) "interactive training to respond to economic opportunity through increased IT and business skills…to help them become more successful both personally and professionally."

Besides the veneer of women garment workers' empowerment, Gap proclaimed "by entering Myanmar, we hope to accelerate economic and social growth in the country…so that the garment sector can play a meaningful and helpful role in Myanmar's continued economic, social and democratic development."

"Gap Inc. is applying industry-leading best practices, which include audits by a well-respected non-governmental organization, to ensure that internationally-recognized human rights and labor standards are upheld in the factories from which the company is sourcing," the U.S. Embassy press release stated.

A more realistic prediction was offered in 2014 by Scott Nova of the Washington-based Worker Rights Consortium: "The attraction for Gap is obvious: the lowest wages in the region, anemic regulation and weak labor unions. This adds up to cheap garments for Gap, at the price of a lot of misery for the workers who will make those garments."

The scale and depth of that misery – accelerated rather than lessened by the actual sourcing practices of the international brands, including H&M and Gap – are discussed in detail in four recent investigative reports by non-governmental organizations in Myanmar and Europe:

- **December 2015**: "Made in Myanmar: Entrenched poverty or decent jobs for garment workers?" by Oxfam, based on interviews with workers in 22 factories;
- **March 2016**: "Under Pressure: A study of labor conditions in garment factories which are wholly Korean owned or in a joint venture with Korean companies," Action Labor Rights, based on interviews with 1,200 workers in 39 factories;
- **December 2016**: "Raising the Bottom: A report on the garment industry in Myanmar," by Progressive Voice, based on interviews with 199 workers; and
- **February 2017**: "The Myanmar Dilemma: Can the garment industry deliver decent jobs for workers in Myanmar?" by SOMO-Center for Research on Multinational Corporations, Action Labor Rights and Labour Rights Defenders & Promoters, based on interviews with 400 workers in 12 factories.

These reports document how working conditions have not improved for the nearly 400,000 garment workers (90% women) in 350 factories in Myanmar, half of which are foreign-owned (primarily Chinese, Korean Taiwanese and Japanese) and produce for well-known international brands.

Workers typically work 60 or more hours a week, six days a week, earning 35-40 cents an hour, for a monthly wage between $83 to $98 (depending on the amount of overtime). The reports indicate that 43% of garment workers are in perpetual debt because their wages do not cover even basic living expenses. For example, the rent for a 9 to 10 square foot room runs between $36 and $59 a month for workers.

Meanwhile the global apparel industry sold $1.7 trillion in products in 2016 and companies like the Gap, H&M, Nike and Adidas enjoyed profits on sales of 40% or higher, compared to average retail sales profit rates of 2-4%. In 2015, Gap Inc. reported profits of $6.3 billion on sales of $16.4 billion, or gross profits of 40.1%. Last year, H&M – the world's second largest clothing retailer, reported $11.8 billion in profits on sales of $21.4 billion – or gross profit margin of 55.2%. Meanwhile, young women garment workers in Myanmar earned less than $100 a month for four 60+ hour workweeks.

The reports above reveal that a majority of garment workers do not have labor contracts and are considered "day laborers." They do not qualify for the $3.25 daily wage until after their 6-month probation, and they are not eligible for bonuses, benefits or social security coverage. Their piece-work rate wages often fall below the daily minimum. Even for garment workers with contracts, many factory owners consider the daily minimum wage to be the "daily maximum," a ceiling rather than a floor for wages.

In addition to long hours, low wages, underpaid or unpaid overtime, garment workers in Myanmar face very high production quotas to qualify for bonuses and verbal abuse from supervisors. Child labor is prevalent, and community land rights are threatened when land is seized to establish industrial parks and Special Economic or Export Processing Zones. Production quotas are so high that workers regularly forgo lunch and other breaks in an often-vain attempt to meet the targets.

Workplace health and safety regulations consist of the 1951 Factory Act that was partially amended last year, which has only the most minimal standards. Enforcement is virtually non-existent, both because of a lack of resources and because of the competition between Myanmar and Bangladesh and Cambodia over who will offer foreign buyers the lowest costs of regulatory compliance.

Occupational health and safety (OHS) issues in the garment plants include: indoor temperatures as high as 38-40 degrees Centigrade (100-104 F), lack of drinking water, lack of toilets and access to use them, life safety issues (blocked aisles and locked exits, poor housekeeping and faulty electrical, no fire drills or emergency plans), unguarded machinery, poor ventilation, little personal protective equipment, and near-zero employee health and safety training. Women workers also face hazards on the way home in the dark after 10-12 hour shifts.

Needless to say, there are few labor unions in the factories and employer discrimination against union members, including firings, is rampant. As a result, there have been periodic uprisings among garment workers when conditions become simply intolerable. The Myanmar Labor Department reported there were 447 major strikes and demonstrations between 2012 and 2014 alone, with hundreds more occurring since then, including the revolt at the H&M plant this February.

Despite all the promises by international brands, the wages and working conditions in Myanmar have not brought a better life for garment workers. The fact that workers at a H&M supplier had been cheated out of a total of $51,000 in unpaid wages, and had to mount major protests to be paid, shows what little impact CSR programs and CSR leaders like H&M have had in Myanmar. Hangzhou Hundred-Tex factory workers had not received any overtime pay for 15 months, during which time the factory was "monitored" by various CSR auditing companies and visited by H&M itself.

Myanmar has become a case study in the "race to the bottom" where multinational corporations roam the world looking for the most vulnerable workforce and most compliant governments. Myanmar's poverty and underdevelopment provides the brands with low wages and high profits that are just too good to pass up, regardless of their CSR promises. When the $3.25 per day minimum wage went into effect in September 2015, garment workers reported that conditions actually worsened as factory operators cut even more corners to pay the higher nominal wage while brands' continually cut prices paid to suppliers.

For the fiscal year ending in March 2017, Myanmar's exports were valued at $1.23 billion, an increase of 196% over the previous fiscal year. The garment manufacturers association projects exports to grow to $8-10 billion by 2022. Currently exports go to Japan (33%), the EU and South Korea (25% each) and 2.4% each to the United States and China. Foreign direct investment in manufacturing in Myanmar increased from $33.2 million in 2010 to $1.8 billion in 2014, and the number of garment factories continues to grow.

Like workers in other global supply chains, garment workers in Myanmar are betrayed by the brands' standard sourcing practices that include squeezing factory operators for the lowest possible price (which are cut further in subsequent contracts), fast delivery times that have draconian financial penalties if due dates are missed, ineffective and corrupted audits of corporate codes of conduct, unfunded requirements on suppliers to meet national and international standards, and the lack of any meaningful participation of workers in factory-level CSR or OHS programs.

If H&M and the Gap were serious about women's empowerment and Myanmar's economic and social development, then they – and others who designed all these global supply chains just the way they like them – would instead adopt the following practices:

- Overturn the "sweatshop business model" to establish long-term relationships with suppliers based on reasonable pricing and delivery times to allow suppliers to actually obey national wage and hour laws;
- Establish transparency in supply chains by publishing the list of their suppliers and copies of the factory inspection reports;
- Support national government efforts to establish effective labor and OHS laws;
- Obey the existing national laws and international standards;
- Abide by the International Labor Organization conventions that establish the rights of workers to form unions and bargain collectively; and
- Promote effective factory-level OHS programs, health and safety committees, and genuine workers' participation.

Despite the brands' public relations happy-talk about development and women's rights, the choice posed by the 2015 Oxfam report remains unanswered by the international garment industry sourcing from Myanmar:

"Decision makers and business leaders have two clear choices: they can either allow the country to join the race to the bottom by becoming the next low-cost, exploitative and unstable manufacturing market; or they can learn from tragedies like the Rana Plaza collapse in Bangladesh and from industrial unrest as a result of poor working conditions in Cambodia and Indonesia, and implement better sourcing practices."

Myanmar is the latest opportunity for the global garment industry to prove that all its promises of women's empowerment, social and economic development are more than just pretty words on paper, and that corporate greed can be tamed by CSR programs. So far, they have failed to do so.

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