

EMPLOYMENT AND POVERTY IMPACT ASSESSMENT: MYANMAR

A. Overview

1. **Myanmar is a high-risk country for coronavirus disease (COVID-19)** due to its long and porous borders with the People's Republic of China (PRC) and Thailand, population movement across 27 points of entry, and the generally weak capacity of health system. Moreover, an influx of home coming migrant workers will increase the big COVID-19 outbreak risk in the country. The number of confirmed cases and deaths are modest. Most of the infected cases are imported cases and/or have a close contact with imported cases. With low testing capacity and health facilities, the government emphasized more on transmission control measures through movement restrictions and quarantine measures, and thus cause catastrophic losses for domestic business across a range of economic sectors and contractions in employment and income generating within the country.

2. **The disruptions in global supply and demand hit the export-oriented and labor-intensive manufacturing industries and travel and tourism sector** which constituted 22.8% and 6.8% of gross domestic product (GDP) in 2018. International tourist arrivals and outbound travel as well as domestic travel will sharply decline due to safety concerns as well as various travel restrictions, advisory policies, and measures. International tourist arrivals dropped by 68% year-on-year in the first quarter of 2020. The Ministry of Hotels and Tourism projected international arrivals would fall to 2 million visitors from the earlier estimate of more than 4 million in 2020. The growth trends for both export and import are declining. Export growth slowed to 0.13% in March 2020 from 1.7% in December 2019, especially in clothing and accessories. Likewise, import growth declined to 0.16% in March 2020 from 1.5% in December 2019, particularly in manufacturing and construction materials. The drop in demand for goods and services together with supply-side disruptions will hurt Myanmar's manufacturing sector. Any supply shortages from the PRC due to the pandemic will significantly impact factories which have strong supply links with the PRC. The impacts are already particularly visible in the garment sector. Moreover, production will contract when most of the export destinations are seriously affected by the pandemic. Almost 70% of Myanmar's garment industry export to the European Union (EU). No new orders from the EU and Japan forced many garment factories to temporarily shut down while others are reducing work hours and the number of employees. By 10 May 2020, 175 out of 600 garment factories had closed because of COVID-19.

3. **The vulnerability due to employment and income disruptions become severe with a significant drop in informal sector's economic activities.** Social distancing measures such as movement restrictions and community quarantine push people to stay at home. As a result, informal sector which composed of own-account workers or self-employed workers, including street vendors, retail shop owners, and home-based micro and small businesses, was significantly affected by the collapsed domestic demand. The magnitude of impact on informal sector depends on size of the sector, the effectiveness of government support, and duration of the pandemic outbreak. With a large informal sector and low assistance from the government, Myanmar's informal sector will be severely affected by the pandemic if duration of the outbreak is longer than 3 months.

4. **This is a preliminary assessment of the impact of COVID-19 pandemic on employment and poverty in Myanmar.** Analysis of employment impact is calculated based on duration of the pandemic and policy response of the government. The poverty head count ratio at national poverty line from Myanmar Living Condition Survey (2019) and per capita income data from Asian Development Outlook (2020) are used to estimate the poverty impact of the pandemic.

This assessment only provides the estimated results of employment and poverty impacts from economic fallout and income shocks; hence, it does not cover the wider non-income impacts of COVID-19 outbreak.

B. Employment impact

5. **The rapid economic growth brings alternative employment opportunities into the country in the previous years.** Notwithstanding its low productivity, agriculture sector constitutes almost 50% of total employment in Myanmar. The non-farm job opportunities in formal sector have been increased in recent years, mainly because of rapid growth in labor-intensive manufacturing and travel and tourism value chains. It is estimated that around 1.1 million workers are working in garment industries while more than 8 million are working in travel and tourism sector in 2019.

Table 1: Labor market in Myanmar
(‘000 in persons)

	2016	2017	2018	2019
Population	38,548	39,051	39,545	40,040
Labor force	24,611	24,283	24,470	24,691
Employed	24,330	23,907	24,105	24,301
Agriculture (% of total employed)	12,446 (51.2)	12,093 (50.6)	11,980 (49.7)	11,881 (48.9)
Industry (% of total employed)	3,976 (16.3)	3,811 (15.9)	3,865 (16.0)	3,924 (16.1)
Service (% of total employed)	7,908 (32.5)	8,003 (33.5)	8,260 (34.3)	8,497 (35.0)
Unemployed (% of labor force)	281 (1.1)	376 (1.5)	366 (1.5)	390 (1.6)

Source: International Labor Organization.

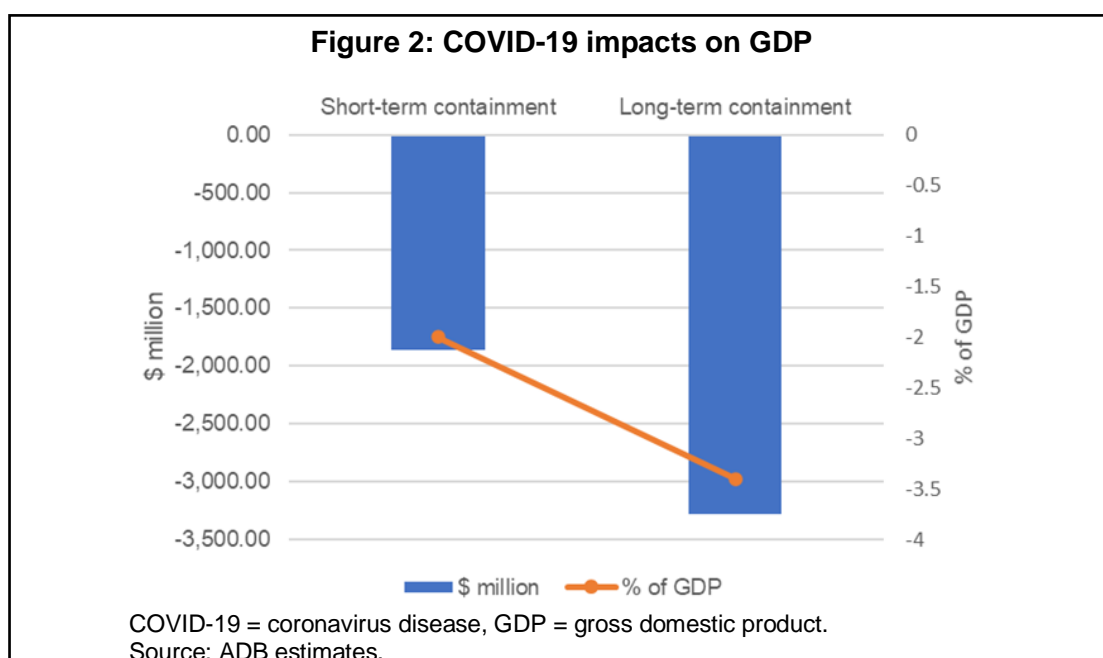
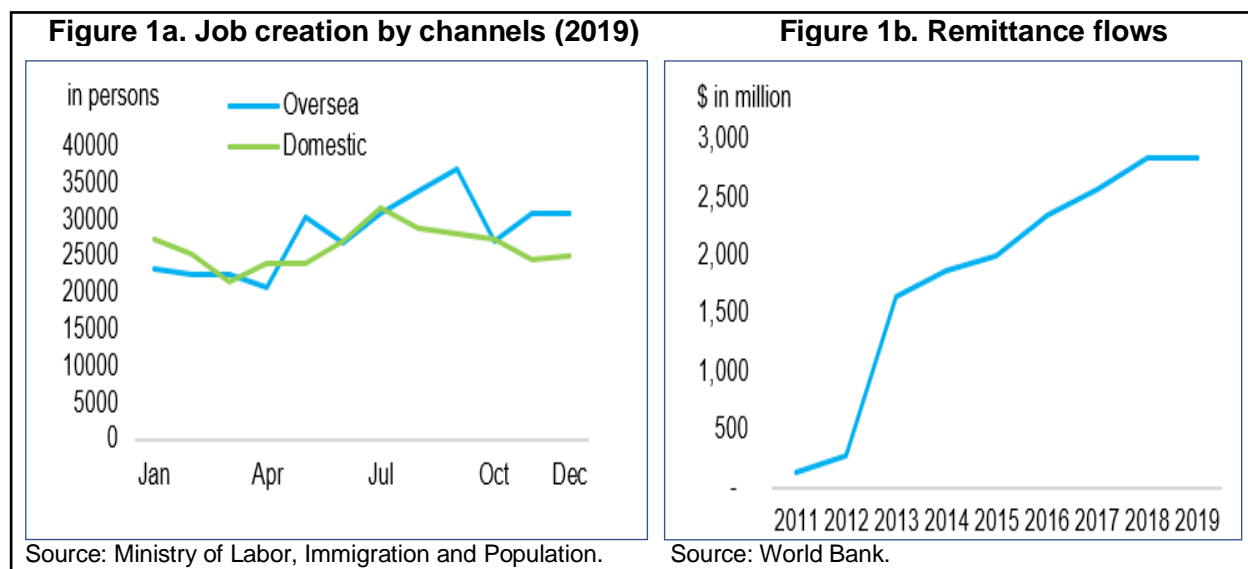
6. **However, wage differences and lower non-farm job opportunities lead to increase the internal and external migration and form a large informal sector.** The official overseas employment constituted more than 50% of total job creation in 2019 as the government supported overseas employment under the labor exchange programs with partner countries to solve the imbalance situations of domestic labor market.¹ Myanmar is recorded as a country with largest migration source in the Greater Mekong Subregion and it is estimated that 4.25 million Myanmar nationals are working outside of the country, especially in Thailand. More than 0.9 million are cross-border migrants, mainly from Mon State, Kayin State, and Shan State.² World Bank recently estimated that Myanmar received \$2.8 billion of remittances in 2019 (4.3% of GDP).³ Moreover, the informal sector accounted for 81% of employment in 2018 according to the International Labor Organization.

7. **A sharp decline in GDP will increase employment in the near terms.** It is estimated that Myanmar’s GDP will be lost by \$ 1.9 billion (2% of GDP)–\$3.3 billion (3.5% of GDP) because of the pandemic outbreak. The severity of impacts will depend on the duration and magnitude of the pandemic outbreak within and outside of the country as well as the effectiveness of macroeconomic policy response to reduce possible economic fallout.

¹ Ministry of Labor, Immigration and Population. Myanmar.

² IOM. UN Migration. [Myanmar](#).

³ World Bank. 2020. Migration and Development Brief 32. *COVID-19 Crisis through Migration Lens*.



8. **The pressure of unemployment is increasing as the pandemic halts the employment creation within and outside the country.** With the pandemic completely shutting down the channel of overseas employment creation while the domestic business across a range of economic sectors are facing catastrophic losses, employment contraction has begun on a large scale in the country. The total number of job losses is projected to increase to 1.2 million–2.1 million in 2020, reflecting the severe decline in all sectors of the economy. With disruption in trade flows due to the pandemic, mainly the contraction of agriculture exports at the border areas, will lead to falling production in future and will drop the employment in the agriculture sector to 252,000–441,000 in 2020. With these significant slowdowns, the number of job losses from industry sector will be 456,000–798,000 in 2020. Service sector's employment is expected to fall to 492,000–861,000 in 2020, reflecting the impacts of strict travel restriction measures within and outside of the country on travel and tourism sector. However, these estimations on employment impacts only

represented the available data of formal sector; therefore, the actual employment impact will be larger than expected if the impact on informal sector and employment contractions for migrant workers also included in estimation.

Table 2: Employment Impact of COVID-19 by Sector

Sector	Degree of Risk*	Number of Job losses ('000 persons)
Agriculture	Low-medium	252–441
Manufacturing	High	456–798
Services	High	492–861
Total		1,200–2,100

COVID-19 = coronavirus disease.

Source: ADB estimates.

9. **Employment for women would be more affected by the pandemic.** COVID-19 also exposed gender inequalities in business. Women represent 60% of employees in food and accommodation services, 70%–90% of street food vendors, and vast majorities in the garment industry. This suggests that women are more vulnerable to unpaid leave or unemployment. About 83% of the country's 24 million workers are in the informal sector, with more than half working in agriculture and small family businesses, or as own-account workers (61.8% of working women and 54.1% of working men). Informal sector workers are typically not eligible for social protection benefits, and only 37% of workers in the formal sector are covered by the social health protection scheme. Disruptions in agriculture supply chains, coupled with declining farm household incomes, also cause concern about insufficient agricultural production in the next planting season, which could seriously undermine food security in Myanmar.

C. Poverty Impact

10. **The poverty rate is highly vulnerable to COVID-19.** The 2017 poverty headcount ratio indicates that 19.3% of Myanmar's population lived under the poverty line of \$3.2 per day. Before the pandemic, this was expected to further decline to 11.5% in 2020. Women are at greater risk of falling back into poverty than men because they account for a majority of workers in many economic sectors affected by COVID-19, notably manufacturing, food, accommodation, and the informal sector. Low-income and rural households also face vulnerabilities in non-income dimensions, such as access to education, social protection, and quality health care. Given that 62% of the population reported not having any savings, many have no buffer against COVID-19's economic shocks. The rural poverty rate was more than double compared to the urban poverty rate, accounting 30.2% while the urban poverty rate was 11.3% in 2017.⁴ Moreover, risk for vulnerable groups is increasing along with unemployment threats of the pandemic. Vulnerable employment in Myanmar as of 2018 accounted for 58.2% of total employment; most of those workers are having family contributing workers status.⁵ Various factors, including increase in number of layoffs due to factories shut down, decrease in new employment creations, and a large number of returned migrants' workers, push the low-skilled and uneducated workers to be more vulnerable.

11. **Lower remittances lead to reduce the economic security and additional income source for households.** Regarding the scarcity of non-farm employment opportunities and low profitability of existence agriculture, remittance serve as an economic security and contribute to

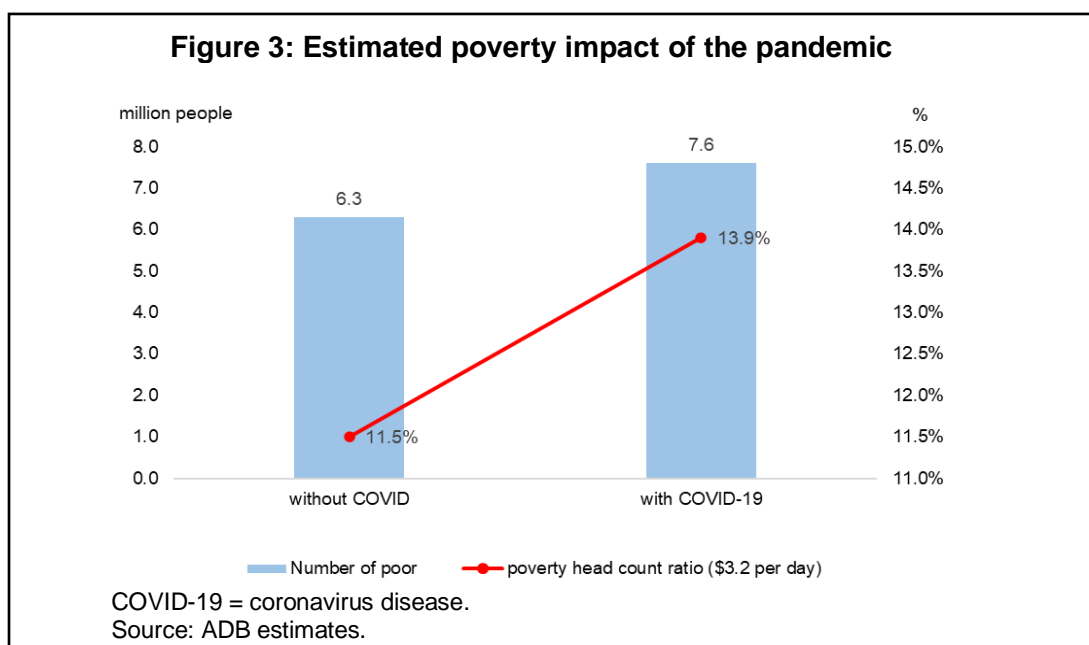
⁴ Central Statistical Organization (2019). *Myanmar Living Condition Survey 2017*. Nay Pyi Taw.

⁵ World Bank. [World Development Indicators](#).

reduce the degree of poverty in rural areas. It is estimated that more than 70% of remittance go to rural households.⁶ Therefore, lower remittances and scarce employment opportunities in urban areas as well as a huge labor surplus due to returning migrant workers in the rural areas will increase the risks for vulnerable groups to fall into poverty.

12. **The pandemic will slow Myanmar's poverty reduction.** The most recent (2017) poverty headcount ratio indicates that 19.3% of Myanmar's population lived under the \$3.2 per day poverty line and is projected to further decline to 11.5% in 2020 in the absence of the COVID-19 pandemic. ADB estimates that COVID-19 is likely to push 1.3 million more people into poverty, and the poverty headcount ratio is estimated to increase from 11.5% to 13.9% in 2020 (Figure 3).⁷

13. **The scarcity of employment opportunities will increase income shocks related poverty in rural areas.** With the existing inequality between rural and urban areas, the rural areas will be more affected by the pandemic, estimating rural poor will increase to 6.6 million while there will be 1.0 million poor in urban.



D. Conclusion

14. Employment will be significantly affected by the pandemic and income losses from unemployment will turn to increase the poverty in Myanmar. The total number of job losses is expected to reduce up to 1.2 million–2.1 million, reflecting all round contractions in economic sectors due to the pandemic. The pandemic will increase the poverty headcount ratio under \$3.2 per day up to 13.9%, representing 7.6 million will live under poverty in 2020. The actual impacts of the pandemic on poverty will be higher than estimated if the non-income forms of poverty such as education and health are considered.

⁶ Zaw Oo. 2020. [Migrant workers must be included in Myanmar's COVID-19 response](#). *The Myanmar Times*. 29 March.

⁷ Bulan, J., R. Hasan, A. Martinez, and I. Sebastian. 2020. "COVID-19 and Poverty: Some Scenarios." Unpublished note prepared for Economic Research and Regional Cooperation Department, Asian Development Bank.

15. Workers and families related to manufacturing, tourism, construction, and transportation will be hardest hit. Male workers tend to face more difficulties than female as major urban employment channels are significantly affected by the pandemic. Moreover, as agriculture sector is also affected by export disruptions due to the pandemic, it will not be able to absorb labor force from other sectors. Besides, large number of returning migrants will increase imbalance of domestic labor market and will cause a severe unemployment problem in near terms.

16. In sum, the magnitude of potential impacts is quite significant, needing for urgent action. The findings of this assessment point towards the importance of supportive measures for employment and income generation within the country. Supporting to sustain livelihoods activities, especially for the vulnerable groups, and strengthening health sector are essential to reduce the impact of the COVID-19 outbreak.