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# Industrial Relations and Workplace Communication in Myanmar Garment Sector\*

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## Abstract

We analyze industrial dispute resolution in the Myanmar garment sector by gathering data from various sources. We use the administrative records of disputes, matched with survey data of garment firms. Our empirical findings are fourfold. First, factories with a workers' leader who is recognized by the management are less likely to experience a severe dispute that requires outside mediators. Second, the correlation between the presence of a workers' leader and the lower incidence of disputes is stronger when at least one of the workers' leaders comes from production floor or when the leader is selected by workers rather than managers. Third, foreign owned factories, those that tend to bring more foreign workers as well as advanced technology, tend to experience more severe disputes than locally owned counterpart, suggesting the language and cultural barriers matter. Forth, we find that broader management practices and workplace conditions do not strongly correlate with the incidence of disputes. We complement our empirical findings with qualitative analysis based on in-depth field interviews and case studies. Altogether, our evidence calls for further investigation on the effects of workplace communication structure on swift disputes resolution and productivity growth.

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<sup>‡</sup> In this paper, we focus on industrial relation in workplace and exclude analysis on the other aspects such as political strikes.

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## 1. Introduction

Healthy industrial relation, or peaceful negotiation between workers and employers based on mutual benefits, is a key factor for sustained productivity growth of industries. As newly industrializing countries develop their manufacturing basis, they also need to foster healthy industrial relations and dialogue. In many developing countries, however, institutional development of industrial relations is relatively immature, and in some countries, the issues on industrial disputes and strikes are ever more prevalent (for example in Vietnam and Cambodia<sup>1</sup>). In the context of industrial relations in the workplace<sup>2</sup>, one explanation is that workers in these countries do not have a well-established mechanism for discussing issues with employers within their workplace, and thus they resort to strikes or outside mediators. However, little is known about the link between unions and industrial relations and the factors explaining the origin and functioning of unions in low income countries (LICs) based on micro-level data.

In Myanmar, the history of the national laws regarding industrial relation is young: the national laws allowed establishments of unions only since 2011. At the same time, the export-oriented garment sector has expanded rapidly after the trade liberalization and domestic policy reforms, which took place in 2011. With these factors as a background, an increasing number of industrial disputes and strikes have been occurring in this important industrial sector.

In this report, by combining data from various sources and conducting field interviews, we examine the characteristics of severe labor disputes in Myanmar's garment industry. We chose this sector because of its relevance in the country's economy and for the high presence of industrial disputes. We analyze dispute resolution by the stages of disputes. Upon a rise of a workplace issue, the first stage is to solve it within the factory. If it is not solved at the factory, the second stage is the dispute resolution at the Township Conciliation Body (TCB) with mediators from outside of the factory. The disputes unsolved in the township level are brought to Arbitration

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<sup>1</sup> For example, in Cambodia in 2017, nearly 2,000 garment workers extended a strike over paid time off after their employer suspended 10 union activists at the factory. See also a case study by Arnold (2013) on a large strike in 2010 in garment sector. On Vietnam, see Anner and Liu (2016) for the analysis on wildcat strikes.

<sup>2</sup> In this paper, we focus on industrial relation in workplace and exclude analysis on the other aspects such as political strikes.

Body/Councils at regions/states or national level. While we document the features of dispute resolution at each stage, our main focus in this report is the first stage, i.e. factory level resolution, which is considered to be the least costly case for both firms and workers. In particular, what types of firms have been able to solve workplace issues within factories?

In our analysis of factory-level dispute resolution, we use the digitized administrative records of the Ministry of Labour, Immigration and Population (MoLIP) on labor disputes at TCBs in 2016 and combine them with the data from a survey toward garment factories' managers. About 18% of the firms in the survey have experienced a severe dispute that requires outside mediators (i.e., TCBs). Based on the firm-level data, we empirically investigate the relationship between the incidences of disputes and workplace communication, measured by the presence of workers' leaders and foreign nationals.

Our empirical findings suggest that workplace communication plays an important role in reducing severe labor disputes. First, factories that have a workers' leader are less likely to experience a severe dispute that requires outside mediators, apparently because the leader works as a communication channel and resolves the dispute within the factory. Second, leaders' characteristics matter. The negative correlation between leaders' presence and dispute occurrence is stronger when at least one of the workers' leaders comes from factory floor (e.g. an operator position) or when the leader is selected by workers rather than managers. Third, foreign owned factories, especially those that bring more foreign workers, tend to experience more severe disputes than locally owned counterpart. One explanation is that the differences in language and culture between operators and mid-managers create issues in communication. We find that these results hold even after controlling for various firm and managers' characteristics: firm size, management practices, exporting destinations, and working conditions. We complement this analysis by in-depth interviews with workers. The workers' statements support our empirical findings that existence of communication channels in workplace, in particular, with some sorts of workers' representatives, are important for quickly resolving disputes at factories.

Our analysis of township-level dispute resolution is based on qualitative interviews with workers' representatives of Township Conciliation Bodies. We document their

views about the recent disputes in garment factories and current issues they face. For the analysis of disputes at Arbitration Body/Councils, we conduct some case studies drawing three cases of labor disputes at the Arbitration Councils at national level. Overall, the qualitative evidence suggests some important issues in the application of the labor law and the necessity to enhance the efficiency of negotiations.

This report is organized as follows. Section 2 briefly reviews related studies, and section 3 describes the background by introducing several key actors and national laws related to industrial relation. Section 4 presents our main findings on the relationship between disputes and existence of workers' representatives, complemented with qualitative evidence based on interviews. In section 5, we document our qualitative analysis of disputes at township and national levels, followed by concluding remarks in section 6.

## **2. Literature**

Traditionally, studies on unions in developed countries have provided and examined various views about the roles of union. One view is to see union as exerting monopoly power to maximize workers' utility given non-negative profit, leading to a distortion of inputs (Freeman and Medoff 1982; Pencavel 1984). Another view is to see union as efficient bargaining mechanism through which the investors and workers split a pie of profit without distorting inputs (McCurdy and Pencavel 1986). An alternative view is to consider union as "exit-voice" mechanism that informs employers of workers' dissatisfaction regarding working conditions (Freeman 1980; Allen 1984; Batt, Colvin, and Keefe 2002). In the last view, union foster communication and allow management and labor to make more informed decisions, which may prompt an increase in productivity by lowering worker turnovers, and so hiring cost, and by fostering skill accumulation. In circumstances where the workplace issues could turn into lengthy disputes or strikes, such positive effects of unions for productivity may be even larger, although this point has been less stressed in the literature.

A second strand of the literature has investigated the impact of union on wage and firm performance. DiNardo and Lee (2004), using data in the United States during 1984-1999, estimate the impact of unionization on business survival, employment,

output, productivity and wages and find essentially zero impact on all outcomes. Lee and Mas (2012) estimate the effect of new private-sector unionization on publicly traded firms' equity value in the United States over the 1961–1999 period and find substantial losses in market value following a union election victory.

This project contributes to the literature by expanding the research on industrial relations and unions in LICs. Developing countries are currently facing fast growing needs to formulate institutions to deal with labor disputes and strikes. However, existing empirical works in developing countries are limited to those on wage gaps and employment between union and non-union workers, and the results are mixed (Blunch and Verner 2004 in Ghana, Kristensen and Verner 2008 in Cote d'Ivoire, Cassoni, Allen, and Labadie 2004 in Uruguay). As an exception, Besley and Burgess (2004) consider the impact of legislation increasing the rights of workers on firm performance in India and show that changes in industrial relation legislation toward pro-worker direction have negatively affected firm performance. Our study is closest to the work by Anner and Liu (2016) that examines the determinants of incidence of wildcat strikes among foreign owned firms in Vietnam. Based on a survey to these firms asking about industrial relations in the past three years, they find that a strike is more likely to happen in unionized firms and firms where someone other than HR manager or the union communicates with management. We add to this study by providing new evidence in the setting of Myanmar, a country where a formal dispute resolution has recently been introduced.

### **3. Background: industrial relations and related laws in Myanmar**

#### **3.1 Labor Unions in Myanmar**

Under military rule since 1962, workers in Myanmar were prohibited from organizing to defend their rights and interests, and collective bargaining did not exist. This period was characterized by the repression of trade unions and all other political organizations. This restraint became harsher after 1988 with the violent crackdown on the '88 student uprising against military rule. Trade unions had to operate underground or fled the country and tried to operate from Thailand. Supports by global unions and the

international trade union federation were crucial for the survival of the Federation of Trade Unions in Burma (FTUB) at that time.

Since 2011, several labor laws have been amended and new laws have been established as part of the democratic opening in Myanmar. The Labor Organization Law in 2011, for instance, allowed a systematic and independent formation of trade unions (or Labor Organization), aiming at protecting the rights of workers and promoting good workplace relations (The Labor Organization Law, 2011). As a result, workers have become increasingly vocal about their working conditions and labor disputes. Meanwhile, trade unions have played a crucial role in helping workers formulate and articulate their complaints. They are vehicles that combine legal institution-building and democratization through worker participation in the emerging industrial relations landscape in Myanmar (Zajak 2017).

In 2015, the Confederation of Trade Unions of Myanmar (CTUM) was officially recognized as the only trade union confederation in Myanmar, marking a significant phase in Myanmar's ongoing labor movement. According to the Ministry of Labour, Immigration and Population (MoLIP)<sup>3</sup>, there are currently 2,861 registered trade unions (2,683 basic organizations, 147 township organizations, 22 state/regional organizations, 8 federations and 1 confederation).<sup>4</sup> In addition, there are labor rights organizations active in Myanmar, which work independently of trade unions (Zajak 2017).

We can infer the prevalence of labor unions and general employers' and workers' attitudes toward them from the 2015 CESD Garment Surveys. The surveys were conducted to understand the workers and employers' perspectives on certain aspects of garment industry development in Myanmar. The survey designed two types of questionnaires for workers and employers in the garment sector, collecting information on the labor conditions facing workers and the business environment of firms, as well as industrial relations issues. The final sample of 69 firms and 402 employees allowed an

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<sup>3</sup> <http://www.mol.gov.mm/mm/departments/departments-of-labour/dol-manpower-statistics-division/emp-asso-lists/>

<sup>4</sup> Member federations include the Agriculture and Farmers Federation of Myanmar (AFFM), the Building and Wood Workers Federation of Myanmar (BWFM), the Industrial Workers' Federation of Myanmar (IWFM), Mining Workers' Federation of Myanmar (MWFM), Myanmar Transport and Logistics Federation (MTLF) as well as Public Sector and Education Sector Unions. Some of them are affiliated with global unions while not all union federations are members of CTUM.

in-depth analysis of the overall situation of Myanmar's garment sector from both the demand and supply sides of the labor market. See Lin et al. (2018) for further details about the survey and descriptive statistics.

Results from the survey indicate that 41% of the interviewed workers confirmed the existence of trade unions in their factories and 20% of surveyed workers were members of a labor union. According to the survey to workers, the main reasons for not being a member of any trade union are either the lack of a union at the workplace or the unwillingness to be a member. Also, some managers see unions as unnecessary and problematic. The survey reveals that 38% of employers were not in favor of union membership, while 20% of them were in favor, and the rest were neutral. For instance, a HR manager in a foreign owned factory pointed out that the main concern for having a workers' union is instability caused by actions of workers.

There are also other factors preventing workers to participate in a union in garment firms. According to a HR manager in the survey, labour organizations/unions can organize their workers so long as it has official permission and does not interfere with working hours. This is a challenge for workers with six days of working time per a week because workers do not have enough time in taking initiatives to form/join a union. Additionally, labor mobility among factories in the garment sector is high. Results from CESD survey report that on average, labor turnover rate of garment sector was at 7% per month. Workers tend to leave one factory and join another easily, which makes it difficult for the recruitment of labor unions.

In addition, our interviews reveal that some workers do not necessarily see labor unions as a channel to empower themselves in the workplace and to seek improved communications with factory management. According to our field interviews, some workers (who are not union members) concluded that labor union in their factories were not meaningful because of no visible improvements in work conditions and opportunities since the labor union was established. As an example, they told us about a strike, initiated by the labor union, to demand the factory to cut overtime work. The protest was stopped after a week and did not lead to any change in overtime work. There was a labor union in the factory, but they chose not to participate in the union as they did not see any advantage from participating it and feared the likelihood of labor



union leaders to be fired.

### **3.2 Dispute resolution system in Myanmar**

The International Labor Organization (ILO) in their Guide to Myanmar Labor Law defines labor disputes as ‘disagreements between workers or Labor Organizations and one or more employers or their organizations concerning workplace issues such as employment, working, termination(s), all forms of compensation and benefits, health and safety issues, injuries, accidents or deaths as well as leave and holiday issues’ (ILO, 2017). Therefore, disputes are understood as a part of labor relations.

In Myanmar, historically, disputes between employers and workers were covered under the 1929 Trade Dispute Act, with a case moving up through several levels to a Trade Dispute Settlement Tribunal of legal experts. Under the military regimes, labor unions were not allowed, and any conflict between workers and employers was resolved through a series of Worker Committees, with governmental oversight (Ediger and Fletcher, 2017). Along with Myanmar democratic process, labor disputes are enabled by greater freedom of expression and association rights, with trade unions as a part of the legal claim-making and dispute resolving mechanism.

In 2012, the Settlement of Labor Dispute Law (SLDL) was enacted, with a stated purpose of safeguarding workers’ rights, peaceful workplaces, and ‘obtaining rights fairly, rightfully, and quickly by settling the dispute of the employer and worker justly.’ Currently, labor disputes in Myanmar are regulated by a multi-tiered system in which employers, labor organizations and employees are the main agents. The following subsections review the labor dispute resolution procedures in Myanmar. According to the SLDL, a dispute takes the form of either an individual or collective dispute. An individual dispute is a dispute between an employer and worker(s) about existing law, rules, regulation, collective agreement and employment agreement. On the other hand, a collective dispute is between an employer (or employer organization) and labor organization(s) over working conditions, the recognition of their organizations within the workplace, the exercise of the recognized right of their organizations, and relation between employer and workers.

### **3.2.1 Dispute resolution within factories**

Upon a rise of a workplace issue, the first attempt is supposed to be mediating or facilitating negotiations inside factories. The Labour Dispute Law (2012) requires every factory employing more than 30 workers to form workplace coordinating committee (WCC) at the factory level to carry out factory level negotiation. A WCC consists of a few representatives from both the worker and management side and whose role is to carry out factory level negotiation. Accordingly, workplace grievances by workers, labor organizations or employers can be submitted to the WCCs. A WCC, including representatives independently elected by workers and managers, is intended to negotiate and conclude collective agreements on employment, terms and conditions and occupational safety, health, welfare and productivity. Grievances must be settled by WCCs within five days. A union can be created on top of the WCC and, if there is union and union members are more than 50%, all the WCC representatives should be members of the union. If the union members are less than 50%, then there should be at least one representative who is not a union member and one from the union.

In practice, however, it is not known how effective this WCC system is. There is no available statistics on the number of WCCs in the country and if every factory above 30 workers has a WCC in place. The WCC formation process sometimes takes more than six months.<sup>5</sup> In addition, the Myanmar SLDL did not describe penalties for not forming a WCC. There is no requirement to have a regular WCC meeting, and the WCC is active only when the dispute occur in some factories. Some argue that WCCs are not per se an instrument for worker participation and the implementation of the law, but instead, their independence from employers remains contested (Zajak 2017).

It is worthy to note that there are also other types of workers' representatives who are neither representatives of a WCC nor leaders of a labor union. Some workers loosely form groups for religious or social purposes (e.g. wedding and funerals), which may also play a key role in disputes resolution. For example, we interviewed workers in a foreign-owned garment factory in Yangon where no union was in place. In the factory,

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<sup>5</sup> Interview with WCC members from Hlaing Thayar Industrial zone in December 2018.

there were 3 workers' representatives from the production floor that helped to deal with workers' dispute settlements. The workers' representatives helped to settle disputes between workers and supervisors/line leaders (such as scolding and not allowing for taking leave) and salary related issues. There was also a strike after the factory increased the salary of management staff without increasing the salaries of production workers. The worker representatives led the negotiation and obtained a pay increase for the workers.

In any case, as we show in the later section, the success of dispute resolution within factories depends greatly on the presence of worker leaders, either representatives of WCCs, unions, or other forms, who are capable of representing workers and negotiating with employers. In order for this type of dispute resolution to work, legal capacity trainings for workers are crucial. Sometime, workers' representatives of WCC seek assistance from union to involve/support in negotiation process, in particular if the dispute case is serious and they do not have an experience in conflict management/mediation.<sup>6</sup> CTUM has signed a Memorandum of Understanding with the ILO's Garment Industry Project (ILO-GIP) to cooperate in a trade union capacity building program in August 2018.<sup>7</sup> The two-year training program aims at improving the services provided by labor organizations at the factory level and contributing to an increased number of collective bargaining agreements and successful dispute resolution.

### **3.2.2 Dispute resolution at township level**

Collective and individual disputes<sup>8</sup> that cannot be settled at the workplace may be sent by workers or employers to the relevant Township Conciliation Body (TBC), whose responsibility is to arbitrate/settle disputes that are reported from the factory level/WCC. Within the Township Conciliation Body, there are 3 worker representatives, 3 employer representatives and 3 government representatives in the group. The government representatives are not always officials working for the government but

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<sup>6</sup> Interview with WCC members from Hlaing Thayar Industrial zone in December 2018.

<sup>7</sup> Interview with CTUM in August 2018.

<sup>8</sup> The Labor Dispute Law of 2012 defines the individual disputes as dispute between the employer and one or more workers and collective disputes mean dispute between one or more employer or employer organization and one or more labor organization (labour union).

people who are competent in helping government to settle the disputes (e.g. retired directors, officers). In addition to these nine representatives, the head of the township administrative department and the officer in-charge of the township labor office serve as chair and secretary of the Township Conciliation Body. As a result, there is a total of 11 individuals in the Township Conciliation Body. In the case of individual disputes, if the parties do not wish to accept the decision of Township Conciliation Body, then it can be appealed to an appropriate court on labor issues. In the case of collective disputes, the TBC has three days to seek an agreement between the parties.

### **3.2.3 Dispute resolution at Arbitration at state/regional level**

In the case of collective disputes, if an agreement cannot be concluded within three days,<sup>9</sup> then the Conciliation Body (TBC) gives the case file and a detailed report on unresolved issues to arbitration. According to the ILO Guide to Myanmar Labor Law:

*When disputes are brought to the Arbitration Body, the branch-bodies shall be formed consisting of three members including a person selected from the nomination list submitted by the employers' organizations, and a person selected from the nomination list submitted by the workers' organizations.*

The Arbitration Body must rule on collective disputes within seven days of receiving the case before delivering to the parties within two more days. If either party is not satisfied with the ruling, except for a ruling in respect of essential services, it can carry out a lock-out or strike in accord with the law, or the parties can appeal the ruling to the national Arbitration Council within seven days.

### **3.2.4 Dispute resolution at Arbitration Council at national level**

The arbitration council was introduced in Myanmar in 2012. According to the Settlement of Labor Disputes Law, the Arbitration Council consists of five representatives of the tripartite bodies: the Ministry of Labour, Immigration and

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<sup>9</sup> Time limits for all conciliation and arbitration processed do not include official holidays.

Population (MoLIP), employers' organizations and labor groups. The Council has a duty to be independent and impartial and to make decisions based on the principles of social justice, decent work, and equity.

In the Myanmar context, the Arbitration Council is important as there is no functioning labor court and a lack of capable labor lawyers (Zajak 2017). When disputes are brought to the Arbitration Council, an Arbitral Tribunal hears the dispute and must rule on the dispute within 14 days (seven days for disputes concerning essential services) and deliver its rulings to the parties within two more days. All persons involved in the dispute must comply with the rulings. If the parties do not agree, they may take their dispute to the Supreme Court, which must address the dispute within two years.

#### **4. Analysis of disputes resolution within factories**

We quantitatively examine which firm characteristics predict occurrence of a severe labor dispute that is not solved within factories and requires outside mediators. In doing so, we use administrative records on labor disputes at TCBs combined with a survey to firm managers. However, two shortfalls of this analysis are that 1) it relies on interviews with managers and administrative data but not on interviews with the workers and that 2) these data do not tell much about the contexts of these disputes, such as workers' demands. Therefore, in the last part in this section, we complement the empirical results by qualitative analysis based on in-depth interviews of workers who were involved in some disputes. Overall, both empirical findings and in-depth workers' interviews support the hypothesis that better workplace communication, in particular, led by some sorts of workers' representatives, is important for swiftly resolving disputes at factories.

##### **4.1 Data**

The data used for the quantitative analysis is obtained by combining two sets of data by the name of the firm. The first dataset comes from a survey run in 2015 among garment plants in the Yangon region (Tanaka 2019). The sample of garment plants was constructed combining information from industry directories, the list of manufactures provided by the garment industry association (Myanmar Garment Manufacturing

Association), and the firm registration records as of May 2015. This process found 351 garment manufacturing plants. The survey team contacted all of these plants and received in-person interviews with the plant managers of 209 of them.

The information obtained from the interviews includes the firm name, employment size, foreign ownership, exports, plant managers' characteristics and working conditions. Most importantly, the survey asked the managers whether there are regular meetings with some workers' leaders in the plant, and if so, how frequently they meet. Then, the survey investigated whether the workers' leaders are elected or appointed by workers and what are the positions of the workers' leaders. Note that, in this survey, we do not have information on whether the workers' leaders, if any, are the representatives of WCC, a trade union, or a leader of any other forms. In addition, the survey asked whether there is a suggestion box in the plant. Information about other measures of working conditions was also obtained. Questions on fire safety asked about the existence of fire safety equipment and practice of fire drills. Health management questions asked about the existence of injury records, emergency hospital list, private contact with clinic, and presence of a nurse at plant. It also obtained the information on typical weekly working hours and monthly salary for entry level operator, including overtime hours and pay, respectively. For fire safety and health management, we construct scores in 0-1 scale evaluating the degree of compliance to the international labor standards following Tanaka (2019). Finally, the survey asks about management practices following the standards in the literature on management and business practices (for example, see the World Management Survey in Bloom and Van Reenen 2007). In particular, the survey includes eight questions in three dimensions: production monitoring, quality control, and machine maintenance. A score of overall management practices is created by evaluating each answer in the 0-1 scale, taking the average within each dimension, and then taking the average of the dimension-wise scores. See Tanaka (2019) for more details about the survey and the constructed measures.

The second source of data consists of every registered dispute case that was negotiated at Township Conciliation Body during 2016 in Yangon region. This firm-level data is based on administrative records provided by the Ministry of Labour, Immigration and Population (MoLIP). It contains information about the firm name, township name, workers' demand (e.g. payment or reinstatement after contract

termination) and whether the case was solved within three rounds of negotiations at the Township Conciliation Body (75% of the cases) or went to the region level Arbitration Body (25% of the cases). 407 cases of disputes are recorded in the garment sector. Among them, 53 cases (13%) were brought to the Arbitration Body.

Since the survey data is at the plant level, to match it with the firm level disputes data, we take the average of the variables at the firm level (employment size, fire safety, health management, and management practices score) and our final sample consists of 202 matched firms. To illustrate the matched data, we report some basic statistics. Tables 1-2 show the number of factories with workers' leaders by their characteristics and the number of disputes in 2016 that arrived at the TBC. The majority of factories have a workers' leaders (64.04% of factories) and 56.22% of these have all leaders as non-operators (typically supervisors). 18.32% of the firms had at least one labor dispute sent to the TBC. Tables 3-6 characterize the types of disputes among the sample of surveyed garment factories. The table shows that around 14% of the firms experienced a dispute regarding employment termination during 2016. Additional issues that led to disputes include compensation and workplace issues of human resource management.

## **4.2 Empirical specification**

To begin with, in Figure 1 and Figure 2, we show the fractions of firms with a dispute incidence by the presence of workers' leaders in the firm. More precisely, to eliminate the effects through firm size and foreign ownership, the variable of having a dispute incidence in the y-axis is the residual of the variable after regressing it on the firm's employment size and foreign ownership and adding the mean in the sample. These figures imply that having a workers' leader and, in particular, who is an operator or chosen by the workers, decreases the likelihood of the factory experiencing a dispute at the township level. This evidence motivates us to further examine the relationship between the presence and characteristics of worker leaders and occurrence of labor disputes. In addition, the qualitative analysis in the next section, in particular the point made by TCB worker representative about cultural differences between managers and workers (see section 5.1), suggests foreign owned firms may experience more labor disputes.

More generally we ask what other factors affect the probability of labor disputes

within the factories. We investigate these questions by estimating variants of the following equation:

$$Dispute_{it} = \beta_1 Leader_{it} + \beta_2 ForeignOwned_{it} + X_{it}\gamma + \epsilon_{it} \quad (1)$$

where  $Dispute_{it}$  is the dummy variable indicating if at least one labor dispute happened in the factory  $i$  in the year  $t$ ,  $Leader_{it}$  is an explanatory variable indicating the existence of worker leaders,  $ForeignOwned_{it}$  indicates if the company is owned by foreign owner or the number of foreign employees in firms. We include control variables, namely firm size, export orientation, working conditions, and managers' characteristics. To estimate equation (1) we use ordinary least squares (OLS) procedure. All of the equations are estimated using lagged explanatory variables, assuming that the occurrence of labor disputes in 2016 is explained by some characteristics from the year before disputes in 2015.

### 4.3 Empirical Results

The baseline results estimating equation (1) are presented in Table 7. In columns (1), we regress the indicator of a dispute occurrence on the existence of a workers' leader and the foreign ownership dummy variable indicating that a firm was more than 50% foreign owned. The equation controls for the logarithm of employment size and firm's exporting indicator. The coefficient on the presence of a worker leader is negative and statistically significant at a 10% level, indicating that disputes are less likely to occur by 10.5 percentage points in firms with a workers' leader. A potential explanation for these results is that worker leaders plays an important role as a communication channel between workers and their employers through which disputes are solved within factories before they get to the Township Conciliation Body.

The coefficient on the foreign ownership dummy is positive and statistically significant at a 5% level. This implies that foreign owned firms are more likely to experience a labor disputes by 18.4 percentage points. One interpretation of this result is that it reflects the difference in the nature of management and communication practices within factories. It is often the case that the styles of management and communication



by foreign managers are different from those of Burmese workers, which can be exaggerated due to the language barrier.

The role of workers' leader may differ across the types of such leaders. To examine this possibility, in columns (2), we divide the original variable of the presence of workers' leaders into two variables: one indicating the presence of at least one worker leader who was an operator and the other indicating the presence of worker leaders who were not operators. While the results show that both variables are negative and statistically significant, the coefficient of leader in operator position is larger. This may be because operators are more tightly connected to and get supported by other operators, who are the majority of workforce, so they may play more important role for persuading workers.

Similarly, we test whether the way worker leaders were elected, either by managers or by workers, matters for the occurrence of labor disputes. The result in column 3 show that the coefficients are almost the same between worker- and firm-chosen worker leaders, albeit with the former statistically more significant than the latter. This result may be somewhat surprising given a general intuition that workers selected by the employers may favor management and may not best represent workers' needs. One explanation could be that such workers leaders are more entrusted by firm managers and know production-side circumstances, thus can efficiently negotiate with managers.

As for other explanatory variables, the coefficient of firm employment size is positive and statistically significant. This could be potentially because coordinating workplace issues becomes more difficult as the firm employ larger number of workers. For example, the more workers there are in the firm, the greater the possibility we expect to have at least one issue between the firm and some of the workers. The coefficient of exporting indicator is positive but statistically insignificant. We control for other related variables in columns (4)-(6), indicating frequency of meetings between workers leaders and the firms, working hours, and existence of suggestion box, and confirm that the main qualitative results in the above are unchanged.

We further explore other firm characteristics as determinants of disputes occurrence by modifying the baseline specification in the column (5) in Table 7. In Table 8, we first divide the exporting indicator by destinations (EU countries/US or other countries). The column (1) of Table 8 shows that both of the coefficients are statistically insignificant,

implying that we do not find a difference in the likelihood of dispute occurrence by export destinations. In column (2), we add the logarithm of the number of foreign employees and find that the coefficient is positive and statistically significant at 1% level. This result implies that firms that bring more foreign workers tend to experience more severe disputes than locally owned counterpart. This result points out that communication and cultural issues are likely to be an important factor causing labor disputes. In column (3) and (4), we add management practices scores and working conditions scores and find that coefficients of these variables are insignificant and the baseline results in the above are qualitatively unchanged.

In Table 9, we add other firm characteristics as control variables to the baseline specification in the column (5) in Table 7. We find that the above results hold. These variables include employment growth from 2014 to 2015, the logarithm of hourly wage (for entry level operator in the firm), family firm dummy (indicating whether the owners are the same as the managers), and managers' characteristics (indicators for college graduates and female, tenure, and age). These results show the robustness of the main conclusions in the baseline results in Table 7.

#### **4.4 Qualitative analysis about disputes resolutions at factories**

Overall, the findings in the above suggest the importance of communication at workplace. To better understand the contexts of these disputes as well as workers' views, we interviewed four workers who were involved in disputes with garment factories. One of them was a leader of Hlaing Tharyar Township union. We asked about the typical mechanisms through which disputes are solved and examples of dispute cases in garment factories. We summarize the information gathered in the below.

❖ *When a worker in garment factory has an issue with management, what are the potential ways to resolve?*

If there is Workplace Coordinating Committee (WCC) or a labor union, disputes tend to be solved within factories. When there is no WCC or a union, there are many cases where employer assigns a worker leader in the factory, who usually have good relationship with managers and obey the instructions. Sometimes, they do not really

work for the interests of majority of workers and pressure to workers as instructed by managers. If there is no other mechanism, workers either do not take any initiative or they do strikes. These are the typical cases where strikes happen because strikes are the only way to negotiate for more rights and improve workers' bargaining power. Some workers also negotiate at the Township Conciliation Body while they do strikes.

- ❖ *Administrative records of labor disputes at TCB show incidences of many labor disputes regarding employment termination. Can you give us some examples of such disputes?*

Typical reasons for termination of contracts include not meeting production target, communications issues with management and taking initiatives to create a union. For example, in a factory in 2017, some of the workers were fired after taking effort to create a union to increase transparency and accountability in the company. They first asked the managers to allow them to form a union and the managers asked them to provide the names of workers who were taking the initiatives. They did not tell them being concerned that the company would fire these workers. They went to CTUM to get support, which gave them training about awareness, right of workers, and labor law. They decided to form a labor union. However, to have a labor union registered, they needed to submit the names of workers to the township labor office, who in turn gave this information to the factory. Around 100 workers wanted to be part of the union and the firm fired 75 workers of them. With the help of CTUM, they submitted a dispute to the township labor office to demand for reinstatement. However, the employer refused it and they are still negotiating. If the negotiation fails three times, they will proceed to the regional arbitration. One issue is that it takes a few weeks for registrars to review Labor Organizations' applications for registration and this process includes factory inspections by Township Registrar. Sometimes employers fire workers during this process, in which case, this dismissal becomes an individual dispute, rather than organization disputes, and is decided in civil court. When a worker is fired, s/he can also choose to go to another factory right away without making a dispute. However, if one is fired due to union activity,

s/he may be black-listed and it can become difficult to find another job.

- ❖ *Administrative records of labor disputes at TCB show incidences of many labor disputes regarding compensation. Can you give us some examples of such disputes?*

They are mostly due to wages being lower than minimum wage level or cut the bonus allowance and it is very rare to have cases where the factory paid no salary.

- ❖ *Administrative records of labor disputes at TCB show incidences of many labor disputes regarding working conditions/labor management. Can you give us some examples of such disputes?*

Workers may be unsatisfied with the way current human resource management is handled for many reasons. In general, workers work in their departments or production lines, but they are easily ordered to go to other departments/lines which have temporary vacancy. This happens on regular basis even though workers do not have right skills for the place they are sent. Workers complain about it because they are requested to conduct jobs that they are not used to. Another typical problem is about pay scheme. In the factory where two of the respondents are employed, the wage scheme is unclear and apparently not reflecting skill levels. Skilled workers complain that their salary is not for the skilled workers and rather the one for semi-skilled.

## **5. Analysis about dispute resolution at township and national levels**

### **5.1. Dispute resolution at township level**

We document characteristics of labor disputes at Township Conciliation Bodies in Yangon. Our evidence here is based on in-depth interviews with workers' representatives of Township Conciliation Bodies.<sup>10</sup> The main themes discussed in our interview relate to the types of disputes that are discussed at TCBs and potential issues

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<sup>10</sup> A weakness of our analysis in this section is that we did not have the chance to interview employers' representatives of TCB. This point remains to be one of the future works.

with the current legal procedure of labor disputes settlement. We highlight the key points from the discussion.

❖ *Types of disputes in garment factories*

According to the workers' representatives at TCB, the current disputes inside the factories are mainly about employers not complying with the labor laws such as not allowing leave-days to the workers or not giving higher bonuses after increased skill and experience. For example, there was a dispute in a foreign owned factory after the increase of the minimum wage in May 2018. At the factory, the contract ensured that the employer would provide food and accommodation. However, after the increase in the minimum wage, these benefits were no longer given. Some workers requested the benefit and, in return, they were discriminated and eventually fired from the job. There are many other incidents where garment factories increased production target and extended working hours after the minimum wage increase.

Another key issue often causing labor disputes is disrespect of cultural values by foreign factory owners and managers, according to the workers' representatives. Such complaints include managers giving instructions with legs and touching female workers body (head or shoulders) without permission. For example, one year ago, in one garment factory, there was a dispute between foreign national factory managers and one worker from the factory labor union due to an incident where a female worker was pulled by her front chest and hit. In this incident, the female worker went to police station to directly report on this case and the TCB came to arbitrate for the settlements.

❖ *Weaknesses of the labor laws and their implementation*

The workers' representatives point out some weakness in practice of implementing the current labor laws regarding disputes resolution. First, at the TCB and Arbitrary Body level, the decisions are made by counting the votes of the employer's, workers' and government's representatives. Often, the workers' representatives lose with the votes being 2-1 against them. Second, the workers' representatives of the TCB often lack legal awareness and proper legal training. Without such access to the law, they are often incompetent in fighting for cases against the employers. Sometimes, they may even

wrongly perceive the settlements made by the employer and government representatives.

## **5.2. Dispute resolution at the Arbitration Council**

We provide qualitative analysis about arbitration cases in the garment sector. We report three tribunal decisions from the Arbitration Council at the national level. In all these cases, the dispute had been conciliated by the Township Conciliation Body without success. Hence, the Arbitration Body of Yangon Region has proceeded and reached a decision. However, the employer did not accept the decision of the Arbitration Body of Yangon Region and filed a complaint.

### *❖ Arbitration Case 1: Severance pay compensation after a garment factory closure*

The dispute was raised by 39 workers who had served nearly six-month of service and were denied lay-off compensation upon the factory closure (in the factory, the severance pay is only entitled to the workers with more than six-month services). During the process of conciliation at the TCB, the workers asked the official evidence for the disclosure of the factory closure and requested to take account for those who fell short of six-month threshold. The Arbitration Body of Yangon Region ruled that the owner failed to issue one-month notice in advance of the disclosure of the factory closure and had to pay the one-month notice fee to the workers. The Arbitration Council repealed this decision and concluded that it was obvious from both parties' claims that the prospective disclosure on the 01-12-2016 had been known by both parties since 01-11-2016. Moreover, it did not make any judgment on the six-month threshold issue. However, as the owners pledged that the non-binding compensation of 35,000 kyats per worker could be paid, the tribunal ruled that the voluntary compensation arrangement proposed by the owner was confirmed.

### *❖ Arbitration Case 2: Salary increase, mutual agreement of workers and management on production targets*

The dispute concerns 317 workers that demanded the factory owner to increase the

attendance bonus, basic salary and bonus pay. They also demanded that, if the management wanted to change production targets, then mutual agreement was needed between the employer, Workplace Coordination Committee and Workplace Labor Organization. In addition, the workers asked to get paid for the days during the strike that they did after the increase in the production targets. The Yangon Region Arbitration Body did not make any decision on the demand regarding increasing the pay and, as both workers and employers did not include these issues when they filed the case to the Arbitration Council. The Arbitration Council stipulated that it had no obligation to act. For the other matters, the Arbitration Council repealed the original decisions of the Arbitration Body of Yangon Region and ruled that the strike was unlawful and that the employers had the right to change production targets, which the workers needed to follow. The workers could only complain that the new targets were too high after some experimental time with the new targets. Instead, in this case, workers denied, at first hand, the new targets and went into strike. According to the Labor Dispute Settlement Law and Labor Organizations Law, workers needed to inform, and seek approval from, authority about the strike. Hence, the strike was unlawful. Moreover, the Arbitration Council remarked that, although the workers were members of a Workplace Labor Organization, a member of Confederation of Trade Unions of Myanmar (CTUM), they did not inform the CTUM about the strike and CTUM did not provide any advice or instruction, as instead the workers were claiming. The Arbitration Council also made the observation that there was a bad track record of unlawful strikes in the factory, damaging the image of the country and driving the investors away.

❖ *Arbitration Case 3: Reinstatement after dismissal*

The dispute concerns one worker who was laid-off by the factory without reasonable cause and wanted to be reinstated after dismissal. The worker was dismissed after informing the management that a number of workers were unsatisfied and were planning to strike. The Arbitration Council decided that the dismissal of the worker was unlawful, as of Article 42 of the Labor Dispute Settlement Law that stipulated that the rights of workers to organize a strike shall not be disrupted. Hence, the tribunal ruled that worker had to be reinstated, assuming her former title, salary, position, and services years, within 7 days of this decision. For the period between the date of dismissal and

reinstatement the employer had to pay pro-rata rate of full salary (not including overtime pay).

## **6. Concluding remarks**

Bad industrial relations could disturb the industry's growth by raising firms' operation costs. It is commonly observed in export-oriented sectors in developing countries that large and foreign firms – usually the most productive firms – are forced to suspend their operation because of strikes. Our analysis in Myanmar confirms this tendency for many dispute cases. This could be potentially because coordinating workplace issues becomes more difficult as the firm employ larger number of workers. Also, multinational firms may face cultural and communication issues arising from foreigners' management of local workers.

What would be possible solutions? Our evidence suggests that we should understand the role of unions as a communication devise. In absence of union, ways to inform employers of workers' issues could be limited. In our piloting field interviews in Myanmar, some garment workers told us that strike is the only way left when workers do not have a formal negotiation mechanism like a union or WCCs or loosely formed workers' groups. Indeed, in our data, we find that factories that have a workers' representative are less likely to experience a dispute that is unsolved in the factory. This evidence is consistent with a hypothesis that having workers' representatives can improve industrial relations and can provide better working environment for the workers.

Given that workers' representatives can improve industrial relations and can provide better working environment for the workers, why don't all factories have representatives? The qualitative part of our analysis points out several reasons. One issue is in the practical part of implementing the labor laws such as workers' lack of knowledge about legal awareness, employers' lack of interest in recognizing unions or WCCs, as well as the weakness of the laws themselves. Another issue could be that unions are public goods thus potentially leading to free-riding problems. Unions depend on the effort of a small subset of workers who use their free time for meetings and negotiate with employers facing the risk of firing. Therefore, the creation of unions



relies on the existence of people who are willing to take such leadership. Further research is needed to understand the mechanism of how such leaders arise and what are the necessary environment.

Lastly, workplace communication could be important not only for workers but also for productivity growth of the Myanmar garment sector. One reason is because severe disputes may cause managerial time loss, workers' strikes, and higher turnover. In addition, the high prevalence of severe disputes among foreign owned firms, which are often expected to bring advanced knowledge and technology, may slow down future entries of these firms. Overall, the evidence documented in this report calls for further investigation on whether and how particular types of workplace communication structure facilitate swift resolution of labor disputes and productivity in the sector.

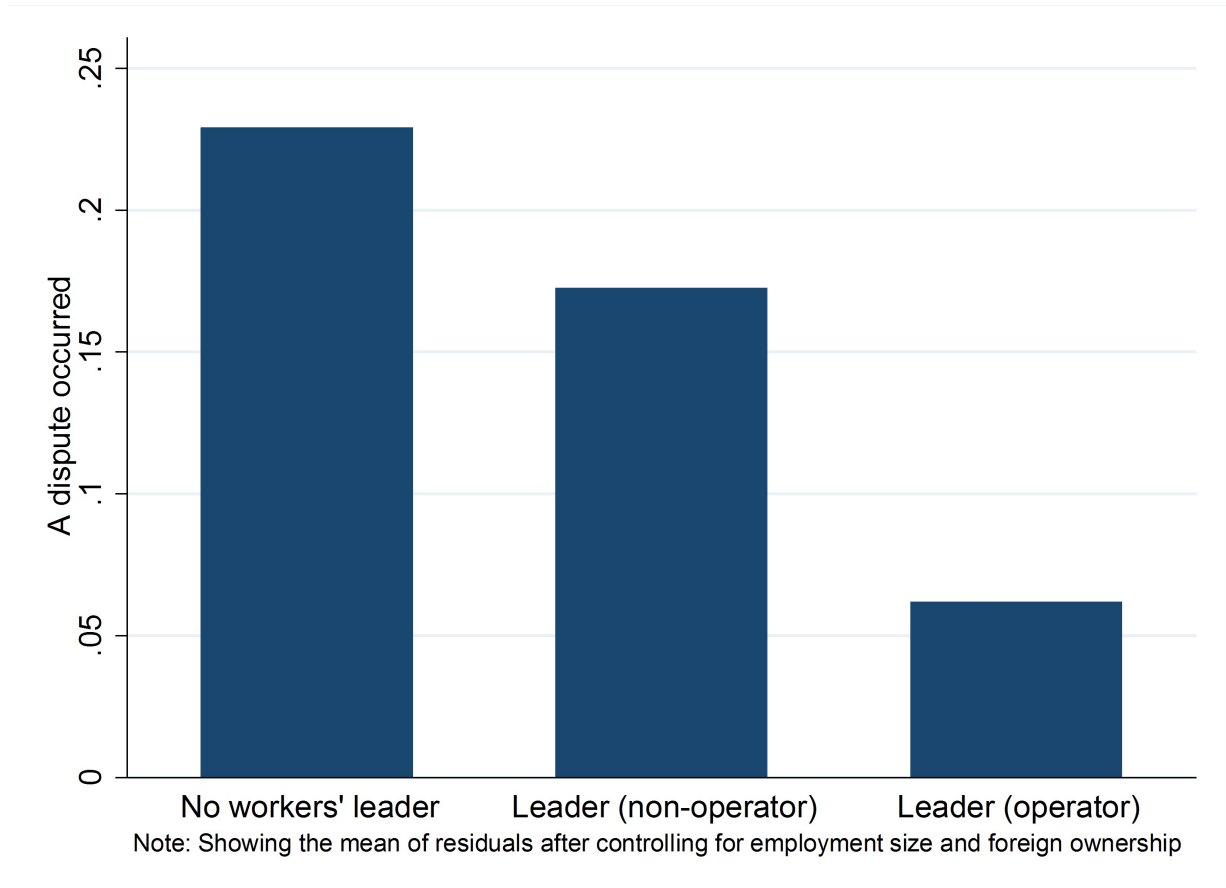
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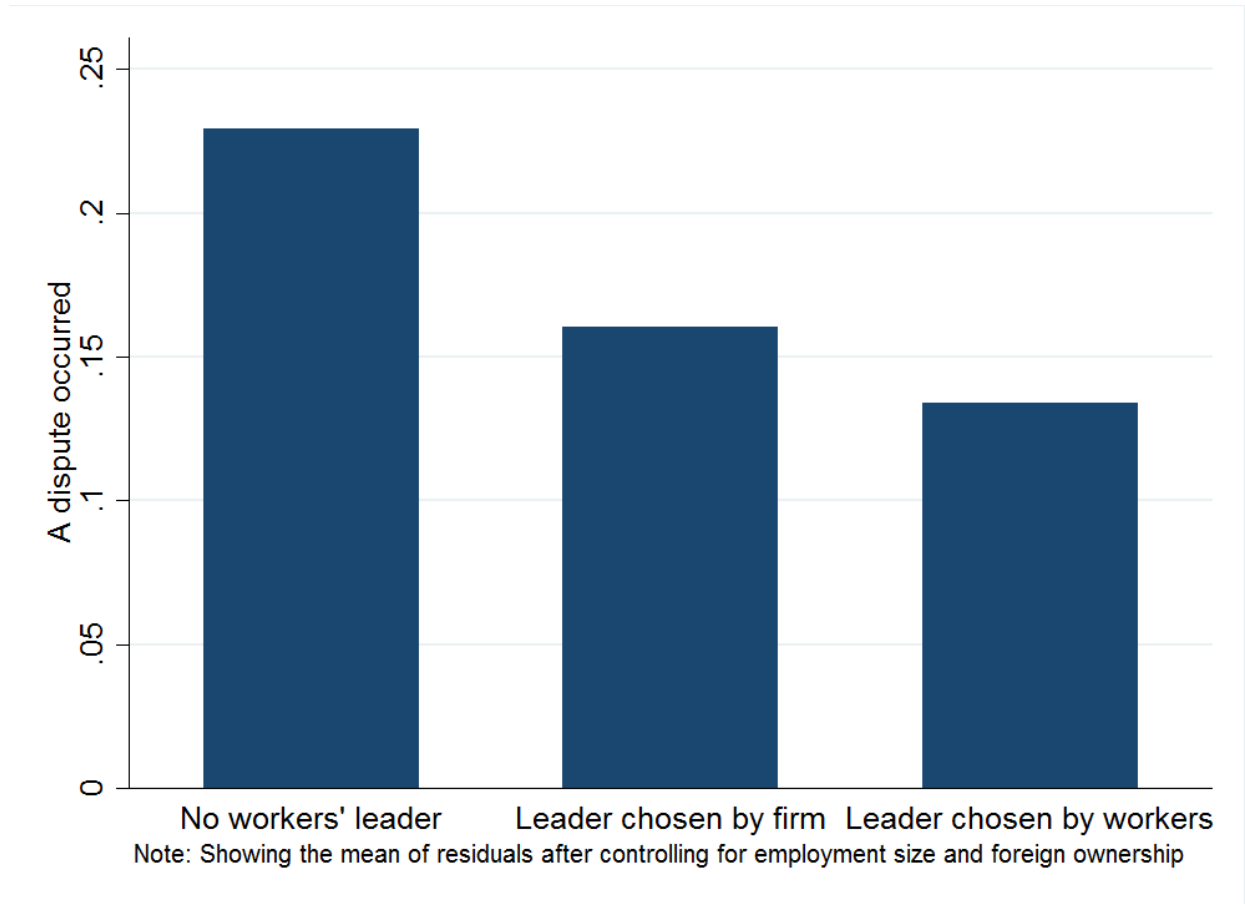
## Figures

**Figure 1:** Fractions of firms that experienced a dispute



**Notes:** The figure represents the fractions of firms that experienced a dispute negotiated at township conciliation body during 2016 by the presence of workers' leaders in the firm. The variable of a dispute incidence in the y-axis is the residual after controlling for the firm's employment size and foreign ownership and adding the mean in the sample. The bin of "No workers' leader" consists of firms in which there is no workers' leader in their factories who are recognized by the management. *Data source:* MoL record of labor disputes at Township Conciliation Body matched with a survey data of garment factories in 2015.

**Figure 2:** Fractions of firms that experienced a dispute



**Notes:** The figure represents the fractions of firms that experienced a dispute negotiated at township conciliation body during 2016 by the presence of workers' leaders in the firm. The variable of a dispute incidence in the y-axis is the residual after controlling for the firm's employment size and foreign ownership and adding the mean in the sample. The bin of "No workers' leader" consists of firms in which there is no workers' leader in their factories who are recognized by the management. *Data source:* MoL record of labor disputes at Township Conciliation Body matched with a survey data of garment factories in 2015.

## Tables

**Table 1: Workers' leader**

	Freq.	Percent
No workers' leader	73	36.32
There is a workers' leader	130	64.04
Leaders are all non-operators	113	56.22
At least one of the leaders is operator	15	7.46
Leader chosen by firm	34	16.48
Leader chosen by workers	98	75.16
Total	201	100

**Notes:** Number of factories with workers' leaders by their characteristics.  
*Data source:* Survey data of garment factories in 2015.

**Table 2: Disputes at Township Conciliation Body**

	Freq.	Percent
No dispute	165	81.68
A dispute during 2016	37	18.32
Total	202	100

**Notes:** Number of disputes in 2016 that arrived at the Township Conciliation Body (TBC).  
*Data source:* MoL record of labor disputes at Township Conciliation Body.

**Table 3: Disputes regarding employment termination**

	Freq.	Percent
0	173	85.64
1	19	9.41
2	7	3.47
3	1	0.5
4	2	0.99
Total	202	100

**Notes:** Number of disputes in 2016 regarding employment termination that arrived at the Township Conciliation Body (TBC).  
*Data source:* MoL record of labor disputes at Township Conciliation Body.

**Table 4: Disputes regarding compensation**

	Freq.	Percent
0	190	94.06
1	10	4.95
3	2	0.99
Total	202	100

**Notes:** Number of disputes in 2016 regarding compensation that arrived at the Township Conciliation Body (TBC).

*Data source:* MoL record of labor disputes at Township Conciliation Body.

**Table 5: Disputes regarding working conditions other than compensation**

	Freq.	Percent
0	195	96.53
1	7	3.47
Total	202	100

**Notes:** Number of disputes in 2016 regarding working conditions other than compensation that arrived at the Township Conciliation Body (TBC).

*Data source:* MoL record of labor disputes at Township Conciliation Body.

**Table 6: Disputes regarding workplace issues**

	Freq.	Percent
0	194	96.04
1	5	2.48
2	3	1.49
Total	202	100

**Notes:** Number of disputes in 2016 regarding workplace issues that arrived at the Township Conciliation Body (TBC).

*Data source:* MoL record of labor disputes at Township Conciliation Body.

**Table 7: Occurrence of labor dispute (baseline specification)**

	(1)	(2)	(3)	(4)	(5)	(6)
Workers' leader exists	-0.106*			-0.134**		
	(0.0540)			(0.0593)		
Workers' leader (operator) exists		-0.211**			-0.275**	
		(0.0980)			(0.120)	
Workers' leader (not operator) exists		-0.0940*			-0.125**	
		(0.0549)			(0.0588)	
Workers' leader (chosen by workers) exists			-0.107*			-0.138**
			(0.0616)			(0.0692)
Workers' leader (chosen by firm) exists			-0.104			-0.128*
			(0.0696)			(0.0703)
Foreign owned	0.184**	0.183**	0.183**	0.175*	0.170*	0.174*
	(0.0913)	(0.0909)	(0.0919)	(0.0942)	(0.0938)	(0.0947)
Ln(Employment)	0.0834**	0.0830**	0.0836**	0.0793**	0.0780**	0.0797**
	(0.0369)	(0.0366)	(0.0372)	(0.0366)	(0.0361)	(0.0370)
Export	0.0747	0.0796	0.0751	0.0501	0.0556	0.0515
	(0.0804)	(0.0805)	(0.0813)	(0.0809)	(0.0807)	(0.0814)
Meeting with workers' leader at least once a month				0.0253	0.0401	0.0255
				(0.0812)	(0.0830)	(0.0818)
Working hours				0.00509	0.00514	0.00513
				(0.00340)	(0.00332)	(0.00344)
Suggestion box exists				0.0648	0.0787	0.0646
				(0.0827)	(0.0834)	(0.0830)
Observations	202	202	202	202	202	202
R-squared	0.180	0.186	0.180	0.191	0.200	0.191

Standard errors are clustered at firm level. Data consists of 202 garment firms that responded to the survey conducted by Mari Tanaka in 2015. Dependent variable indicates whether there was a dispute that went to the township conciliation body within 2016.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Notes:** This table shows a negative correlation between dispute occurrence and the existence of a workers' leader. In Column 2, we show that the correlation is stronger when at least one workers' leader comes from an operator position. In Column 3, we show that the coefficients are almost the same between worker- and firm-chosen worker leaders, albeit with the former statistically more significant than the latter. Controls include a foreign ownership dummy variable indicating that a firm was more than 50% foreign owned; the logarithm of employment size; firm's exporting indicator; frequency of meetings between workers leaders and the firms; working hours and existence of suggestion box.

*Data source:* MoL record of labor disputes at Township Conciliation Body matched with a survey data of garment factories in 2015.



**Table 8: Occurrence of labor dispute  
(controlling for exports, management and working conditions)**

	(1)	(2)	(3)	(4)
Workers' leader (operator) exists	-0.262** (0.122)	-0.225* (0.124)	-0.249** (0.123)	-0.280** (0.130)
Workers' leader (not operator) exists	-0.119** (0.0595)	-0.111* (0.0606)	-0.116* (0.0594)	-0.134** (0.0604)
Foreign owned	0.167* (0.0949)	0.180* (0.0942)	0.170* (0.0946)	0.153* (0.0924)
Ln(Employment)	0.0790** (0.0363)	0.0650* (0.0361)	0.0838** (0.0381)	0.0475 (0.0406)
Export (EU/US)	0.0220 (0.0953)	0.0294 (0.0914)	0.0396 (0.0950)	-0.0334 (0.0951)
Export (other than EU/US)	0.0778 (0.0926)	0.0701 (0.0911)	0.0945 (0.0925)	0.0445 (0.0971)
Meeting with workers' leader at least once a month	0.0331 (0.0841)	-0.00236 (0.0815)	0.0408 (0.0846)	0.0743 (0.0882)
Working hours	0.00501 (0.00330)	0.00462 (0.00335)	0.00466 (0.00323)	0.00547 (0.00340)
Suggestion box exists	0.0843 (0.0843)	0.0435 (0.0859)	0.0920 (0.0843)	0.0171 (0.0929)
Number of foreign workers		0.0263*** (0.00966)		
Manager: Burmese (incl. other ethnicity in Myanmar)		-0.0343 (0.0739)		
Management score (monitoring/target/machine/quality)			-0.128 (0.131)	
Injury safety score				0.00975 (0.0412)
Fire safety score				0.0571 (0.0401)
Social audit				0.108 (0.0920)
Observations	202	202	202	202
R-squared	0.202	0.228	0.206	0.228

Standard errors are clustered at firm level. Data consists of 202 garment firms that responded to the survey conducted by Mari Tanaka in 2015. Dependent variable indicates whether there was a dispute that went to the township conciliation body within 2016.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Notes:** This table shows a negative correlation between dispute occurrence and the existence of a workers' leader by modifying the baseline specification in the Column (5) of Table 7. We include the following additional controls: exporting indicator by destinations (EU countries/US or other countries), the logarithm of the number of foreign employees, management practices scores and working conditions scores. The presence of foreign workers increases the occurrence of disputes, suggesting that cultural factors may play a role in causing labor disputes.

*Data source:* MoL record of labor disputes at Township Conciliation Body matched with a survey data of garment factories in 2015.

**Table 9: Occurrence of labor dispute  
(additional controls)**

	(1)	(2)	(3)	(4)
Workers' leader (operator) exists	-0.261* (0.143)	-0.254** (0.123)	-0.271** (0.124)	-0.253** (0.124)
Workers' leader (not operator) exists	-0.129** (0.0625)	-0.105 (0.0638)	-0.134** (0.0605)	-0.126* (0.0649)
Foreign owned	0.180* (0.102)	0.181* (0.0971)	0.163* (0.0950)	0.173* (0.0969)
Ln(Employment)	0.0851** (0.0370)	0.0712* (0.0402)	0.0870** (0.0367)	0.0811** (0.0377)
Export	0.0217 (0.0883)	0.0536 (0.0894)	0.0588 (0.0827)	0.0527 (0.0860)
Meeting with workers' leader at least once a month	0.0296 (0.0919)	0.0319 (0.0854)	0.0492 (0.0863)	0.0156 (0.0881)
Working hours	0.00480 (0.00361)	0.00477 (0.00365)	0.00560 (0.00358)	0.00545 (0.00381)
Suggestion box exists	0.126 (0.0921)	0.0945 (0.0875)	0.0574 (0.0851)	0.0643 (0.0854)
Employment growth	-0.0329 (0.0641)			
Ln(Wage)		0.0690 (0.0951)		
Family firm			-0.0564 (0.0461)	
Manager: college graduates				-0.0648 (0.113)
Manager: female				-0.00307 (0.0521)
Manager: tenure				-0.00271 (0.00438)
Manager: age				-0.00280 (0.00305)
Observations	183	176	197	188
R-squared	0.208	0.202	0.192	0.198

Standard errors are clustered at firm level. Data consists of 202 garment firms that responded to the survey conducted by Mari Tanaka in 2015. For some variables, the answers were not provided, which are treated as missing data.

Dependent variable indicates whether there was a dispute that went to the township conciliation body within 2016.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Notes:** This table shows a negative correlation between dispute occurrence and the existence of a workers' leader by modifying the baseline specification in the Column (5) of Table 7. We include the following additional controls: employment growth from 2014 to 2015, the logarithm of hourly wage (for entry level operator in the firm), family firm dummy (indicating whether the owners are the same as the managers), and managers' characteristics (indicators for college graduates and female, tenure, and age).

*Data source:* MoL record of labor disputes at Township Conciliation Body matched with a survey data of garment factories in 2015.

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