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MYANMAR'S FUTURE JOBS: EMBRACING MODERNITY OVERVIEW

WENDY CUNNINGHAM AND
RAFAEL MUÑOZ

with Sjamsu Rahardja, Claire Hollweg, Izabela Leão,
Indira Ekanayake, Mansur Ahmed, Mohammed Amin,
Habib Rab, and Pui Shen Yoong



Full Report and Sectoral Policy Notes of the Myanmar's Future Jobs:
Embracing Modernity Overview can be downloaded at www.worldbank.org/Myanmar
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OVERVIEW

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Myanmar Future Jobs: Embracing Modernity Overview summarizes an extensive analytical exercise that is detailed in the full report titled *Myanmar Future Jobs: Embracing Modernity*. All the material in this Overview, unless otherwise cited, is presented in detail in the full report, including data sources, full citations, and complete analysis and interpretation.

The full report includes the following notes:

Note 1: A Macroeconomic Context for More and Better Jobs (Rafael Muñoz Moreno and Pui Shen Yoong)

Note 2: Myanmar's Labor Force (Wendy Cunningham and David Alejandro Huertas)

Note 3: Jobs in Agriculture in Myanmar (Izabela Leão, Mansur Ahmed, and Indira Ekanayake)

Note 4: Micro Enterprises in Myanmar (Mohammed Amin)

Note 5: Promoting Jobs through Myanmar's Private Sector (Sjamsu Rahardja, Claire Hollweg, Anne Ong Lopez, and Sufian Jusoh)

Note 6: Migration as a Jobs Strategy (Wendy Cunningham, Alejandro Huertas, Harry Moroz, and Mauro Testaverde)

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 30, 2017)

Currency Unit = Myanmar Kyats (MMK)

US\$ 1 = MMK 1368.50

ABBREVIATIONS AND ACRONYMS

ASEAN	Association of Southeast Asian Nations
CBM	Central Bank of Myanmar
EAP	East Asia and the Pacific
FDA	Myanmar Food and Drug Administration
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOM	Government of Myanmar
GVCs	Global Value Chains
ICT	Information and Communications Technology
IHLCA	Integrated Household Living Conditions Assessment
ILO	International Labor Organization
LEOs	Labor Exchange Offices
MPLCS	Myanmar Poverty and Living Conditions Survey
NESP	National Education Strategic Policy
NGO	Non-governmental organization
PISA	Programme for International Student Assessment
PIAAC	Programme for the International Assessment of Adult Competencies
REER	Real Effective Exchange Rate
SEZ	Special Economic Zone
SME	Small and Medium-sized Enterprises
TIMSS	Trends in International Mathematics and Science Study
TVET	Technical Vocational Education and Training
WDI	World Development Indicators

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OVERVIEW

Myanmar is a hard-working country. There are more than 24 million jobs in Myanmar, consisting of both income and in-kind earning activities. These jobs are behind Myanmar's enviable recent economic growth rates. They are the main source of income for households, particularly poor households, and they can strengthen social cohesion, a particularly valuable outcome in an ethnically diverse and conflict-affected country.

High quality and inclusive jobs can be a source of greater growth and enhanced well-being in Myanmar.

While nearly everyone who wants to work is working – in fact, Myanmar people have higher work rates than comparable countries – the current quality of jobs is not sufficient to substantially increase Myanmar's competitiveness or the well-being of its workers. More than 90 percent of Myanmar's jobs are low-productivity and low-paid jobs in agriculture, household enterprise, or small firms. Labor productivity in agriculture and in manufacturing is low relative to other comparable countries in the region. Labor relationships are mostly governed by informal work contracts, and less than 5 percent of the labor force is covered by mandated social insurance (health insurance and pensions) through their jobs. Work life is somewhat unpredictable, with high seasonality, significant under- and over-employment, and one-third of workers holding more than one job at any time. Most workers earn close to the minimum wage, with a small premium for higher-skilled occupations. Women, rural populations, the less educated, and those living in conflict-affected zones have even more limited job opportunities.

After decades of economic policies that constrained growth and employment, Myanmar has started to emerge from this closed economic model with impressive results.

Between the early 1960s and 2010, a range of economic controls repressed demand, which in turn led to significant underinvestment and underemployment (see Box 1). Since 2010, Myanmar has dismantled full control over the exchange rate and privatized key network industries such as transport and telecom, as well as reduced import licenses. The government is making efforts to encourage investments, lower the costs of doing business, and open Myanmar up to foreign investment and to international trade. Real GDP and investment, including foreign investment, have picked up and grew by annual averages of 7.3 percent and 19.6 percent respectively between 2010 and 2015, while the number of registered private companies almost doubled during those

WHAT ARE JOBS?

Jobs take many forms. Most simply, a job is a task that generates income (in cash or in kind). It may be as simple as a single full-time activity that pays a salary or as complex as a portfolio of activities undertaken by the household that change by season.

What are more jobs?

More jobs constitute a larger number of people who can claim that they are “working” according to this definition of jobs.

What are better jobs?

Better jobs are those with higher labor productivity, greater value-addition, higher wages and benefits, and more positive work environment, as compared to these conditions in current jobs.

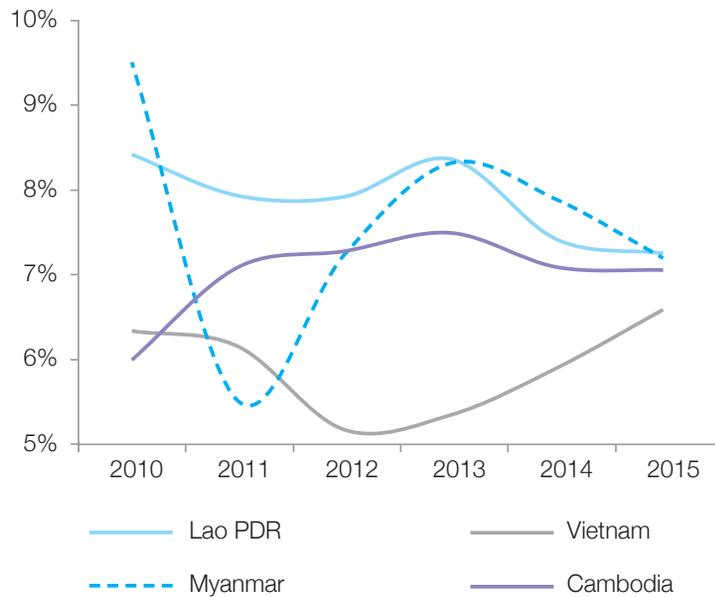
What are inclusive jobs?

Inclusive jobs are those that are accessible to everyone, regardless of gender, location, ethnicity, age and other characteristics.

five years (Figure 1). This impressive economic growth is in line with trends that have been seen in other countries that liberalized their economies in the recent past (Figure 2).

Figure 1 Real Growth (%), 2010-2015

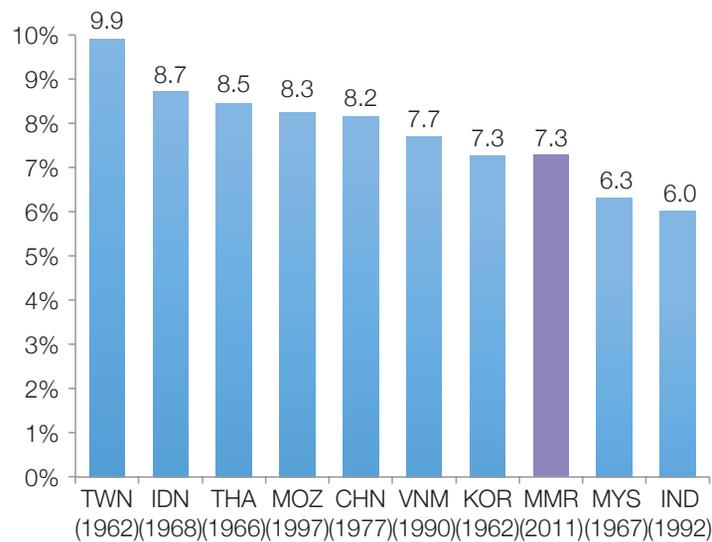
Myanmar's real GDP growth has outpaced most of its neighbors' in recent years...



Source: WDI, January 2017

Figure 2 Average Real GDP Growth (%), 5-year period after liberalization

... and is on par with the growth rate of other countries after liberalization



Source: WDI, January 2017

Note: Year refers to start of the five-year period. Countries listed are: Taiwan (TWN), Indonesia (IDN), Thailand (THA), Mozambique (MOZ), China (CHN), Vietnam (VNM), Republic of Korea (KOR), Myanmar (MMR), Malaysia (MYS), and India (IND).

Box 1: From Economic Glory to Economic Stagnation

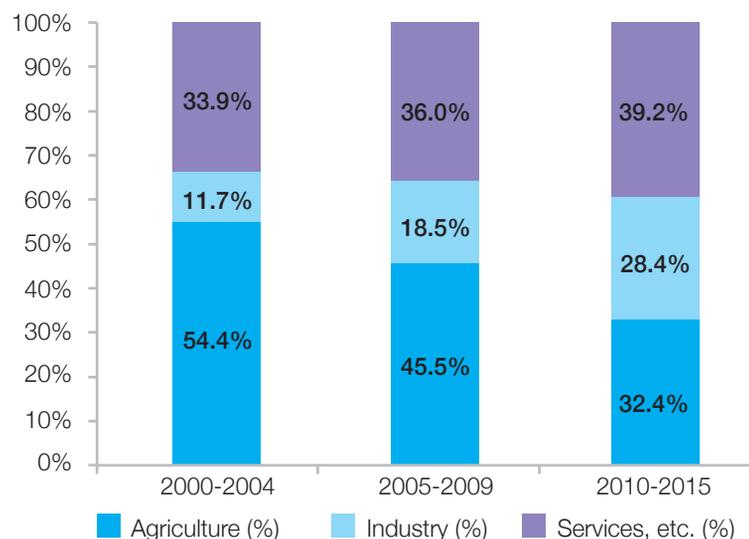
Over a 50-year period, Myanmar transitioned from one of the most dynamic to one of the most closed economies in the Southeast Asia region. Shortly after recovering from World War II and the quest for independence, Myanmar's government began a long process of implementing economic policies that impeded the growth of high productivity and quality jobs. State control over the economy and over private sector activity (such as excessive trade licenses and foreign exchange), import substitution, and preferences for state owned enterprises (SOEs) that operated in and dominated lucrative areas of the economy constrained business activity and earning opportunities. Private entrepreneurship was heavily constrained – initially as the 1962 military coup led to the nationalization of industries and closure to external markets and, subsequently, as a small, politically connected elite tightly controlled natural resource extraction and the key factors of production. These constraints stunted the development of a modern private sector, and Myanmar's citizens resorted to small-scale agricultural production and petty trading—largely separate from the government-dominated formal economy—or else emigrated.

The available evidence indicates that the employment intensity of growth, a measure of how employment and output vary together over time, declined during the 1990s and into 2000s. A 1 percent increase in Myanmar's output led to an increase of 0.35 to 0.36 percent in employment between 1991 and 1999 on average, but this rate declined to 0.21 percent between 1999 and 2003.

Although the structural transformation of the economy is advancing rapidly, the structure of employment is not. Agriculture's share of GDP declined from 52 percent to 32 percent between 2000 and 2015, while the share of manufacturing increased from 11 to 28 percent and the share of services increased from 33 to 39 percent. The distribution of employment across sectors has remained fairly static: around 52 percent in agriculture, 36 percent in services, and 12 percent in industry (Figures 3 and 4).

Figure 3 Sector Value-Added Contribution to GDP (%)

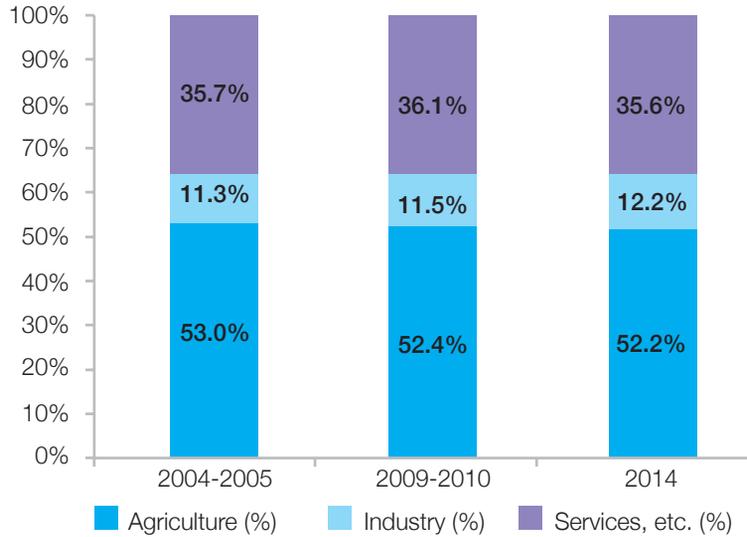
Myanmar's economy has been moving toward industry and services...



Source: WDI, January 2017

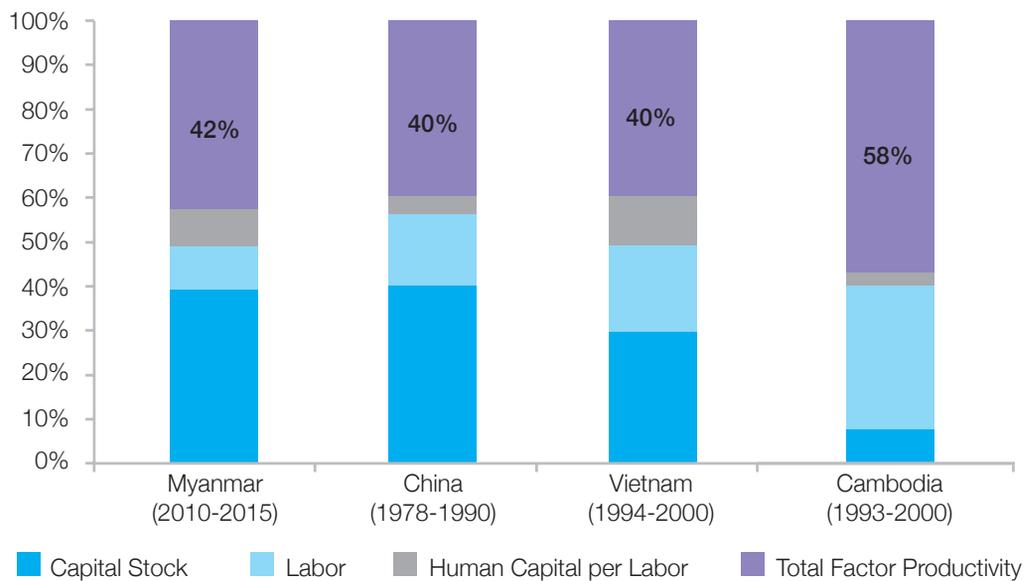
Figure 4 Distribution of Employed Workers, by Sector (%)

but the sector profile of employment remains broadly unchanged...



Source: WDI, January 2017

Figure 5 Post-Liberalization Factor Contribution to GDP Growth (%) in East Asia



Source: author estimates based on the Solow model

Reforms since 2011 have accelerated productivity gains and capital accumulation. The World Bank has estimated that total factor productivity (TFP) contributed almost half (42 percent) of Myanmar's growth between 2010/11 and 2015/16, followed by capital accumulation (39 percent), reflecting Myanmar's rapid structural transformation and greater integration into the global economy. Labor inputs (the number of workers) have played a smaller role in driving GDP growth in recent years, contributing only 11 percent to Myanmar's economic growth during the same period. Labor productivity gains occurred in the industry and

services sectors, indicating within-sector shifts from less to more productive activities (an upgrading in job quality). This growth pattern is similar to that exhibited by other countries at the same stage of development, as evidenced in China, Vietnam, and Cambodia during their periods of liberalizing the economy (Figure 5).

Despite stagnation in the sectoral distribution of jobs, an increase in job productivity and earnings has significantly enhanced the well-being of the population. The poverty rate plunged from 48.2 percent in 2004/5 to 32 percent of the population by 2015, primarily due to higher agricultural production and earnings. However, there is substantial regional variation in poverty incidence, with higher poverty rates concentrated in geographic pockets, particularly in rural zones. Many non-poor households cluster just above the poverty line, and face a high risk of falling back into poverty should adverse shocks materialize. Therefore, although overall standards of living in Myanmar have improved, they still lag behind those of the rest of the East Asia Region.

Translating recent economic gains into jobs will require a deliberate effort to adjust institutions, policies, and programs. This overview, and the accompanying policy notes, are based on the premise that economic growth and private sector development are necessary but not sufficient to create good jobs in Myanmar. Instead, deliberate policies that complement sectoral development policies may be necessary to spur job creation in different sectors of the economy.

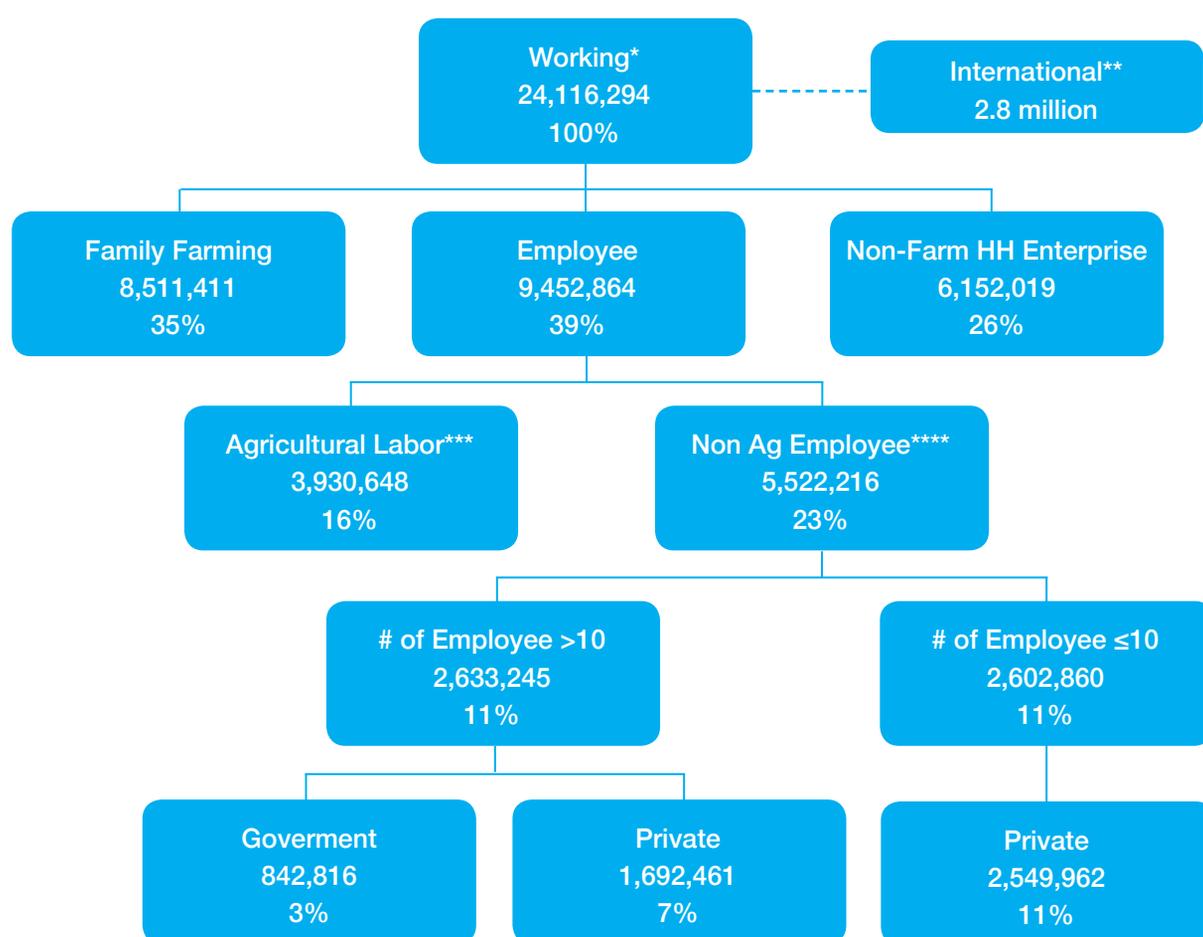
This overview presents proposals to promote the growth of better jobs in Myanmar beyond those that are likely to be produced by a strategy focused solely on economic growth. It summarizes the report titled *Myanmar Future Jobs: Embracing Modernity*, which consists of six policy notes that analyze family farming, agricultural employment, household enterprises, the non-farm private sector, and jobs outside of Myanmar, as well as macroeconomic policies and the nature of the labor force. The policy notes look in detail at the current composition of jobs in these broad categories, explore the opportunities presented by the ongoing economic transformation to produce more and better jobs, identify some binding constraints, and propose strategies to overcome those constraints. This overview pulls together these sector-specific analyses and policy recommendations and presents priority job creation policies for the whole Myanmar economy.¹

¹ Unless otherwise noted, all data, information and conclusions in this document are drawn from the accompanying policy notes. Details, data sources, and references are provided therein.

TODAY'S JOBS: WHAT DO JOBS IN MYANMAR LOOK LIKE TODAY?

Today's jobs in Myanmar are overwhelmingly informal. Around one-third of workers (more than 8 million) work in family farming, while another 16 percent (3.9 million) provide agricultural labor. More than 6.1 million own a household enterprise. One-third of those who are family farmers or work in non-farm household businesses are unpaid. Another 11 percent (2.5 million) are in informal sector wage jobs, defined as working in a firm that is not classified as a farm or household business and that has fewer than 10 employees. Only 7 percent of jobs are in the more formal private sector (Figure 6). As many as 2.8 million additional Myanmar citizens hold jobs in other countries as well.

Figure 6 Jobs in Myanmar, 2015

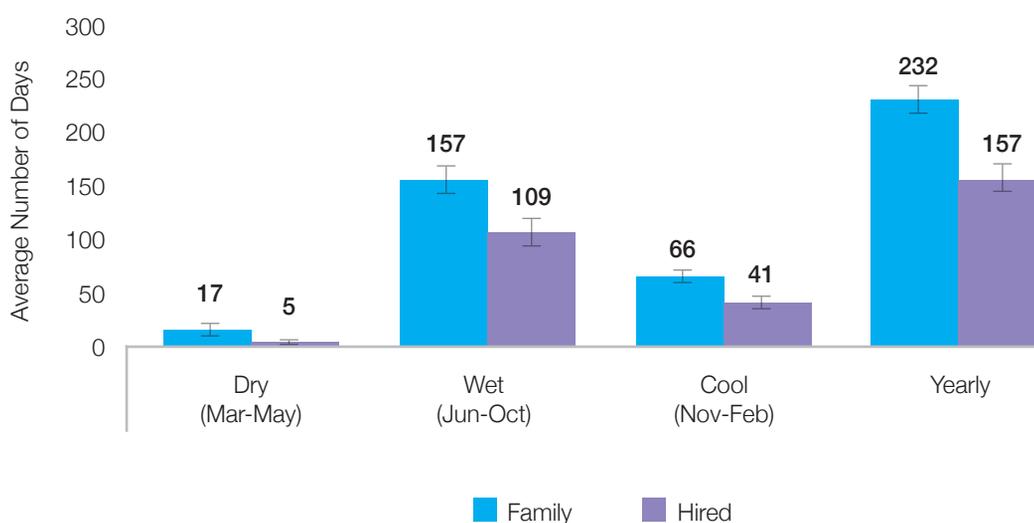


Source: author's calculations based on the MPLCS 2015.

Notes: Primary job in the period Jan 2014-Jan 2015. Multiple jobs are not taken into account. * Based on those aged 15 and above, employed in the last year. Excluding those who are temporarily absent from work (367,200); ** International are those who are working outside of Myanmar; of the estimated 2.8 million migrants, the data do not allow us to identify the number who are actually working; *** Agricultural Labor are wage workers in agricultural sector; **** "Non Ag Employees" are those working in industry or service sector; 286,000 worked as an employee at some point last year but did not work in the last 7 days so company size information is not available for them.

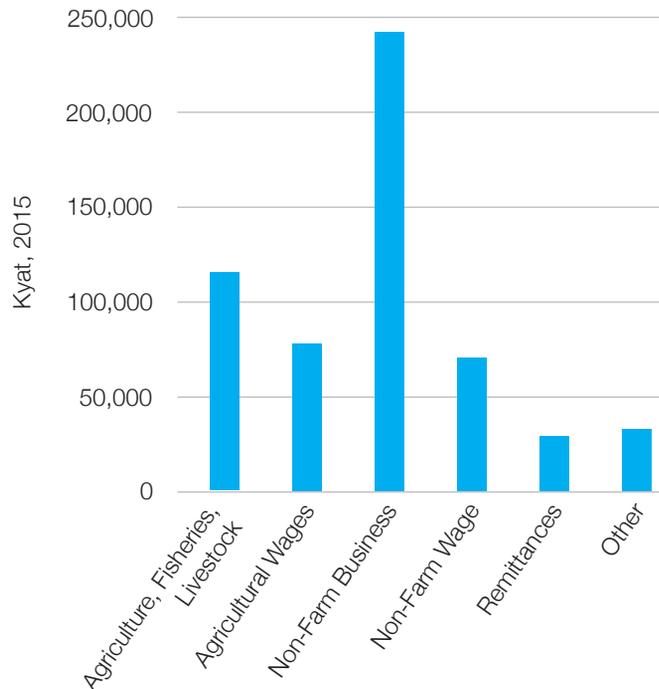
Myanmar's jobs are agriculture-dependent and are affected by a volatile agricultural production sector. More than 50 percent of the labor force identifies agriculture as their primary job over a one-year period, but agriculture is not a full-time, year-round job for more than half of rural workers. Farm owners and agricultural wage workers are over-employed during the busy (monsoon) season—working two-thirds of their annual work days per year in just five months—and under-employed during the slow season (January to May) (Figure 7). This seasonality causes large swings in rural labor force participation rates over the year, with a difference of 13 percentage points between the high and low agricultural seasons. This contributes to low agricultural productivity and, thus, low earnings. Myanmar has the highest proportion of male and female agricultural laborers in the labor force in Asia, but they—and women in particular—are also the lowest paid. Agricultural workers are fairly evenly split between males and females, have low levels of education (more than 70 percent of agricultural workers have a primary education or less), and are older than the general workforce. A large share live in conflict-affected zones, which entails additional challenges (Box 2).

Figure 7 Average Labor Days per Cultivating Household, by season



Source: World Bank (2016)

Half of rural households hold a “jobs portfolio” that mixes non-agricultural and agricultural income-earning activities. In fact, the share of rural household income derived from non-agricultural income is higher than the share derived from own or wage agricultural activities (Figure 8). Fewer poor households and female-headed households are able to mix agricultural work and off-farm sources of income such as retail, wholesale, manufacturing, or construction services. Despite the importance of these off-farm services for household income, they are less lucrative than they could be because they are low-value-added and are not linked into any value chains. Some households use circular migration to survive the dry agricultural seasons, by migrating within the country every year to find non-farm work, then returning home. Although the average total value of remittances is meager relative to other sources of household income in Myanmar, it can be the main source of income for some rural households at certain times of the year.

Figure 8**Mean Annual Per Capita Income and Sources of Income**

Source: MPLCS (2015)

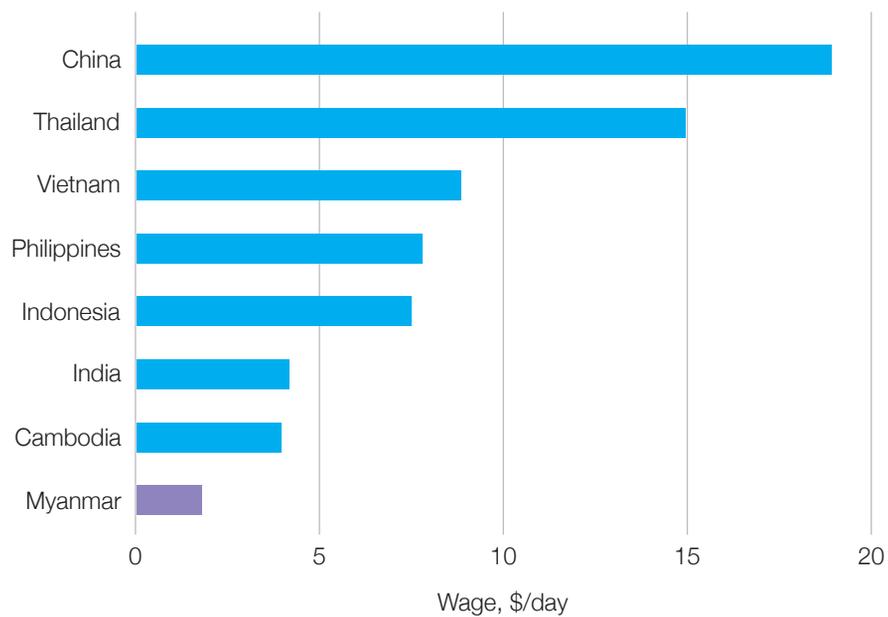
Box 2: Jobs in Conflict-Affected Zones

Conflict-affected zones face the largest employment challenges but also have the most to gain from jobs creation. Increasing employment in conflict-affected areas not only can help to reduce poverty and fuel economic growth but also can strengthen social cohesion and reduce violence. Experience in a range of conflict-affected countries has shown that jobs can play a role in reintegrating ex-combatants, restoring the livelihoods of individuals and families who suffered from the conflict, and rebuilding a sense of belonging in society.

Dedicated efforts will be needed to create job opportunities in conflict-affected zones. An absence of data for Myanmar limits this analysis, but evidence from around the world has shown that conflict-affected zones are often impoverished, lack markets, have weak institutions, and have weak connections to the economy at large. Individuals often have fewer assets than those who did not live in conflict zones, whether due to a loss of assets during the conflict or a failure to acquire human and physical assets. Uncertainty about the permanence of peace limits their willingness to invest in assets, leading them to resort to short-term survival solutions. While major long-term structural reforms need to be undertaken to integrate conflict-affected zones into the economy and open up opportunities for good jobs to be created, short-term policies and programs are needed both to provide immediate income-generation opportunities to the people affected by the conflict and to begin to reintegrate them into Myanmar's society.

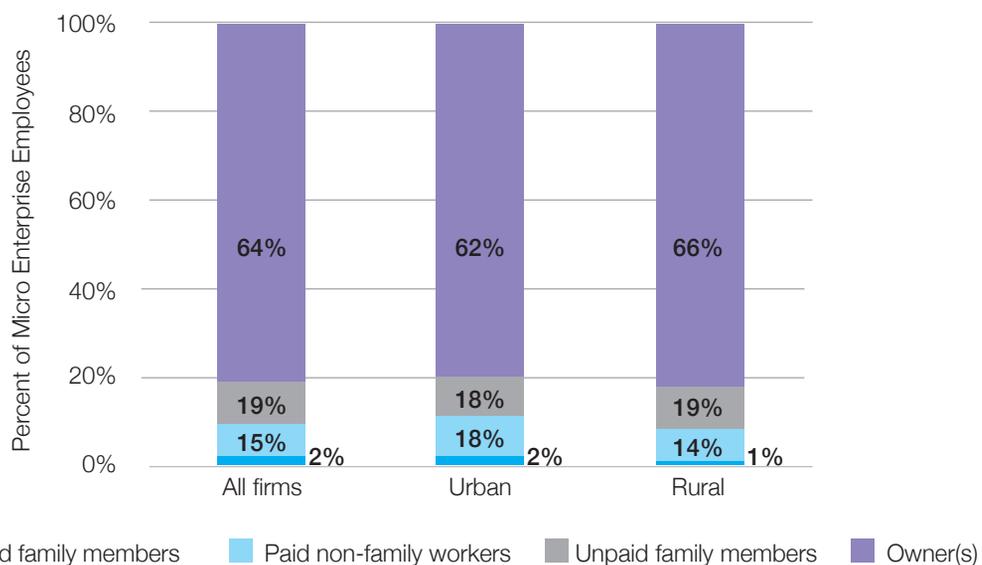
In rural areas, many households work as wage laborers, the lowest quality jobs in the economy. Agricultural wage laborers have few assets—being landless and having low levels of education—and tend to be younger than farm owners. About 16 percent of rural households derive their income only from hired farm labor, while another 7 percent engage in both own-farm and hired farm labor. Hired farm workers have to deal with huge swings in work and wages over the year, being in high demand during the monsoon season (working an average of 109 days over five months) but in very low demand during the dry season (working five days over three months) (Figure 7). They have the lowest wages of all workers both within Myanmar and in the region (Figure 9).

Figure 9 Daily Wage Rate of Agricultural Hired Labor, US\$



Source: World Bank (2016)

Figure 10 Distribution of Workers in Household Enterprises, by location



Source: author's calculations based on MPLCS (2015)

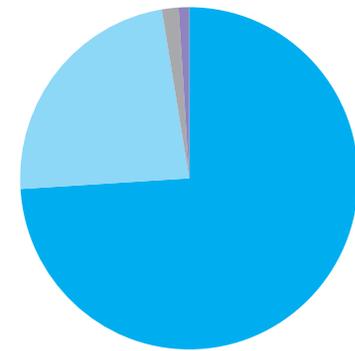
Household enterprises play a significant role in urban and rural job markets. About 40 percent of all households in the country operate at least one household enterprise, and these enterprises are the primary source of income for 26 percent of Myanmar’s workers. Most household enterprises are in rural areas, given that the rural population is bigger than the urban population, but urban households are more likely to have a household enterprise (73 percent) than rural households (41 percent). Although 64 percent of household enterprises only employ one person—the owner—the remaining enterprises have a significant impact on job creation (Figure 10). On average, each household enterprise has 2.2 workers (including the owner). This implies that about 12 million individuals are employed in household enterprises in Myanmar, although for half of them, it is not their primary job, and instead supplements their primary income source. Close to two-thirds of all jobs in household enterprises are in enterprises with a female main owner. Owners tend to be prime-aged workers, with half having some secondary education or above.

Household enterprises can play a key role in raising workers out of poverty, but their growth remain constrained. The jobs provided by these household enterprises in Myanmar are extremely low paying and unproductive. Most of the enterprises are very small—operated by the owner alone—and are concentrated in petty trade and services. A majority of wage workers in household enterprises in Myanmar earn less than both the stipulated minimum wage and even the poverty line. As a result, the labor income of all workers in household enterprises is estimated to be less than 10 percent of GDP, even though this sector provides income to around half of all workers in the country.

The level of formality in Myanmar is similar to that in countries at a similar stage of development. In Myanmar, there are around 1.7 million workers in “formal” firms that are privately owned and employ more than 10 workers each. This constitutes about 7 percent of the labor force. The share increases to 10 percent of the labor force when public sector employment is included. This is a similar share as in peer countries such as Vietnam (where 11.3 percent of the labor force works in formal firms). However, the quality of formal sector jobs in Myanmar is not uniformly high. Only 12 percent of permanent employees have a work contract under which their employer would be required to provide regularly paid wages, social benefits, paid vacations, maternity and paternity benefits, and dismissal rights. Even for those with contract, compliance with the contract remuneration stipulations is low; partly because of the significant shortage of labor inspectors. These contracted workers are primarily clustered in urban areas, have higher levels of education, are more likely to be female, and are younger workers.

Migration abroad is a core source of Myanmar jobs. Myanmar is a highly mobile country: one in four Myanmar people have migrated in their lifetimes, and 2.8 million are living outside of the country—the highest share of net outmigration in the region. All international migrants and a large share of internal migrants relocated for better jobs (Figures 11 and 12). More than half of international migrants send remittances home, with each sending a median value of 200,000 kyat (about US\$150) monthly as of 2015, significantly more than one month of minimum wage earnings. However, most return migrants work in the same occupations that they held before migrating, suggesting that they are not upgrading their skills or investing earnings from abroad to move up the jobs ladder. Also, most workers—whether migrants or not—find jobs through friends and family, which is likely to lead to poor job matches.

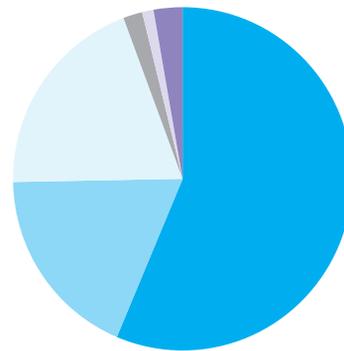
Figure 11 Motivation for International Migration



- In Search of Employment
- To Take a Job
- Family/Marriage
- Other

Source: Author's calculations based on MPLCS (2015). Note: As reported by non-migrating family member.

Figure 12 Motivation for Internal Migration



- To Work/Look for Work
- To Join Family/Marry
- To Move with Family
- Health/Education
- To Escape Conflict/War/Natural Disaster
- Other

Source: Author's calculations based on MPLCS (2015). Note: The category "to work/look for work" includes those who provided this response as well as their family members who reported "move with family."

Myanmar has a sizable labor force, with men being more economically active and better remunerated than women. The working age population in Myanmar, defined in this study as those aged 15 or older, numbers more than 35.4 million people, based on MPLCS (2015) data. Nearly 65 percent have held a job for over a year, with significant fluctuations by agro-seasons. This estimate is consistent with those calculated using the 2014 Census data (67 percent) and the 2015 ILO Labor Force Survey (64.7 percent). Although a larger share of men than women hold jobs (71 percent compared to 46 percent reported working in the previous week) when taking into consideration unpaid household duties, about 73 percent of both men and women are engaged in house or market work. Although women work in more skilled jobs than men, they earn 30 percent less than men.

Most jobs are in low-skilled occupations. Two out of every three workers are engaged in low-skilled or subsistence agricultural work, which is the lowest paid and most informal type of work. Thirty-eight percent of workers hold unskilled jobs, engaging in simple, mostly manual tasks, such as street vending, the care and maintenance of homes or buildings, or agricultural work. While these tasks are fundamental to the functioning of a society, they are low value-added jobs, and receive the lowest median wages of the nine principle occupational categories. Another 29 percent are subsistence agricultural workers and have median wages equal to low-skilled workers. Those with low education levels living in rural areas are particularly crowded into these occupations, but 35 percent of urban and highly educated workers are also in these jobs. Surprisingly, the propensity to be a low-skilled worker does not vary with age. Only 3 percent of jobs can be classified as "higher skilled" jobs, and are dominated by those with a high school education or above. Women are three times as likely as men to be engaged in such professional occupations.

The skill level of the labor force in Myanmar is low, both relative to similar countries and to what the country’s employers need. More than half of all adults have not attended secondary school, and even among today’s primary school students, 18 percent cannot read or understand the text that they read. About 1 in 10 workers has taken some technical or vocational training, but the quality of the fragmented system is doubtful. The returns to education—a measure of the degree to which an additional year of education is valued by employers—are half of the regional average, and are lower than in comparable countries, including Cambodia and Lao PDR (Table 1). Indeed, the positive returns to education are driven mainly by the service sector; there is no correlation between education and agricultural earnings, and education only affects industry earnings for those who have attended post-secondary school.

Table 1 Estimated Average Return to Schooling Across Comparator Countries

	Average Return to Schooling (%)	Average Years of Schooling
Myanmar (2015)	5.1%	5.7 (4.1)
Bangladesh (2005)	7.1%	4.9
Cambodia (2008)	5.6%	4.1
China (2002)	16.6%	7.5
Lao PDR (2008)	5.1%	4.6
Malaysia (2010)	12.0%	9.8
Sri Lanka (2009)	9.5%	9.8
Thailand (2011)	9.4%	7.3
Vietnam (2015)	9-10%	7.5
East Asia and Pacific	9.4%	10.4

Note: The rate of return to an additional year of schooling is calculated using the standard Mincerian approach, where the log of (daily) wages are regressed against years of school, experience (calculated as age minus years of schooling minus 5) and sex. The average years of schooling is from Barro-Lee 2010 statistics. The Myanmar statistic is derived from MPLCS 2015, though the Barro-Lee estimate is included in parentheses.

FUTURE JOBS: MYANMAR'S ONGOING ECONOMIC DYNAMISM CAN BOOST THE QUALITY OF JOBS

What are the potential sources of new and better jobs in the future and what are the critical constraints to achieving them? The constraints cut across a range of inter-connected facets of the jobs puzzle: the overall economic context, the private formal and informal sectors, trade, the rural economy, and human resource management.

Strengthening the Economic Context

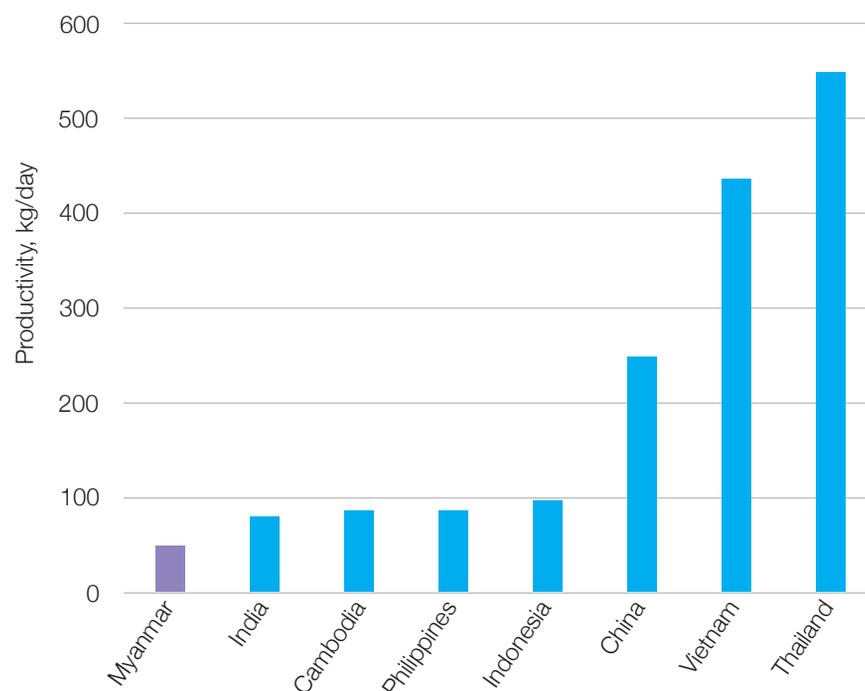
The macroeconomic framework has been conducive to jobs creation in the recent past, but preserving macroeconomic stability will be key for creating better jobs in today's more challenging economic environment. After experiencing four years of high levels of investment, job creation, and economic growth within a relatively favorable macroeconomic environment, Myanmar is facing more difficult circumstances, including declining commodity prices, higher inflation coupled with increased food prices, and large current account deficits, among others. These developments highlight several short-term economic vulnerabilities in Myanmar that affect investors' perceptions of risk and undermine job creation. They also contribute to the risk of volatility in economic growth, which, given Myanmar's relatively narrow production base, can make it difficult to sustain formal and stable employment, and can undermine the ability of the labor market to improve living standards through jobs. Therefore, improving the macroeconomic environment is a precondition for sustaining inclusive growth and employment creation.

A large fiscal deficit financed by the Central Bank of Myanmar (CBM) is fueling inflation above peer countries and adding pressures on the current account. In addition, the CBM's focus on sustaining the value of the nominal exchange rate, combined with high inflation, is leading to real effective exchange rate (REER) appreciation. This gives investors a disincentive to invest in export sectors that could create new and good quality jobs, while also harming jobs in tradable goods that compete with more competitive imports. As imports become relatively cheaper, producers of importable goods face more competition from foreign goods and may have to cut costs, often by shedding labor, to maintain profitability. On the other hand, firms in export-oriented sectors suffer from a reduction in competitiveness and profits as demand for their goods declines, both at home and abroad. Given the importance of export-oriented sectors in generating more productive, better paid jobs compared to those in the low-skilled service sectors, maintaining a competitive real exchange rate in line with economic fundamentals is imperative.

Improving Jobs and Job Portfolios in Rural Areas

The agricultural sector, if strategically supported, can be a source of high quality jobs. While agricultural productivity is lower than that of services and manufacturing in most countries, Myanmar's productivity is particularly low. Labor productivity in paddy production, the most common agricultural commodity, is one-third of that in India and less than 4 percent of productivity in Thailand (Figure 13). This is due to the legacy of several factors that were in place during the long period of state control of the economy: an excess supply of labor and costly migration options, a national strategy for food security resulting in an over-production of low value-added rice and limited crop diversification, little mechanization, and limited links to lucrative agricultural markets or supply chains.

Figure 13 Labor Productivity in Monsoon Paddy Production



Source: World Bank (2016)

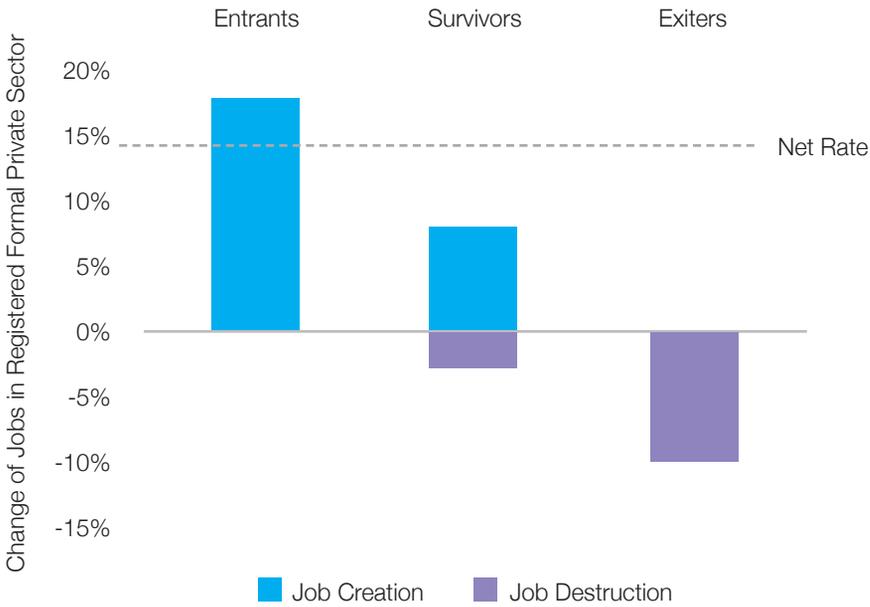
Many of the factors underlying low agricultural labor productivity are diminishing in the new dynamic Myanmar. Migration channels are more open, both internally and internationally, which has provided unemployed rural workers with more options. This has also resulted in increased remittance income and openness to new ideas about investing in cultivation and upgrading practices. Farmers have the freedom to diversify their cropping as the government has relaxed its food security national priority. The transition is slow due to the lack of the technology required to shift crops, the need to tap into new product markets, and the absence of a safety net should a farmer fail. Mechanization is slowly increasing, and, while this has not yet been shown to increase output, it has freed up the time of agricultural laborers, making them available for more off-farm employment.

An area of great potential in rural areas is the expansion of agro-value chains. Rural households already spend a significant portion of their time on non-farm services and manufacturing. The seasonality of cultivation allows for such activities during the agricultural off-season. Currently, there exists the potential for agro-value chains, comprised of interdependent enterprises and households, to create jobs, but this potential is unexploited because of the lack of adequate markets, infrastructure, and supporting policies to help these chains grow.

The Private Formal and Informal Sectors as Sources of New Good Jobs

Net job creation in the private sector has accelerated recently as part of the ongoing economic transformation. The rate of job growth in the private sector averaged 13 percent per year between 2014 and 2016, due in part to a low initial base. Overall however, the total number of jobs that have been created is low relative to the size of the job market—only 1.7 million jobs for a potential labor force of 35.4 million. Most job creation has been driven by new firms entering the market (entrants) rather than the expansion of existing firms, and these new jobs have off-set annual job losses from downsizing by existing firms (survivors), which experience a job loss rate of 4 percent a year, and from firms exiting the market, which experience a job loss rate of 10 percent a year (Figure 14).

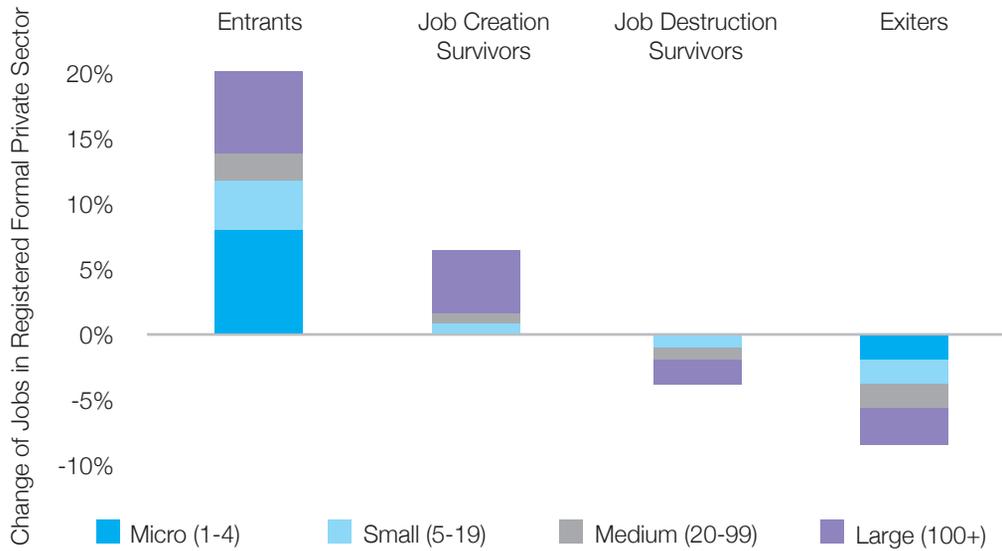
Figure 14 Job Turnover, by Firm Entry/Exit Status



Source: World Bank (2017) based on the World Bank Enterprise Survey 2014 and 2016
 Note: Average annual growth rate of employment in the private formal sector between 2014 and 2016. "entrants" are firms created over the period, "survivors" are firms that existed in 2014 and 2016, and "exiters" are firm that closed between 2014 and 2016.

The main contributors to job creation are micro firms (those with up to four employees) and large establishments (those with at least 100 employees). Micro-sized establishments contributed nearly 40 percent of job created by new firms entering the market, and large firms contributed 34 percent. In other words, almost three-quarters of all jobs created by new firms were contributed by either the very smallest or the very largest firms (Figure 15). Meanwhile, among surviving firms that were in business for two or more years, only large firms contribute to job growth whereas small- and medium-sized firms expand little and thus create few new jobs.

Figure 15 Job Turnover, by firm size



Source: World Bank (2017)

Note: Average annual growth rate of employment in the private formal sector between 2014 and 2016. "entrants" are firms created over the period, "survivors" are firms that existed in 2014 and 2016, and "exiters" are firm that closed between 2014 and 2016.

Unlocking the numerous constraints facing domestic-oriented firms, 97 percent of which are SMEs, would boost job creation. As ranked by firms in the 2016 Myanmar Enterprise Survey, the primary constraint to domestic-oriented SME success in Myanmar are, after a lack of credit, limited access to land and to reliable power. Access to land is a constraint for SMEs in many countries, but the proportion of domestic-oriented SMEs claiming that land is a major or severe constraint is higher in Myanmar than is the regional average. To manage the risk of power outages, 52 percent of SMEs invested in their own or a shared power generator in 2016—a significantly higher proportion than the 33 percent of domestic-oriented SMEs in East Asia as a whole. A poorly educated labor force, rounds out the top constraints faced by SMEs.

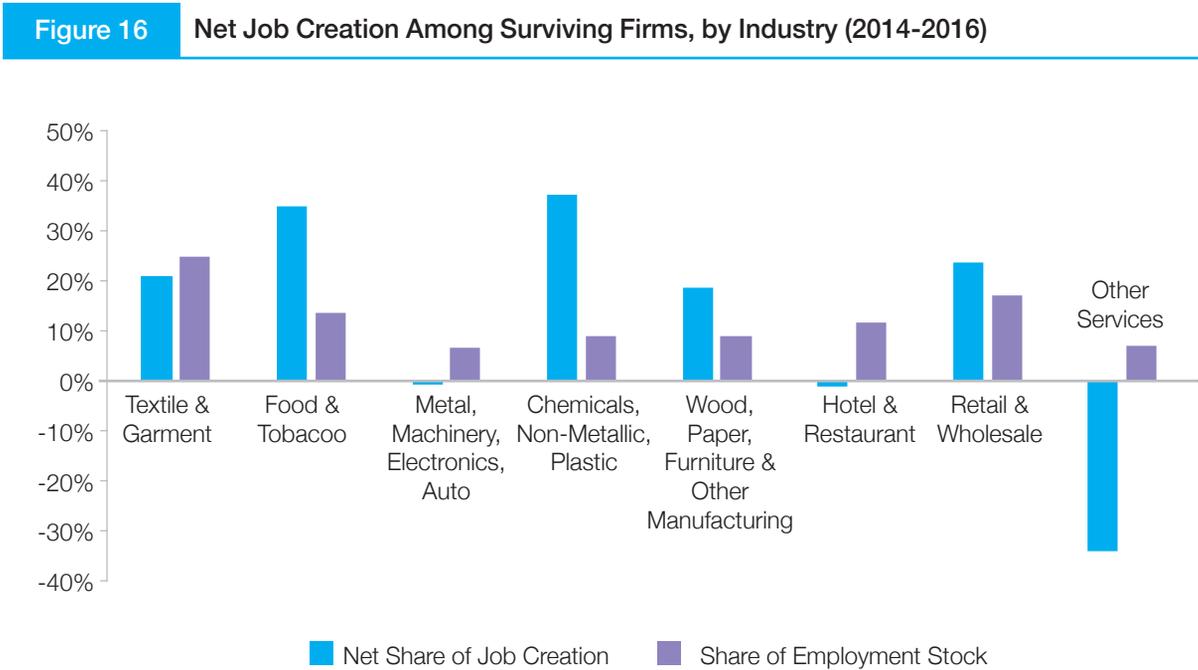
The sizeable and growing Myanmar domestic market offers opportunities to firms to expand their business and create jobs, mainly in the informal sector. Urbanization, growing per capita incomes, and a large and relatively young population are creating new opportunities for the domestic economy, including for both large formal firms and smaller and household informal enterprises. Increased urbanization and higher incomes are shifting demand toward market- rather than self-produced goods and services. As technological and market improvements in agriculture reduce demand for labor in rural areas, workers are beginning to flow into urban areas. This transition will take time—as has been seen in Vietnam, for example, where, even after 25 years of structural transformation, agriculture still employs 46 percent of the labor force. So, while the number of formal jobs is increasing to meet new market demands, the formal sector is unable to absorb all those who migrate from rural to urban areas looking for jobs. As a consequence, many migrants will continue to work in the informal economy in urban areas. In fact, 25 percent of migrants own a household enterprise in Myanmar compared to 17 percent of non-migrants. In many cases, the urban informal sector offers better quality jobs than the rural sector, since earnings can be higher, seasonality is less of an issue, and weather shocks are no longer a threat. Also, urban areas tend to offer better public services that support workers in starting a business. Rapid urbanization accompanied by the growth of household enterprises has been observed worldwide, and is likely to be a feature of Myanmar’s jobs picture for many years.

There are ample opportunities to bring informal enterprises into the formal sector. Half of the unregistered micro-enterprise owners that were interviewed for the 2016 World Bank Enterprise Survey identified high registration costs and cumbersome procedures as their reasons for not registering their businesses. Coupled with the limited benefits that formalization offers to unregistered micro enterprises mentioned by 61 percent of the responders, the low levels of formalization in Myanmar are not surprising. Efforts to make the formal sector more attractive will be required to bring unregistered micro enterprises into the formal sector.

Encouraging the most productive informal firms to register and integrate into the modern business community would increase the number and improve the quality of Myanmar’s jobs. Despite recent progress, the majority of micro-enterprises still have very low productivity and contribute little to the overall growth and dynamism of the economy. However, a small number of micro enterprises—the gazelles—are highly productive and dynamic. Arguably, at least some of the gazelles may grow into the type of large, formal sector firms that have been the engines of growth in many developing countries. Identifying the gazelles and helping them grow into large, high-productivity firms must be a high priority for policymakers in Myanmar.

Jobs and the Global Economy

Job creation in Myanmar has been particularly strong in sectors linked to the global economy, and in those that serve the growing domestic consumer base. The textile and garments sector employs the largest share of workers in Myanmar’s non-farm, non-household enterprise private sector (Figure 16), reflecting Myanmar’s reintegration into the global economy. However, the food and beverages and chemicals sectors contribute the most to net job creation. Most foreign firms are net job creators, despite the fact that they are still underrepresented in Myanmar. Indeed, 66.1 percent of foreign-owned firms are



Source: WBG team estimate from 2016 Enterprise Survey. Data consists of firms with at least 5 employees in non-farm business.

exporters, and about one-third of net job creation in the formal private sector was due to the expansion in the labor forces of these exporters. This suggests that facilitating the growth of export-oriented firms, particularly through participation in global value chains (GVCs), should be an important policy for job creation in Myanmar. Exporting firms also provide better quality jobs than large non-exporters in terms of occupational safety, worker health care, and wages (Box 3).

Despite growing opportunities, the number of firms that are exporters is still below potential. Only 5 percent of all firms in Myanmar export (4.1 percent of domestic firms versus 66.1 percent of FDI firms)—a low share compared to in other peer countries. Part of the reason may be that few of Myanmar's firms participate in GVCs, which limits how many jobs they can create. As of 2016, only 12 percent of Myanmar manufacturers were exporters compared to an average of 26 percent of manufacturers across the East Asia and the Pacific (EAP) region. Even Myanmar's garments sector—a significant sector in Myanmar—is only a very minor player in garment GVCs. The foreign firms interviewed by the 2016 Enterprise Survey cited limited access to electricity, labor legislation constraints, and a lack of access to land as the top three obstacles to operating in Myanmar.

Furthermore, Myanmar holds a comparative advantage as a young country in an aging region—an advantage which has the potential to provide good job opportunities for several decades. The young age of Myanmar's population relative to its main destination countries (Thailand, Singapore, and Malaysia) suggests that Myanmar's workers will benefit from future demand from these countries, as well as from other economic giants with aging populations (China and Vietnam). Myanmar's adult population is expected to grow by 20 percent by the year 2055, when it will top out at 42 million people. If these adults can boost their skill levels, they may be contenders for the semi-skilled jobs that will open as the aging national populations of these other countries retire.

Box 3: Do Exporting or Non-exporting Firms Protect Workers Better?

The option to export gives firms a larger market and, potentially, enables them to provide higher earnings. However, to compete externally, exporting firms need to keep their costs low. Do workers pay the ultimate price for low-priced export? In other words, do they work in worse conditions than workers in non-exporting firms?

Recent analysis of data collected in Myanmar has found that exporting garment firms actually have the same or better labor conditions than garment firms that do not export. For example:

- Exporting improves working conditions by 130 percent, bringing the work standards of Myanmar firms up to levels in foreign-owned (Korea, Japan, and Hong Kong) firms.
- Exporting firms and non-exporting firms have the same worker turnover rates (the difference is not statistically significant).
- Exporting firms pay up to 20 percent higher wages, though the correlation is weak. However, the number of hours worked is the same between exporting and non-exporting firms.
- Exporting firms have more fire safety measures in their factories, and are 27 percent more likely to provide on-site health support to their workers.

Source: Tanaka (2016)

Human Resource Management – Building and Deploying a More Skilled Labor Force

Boosting the skills of Myanmar’s sizeable working age population of nearly 35 million people would unlock their potential to increase productivity across the jobs spectrum. More than 80 percent of employers expressed in the 2016 Myanmar Enterprise Survey that the education system does not teach the knowledge or skills needed for today’s jobs. Firms also cited the “inadequate education of the workforce” as the main obstacle to their successful operation, second only to financial constraints (14 percent compared to 15.8 percent). Myanmar’s workers are under-performing across a broad set of skills, with more than half of employers in the Enterprise Survey noting skills gaps ranging from management skills to writing (Figure 17).

The skills picture may improve with the next generation of workers, but there is little training available for the current labor force. Recent trends show that educational attainment is increasing, with two-thirds of the youngest workers (aged 15 to 24) having attended secondary school or above. The National Education Strategic Plan 2016-2021 (NESP) emphasizes the need to teach cognitive skills (reading literacy, math, and other subject matter) but also identifies the need to develop socio-behavioral skills (such as teamwork and self-discipline) and higher-order cognitive skills (such as problem-solving and leadership), which are exactly the skills that employers identify as crucial to worker performance. In the short run, though, technical and vocational education remains sporadic and weak, and firms are largely responsible for training their own workers, even though only 5 percent offer formal training programs. There exists a nascent effort by the Government of Myanmar and its development partners (primarily the Asian Development Bank) to enhance the skills of current workers by developing a system of short and applied technical training courses for common occupations, but the first pilots were not launched until 2017.

Improving jobs matches can increase labor productivity—and often wages—while building the skill level of the labor force. Employers have trouble finding workers in Myanmar, even for low-skilled jobs, yet workers tend to be unhappy in their jobs. The mismatch for international migrants is likely to be even worse, particularly given the prevalence of informal migration through personal connections rather than through formal channels. However, technology is making it possible to provide easily accessible information on national and international jobs to prospective applicants, even for low-skilled jobs. Not many people use these services yet, but they have greater potential than traditional services (namely job centers) to improve job matching, particularly as internet connectivity becomes more widespread in Myanmar.

Figure 17 Skills Myanmar Employers Require in Workplace



Source: Author's calculations based on the 2016 World Bank Enterprise Survey

IMPROVING JOBS IN MYANMAR WILL REQUIRE TARGETED POLICY INTERVENTIONS

Given the nature of Myanmar's jobs today, the opportunities presented by economic dynamism, and the constraints imposed by some economic policies, what initiatives could lead to better jobs in Myanmar? Myanmar's people are fully employed by international standards, but the quality of jobs remains low. Ensuring that better jobs are available to Myanmar's workers, whether through the creation of new well-paid, high productivity jobs with good conditions or through the upgrading of existing jobs, will require more than just economic growth and a conducive investment climate.

There are three broad ways in which jobs can be improved: by creating more good jobs, by improving existing jobs, and by making jobs more inclusive. This report recommends 10 policy actions aimed at achieving all three of these outcomes. Policies 1 to 5 aim to create more good jobs, policies 6 to 8 aim to improve existing jobs, and policies 9 and 10 aim to increase inclusiveness. Each policy area highlights policies that are already part of Myanmar's overall growth and development strategy, as well as additional actions to boost the jobs outcomes. Table 2 summarizes these key policy actions with an estimated timeframe for when the results can be expected to occur. Table 2 also includes some "complementary policies" that must accompany each proposed policy to produce the intended jobs outcome.

Policies for More Good Jobs

1. Improve fiscal and monetary policies to create a more conducive macro environment for job creation

Managing pressures on the real effective exchange rate (REER) would promote job creation in tradable sectors. To do so, the CBM should continue to allow the nominal rate to adjust to external developments. Also, the CBM should limit its financing of the fiscal deficit to manage inflationary pressures while the government continues its ongoing efforts to reduce reliance on monetization by expanding the domestic debt market. This can be supported in the near term by accepting higher interest rates at Treasury Bill auctions. Over time, using a wider range of domestic borrowing instruments would help to reduce the economy's exposure to currency risks, and would strengthen the institutional infrastructure for local financial markets, as is already starting to happen in Myanmar. In parallel, the Government of Myanmar should make the most of its access to long-term external concessional financing, since domestic financing cannot substitute for this in terms of volume, interest cost, or maturity. This would help to create fiscal space in a sustainable and non-inflationary manner to promote longer-term economic growth and create job opportunities.

2. Create a conducive legal environment for firm creation, growth, and diversification

Unlocking supply-side business constraints would further facilitate productivity growth and job creation. New firms have contributed the highest share of employment growth, particularly in manufacturing, retail, and other services. These new firms, mainly domestic enterprises, have more than compensated for job losses from existing firms, reflecting an ongoing reallocation of resource across the economy. Yet, despite its low labor costs, productivity in Myanmar is lower than that of comparable countries (such as Vietnam), reflecting the fact that the country's competitiveness is severely hampered by other operational and business environment costs.

Updating the legal framework governing the creation and expansion of companies would remove significant constraints. In order to make Myanmar firms more competitive, it will be necessary to reduce the key constraints that make it difficult for firms to operate, acquire inputs (materials, labor, and services) and access markets. The government should fully enable the implementation of the 2016 Investment Law as well as reform its investment policies. Adopting the new Companies Act, which has been drafted to replace the 1914 Myanmar Companies Act, would eliminate century-old rules such as having to obtain approval from the President to change the company name; having to obtain court approval to change the nature of a firm's business or to reorganize share capital; and requiring foreign companies to hold a "Permit to Trade." The Act would also make it easier for firms to raise capital, would simplify requirements for small and family owned-businesses, and would allow foreign investors to hold shares in Myanmar companies. A system monitoring the registration and establishment process should also be created. Furthermore, a transparent appeals process is needed to which businesses can appeal to hold concerned officials accountable.

Enabling firms to efficiently exit the market can help entrepreneurs to reinvent their businesses, giving them a "second chance." The Rangoon Insolvency Act and the Burma Insolvency Act both facilitate bankruptcy in Myanmar, but they are rarely used, mainly because the process takes a very long time. Firms wishing to voluntarily terminate their business also face a long process because, under the current Companies Act, the Myanmar Investment Commission needs to grant them the right to terminate, thus delaying the liquidation of their assets. Updating and streamlining the procedures governing bankruptcy and voluntary termination of businesses would significantly facilitate the reallocation of these resources towards job-creating firms.

Increasing access to reliable power, finance, and land can create a foundation for job creation and productivity growth for firms competing both domestically and abroad. The government should explore opportunities to attract more private investment in generating and distributing electricity in key areas where the private sector is heavily concentrated. The corporatization of the Yangon Energy Supply Company, for example, could be a catalyst for attracting strategic private investors to increase the capacity of generators and the distribution of power in the Yangon area, which has the highest concentration of private companies in Myanmar. A key constraint is lack of access to land. The results of the 2017 Doing Business Survey suggest that the high costs of registering a new property costs the private sector 5.1 percent of the property value, mostly due to the 3 percent stamp duty and 2 percent tax on the property value. More could be done to streamline procedures for buying land and to reduce the costs of transferring land or property. The government could also allow moveable assets (such as machinery or vehicles) to be used as collateral for obtaining credit. However, to mitigate any credit risks of this, the government could also gradually relax the cap on interest rates without compromising financial stability. Public-private partnerships have the potential to remove some cross-cutting business constraints by designing interventions to address the range of factors that are summarized in, for example, the Logistics Performance Index (on which Myanmar ranks low on all dimensions) and the Ease of Doing Business indicators (particularly those factors related to protecting investors). Finally, further opening up markets to competition would have a positive impact on productivity, as firms would have greater access to inputs and would make the necessary adjustments to compete and innovate.

Diversifying into higher value-added industries would improve job quality. Promoting enterprise innovation and technological adoption—especially if this were accompanied by a more highly skilled labor force—would encourage the development of more sophisticated or higher value-added products. For example, Myanmar could leverage its assets in the tourism sector by increasing the capacity and improving the quality of tour organizers and local hotel managers and workers. Myanmar could also improve the quality and creative capabilities of handicrafts enterprises, most of which are SMEs.

With its emerging consumer class and a sizeable domestic market, Myanmar has the potential to increase and improve jobs in services. Franchising is a way for entrepreneurs to create jobs by replicating successful services in different locations. While franchised businesses have emerged in Yangon, they are mostly international service brands. The government could encourage growth in local franchising industries, such as in culinary and hospitality services, particularly in urban areas. Implementing a business-friendly food safety regime would strengthen the growth of local culinary and food processing industries, and make them more desirable to consumers. Meanwhile, e-commerce is another way to connect producers and service providers with consumers, but the government would need to address issues such as consumer rights, electronic payments, data security, and the provision of competitive logistics services to enable e-commerce to take off in Myanmar.

3. Invest in jobs-friendly global value chains

Attracting FDI to diverse jobs-intensive sectors is key to creating quality jobs. FDI inflows represented 3.5 percent of GDP on average between 2011 and 2015, and was a growing source of good jobs. However, this was still low compared with the 6.3 percent of GDP that FDI contributed to Cambodia between 2003 and 2008, when Cambodia was opening up its economy. In terms of jobs, the challenge is to attract FDI into sectors with high job potential, such as garments and food processing. This can also help to create geographically concentrated groups of similar firm (clusters) that can tackle industry-specific constraints by, for example, developing a workforce with a specific set of skills. This will require trade policies that cut across all sectors, such as simplifying investment policies and promoting a level playing field for investors as outlined by the 2016 Investment Law. In particular, the government should develop transparent and streamlined procedures for investment approvals, design mechanisms to respond to and track investors' grievances, ensure proper policy coordination to avoid unfriendly investment policies, and establish mechanisms to ensure adequate public-private dialogue.

Helping SMEs to become engaged in GVCs can have an important positive impact on job creation. Linking domestic input-providing firms to exporters can expand the number of domestic SMEs—and thus the number of new jobs they create—and also may lead to productivity increases if domestic firms engage in business with international partners. Today, only 1.5 percent of Myanmar manufacturers are suppliers to exporters, compared with an average of 20 percent of manufacturers across the EAP region. Myanmar could benefit from its proximity to China and other Asian countries, and take advantage of the opportunity to integrate into Asian value chains as international firms begin to shift production to other regions. Promoting the entry of Myanmar's SMEs into GVCs will require attracting appropriate foreign investors in relevant sectors, and increasing communications, transport, logistics and other connectivity to international markets. It will also require high-quality infrastructure and services. Policymakers must also focus on strengthening the capacity of SMEs to be able to maximize the benefits of FDI and of potential markets or learning that emerge from the presence of GVCs. Dedicated large-scale training institutions will also be needed to enable business owners and workers to upgrade their entrepreneurial and management skills.

To increase firms' participation to GVCs and to attract FDI, the government can take specific actions to facilitate trade processes. It should improve customs and cargo clearance procedures by allowing documents to be submitted electronically, introducing risk management practices for inspections, and improving transportation connectivity between ports and key industrial locations such as Yangon. It could also promote exports by ensuring the wider and more efficient use of the duty draw-back mechanism, which is now limited only to cut-and-made garment exporters.

4. Develop agro-value chains to build up the rural micro and small enterprise sector

Helping the agriculture sector to connect to GVCs in foodstuffs could substantially increase job

creation in rural areas. There is a large untapped labor force that can be brought into agribusiness value chains (for example, through jobs in milling, packaging, processing, and logistics) that are directly or indirectly involved in GVCs. In order to achieve this, the sector would have to meet international food quality standards and have the required testing, certification, and labeling facilities. Also, the government would have to upgrade its institutions, its laws governing standards, and its quality control infrastructure to bring them up to international standards. The government would further have to make the necessary investments to enable farmers to access markets, as well as to increase the efficiency and productivity of the agricultural sector. These investments would include improving farming processes and techniques, enabling farmers' access to quality inputs, and assisting them to adopt new technologies.

Establishing a food safety regime with low compliance costs for the private sector can expand jobs in agribusiness. About 20 percent of businesses in Myanmar are in food products, accounting for 17 percent of total employment in non-farm enterprises. Fifty-seven percent of those businesses are enterprises with fewer than 20 employees. Therefore, reducing the time that it takes for new agribusiness products to be certified by the Myanmar Food and Drug Administration (FDA) would have a positive impact on the capacity of agribusiness to expand. This could be achieved by improving coordination between key stakeholders, namely the FDA and related departments such as the Plant Protection Department in the Ministry of Agriculture and the Consumer Protection Department in the Ministry of Commerce.

5. Lower the cost of migration, including to jobs outside of Myanmar

While job growth might be slow in Myanmar, there are many quality job opportunities for Myanmar's workers in the ASEAN region. The Myanmar labor force is already highly mobile, but current emigration is ad hoc and unfocused. The government could develop a migration strategy that builds mobility partnerships with other countries and firms, as has been done by other ASEAN countries. These mobility partnerships would provide workers in Myanmar with critical occupation lists, detailing for which occupations there is excess demand in partnership countries. Before embarking on such partnerships, the government would have to embed international skills standards into the curriculum of Myanmar's training providers so that potential migrants would have the correct training and certification for the country and jobs to which they are migrating.

The government could reduce the costs of migration by providing relevant information to job seekers. Specifically, policymakers should use websites and physical information centers to provide information about jobs in remote locations and about migration processes. The government should also consider providing modest financial support to poor households whose members who wish to migrate in search of work, particularly if they engage in seasonal migration. The government could further consider providing incentives to Myanmar citizens who have been working abroad to come home, such as services to help them with repatriation. Services could also be provided to help households to invest remittances sent from members working abroad. All of these models have been successfully implemented elsewhere in ASEAN.

Policies for Better Jobs

6. Increase the productivity of household enterprises and micro-enterprises

Increasing market access would enable household enterprises and other micro-sized firms to create more job opportunities. Micro enterprises cite lack of access to product and input markets as one of the main obstacles to doing business in Myanmar. To improve market access, policymakers can serve as communicators and educators to help micro enterprises that are often uninformed about the latest developments in broader markets, such as market demands, trade procedures, product and service standards, or certifications and requirements for them to participate in formal (organized) sector markets. Government can provide marketing support through micro enterprise service centers, trade fairs, websites, and short courses on accessing markets and forging long-term buyer-supplier links (particularly key in fast-growing industries such as tourism and hospitality). The government should also set up a cost-effective and easily accessible mechanism for resolving business and contractual disputes in the micro enterprise sector. Finally, it could encourage the owners of micro enterprises in local areas to come together in associations to share their experiences.

Greater access to credit at manageable terms, and supplemented with advisory services, would help micro enterprises grow and create jobs. Micro-sized establishments account for the bulk of job creation and destruction in Myanmar, and getting access to credit to expand their operations would remove what they describe as their main constraint to doing business. This could be done by progressively lifting interest rate caps—though this should be done in stages while building a strong financial infrastructure and risk management system to guard against risky bank behavior and systemic risks. This could be achieved as the new Financial Institutions Law (2016) is implemented by adopting prudential regulations on the acquisition of substantial interest, loan classification, and provisioning. In addition, the development of a creditor reporting system could also improve lending decisions and reduce risks, expanding access to finance for micro enterprises.

Improving skills in the micro enterprise sector is likely to significantly increase their productivity. International experience provides useful insights on how to increase skill levels in the micro enterprise sector. First, supplementing technical training programs with training in entrepreneurship, business, and management skills (such as marketing, pricing and costing, inventory management, customer service, and managerial skills) can substantially improve the performance of these firms. Also, financial literacy skills are particularly important for household enterprises, which often blend business and personal costs and revenues. In addition to standard financial literacy instruction, they are likely to need training in keeping track of expenses and revenues, appreciating the advantages and disadvantages of loan contracts, and evaluating interest rates and inflation effects. Given the fragile context of Myanmar, this training would have to be closely integrated with local development, reflect local labor market needs, and be inclusive. Community-based organizations can be asked to identify training needs of member master-crafts persons and apprentices.

7. Enhance the skills of the labor force

Myanmar's human capital development strategy needs to be more tailored to labor market demand. While education and training systems have a range of objectives, preparing individuals for meaningful and gainful employment is among the most important. The National Education Law (2014), its Amendment (2015), and the accompanying National Education Strategic Policy 2016-2021 (NESP) comprehensively detail the objectives of the education system, its component parts, system issues, reform areas, and a strategic plan to undertake those reforms. However, the stated goal of the NESP stops at the school doors in that its aim is to achieve “measurable improvements in student achievement in all schools and educational

institutions.” This is reasonable given the Ministry of Education’s remit, but it can lead to a severe mismatch between what the education and training system teaches and what employers need. The fifth pillar of the government’s Private Sector Development Framework and Action Plan (PSDFAP) emphasizes the need to shift education and training systems away from degrees and diplomas, and toward workplace skills to be more responsive to the skills needs of enterprises, and to rationalize the fractured TVET system. This vision needs to be woven throughout all of the government’s education and training policies to ensure that Myanmar’s people are well-prepared for the labor market.

Myanmar’s labor force needs to master the skills taught in general education as well as job-specific skills. To complement the NESP, the government should develop an Employer-Driven Skills Strategy, which would go beyond existing strategies in three primary ways: (i) by identifying the skills profile that enterprises need; (ii) by identifying the most appropriate ways to teach those skills and the actors and tools needed to deliver them; and (iii) by participating in international assessment tests to benchmark its students (such as PISA and TIMSS) and workers (such as PIAAC). Myanmar’s schools can modify their teaching practices to supplement their teaching of foundation skills with training in the socio-emotional and higher-order cognitive skills that enterprises need. Myanmar also needs to increase the number of available short TVET courses to enable workers to upgrade or acquire the skills that are in greatest demand (both nationally and internationally). This can best be provided by the private training sector with the public sector providing financing, regulation, and vouchers for vulnerable students and/or priority industries. At the upper end of the skills range, Myanmar needs to grow its management cadre. The fastest and most efficient way to do this is through in-firm coaching by management specialists.

8. Place the right workers in the right jobs

Even within Myanmar’s current job and human capital limitations, job matching can be improved. The lack of available information about job opportunities inside and outside Myanmar results in inefficient jobs matches. Policymakers should consider two policies to improve this situation. First, they should encourage the creation of websites and apps to collect and share information on job vacancies. Private companies already have virtual job boards that can be accessed by skilled jobseekers (for example, JobStreet.com.mm or work.com.mm), but these sites rarely post vacancies for less skilled workers. The government should provide the private tech sector with incentives to create such sites or apps for low-skilled workers that make available information on a broad range of jobs, thus facilitating labor movements across Myanmar and beyond its borders. The public sector would then be responsible for financing, regulating, and providing the telecommunications channels through which these websites and apps would be accessible.

Second, policymakers should provide labor market information to students, parents, teachers, job-seekers, training institutes, and the public sector to enable workers to be better prepared for employment. Labor market information systems collect data on wages, occupations, and other labor trends, and share this information in easy-to-access formats that are tailored to the needs of end users. The end users may be students who are selecting an education path, job-seekers who are considering which occupation to choose or region to move to, training institutes that are aligning their course curriculum with growing sectors of employment, or public education systems that are incorporating a jobs focus. Myanmar does not yet have a labor market information system, but with support from the ILO, it recently began to collect labor force data as a basis for producing short-reports on labor trends for workers, employers, and skill-development institutions. This kind of information has been used effectively in programs across the world to aid students and jobseekers.

Policies for Inclusive Jobs

9. Enhance agricultural productivity

More than half of the labor force is engaged in own- or wage-agricultural labor, and the agricultural sector is likely to remain a significant source of jobs and income for the extreme poor for many years. This has also been the case in countries that began their transformation process long ago. While the Government of Myanmar has an agricultural productivity enhancement plan in place, additional steps could be taken to increase earnings and improve work conditions in agricultural jobs. The first policy should be to encourage farmers to move out of the production of low-value rice and into the production of more lucrative crops by relaxing the requirements on rice production and by providing seeds, fertilizers, and technical support for farmers to move into new, higher value-added crop production. This will need to be accompanied by support for modified irrigation systems and increased access to markets. The second policy should be to help farmers to access financing through lending to farmer cooperatives, the provision of guarantees with public monies for those farmers who have insufficient collateral, or the development of financing mechanisms for the long-term repayment of technology purchases—which would unleash farmer’s potential to mechanize their processes while also supporting the development of local agro-value chains. Mechanization alone does not increase agricultural output, but it does free up workers who will then be able to move into higher value-added off-farm activities. Third, the government should adopt policies to increase the skill level of the rural population through the provision of extension services; financing and learning materials to farmer cooperatives; and financial support to firms in the services and manufacturing sectors that support agro-business with the on-the-job training of their rural workforce. Fourth, the government should support the creation of investment and advisory services that will help develop local agro-related non-farm activities into functioning agro-value chains. Fifth, coordination mechanisms could also be established to combine the efforts of the State Governments and NGOs to provide agricultural extension and credit to farmers. Furthermore, cooperation with agriculture research and education institutions across the region should also be considered.

10. Rebuild job opportunities in conflict zones

In the short term, policymakers should focus on rebuilding household and community assets in conflict-affected areas. Solid evidence from several conflict-affected countries has shown that quick injections of capital—cash, capital, goods or livestock—can be effective in creating sustainable self-employment and long-term earning potential. These “capital-centric” interventions in conflict-affected zones have helped households and business owners to invest in assets, and have helped hired agricultural workers to move into farm self-employment or to start small trading enterprises, yielding significant income increases. These positive effects have been larger when the grants were accompanied by business and vocational training programs. Once a small business sector is created and markets develop, these programs can often evolve into more standard micro-finance and banking services. Temporary employment or training programs—which provide individuals with cash in exchange for carrying out community works or for participating in skills training—have also successfully increased income flow and fostered reintegration in conflict-affected settings. These programs increasingly incorporate socio-emotional skills training, financial literacy, and other non-work-related issues into the community work or training experience, which has been found to decrease aggression among participants (compared with non-participants), and to enhance social cohesion. The programs are designed as short-term efforts to encourage communities to bond.

In the medium term, self-sufficient enterprises and markets need to be rebuilt. Since many conflict-affected zones are rural, there exists a need for authorities to enforce land ownership or user rights, and to support farmers in shifting to growing high-value, low-weight, non-perishable crops that can be transported to markets despite of the absence of infrastructure. This will require technical assistance, inputs (seed,

irrigation, and fertilizer), and support to access markets. At the same time, the government needs to make long-term investments in road infrastructure and telecommunications to link these zones to markets while also developing labor-intensive, land-scarce activities that do not require large plots of land—such as tourism and agro-processing. Eventually, integrating conflict-affected zones into trade corridors will increase the productivity of jobs created in these areas.

The design and implementation of these programs will require strong community engagement.

Many factors could limit the effectiveness of these programs including mistrust between groups, the threat of resurgent violence, the insecurity of assets, and a weak social fabric that prevents economic interactions. Therefore, it is vital to involve the local community in designing and implementing all rebuilding programs to ensure their ownership of the program and its outcomes.

In sum, Myanmar has a lot to be hopeful about in the jobs agenda. It has all the ingredients needed to create better jobs that are available to a larger share of the population: rapid economic growth, the emerging industries, attractiveness to foreign investors, an emerging consumer class both in Myanmar and in the region, more stable economic policies, and a large and mobile labor force. As this overview and its accompanying policy notes argue, having a focused jobs-centered policy will enable more and better jobs to be created from these conditions than if job creation is left entirely to market forces, or if policymakers focus only on GDP growth.

Table 2

Policy Directions for More, Better, and Inclusive Jobs

#	Policy Area	Key Challenges and Policy Goals	Policy Action	Impact on Jobs Short: Immediate Medium: 1-3yrs Long: 4+ yrs	Complementary Policies for Creating Jobs
More Jobs					
1	Improve fiscal and monetary policies to create a more conducive macro environment for job creation	<p>Challenge: There has been a slowdown in investments in job creation</p> <p>Goal: Improve the clarity, communication, and credibility of economic policies</p> <p>Challenge: Inflationary pressures are hurting national competitiveness and tradable sectors</p> <p>Goal: Maintain price stability and exchange rate flexibility</p>	Limit CBM financing to manage inflation expectations	Short Term	2, 3, 4, 5, 6, 7, 8, 9, 10
			Maintain exchange rate flexibility to promote export-oriented sectors	Medium Term	
			Gradually relax interest caps and increase financial sector stability to encourage the expansion of microenterprises	Short Term	
2	Create a conducive legal environment for firm creation, growth, and diversification	<p>Challenge: It is costly for firms to enter and leave the market, register, formalize, grow, and access inputs</p> <p>Goal: Reduce costs of doing business through legislation, public goods, and active incentives in certain sectors</p>	Fully implement the 2016 Investment Law, issue the Companies Act, and simplify the company registration process	Short Term	1, 3, 7
			Address electricity shortages through PPPs or by corporatizing regional power companies	Long Term	
			Allow enterprises to use registered moveable assets as lending collateral, establish a credit bureau, and gradually relax caps on bank lending rates	Short Term	
			Identify and remove remaining barriers to the growth of labor-intensive sectors (e.g. garments and tourism)	Long Term	
			Help to increase suppliers' capabilities in such areas as food safety and standards compliance	Long Term	
			Further develop franchising and e-commerce	Long Term	
3	Invest in jobs-friendly global value chains (GVCs)	<p>Challenge: SME's have only limited participation in GVCs</p> <p>Goal: Lower trade costs, facilitate FDIs, foster domestic links with buyers (exporters and FDI firms), and raise the absorptive capacity of domestic enterprises to benefit from spillovers</p>	Address issues in customs valuation, allow private bonded warehousing, and introduce a National Single Window for cargo clearance	Medium Term	1, 2, 4, 7, 8, 9
			Introduce widespread training in management skills and other technical skills required by the exporting sector	Short Term	
			Identify and formulate links between domestic enterprises	Long Term	
			Set up a small claims court and fast-track grievance procedures	Short Term	

#	Policy Area	Key Challenges and Policy Goals	Policy Action	Impact on Jobs <i>Short: Immediate</i> <i>Medium: 1-3yrs</i> <i>Long: 4+ yrs</i>	Complementary Policies for Creating Jobs
4	Develop agro-value chains to build up the rural micro and small enterprise sector	<p>Challenge: The agriculture sector focuses on cultivation with few links to international agro-production</p> <p>Goal: Substitute higher-value crops for rice production, increase access to and availability of capital to farmers, increase links to markets, and construct storage facilities</p>	Establish a policy and implement a communication campaign to set and meet international food quality standards	Medium Term	1, 2, 3, 6, 7, 9
			Provide farmers with technical support to improve farming processes and techniques to meet international standards	Short Term	
			Establish testing, certification, and labeling facilities near cultivation zones complemented by improved road infrastructure and reliable electricity	Short Term	
			Help farmers to link to agro-value-chains by continuing to invest in and improve connectivity and rural infrastructure	Medium Term	
			Ensure the delivery of skills training and access to finance for micro and small entrepreneurs in agro-food system value chains	Short Term	
			Improve coordination among key stakeholders, including the FDA and related departments	Long Term	
5	Lower the costs of migration, including to jobs outside of Myanmar	<p>Challenge: Poor connectivity, lack of information and low skills mean that migration is ad hoc</p> <p>Goal: Provide information and resources to facilitate migration</p>	Disseminate information about jobs, recruitment practices, and migration procedures	Short Term	7, 8, 10
			Enter formal mobility partnerships with countries and firms with a focus on critical occupations	Medium Term	
			Incorporate international skills standards into the curricula of training providers	Medium Term	
			Invest in telecommunications, rural roads, and public transportation to enhance rural-urban connectivity	Medium Term	
			Provide financial support to facilitate migration by poor households	Short Term	

#	Policy Area	Key Challenges and Policy Goals	Policy Action	Impact on Jobs <i>Short: Immediate</i> <i>Medium: 1-3yrs</i> <i>Long: 4+ yrs</i>	Complementary Policies for Creating Jobs
Better Jobs					
6	Increase productivity of household enterprises	Challenge: Household enterprises are not integrated with the rest of the economy Goal: Foster better links with the large firms in the formal (organized) sector	Develop forward and backward links between micro firms and large firms	Medium Term	7, 8, 10
			Encourage the provision of training sessions and on-the-job training to upgrade the skills of household enterprises	Medium Term	
			Encourage the provision of training in entrepreneurial skills, including technical skills, business and management skills, and financial literacy	Short Term	
			Increase the access of household enterprises to financing and to training on how to plan and implement investment strategies	Medium Term	
			Disseminate information on markets and market opportunities.	Medium Term	
7	Enhance the skills of the labor force	Challenge: The education system is low quality and there is a disconnect between education/ training and labor market needs Goal: Improve educational relevance "move teaching away from degrees and diplomas and toward workplace skills	Improve the quality of education at the primary, secondary, and tertiary levels	Long Term	2, 3, 4, 5, 6, 9, 10
			Develop an employer-driven skills strategy to supplement the NESP	Medium Term	
			Provide vouchers to students and enterprises to purchase privately provided short TVET courses, and regulate the providers.	Short Term	
			Promote coaching services to build managerial skills among firm managers	Short Term	
			Incorporate socio-behavioral skills and higher-order cognitive skills training into pedagogical methods	Long Term	
8	Place the right workers in the right jobs	Challenge: Workers end up in the wrong jobs Goal: Create and disseminate labor market information and expand information on job vacancies	Publish a budget and annually field the Labor Force Survey	Long Term	2, 4, 5, 7, 10 + electrification and telecommunications networks
			Finance incentives for the private sector to create job vacancy websites for low-skilled jobs	Short Term	
			Contract with Labor Employment Offices, NGOs, and the private sector (e.g. internet cafes) to train job seekers in how to use online jobs boards and apps	Short Term	
			Task MOLIP or MDI with creating labor market information templates for students and parents, education/training institution administrators, employers, and policy-makers	Long Term	

#	Policy Area	Key Challenges and Policy Goals	Policy Action	Impact on Jobs <i>Short: Immediate</i> <i>Medium: 1-3yrs</i> <i>Long: 4+ yrs</i>	Complementary Policies for Creating Jobs
Inclusive Jobs					
9	Enhance agricultural productivity	<p>Challenge: The agriculture sector focuses heavily on rice production and suffers from a lack of agricultural mechanization (e.g. irrigation systems) and little adoption of high-yielding modern crop varieties</p> <p>Goal: Modernize and diversify activities in rural areas</p>	Promote agricultural diversification towards high-value crops, horticulture, livestock, poultry, and fisheries, the adoption of high-yielding modern varieties, and the efficient use of on-farm water management	Medium Term	1, 2, 3, 4, 6, 7, 8, 10
			Fund skills training in irrigation systems, including the maintenance and operation, construction, and rehabilitation of canals	Short Term	
			Allocate sufficient funds to the Myanmar Agriculture Development Bank to increase farmer access to financing to fund the mechanization of agriculture processes and the development of local agro-value chains	Short Term	
			Support the creation of investment and advisory services that will integrate local agro-related non-farm activities into functioning agro-value chains	Long Term	
			Establish mechanisms to coordinate the work of State Governments and non-government organizations (NGOs) to provide agricultural extension and credit to farmers, with additional incentives to support women and vulnerable groups	Short Term	
10	Rebuild job opportunities in conflict-affected zones	<p>Challenge: There are few remaining assets or economic activities in conflict zones</p> <p>Goal: Provide short-term financing to accumulate assets and develop micro-industries that can be linked to existing markets</p>	Provide social assistance to households in post-conflict zones to rebuild assets in the short run.	Short Term	3, 4, 5, 6, 7, 8, 9 + advance peace agenda
			Initiate community-driven development (CDD) programs to build skills and assets in conflict-affected communities	Short Term	
			Provide agricultural extension service to encourage the cultivation of crops for easy export.	Medium Term	
			Integrate post-conflict zones into regional trade networks	Long Term	

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