

# Chapter 6

## **Myanmar Workers' Motivation to Develop Skills, and the Perception of Teamwork with Thai Workers at Thai Garment Factories: Effects of Perception of a Firms' Human Resource Management Practices**

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## Chapter 6

# Myanmar Workers' Motivation to Develop Skills, and the Perception of Teamwork with Thai Workers in Thai Garment Factories: Effects of Perception of a Firm's Human Resource Management Practices

*Kenjiro Yagura*

### **1. Introduction**

The Thai garment industry has stagnated in recent years owing to the increase in the cost of labour and the rise of the garment industry in neighbouring countries with lower wage levels, such as Cambodia and Viet Nam. The garment industry is a typical labour-intensive industry and substituting capital for labour is technically difficult. Product upgrading, or producing products with higher value-added, is necessary for the Thai garment industry to survive.

One problem facing the Thai garment industry has been a shortage of workers, caused partly by Thai workers' increasing aversion to so-called '3D' (dirty, dangerous, and demeaning) jobs. To tackle this problem, many garment firms in Thailand have employed more foreign migrant workers, especially those from Myanmar, as described in Chapter 5. However, the reliance on Myanmar workers does not directly ease the labour cost as the legal minimum wage also applies to foreign workers in Thailand. Hence, upgrading continues to be crucial for the Thai garment industry's survival.

The critical question is whether the reliance on foreign migrant workers is compatible with upgrading. Product upgrading includes the production of products with higher value-added as well as high-mix, low-volume production with shorter lead times, which usually results in a

higher unit price. This kind of upgrading would require measures such as introducing high-performance equipment and better production management. In addition, a workforce with higher skill levels to handle difficult and multiple tasks, and efficient teamwork by the workers, would be required to support product upgrading. These two factors require workers with a strong motivation to develop their skills and ensure harmonious mutual relationships. In this regard, firms that rely on foreign migrant workers might find it difficult to pursue product upgrading because of problems unique to foreign migrant workers, such as the language barrier, the limited duration of work permits, and (perceived) discriminatory treatment in the workplace, which might demotivate the foreign workers. A study by Kohpaiboon, Kulthanavit, and Jongwanich (2012) also reported that some Thai garment factories stopped employing foreign workers after facing difficulties of communication and weak cohesion among the workers.

On the other hand, firms' human resource management practices (HRMP) might ease such problems. Many studies have shown that in general, employees' perceptions of HRMP influence both their motivation to develop skills and the quality and performance of teamwork by influencing the employees' work attitude. Therefore, the question we should explore is what kind of HRMP would make upgrading combined with the employment of foreign migrant workers compatible?

To the author's knowledge, there is no study on the relationship between firms' HRMP in relation to foreign migrant workers, workers' job attitude, and upgrading, even if studies from countries other than Thailand are included. Although Puangyoykeaw and Nishide (2015) studied the work attitudes of foreign migrant workers in Thailand, they did not examine the relationship between HRMP and work attitudes, the workers' motivation to develop their skills, or teamwork issues.

Based on the above points, the objectives of this chapter are twofold: firstly, to examine whether Myanmar workers differ from Thai workers in terms of their level of motivation to develop skills, and their perception of the difficulty of working in teams with Thai and Myanmar workers; and secondly, to explore the factors determining Myanmar workers' motivation to develop skills and their perception of working with Thai workers. The analysis focuses especially on the effect of workers' perception of HRMP. It would have been desirable to analyse the skill level of the workers, but we were unable to collect enough reliable survey data with which to do this.

To fulfil the above objectives, we adopted the following methods. For the first objective, Myanmar and Thai workers were compared simply in terms of their perception of HRMP and work attitude. Regression analysis was applied to examine the effect of nationality. For the second objective, regression analysis was conducted in which the Myanmar workers' desire to develop skills and their perception of the difficulty of working with Thai workers were regressed on variables representing the workers' perception of HRMP. To compliment the regression analysis, the data on Myanmar workers who had moved to a different factory in Thailand were used to examine whether a more favourable perception of HRMP at the current factory compared with the previous one was linked with a positive change in work attitude.

The empirical analyses use data collected through a questionnaire survey of Myanmar and Thai production workers in Thai garment factories. It was difficult for respondents to give their perception of 'motivation' to develop skills, so we asked them the degree to which they 'desire' to develop skills in several respects, and their responses to those questions were used as the indicators of their motivation to develop skills. Also, the Myanmar workers' perception of the 'difficulty in working with Thai workers' was used as the indicator of the conditions conducive to efficient teamwork.

This chapter is organised as follows. Section 2 presents the theoretical background and hypotheses regarding factors affecting foreign workers' motivation to develop skills and the ease of teamwork. Section 3 describes the outline of the survey and basic characteristics of Myanmar and Thai garment workers surveyed. In Section 4, Myanmar and Thai workers are compared with respect to their perception on HRMP and work attitude including their desire to develop skills and ease of teamwork. Section 5 demonstrates simple correlations between perception of HRMP and work attitude. Sections 7 and 8 respectively present the methodology and the results of econometric analysis of the determinant factors for Myanmar workers' desire to develop skills and the difficulty in working with Thai workers. Section 8 summarises the key findings of this chapter and presents implications for human resource management of firms hiring foreign migrant workers.

## **2. Theoretical Background**

### **2.1. Possible negative effects from employment of foreign workers on upgrading**

The number of workers from developing countries working in foreign countries, both developed and developing, is increasing. Lower wages are one of the attractions for firms employing such workers. In addition, some studies have indicated that foreign migrant workers are 'good workers', in the sense that they have a stronger work ethic, and greater commitment and discipline than local workers (Thompson, Newsome, and Commander, 2013). Foreign workers are also reported to have superior organisational citizenship behaviour, or work-related voluntary behaviour, which supports effective functioning of the organisation (Krjukova, Schalk, and Soeters, 2009).

Even if such positive aspects exist, employing foreign migrant workers can deter upgrading involving production workers for three reasons. Firstly, the language barrier makes it difficult for local managers to share detailed instructions and provide training to foreign workers who

have a limited grasp of the language of the host country. The language barrier might also hinder teamwork in work groups composed of local and foreign workers. Making groups of only one nationality or ethnic group, on the other hand, would reduce the flexibility of the working organisation. Secondly, most countries impose a legal limit on the duration of work permits for foreign migrant workers. This means that firms and foreign migrant workers can benefit from training for a limited period only, and the incentive to invest in training decreases accordingly.

Thirdly, foreign migrant workers might be discriminated against in terms of their working conditions, and the local supervisors and co-workers might show a discriminatory attitude towards them. If foreign workers perceive they are treated unfairly in the workplace, their work motivation might decrease and teamwork with local co-workers would deteriorate. The issue of teamwork is especially important in the case of Thai garment firms because, as the findings of our preliminary field survey of garment factories in Bangkok and the nearby areas show, it is not unusual for Myanmar and Thai workers to work in the same groups or on the same production lines.

Consistent with the argument given above, many studies have found that foreign workers feel discriminated against in the workplace (Agudelo-Suárez et al., 2009; Janta et al., 2011; Stevens, Hussein, and Manthorpe, 2012). Poor communication, restriction of employment duration, and a lack of contentment and loyalty to the company were mentioned by employers and supervisors as important problems with the employment of foreign migrant workers in the Korean construction sector (Han et al., 2008). Ang, Van Dyne, and Begley (2003) found that, among highly skilled employees working at an organisation in Singapore, the foreign migrant workers showed a lower level of perceived organisational justice, commitment, and work performance compared to local employees.

Based on the three deterrent factors mentioned above and previous studies, the following subsections present the factors that determine foreign migrant workers' motivation to develop skills and adapt to teamwork, and we present hypotheses.

## **2.2. Motivation to develop skills**

### *2.2.1. Return on investment in skill development*

According to the theory of human capital investment advocated by Becker (1962), workers' motivation to develop their skills depends on the cost and benefit of receiving training, and when such cost was incurred and benefit obtained. This indicates that when foreign workers' employment duration is legally restricted in the host country, they can only receive benefit from training for a shorter period, and hence their motivation to develop skills would be lower than when there is no limit to the duration of employment. For the same reason, firms also have less incentive to invest in training of foreign workers in such cases.

In the case of foreign (Myanmar) workers in Thailand, the duration of the work permit is limited legally to 4 years (a 2-year contract and extension for another 2 years).<sup>1</sup> However, in reality many Myanmar workers continue to work in Thailand for longer periods of time,<sup>2</sup> hence the legal restriction might not bind such workers' (and firms') training decisions. Nevertheless, even if the legal restriction were not binding, employees' incentive to develop skills would be reduced if the firm makes no effort to retain employees and dismisses them easily. On the other hand, employees would have a stronger motivation to develop skills if they perceived that the firm wanted them to continue to work for it for as long as possible, by, for example, providing a seniority bonus.

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<sup>1</sup> This rule is applied to Myanmar migrant workers that fall under the memorandum of understanding between the two countries. After finishing the 4-year contract, workers are required to return to Myanmar and they can return to work in Thailand only after 3 years.

<sup>2</sup> The authors found such cases in our survey of Myanmar workers in Thailand in 2014 and 2015.

Another issue specific to foreign migrant workers relates to returning to their home country after quitting their job in the destination country. A large-scale survey of Myanmar workers in Thailand found that most of them think of returning to Myanmar at some time in the future (IOM and ARCM, 2013). Those who plan to return in the near future and are not considering working at a garment factory in Myanmar would not have a strong motivation to develop their skills of garment production for the reason given above.<sup>3</sup> Therefore, consideration should also be given to workers' plans to return home.

From the discussion above, we derive the following hypotheses:

H1-1: Myanmar workers' motivation to develop skills is higher when they perceive the firm wants them to continue to work for it for as long as possible.

H1-2: Myanmar workers' motivation to develop skills is lower when they plan to return to Myanmar in the near future.

### *2.2.2. Pay system*

The pay system also matters. In general, workers' motivation to develop their skills increases when skill development is linked strongly with a monetary reward. This argument leads us to predict that performance-based pay increases workers' motivation to develop skills, as long as such skill development improves work performance, and is the basis on which the pay increases are calculated.

The hypothesis related to the pay system is as follows:

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<sup>3</sup> The survey of Myanmar workers found that farming and running small business are the preferred occupations upon returning to Myanmar (IOM and ARCM, 2013).



H1-3: Myanmar workers' motivation to develop skills is higher when they perceive that higher performance has a monetary reward.

### *2.2.3. Perceived organisational justice and organisational commitment*

'Perceived organisational justice' (POJ) in a firm refers to the employees' perception of the extent to which they are treated fairly by the firm, management, and the supervisors. Foreign workers' perception that they are discriminated against by a firm can be expressed as a low level of POJ.

Based on the social exchange theory and equity theory, employees perceiving fair treatment by the firm or supervisors are considered to reciprocate by increasing discretionary effort in their work. This indicates that employees with a higher level of POJ are expected to have a stronger motivation to develop their skills, as higher skills benefit the firm. Previous studies also found a positive correlation between POJ and the motivation to participate in training (Dae-seok, 2007), or motivation to learn (Liao and Tai, 2006). By the same reasoning, a higher POJ is expected to lead to employees' stronger commitment to the firm ('organisational commitment'). Organisational commitment for employees refers to their psychological attachment to the firm. Most studies considered three dimensions of organisational commitment: 'affective commitment' (emotional attachment to the organisation), 'continuance commitment' (the need to remain in the organisation based on the cost-benefit calculation), and 'normative commitment' (the obligation to remain in the organisation) (Meyer and Allen, 1991). Many empirical studies have found a positive relationship between POJ and organisational commitment in the sense of employees' psychological attachment to the firm (as shown in the meta-analysis by Cohen-Charash and Spector, 2001).

An aspect of POJ considered important by foreign workers was discriminatory treatment in the workplace. Several studies of foreign workers have found a negative relationship between the

perception of discrimination in the workplace and organisational commitment or loyalty to the employer (Ensher, Grant-Vallone, and Donaldson, 2001; Sanchez and Brock, 1996; Triana, Garcia, and Colella, 2010; Stainback and Irvin, 2012). Employees with a strong commitment to the firm, especially commitment in the form of loyalty, show a desire to achieve the organisational goals. This indicates that they are ready to devote themselves to improve their skills when the firm needs them to develop such skills. This kind of positive relationship between the employees' organisational commitment and training motivation was found by several studies (Carlson, et al., 2000; Fecteau, et al., 1995).

Commitment in the opposite direction, a firm's 'organisational commitment to employees' (OCE), refers to the firm's caring about the employees' well-being, including the firm's investment in the employees (Miller and Lee, 2001). Firms' efforts to retain employees as mentioned above can be regarded as an aspect of OCE.

As is the case with POJ, employees who perceive a high level of OCE would respond accordingly with a stronger commitment to the firm or by making efforts to develop their skills. The positive relationship between OCE and organisational commitment was found in previous studies too (Benson, 2006; Chambel and Sobral, 2011; Lee and Bruvold, 2003; Tsui, et al., 1997). A firm's commitment to the employees, especially investment in training, was more likely to increase the employees' motivation to develop skills if the employees' commitment to the firm is stronger, as mentioned in the above discussion.

Based on this, the hypotheses associated with POJ, organisational commitment, and OCE are as follows:

H1-4: Myanmar workers' motivation to develop skills is higher when their POJ is high, which is represented by the perception of less discriminatory treatment in the workplace.

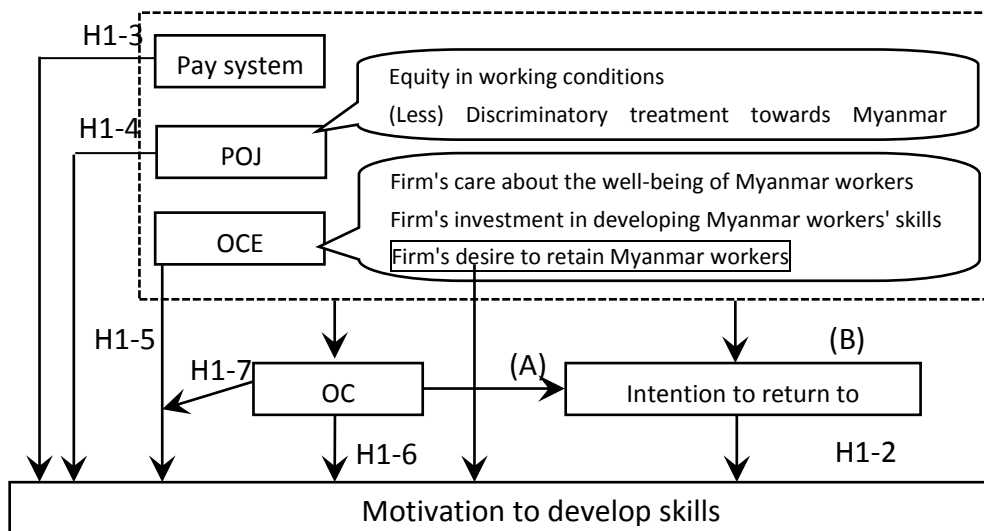
H1-5: Myanmar workers' motivation to develop skills is higher when they perceive that the OCE is higher.

H1-6: Myanmar workers' motivation to develop skills is higher when their organisational commitment is stronger, which is associated with higher POJ and OCE.

H1-7: The positive effect of OCE in the form of investment in training is larger when organisational commitment is higher.

These hypothesised relationships between the key factors are depicted in Figure 6.1. Arrows with a hypothesis code (e.g. H1-1) indicate the relationship expressed in the relevant hypotheses. Factors inside the dotted square are the workers' perception of HRMP. Arrows (A) and (B) are added to indicate the expected effect of the workers' perception of HRMP and organisational commitment regarding the 'Intention to return to Myanmar.'

**Figure 6.1: Hypothesised Factors Affecting Motivation to Develop Skills**



H1-1

H1 = hypothesis, OC = organisational commitment, OCE = organisational commitment to employees, POJ = perceived organisational justice.

Source: Prepared by the author.

## **2.3. Teamwork by Myanmar and Thai workers**

### *2.3.1 Friendship*

Friendship was identified as one of the factors supporting teamwork. For example, Jehn and Shah (1997) showed through experiments that groups consisting of friends achieved a higher performance in group work than groups of acquaintances did. Friendship ties also increase the performance of work groups in firms (Kratzer, Leenders, and Van Engelen, 2005).

Friendship is considered to improve the quality and performance of teamwork by enhancing information sharing, morale-building communication, planning, commitment, monitoring, and cooperation (Jehn and Shah, 1997). Using data on firms' employees, Kiffin-Petersen and Cordery (2003) found that mutual trust between team members, enriched by friendship ties, facilitates teamwork.

On the other hand, friendship ties in the workplace can have a negative effect on teamwork. For example, favouritism, closeness (Morrison and Nolan, 2007), and emotional exhaustion (resulting from caring for friends while working) (Methot et al., 2015) originating from friendship ties can decrease the productivity and creativity of work groups.

These arguments lead to the following hypothesis:

H2-1: Myanmar workers with more friendship ties with Thai workers in the workplace are less likely to perceive difficulty in working with Thai workers.

### *2.3.2 Language skill*

If verbal communication is indispensable for good teamwork, the language barrier would thwart teamwork by foreign (Myanmar) and local (Thai) workers. In other words, the language skill of the foreign workers could affect the quality and performance of teamwork.

In addition, skills in the language of the host country seem to facilitate the development of friendships between immigrants and the people in the host country. Although they did not study workplace friendship, Martinovic, van Tubergen, and Maas (2011) found that proficiency in the host country's language had a positive effect on acquisition of cross-ethnic friends for immigrants to Canada. It is worth noting that the 2011 study used longitudinal data of immigrants, and hence successfully extracted the net effect of language skill in relation to friendship development by removing the potentially positive effect of cross-ethnic friendship ties on immigrants' language skills. In this respect, migrant workers' skill in the host country's language can have a positive effect on teamwork via its effect on the development of friendships between foreign and local workers in the workplace.

The hypothesis derived from this argument is as follows:

H2-2: Myanmar workers with higher Thai language skill are less likely to perceive a difficulty in working with Thai workers. Thai language skill is positively correlated with the friendship ties with Thai workers.

### *2.3.3 Perceived organisational justice*

Previous studies found that POJ increased the quality of teamwork, as represented by coordination, balance of members' contribution, communication, mutual support, effort, and cohesion (Dayan and Di Benedetto, 2008). The positive effect of POJ on teamwork was considered to be mediated by its positive effect on the trust by co-workers, as demonstrated by Forret and Love (2008). As a reason why employees with high POJ have a higher level of trust in co-workers, Forret and Love (2008) argued that employees who are treated fairly by the organisation believe they are not being taken advantage of unfairly and are less suspicious of their co-workers. In addition, a manager who treats employees with respect serves as a role model for the employees, which leads to the development of greater trust with co-workers

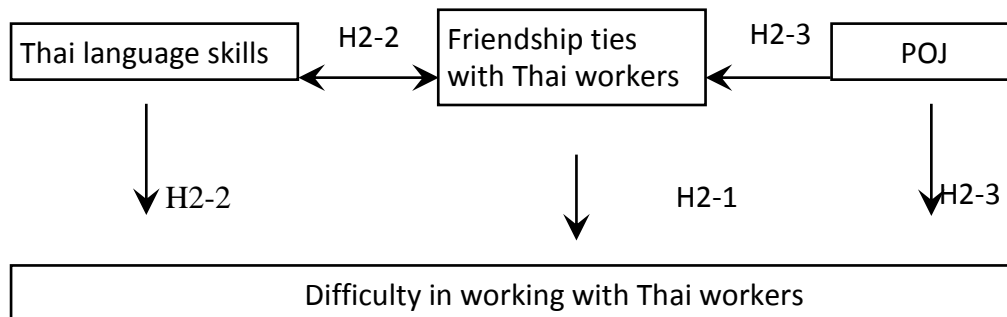
(Forret and Love, 2008). Greater trust is expected to facilitate the development of friendship ties between co-workers.

The hypothesis related to POJ is as follows:

H2-3: Myanmar workers with a higher POJ are less likely to perceive a difficulty in working with Thai workers, and POJ is positively correlated with friendship ties with Thai workers.

Figure 6.2 depicts the hypothesised relationship between friendship ties, Thai language skill, POJ, and the difficulty of working with Thai workers.

**Figure 6.2: Hypothesised Factors Affecting Difficulty in Working with Thai Workers**



H2 = hypothesis, POJ = perceived organisational justice.  
Source: Prepared by the author.

### 3. Survey of Garment Factory Employees

#### 3.1 Outline of the survey

A structured questionnaire survey was administered to Myanmar and Thai workers. A total of 186 Myanmar workers (from 10 factories) and 118 Thai workers (from 5 factories) were interviewed, using interpreters for the Myanmar workers. Interviews were conducted outside

the factories and without the presence of the factories' management, to avoid bias in the responses. Most of the respondents (162 Myanmar workers from eight factories and 70 Thai workers from five factories) were production workers in non-managerial positions (i.e. workers on the production floor, not supervisors or managers). The focus of this chapter is on these production workers, and the data used in the following sections refers them.

The survey's respondents were asked about their perception of HRMP at their factory; their work attitude; and background information, such as demographic indicators. The Myanmar workers were also asked questions related to migration to Thailand and to rate their Thai language skill.

### 3.2 Basic characteristics of Myanmar workers

Table 6.1 shows the mean value of the demographic variables and the employment status of Myanmar and Thai production workers. We did not conduct statistical testing of the difference between the two groups, because the workers were sampled from different factories (e.g. some Thai workers were from factories at which no Myanmar workers were sampled), hence a rigorous comparison was impossible. However, the data do indicate the general tendency.

**Table 6.1: Basic Characteristics of Myanmar and Thai Production Workers**

<b>Characteristic</b>	<b>Myanmar Workers (N = 162)</b>	<b>Thai Workers (N = 70)</b>
Age	27.7	36.4
% male	50.0	15.7
% married	50.0	65.2
Education (grade attained) <sup>a</sup>	7.1	8.3
Education (% higher education)	6.2	2.9
Duration of employment at the current factory (years)	2.9	7.2
% fixed term contract	21.9	8.6
Duration of working in Thailand (years)	5.7	
% who have worked at a different garment factory in Thailand	35.7	42.0

<sup>a</sup> Excluding higher education.

Source: Workers' survey.

Notable characteristics of Myanmar workers compared with Thai workers were as follows. Firstly, they were relatively younger, and the percentage of male workers was higher. In other words, garment factory work in Thailand has become a job for middle-aged female workers. Secondly, the average duration of employment at the current factory was shorter, and the proportion of fixed-term contract workers was higher. It is probable that a fixed term contract for Myanmar workers reduced the average working duration at the current factory.

While the average working duration of Myanmar workers in Thailand is 5.7 years, 20% of workers had worked in Thailand for 10 years or longer. This suggests that it is possible for Myanmar workers to work in Thailand for a longer period, despite the legal restriction under the formal procedure (i.e. contract based on the memorandum of understanding between the two countries). Determining how this is possible is outside of the scope of this study, but the data indicated that the control of foreign migrant workers by the Thai authorities is not so strict.

Although not shown in the table, all but one of the Myanmar workers surveyed had documents proving their eligibility to work in Thailand, such as a work permit or temporary work permit (provided by the one-stop service centre in 2014 to migrant workers from Cambodia, Lao PDR, and Myanmar). This is consistent with the policy of the eight firms (factories) from which these workers were sampled: the managers of these firms stated in the interviews that they only employ Myanmar workers with the correct documentation, such as a work permit. Furthermore, in 96% of cases, the Myanmar workers, rather than the employers, keep these documents. If correct, this suggests that Myanmar workers in the surveyed garment factories were not in a vulnerable position, as such documents allow them to move easily to a different employer.



## 4. Comparison of Myanmar and Thai workers

### 4.1 Simple comparison

Tables 2 and 3 show the mean value of the workers' perception of HRMP, job satisfaction, work attitude, and difficulty in working with foreign workers for Myanmar and Thai workers. These indicators are expressed according to the five-point Likert scale. In the survey questionnaire, a higher score indicated a negative response (e.g. for 'Wage level is appropriate', a score of 5 is 'very low' while a score of 1 is 'very high'). However, in these tables, the mean of the inverted scores (e.g. a score of 5 indicates 'very high') was shown to make them intuitively easier to understand,<sup>4</sup> except for 'Discriminatory attitude' and 'Difficulty in working with Thai/Myanmar workers', for which a higher score indicated a negative perception (i.e. 'more discriminatory' and 'more difficult').

**Table 6.2: Myanmar and Thai Workers' Perception of Human Resource Management Practices**

Practice	Myanmar Workers	Thai Workers
<b>Pay system and appraisal</b>		
Higher performance/effort is rewarded	3.75	3.87
Performance assessment criteria are clear	4.13	3.89
<b>Organisational justice</b>		
Equity between Myanmar and Thai workers		
Pay and benefits	4.29	4.00
Work content	4.56	3.71
<b>Respect for workers<sup>a</sup></b>		
Discriminatory attitudes	2.09	
Respected by the factory's top manager	4.05	4.40
Respected by supervisors	4.27	4.32
<b>Organisation's commitment to employees</b>		
Wage level is appropriate	2.87	2.76
Top manager tries to improve working conditions of workers <sup>a</sup>	3.68	4.47
Top manager wants to retain workers <sup>a,b</sup>	3.96	4.37
The factory develops the workers' skills <sup>a</sup>	3.79	4.53

<sup>4</sup> The inverted scores are calculated simply by subtracting the original score from six.

Notes: Each indicator is expressed according to a five-point score with higher score indicating positive response except for 'Discriminatory attitudes', for which a higher score indicates negative perception.

<sup>a</sup> Refers to 'Myanmar workers' for Myanmar workers and 'Workers (in general)' for Thai workers.

<sup>b</sup> In the questionnaire, respondents were asked 'Do you think the current factory's top manager expects Myanmar workers to continue to work at the current factory for as long as possible?'

Source: Workers' survey.

**Table 6.3: Satisfaction, Work Attitudes, and Difficulty in Working with Foreign Workers**

Item	Myanmar Workers	Thai Workers
<b>Satisfied with:</b>		
Pay and work conditions	4.10	4.13
Relationship with Thai supervisors	4.22	
Relationship with Thai or foreign co-workers	4.15	4.11
Overall	4.34	4.37
<b>Organisational commitment</b>		
Feel proud of working at the current factory	4.15	4.48
Feel loyalty to the current factory	4.12	4.74
Feel attached to the current factory	4.06	4.41
<b>Workers' morale</b>		
Make effort for higher performance	4.09	4.58
Work harder than expected	3.77	3.90
Want to suggest ideas	3.02	3.82
<b>Desire to develop skills for:</b>		
Speed and precision	4.06	4.62
Difficult tasks	3.66	4.30
Multiple tasks	3.01	4.41
<b>Teamwork</b>		
Difficulty working with Thai or Myanmar workers <sup>a</sup>	2.67	3.19

Notes: Each indicator is expressed according to a five-point score with higher score indicating positive response except for 'Difficulty working with Thai or Myanmar workers', for which a higher score indicates negative perception (that is, 'more difficult').

<sup>a</sup> Refers to 'Thai workers' for Myanmar workers and to 'Myanmar workers' for Thai workers. The data are available only for those who work with foreign workers in the same working group.

Source: Workers' survey.

The data did not allow a rigorous comparison of Myanmar and Thai workers, because most survey interviews of Myanmar workers were conducted through an interpreter, hence their understanding of each question might differ in some respects from that of the Thai workers.

With this issue in mind, the most notable differences between Myanmar and Thai workers, as shown in Tables 2 and 3, are as follows. Firstly, as Table 6.2 shows, Myanmar workers do not differ much from Thai workers in their evaluation of their working conditions, equity between Myanmar and Thai workers, and the extent to which superiors respect the workers. They even tend to perceive more equity than Thai workers. The favourable perception by Myanmar workers is consistent with the pay system at each of the eight factories from which the respondents were selected. The managers of those factories or firms stated that there is no difference in the base wage level, overtime pay, and bonuses of Myanmar and Thai workers.

Regarding discrimination against Myanmar workers in the workplace, 72% of Myanmar workers responded 'Definitely no' or 'Rather no', to the question whether they felt a discriminatory attitude by Thai co-workers or supervisors (not shown in the table). Reflecting these positive perceptions, Myanmar workers' job satisfaction levels are as high as their Thai counterparts (Table 6.3).

Secondly, on the other hand, Myanmar workers' perception of OCE is lower than that of the Thai workers, except for 'Wage level is appropriate' (Table 6.2). Thirdly, and more importantly, the work attitude, including commitment to the factory, worker morale, and the desire to develop skills, tends to be lower for Myanmar workers than for Thai workers (Table 6.3). Finally, Myanmar workers perceive less difficulty in working with Thai workers than Thai workers perceive working with Myanmar workers (Table 6.3).

Regarding the intention or plan to quit the factory (not shown in the table), only 6% (9) of the Myanmar workers planned to quit within 5 years, while 43% (22) of Thai workers had such a plan. For these nine Myanmar workers, only one respondent gave dissatisfaction with the working conditions ('low wage') as the reason; the others gave reasons such as a desire to move to a factory nearer their accommodation, or to a workplace where relatives are working.

In comparison, 6 of the 22 (27%) Thai workers who intended to quit gave working conditions as the reason.

However, we must bear in mind that the low numbers intending to quit does not necessarily translate into a low turnover rate for Myanmar workers. Although we could not collect data on the turnover rate of workers at each factory surveyed, most factory managers we interviewed felt that Myanmar workers tend to quit more easily than Thai workers when they find another factory that offers more opportunity for overtime, as they want to earn more overtime pay.

#### **4.2 Econometric analysis**

The data in Tables 6.2 and 6.3 do not measure whether the differences in responses between Myanmar and Thai workers are caused by the difference in nationality. The difference in individual characteristics, such as age and sex, might be the real causes. To determine the net effect of nationality, a regression analysis was conducted with a dummy variable of nationality as an independent variable.

Given this chapter's focus on the workers' motivation to develop skills and their perception of any difficulty in teamwork with foreign workers, the variables representing these two concepts were used as dependent variables. For the workers' motivation to develop skills, the average of the 'Desire to develop skills for difficult tasks' and 'Desire to develop skills for multiple tasks' was used as a dependent variable, because product upgrading, which the Thai garment industry needs to pursue, requires workers with the skills to perform multiple difficult tasks, as discussed above.

For simplicity, and because the purpose is to examine the effect of nationality, the control variables only included the basic characteristics of the workers, such as age, sex, education

level, and months working at the current factory. Factory dummy variables were included to correct for the effect of a factory's characteristics.

Two equations were estimated by the ordinary least squares method (Table 6.4).<sup>5</sup> As observed in Table 6.3, even after controlling the basic characteristics of the workers, Myanmar workers tend to have less desire to develop skills, but also tend to perceive less difficulty in working with foreign (Thai) workers.

**Table 6.4: Regression Analysis Comparing Myanmar and Thai Workers**

Variable	Desire to Develop Skills	Difficulty in Working with Foreign Workers
Myanmar (dummy)	-0.78*** (2.66)	-1.16*** (3.02)
Sex (male; dummy)	0.34* (1.94)	-0.07 (0.32)
Age (year)	-0.01 (0.42)	0.01 (0.45)
Married (dummy)	-0.08 (0.46)	-0.29 (1.11)
Education (grade)	0.04 (1.32)	-0.07* (1.83)
Duration of constant employment at the current factory (months)	0.00 (0.18)	0.00 (1.06)
Constant term	4.19 (4.91)	4.48 (3.69)
Factory dummies	[yes]**	[yes]*
<i>N</i>	225	165
<i>Adj. R</i> <sup>2</sup>	0.17	0.074

*Adj. R*<sup>2</sup> = adjusted r-squared, *N* = number of observations.

Notes:

1. The equations were estimated using the ordinary least squares method.

<sup>5</sup> 'Difficulty in working with foreign workers' is defined as a five-point-scale ordinal variable, and the ordered probit model is more appropriate. Because the estimation results do not differ between the ordinary least squares method and the ordered probit method in qualitative terms, only the result of ordinary least squares method is presented.

2. The figures are estimated coefficients, and those in parentheses are the absolute value of the t-statistic. Coefficients for factory dummy variables are omitted from the table. They are jointly significant in both equations.
3. \* $p < .10$ ; \*\* $p < .05$ ; \*\*\* $p < .01$ .

Source: Prepared by the author.

These results suggest that firms pursuing product upgrading may need to make more effort to boost their Myanmar workers' motivation to develop skills. On the other hand, greater consideration for Thai workers would be necessary for effective teamwork in work groups consisting of both Thai and Myanmar workers.

## **5. Relationship between Perception of Human Resource Management Practices and Work Attitude**

In the survey, the workers were asked if they had ever moved to another garment factory (within Thailand in the case of Myanmar workers). They were then asked to compare the previous and the current factory in terms of their perception of HRMP (especially related to POJ and OCE) and their own work attitude. They were asked to rate on the five-point Likert scale the degree to which the current factory is better or worse than the previous factory according to various aspects. Lower scores indicate that the current factory is better. Only for 'Discriminatory attitude by Thai colleagues' does a low score indicate the current factory is worse (i.e. there is more discrimination). To make interpretation easier, the following analysis used an inverted the score for 'Discriminatory' (naming it 'Less discriminatory'), whereby a lower score indicates that the current factory is better.

Assuming the five-point ordinal variables as continuous, the correlation coefficients between them were calculated. Table 6.5 shows the coefficients for Myanmar workers. The data of Thai

workers was not analysed, because the number of Thai production workers who changed factory was too small (only 11 workers) to conduct a valid quantitative analysis.

As shown in Table 6.5, work attitude variables (variables (6) to (10)) tend to be positively correlated with the HRMP perception variables ((1) to (5)), and 18 of the 30 coefficients are statistically significant. The positive correlations indicate that Myanmar workers who perceive that the current factory is better than the previous one in terms of HRMP also tend to feel that their work attitude is more positive in the current factory. This suggests that a positive perception of HRMP induces a positive work attitude. Especially noteworthy is the positive and significant correlation between 'Motivation to develop skills' and the six HRMP perception variables. This is consistent with hypotheses H1-4 and H1-5. In addition, H1-6 supports the correlation between 'Motivation to develop skills' and 'Loyalty' as significantly positive, and 'Loyalty' has a positive correlation with the HRMP perception variables.

**Table 6.5: Correlation Coefficients between Relative Evaluations of the Current Factory and a Previous Factory**

Item	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Equity in working condition between Thai and foreign workers	2.56	1.18										
(2) Pay level	1.79	0.94	0.19									
(3) Provision of training	2.93	1.18	-0.04	0.16								
(4) Respect for workers	2.72	0.93	0.43 ***	0.39 ***	0.20							
(5) Less discrimination	3.16	0.75	0.48 ***	0.32 **	-0.20	0.27 *						
(6) Job satisfaction	2.07	1.01	0.59 ***	0.34 **	0.38 **	0.53 ***	0.39 ***					
(7) Loyalty to the factory	2.23	0.92	0.53 ***	0.22	0.43 ***	0.52 ***	0.12	0.60 ***				
(8) Attachment to the factory	2.36	0.98	0.21	-0.03	0.14	0.32 **	-0.18	0.09	0.49 ***			
(9) Enthusiasm for the work	2.58	1.07	0.38 **	0.31 **	0.26 *	0.36 **	0.06	0.25	0.44 ***	0.49 ***		
(10) Motivation to develop skills	2.53	1.33	0.50 ***	0.59 ***	0.43 ***	0.66 ***	0.39 **	0.68 ***	0.57 ***	0.16	0.59 ***	
(11) Ease in working with Thai workers	2.77	1.21	-0.12	-0.57 ***	0.04	-0.10	-0.51 ***	-0.32 **	0.16	0.34 **	0.03	-0.29 *

SD = standard deviation.

Notes:

1. All variables are five-point scales, with a lower score indicating that the current factory is more favourable.
2.  $N = 43$ . \* $p < .10$ ; \*\* $p < .05$ ; \*\*\* $p < .01$ .

Source: Prepared by the author.



On the other hand, the correlation between 'Ease of working with Thai workers' and the HRMP perception variables is mostly negative, with two of the five coefficients significant. This result was puzzling in the light of the theoretical argument in the previous section and is difficult to interpret. It suggests that factors other than the perception of HRMP might strongly affect the ease of teamwork by Myanmar and Thai workers.

## **6. Determinant Factors for the Desire to Develop Skills**

### **6.1 Selection of variables**

Regression analysis was conducted to identify the factors determining Myanmar workers' desire to develop skills and the effect of their perception of HRMP. As in the previous section, the average of 'Desire to develop skills for difficult tasks' and 'Desire to develop skills for multiple tasks' was used as the dependent variable in the regression model.

Based on the theoretical discussion and hypotheses derived from this, as shown in the previous section, the following variables were used as explanatory variables.

#### *Expectation of long-term employment*

Workers' perception of the 'Top manager wants to retain Myanmar workers' was included to test hypothesis H1-1. As discussed above, when workers perceive that a firm wants them to work for it for as long as possible, they would expect a longer term of employment at the firm, and thus can expect to benefit from investment in training for a longer period. This would increase the workers' desire to develop skills. This variable also serves as an indicator of the organisational commitment to employees (OCE), as mentioned above.

The term of the employment contract might also relate to the workers' expectations regarding the duration of employment at the current factory, but the contract term was not used as a

variable because it does not seem to affect the workers' perception. This was suggested by data showing that perception of a firm's desire to retain Myanmar workers is even higher for Myanmar workers on a fixed-term contract than those whose contract term is not fixed (4.4 vs. 3.8). This suggests that firms usually renew contracts with Myanmar workers on a fixed-term basis.

#### *Intention to return home*

Myanmar workers with plans to return to their home country soon would have less desire to develop skills, due to the same reasoning as the effect of the 'Top manager wants to retain Myanmar workers', but in the opposite direction. A dummy variable was used with a value of 1 for those who indicated a plan to return in 3 years, and a value of 0 for those with no intention of returning in 3 years. This variable tested hypothesis H1-2.

In the survey, 89 (55%) of 162 Myanmar production workers indicated their clear intention to return to their home country, and 34 workers (21% of the total) planned to return in 3 years. Notably, 40% of Myanmar production workers responded that they had no intention to return, which suggested that they thought staying and working in Thailand was preferable to returning to Myanmar, at least in the current economic and political situation in their home country.

#### *Higher performance/effort is rewarded*

This variable represented the degree to which workers perceived that effort and performance receive a monetary reward at the factory, and tests hypothesis H1-3.

#### *Perceived organisational justice*

The following five variables were used to represent workers' POJ: 'Equity in pay', 'Equity in work content' (between Myanmar and Thai workers), (Myanmar workers are) 'Respected by the top manager', (Myanmar workers are) 'Respected by Thai supervisors', and 'Thai

supervisors and co-workers show a discriminatory attitude'. Hypotheses H1-4 and H1-6 were tested by the coefficient for these variables.

#### *Organisational commitment to employees*

Workers' perception of 'Wage level is appropriate', 'Top manager tries to improve working conditions of Myanmar workers', and 'The factory develops the skills of Myanmar workers' were used as variables representing OCE (along with 'Top manager expects Myanmar workers to keep working in the factory', as mentioned above). These variables test hypotheses H1-5 and H1-6.

#### *Organisational commitment: Loyalty to the firm*

Workers' 'Loyalty to the factory' was used as the variable indicating organisational commitment. In the survey, the respondents were asked the extent to which they feel attachment to the firm and proud to work at that factory. 'Loyalty' was selected, as argued in the previous section, because loyalty to the factory was considered to induce employees' discretionary behaviour contributing to improvement of the firm's business performance and the effort to develop skills. This variable tests hypotheses H1-5 and H1-6. In addition, the interaction of 'Loyalty' and 'The factory develops the skills of Myanmar workers' tests hypothesis H1-7.

#### *Control variables*

Age, sex, and educational level of the workers were included as control variables. Dummy variables of factories were included as explanatory variables to control the effect of the attributes of factories not reflected by other explanatory variables.<sup>6</sup>

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<sup>6</sup> The factory dummy variables were defined for five of the eight factories from which the Myanmar workers were sampled. The other three factories had a very small number of sample Myanmar workers, hence dummy variables were not defined (they were put together as the reference category of the factory dummy variables).

## 6.2 Econometric model

This study deals with psychological constructs, such as POJ, OCE, and organisational commitment. These constructs were not observable and were only detected by several observable indicators that were relatively high correlated. Hence, structural equation modelling with confirmatory factor analysis is generally applied to empirical studies of such constructs. However, structural equation modelling could not be applied to the present study because the data correlations were not sufficiently high between the indicator variables with which the unobservable constructs, such as POJ, were assumed to be derived.<sup>7</sup> For this reason, these observable indicators were used directly, and the regression analysis was conducted with these indicators as dependent and independent variables.

Among the explanatory variables, the 'Intention to return' and 'Loyalty to the factory' were considered endogenously determined by the HRMP perception variables and other control variables in the model. In addition, 'Loyalty' might affect the 'Intention to return'. The econometric model addressing the endogeneity of these two variables was a set of equations as follows:

$$L_i = \alpha_1 + \beta'_1 \mathbf{x}_i + \gamma'_1 \mathbf{z}_{1i} + \varepsilon_{1i} \quad (\text{eq.1})$$

$$R = \alpha_2 + \beta'_2 \mathbf{x}_i + \gamma'_2 \mathbf{z}_{2i} + \delta_2 L_i + \varepsilon_{2i} \quad (\text{eq.2})$$

$$S = \alpha_3 + \beta'_3 \mathbf{x}_i + \delta_3 L_i + \zeta R_i + \varepsilon_{3i} \quad (\text{eq.3})$$

Where,  $L$ ,  $R$ , and  $S$  stand for 'Loyalty', 'Intention to return', and 'Desire to develop skills', respectively, and  $i$  is the identifier of the sample workers.  $\mathbf{x}$ ,  $\mathbf{z}_1$ , and  $\mathbf{z}_2$  are the vectors of the

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<sup>7</sup> For example, 'Loyalty to the firm', 'Attachment to the firm', and 'Pride of working at the factory' were assumed to be observable indicators for organisational commitment, but the correlation between them was as low as 0.09, hence the constructs of organisational commitment could not be derived from these three indicators.

explanatory variables and instrumental variables  $\alpha_j$ ,  $\beta_j$  ( $j=1, 2, 3$ ),  $\gamma_k$  ( $k=1, 2$ ),  $\delta_l$  ( $l=2, 3$ ), and  $\zeta$  are (the vectors of) associated constant terms or coefficients, and  $\varepsilon_j$  the error terms.

The set of equations was estimated with the following steps to account for the endogeneity of  $L$  and  $R$ :

Step 1: Estimate eq.1 with the Ordinary Least Squares method and derive  $\hat{L}$ , the predicted value of  $L$ , from the estimated coefficients.

Step 2: Estimate eq. 2 with the probit model, with  $\hat{L}$  and the instrumental variables included in the explanatory variables, and derive hazard  $h_i$ , which is defined as:

$$h_i = \begin{cases} \phi(X_i)/\Phi(X_i) & \text{if } R_i = 1 \\ -\phi(X_i)/[1-\Phi(X_i)] & \text{if } R_i = 0 \end{cases}$$

where  $X_i = \hat{\alpha}_2 + \hat{\beta}'_2 \mathbf{x}_i + \hat{\gamma}'_2 \mathbf{z}_{2i} + \hat{\delta}_2 \hat{L}_i + \hat{\varepsilon}_{2i}$  (hats indicate predicted values),  $\phi(\bullet)$  and  $\Phi(\bullet)$  respectively denote the probability density function and the cumulative distribution function of the standard normal distribution.

Step 3: Estimate eq. 3. with  $\hat{L}$ ,  $R$ , and  $h$  together with  $\mathbf{x}$  in the righthand side of the equation by the least square.<sup>8</sup>

The treatment of the endogeneity of  $L$  in eq. 2 applies the method of Rivers and Vuong (1988), and that of  $R$  in eq. 3 follows Maddala (1983). Although Loyalty ( $L$ ) was originally a five-point ordinal variable, it is regarded here as a continuous variable for the model estimation. In the estimation, observations with missing values for the dependent or independent variables were dropped.

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<sup>8</sup> Practically, the statistical software STATA is used to estimate the model. For Step 1 'regress' command was used, and the 'etregress' command in Step 2 and Step 3 altogether.

As the instrumental variable in eq. 1 ( $z_1$ ), a dummy variable was used to represent whether a worker is a ‘helper’ – a position in the sewing section whose main role is to move the work in progress from one operator to another. Another instrumental variable is ‘Difficulty in finding another job’, which is defined as a five-point ordinal variable representing a worker’s perception of the degree of difficulty in finding another job in Thailand with the same level of pay as the current job. Helpers are predicted to have less loyalty to the factory because their job is peripheral to the production process. ‘Difficulty in finding another job’ was predicted to have a positive effect on loyalty because it increased the importance of the current job.

The instrumental variables in eq. 2 include ‘The duration of working in Thailand’ and ‘Number of children’.<sup>9</sup> The former variable was predicted to have a negative effect on  $R$  if those who have just started to work in Thailand felt homesickness more acutely, or if those who had stayed in Thailand for a longer period had assimilated into Thai society. A larger number of children, whether they live in Thailand or in Myanmar, encourages workers to earn more to feed their children, and hence increases the need to work in Thailand. (This would have a negative effect on  $R$ .)

### **6.3 Estimation results**

#### *6.3.1 Estimation issues*

The test of the null hypothesis that ‘Loyalty’ is an exogenous variable is not rejected for eq. 2 (Wald test,  $p = 0.48$ ), but rejected for eq. 3 (Durbin test,  $p = 0.00$  and Wu–Hausman test,  $p = 0.00$ ). The latter means that the predicted value of ‘Loyalty’ should be used in eq. 3, which further means that the predicted value should also be used in eq. 2, so that all explanatory variables in eq. 3 are included in eq. 2. The  $p$ -value is 0.102 for the test of  $H_0: h = 0$  in eq. 3 for

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<sup>9</sup> This includes children living in Thailand and Myanmar. We did not collect information on the place of residence of the respondents’ children.

Model (2), indicating that it is safe to account for the endogeneity of the 'Intention to return'. In summary, both 'Loyalty' and the 'Intention to return' should be treated as endogenous variables, hence the models were estimated following the steps presented above. The estimation results are presented in Table 6.6.

**Table 6.6: Regression Analysis of the Determinant Factors for Desire to Develop Skills**

	Model (1)			Model (2)
	Loyalty (eq. 1)	Intention to Return (eq. 2)	Desire to Develop Skills (eq. 3)	Desire to Develop Skills (eq. 3)
Higher performance/effort is rewarded	-0.01 (0.17)	0.15 (0.96)	-0.26 *** (3.71)	-0.25 *** (3.71)
Equity in pay	-0.27 *** (3.59)	0.21 (1.10)	0.20 ** (2.00)	0.16 * (1.68)
Equity in work content	0.37 *** (4.00)	-0.09 (0.34)	-0.53 *** (3.79)	-0.43 *** (3.08)
Respect by the top manager	0.23 *** (2.84)	-0.32 (1.15)	-0.39 ** (2.54)	-0.50 *** (3.28)
Respect by Thai supervisors	-0.25 ** (2.16)	0.39 (1.09)	0.23 (1.16)	0.24 (1.26)
Discriminatory attitude	-0.02 (0.43)	0.21 (1.54)	-0.11 (1.43)	-0.09 (1.24)
Wage level is appropriate	0.31 ** (2.34)	0.22 (0.59)	-0.02 (0.10)	-0.08 (0.43)
Top manager wants to retain Myanmar workers	-0.04 (0.35)	-0.87 ** (2.36)	0.17 * (1.85)	0.20 ** (2.30)
Top manager tries to improve working conditions for Myanmar workers	0.26 *** (3.38)	-0.49 ** (2.07)	0.28 ** (2.18)	0.35 *** (2.80)
The factory develops the skills of Myanmar workers	-0.23 *** (3.77)	0.14 (0.72)	0.22 ** (1.98)	-1.49 *** (2.82)
Sex (male)	-0.10 (0.74)	-0.27 (0.69)	0.62 *** (3.16)	0.55 *** (2.90)
Married	0.01 (0.07)	1.06 ** (2.52)	-0.14 (0.68)	-0.19 (0.97)
Age	-0.01 (0.71)	0.05 (1.45)	0.01 (0.75)	0.01 (0.83)
Education	0.04 * (0.71)	-0.12 * (1.45)	-0.06 ** (0.75)	-0.07 ** (0.83)

	(1.69)	(1.91)	(1.99)	(2.27)
Number of children	0.07	-0.85 **		
	(0.65)	(2.52)		
Duration of working in Thailand (months)	0.00	-0.04 **		
	(0.80)	(2.26)		
Duration of working in Thailand xTop manager wants to retain Myanmar workers	0.00	0.01 *		
Helper (dummy)	-1.05 ***			
	(3.72)			
Difficulty in finding another job	0.19 ***			
	(2.64)			
Loyalty (predicted value)		0.58	0.82 ***	-0.75
		(0.98)	(2.73)	(1.35)
Loyalty (predicted value) xThe factory develops skills of Myanmar workers				0.39 ***
Intention to return			-1.09 **	-1.08 **
			(2.11)	(2.18)
Factory dummy variables	[yes] ***	[yes]	[yes] *	[yes] ***
<i>h</i>			0.49	0.50
			(1.54)	(1.63)
Constant term	3.14	-1.64	1.49	8.41
	(3.49)	(0.50)	(0.95)	(3.25)

Notes:

1. The figures are estimated coefficients, and those in parentheses are the absolute value of the t-statistic.
2. For Model (2), eq. 2 is not presented in the table.
3. Coefficients for factory dummy variables are omitted from the table.
4.  $N=146$ . \* $p<.10$ ; \*\* $p<.05$ ; \*\*\* $p<.01$ .

Source: Prepared by the author.

### 6.3.2 Determinant factors of loyalty to the factory

According to hypothesis H1-6, variables representing POJ and OCE were predicted to have a positive effect on loyalty. Supporting this hypothesis, the coefficients for 'Equity in work content', 'Respected by the factory's top manager', 'Wage level is appropriate', and 'Top manager tries to improve the working conditions of Myanmar workers' were positive and significant. But, inconsistent with the hypothesis, the coefficients for 'Respected by Thai supervisors' and 'The factory develops the skills of Myanmar workers' were significantly



negative. The latter case suggests that a firm's effort to develop the workers' skills might cause them to feel burdened. The negative coefficient for 'Respected by Thai supervisors' can be caused by a high correlation (0.54) between this variable and 'Respected by the top manager'. If the model is estimated without the latter variable, the coefficient for 'Respected by Thai supervisors' would become nil (-0.05).

### *6.3.3 Determinant factors of the intention to return home*

Among the HRMP perception variables, 'Top manager wants to retain Myanmar workers' and 'Top manager tries to improve working conditions for Myanmar workers' have negative and significant coefficients. This implies that workers expecting longer-term employment and improvement in working conditions at the current factory are less likely to think of returning home soon.

On the other hand, the coefficients for other HRMP perception variables, especially POJ variables, were not significant. This suggests that Myanmar workers tend to think of working in Thailand for longer period, irrespective of how they are treated at the workplace, probably because they attach a higher priority to earning money.

As predicted, the coefficients for 'Duration of working in Thailand' and 'Number of children' are negative and statistically significant. In addition, the interaction term of the former with the 'Top manager wants to retain Myanmar workers' has a positive coefficient, indicating that the negative effect of a firm's commitment to retain workers is stronger for workers who started working in Thailand only recently.

Interestingly, 'Education' has a negative effect. This indicates a possibility that Myanmar workers perceive that economic returns from education are higher in Thailand, or a possibility that education would help them adapt to living in Thailand.

#### *6.3.4 Determinant factors of the desire to develop skills*

Lastly, the effect of the variables on the workers' desire to develop skills was examined. Firstly, as predicted, the coefficient for the 'Intention to return' is negative and that for the 'Top manager wants to retain Myanmar workers' positive, and both are significant. This result supports hypotheses H1-1 and H1-2, and indicates that workers are more likely to be motivated to develop their skills when they expect to get a return on the investment of working for a longer period.

Secondly, inconsistent with hypothesis H1-3, 'Higher performance/effort is rewarded' has a significantly negative coefficient. This result can be explained by goal-orientation theory, and the fact that the present study examined the effect on the desire to develop skills for difficult and multiple tasks. Goal orientation refers to a purpose for which one engages in a task, and it has two types: performance orientation and mastery orientation. Performance orientation reflects 'the desire to demonstrate competence relative to others, and the tendency to focus on other-referenced outcomes', and mastery orientation reflects 'the desire to develop and gain competence, and the tendency to focus on self-referenced outcomes' (Van Yperen, 2003: p. 230). Previous studies indicated the possibility that performance-based pay can change the employees' goal orientation from mastery to performance (Campbell, Campbell, and Ho-Beng, 1998; Van Yperen, 2003). An employee with strong performance orientation was assumed to have a stronger desire to improve performance in specific aspects that are linked with monetary rewards. Accordingly, if a firm evaluates work performance in terms of tasks already mastered, a worker would be unlikely to make the effort to develop new and more difficult skills.

Thirdly, among the POJ variables, 'Equity in pay' shows a positive and significant coefficient as predicted. However, inconsistent with hypothesis H1-4, the coefficients for 'Equity in work content' and 'Respected by the top manager' are negative and significant. Although this result

was puzzling, it at least suggests that POJ is not the major factor increasing the Myanmar workers' motivation to develop skills.

Fourthly, among the OCE variables, the 'Top manager tries to improve the working conditions of Myanmar workers' and 'The factory develops Myanmar workers' skills' show significantly positive coefficients, supporting hypothesis H1-5. This suggests that a firm's efforts to develop the workers' skills, although possibly perceived by Myanmar workers as a burden, would impress on them the importance of skill development.

Finally, as predicted, 'Loyalty' has a positive and significant coefficient, supporting hypothesis H1-6. In addition, in Model (2), its interaction with 'The factory tries to develop Myanmar workers' skills' also has a positive and significant coefficient. The marginal effect of the latter variable based on Model (2) indicates that this variable has a positive and significant marginal effect only when the value of 'Loyalty' is as high as 5, and the marginal effect becomes negative when 'Loyalty' is low (below 3). This result was partly consistent with hypothesis H1-7. More precisely, the estimation result suggests that a firm's commitment to develop its workers could lead to higher motivation of Myanmar workers only if they show a greater loyalty to the firm.

### 6.3.5 Total effect

Table 6.7 shows the total effect of the HRMP perception variables on the 'Desire to develop skills', which was calculated as follows (using the denotation in eqs.1 to 3 presented above):

$$T_m = \beta_{3m} + \delta_3 \beta_{1m} + \zeta \left( \frac{\partial P[R=1]}{\partial L} \beta_{1m} + \frac{\partial P[R=1]}{\partial x_m} \right)$$

where  $x_m$  signifies variable  $m$  and  $P[R=1]$  denotes the probability of  $R=1$ . The first term is the direct effect of the variable, the second term is the indirect effect via its effect on 'Loyalty', and the third term indicates the indirect effect via its effect on the 'Intention to return'.

As seen in Table 6.7, the 'Top manager tries to improve the working conditions of Myanmar workers' has the largest positive effect owing to the large direct and indirect effect. Ranked second was the 'Top manager wants to retain Myanmar workers', with a large direct effect, and third was 'Wage level is appropriate', with a large indirect effect via 'Loyalty'. In addition, 'Discriminatory attitude' has a relatively large negative total effect, which is also consistent with hypotheses H1-4. These results suggest that some aspects of OCE and POJ promote Myanmar workers' motivation to develop skills. However, variables such as 'Higher performance/effort is rewarded', 'Equity in work content', and 'Respected by the top manager' have a large negative impact due to the large negative direct effect.

The results indicate that the effect of POJ is inconclusive, but they can at least confirm that OCE, as manifested by a firm's commitment to improving the working conditions and retaining workers, has a positive impact on the Myanmar workers' motivation to develop skills.

**Table 6.7: Direct, Indirect, and Total Effect of the Human Resource Management Practices**

	Perception Variables						
	Loyalty	Intention to Return			Desire to Develop Skills		
	Direct	Direct	Indirect	Total	Direct	Indirect	Total
Higher performance/effort is rewarded	-0.01	0.03	0.00	<b>0.03</b>	-0.26	-0.04	<b>-0.30</b>
Equity in pay	-0.27	0.04	-0.03	<b>0.01</b>	0.20	-0.23	<b>-0.03</b>
Equity in work content	0.37	-0.02	0.04	<b>0.02</b>	-0.53	0.28	<b>-0.25</b>
Respected by the top manager	0.23	-0.06	0.02	<b>-0.03</b>	-0.39	0.22	<b>-0.17</b>
Respected by Thai supervisors	-0.25	0.07	-0.03	<b>0.04</b>	0.23	-0.25	<b>-0.02</b>
Discriminatory attitude	-0.02	0.04	0.00	<b>0.04</b>	-0.11	-0.06	<b>-0.17</b>
Wage level is appropriate	0.31	0.04	0.03	<b>0.07</b>	-0.02	0.18	<b>0.16</b>
Top manager wants to retain Myanmar workers	-0.04	-0.08	0.00	<b>-0.08</b>	0.17	0.05	<b>0.22</b>
Top manager tries to improve working conditions of Myanmar workers	0.26	-0.09	0.03	<b>-0.06</b>	0.28	0.28	<b>0.55</b>
The factory develops the skills of Myanmar workers	-0.23	0.02	-0.02	<b>0.00</b>	0.22	-0.19	<b>0.04</b>

Notes: The figures are calculated with parameters obtained from the estimation of Model (1) in Table 6.6.

Source: Prepared by the author.

## 7. Determinant Factors for the Difficulty in Working with Thai Workers

### 7.1 Choice of variables and the econometric model

The ‘Difficulty in working with Thai workers’, defined as a five-point-scale ordinal variable, was used as the dependent variable (a higher score indicating greater difficulty) to test hypotheses H2-1, H2-2, and H2-3; ‘The number of Thai friends at the workplace’; ‘Thai language skills’; and variables representing POJ, especially those related to relationship with Thai co-workers, supervisors, or manager (‘Less discriminatory attitude’, ‘Respected by top manager’, ‘Respected by Thai supervisors’, ‘Equity in pay’, and ‘Equity in work contents’).

Regarding Thai language skill, the survey asked the Myanmar workers to self-evaluate three aspects of their skill (listening, speaking, and reading). The variable 'Thai language skill' was represented by the factor score derived from the factor analysis of these three indicators, by assuming that the actual language skill was unobservable, but was reflected by observable skills, such as the listening skill.<sup>10</sup>

The development of cooperative relationships would take time, hence the logarithm for 'Duration of employment at the current factory' (in months) was included. To reflect the difference due to a worker's position in the workplace, the 'helper' and 'sewing worker' dummy were included (most workers sampled were sewing workers). Furthermore, the factory dummy variables were included to correct the factory-specific effects not accounted for by other explanatory variables. In addition, age, sex, educational level, and marital status of workers were included as control variables. The interaction terms of age and the factory dummy variables were included because workers of a similar age were more likely to develop cooperative relationships in a work group, and the Thai workers' age distribution seemed to differ by factory.<sup>11</sup>

An issue not to be ignored in the selection of the econometric model is the relationship between 'Thai language skill' and 'The number of Thai friends'. As discussed above, Thai language skill would facilitate the development of friendships between Myanmar and Thai workers in the workplace, and friendship ties with Thai workers could also help Myanmar workers improve their Thai language skill. To account for the relationship between these two variables, three equations were estimated in which 'Thai language skill' ( $H$ ), 'The number of Thai friends' ( $F$ ) and 'Difficulty in teamwork' ( $D$ ) are endogenous variables, as follows:

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<sup>10</sup> The factor analysis was conducted using the common factor method and the factor score was estimated by the regression scoring method. Without rotation, the factor loadings for 'listening', 'speaking', and 'reading' were 0.95, 0.92, and 0.54, respectively, and scoring coefficients associated with these three indicators were 0.58, 0.37 and 0.05, respectively.

<sup>11</sup> The difference in the mean value of Thai workers' age among factories was statistically significant based on the MANOVA multivariate analysis of variance ( $p = 0.00$ ).

$$H = \alpha_1 + \beta_1' \mathbf{x} + \gamma_1' \mathbf{z}_1 + \delta_1 F + \varepsilon_1 \quad (\text{eq. 4})$$

$$F = \alpha_2 + \beta_2' \mathbf{x} + \gamma_2' \mathbf{z}_2 + \delta_2 H + \varepsilon_2 \quad (\text{eq. 5})$$

$$D = \alpha_3 + \beta_3' \mathbf{x} + \zeta H + \eta F + \varepsilon_3 \quad (\text{eq. 6})$$

Where  $\mathbf{x}$  and  $\mathbf{z}$  are the vector of the exogenous variables;  $\alpha_j$ ,  $\beta_j$  ( $j=1,2,3$ ),  $\gamma_k$  ( $k=1,2$ ),  $\delta_l$  ( $l=1,2$ ),  $\zeta$  and  $\eta$  are (the vector of) associated constant terms or coefficients, and  $\varepsilon_j$  are error terms.

The model was estimated by the three-stage least square (3SLS) method, hence  $D$  and  $F$  regarded as continuous variables in the model, although originally ordinal variables.<sup>12</sup> As instrumental variables in eq. 4 and eq. 5, the logarithm for the 'Duration of staying in Thailand', 'Age at the time of migrating to Thailand', and 'Number of children' was used.

## 7.2 Estimation result

The estimation result is shown in Table 6.8. Consistent with H2-2, 'Thai language skill' shows a significant positive effect on 'The number of Thai friends', although the effect in the opposite direction was not significant. The effect of these variables on the 'Difficulty of working with Thai workers' was not significant. The result does not change even if either of the two variables were to be removed from eq. 6. Although the coefficient for 'The number of Thai friends' would become significantly more positive if eq. 6 were estimated without accounting for the endogeneity of the two variables that were a biased estimation.<sup>13</sup> These results did not support hypotheses H2-1 and H2-2, and suggest that teamwork required on the production

<sup>12</sup> 'The number of Thai friends' was originally defined as a five-level ordinal variable, with each level respectively indicating the number of friends as '0', '2 to 3', '4 to 6', '7 to 9', and '10 or more'.

<sup>13</sup> The exogeneity of  $H$  and  $F$  in eq. 6 were rejected at the 10% level based on the instrumental variable estimation of eq. 6, with the two variables as endogenous explanatory variables (Durbin test,  $p = 0.07$ ).

line of the surveyed garment factories is relatively simple, hence language skills and friendships are not critical factors.

**Table 6.8: Regression Analysis of Determinant Factors of Difficulty in Working with Thai**

<b>Workers</b>			
	<b>Thai language skills (eq. 4)</b>	<b>The number of Thai friends (eq. 5)</b>	<b>Difficulty in working with Thai workers (eq. 6)</b>
Equity in pay		-0.30 ** (2.55)	0.01 (0.04)
Equity in work contents		0.51 *** (3.67)	-0.13 (0.43)
Respected by the top manager		0.06 (0.44)	-0.34 ** (2.02)
Respected by Thai supervisors		-0.27 * (1.82)	0.18 (0.76)
Discriminatory attitude		-0.05 (0.69)	0.03 (0.33)
Sex (male)	0.18 (1.33)	0.23 (1.02)	0.00 (0.00)
Married	-0.02 (0.11)	0.37 (1.53)	-0.83 ** (2.17)
Age	0.05 * (1.80)	0.00 (0.01)	1.65 ** (2.09)
Education	0.02 (0.71)	0.03 (0.75)	-0.10 ** (2.16)
Helper		-0.39 (0.99)	-1.29 ** (2.33)
Sewing worker		0.16 (0.69)	0.10 (0.32)
Age at the time of migration	-0.05 * (1.90)	0.07 * (1.69)	
In (duration of employment at the current factory)		1.10 ** (2.38)	-0.36 * (1.94)
In (duration of employment at the current factory) ×Age		-0.03 ** (2.03)	
The number of children	0.36 *** (2.70)		
In (duration of staying in Thailand)	0.26 **		



	(2.27)		
Thai language skill		0.84 ***	-0.04
		(2.70)	(0.09)
The number of Thai friends	0.09		0.57
	(1.20)		(1.23)
Factory dummy variables	[no]	[yes] ***	[yes] ***
Factory dummy variables ×Age	[no]	[no]	[yes] ***
Constant term	-1.83	-1.46	-38.01
	(3.35)	(0.79)	(1.82)

Notes:

1. The model was estimated by the three-stage least square (3SLS) method.
2. The figures are estimated coefficients, and those in parentheses are the absolute value of the t-statistic.
3. Coefficients for factory dummy variables are omitted from the table.
4.  $N=141$ . \* $p<.10$ ; \*\* $p<.05$ ; \*\*\* $p<.01$ .

Source: Prepared by the author.

On the other hand, hypothesis H2-3 is partly supported, as 'Respected by top manager' has a negative and significant coefficient. This result indicates that the top manager's commitment to fair treatment of Myanmar workers might create a cooperative atmosphere in the workplace, or that some measures might be introduced in such factories to enhance cooperation between Myanmar and Thai workers. Regarding the POJ's effect on friendship ties, only 'Equity in work content' has a positive and significant coefficient consistent with H2-3, and 'Equity in pay' and 'Respected by Thai supervisors' even showed negative coefficients.

The coefficient for 'Duration of employment at the current factory' is negative and significant at the 10% level. This suggests that cooperative relationships are fostered by a longer experience of working together on the same production line, and longer-term employment would facilitate teamwork among Myanmar and Thai workers.

The factory dummy variables and their interaction with 'Age' are respectively and jointly significant at the 1% level. However, the coefficients for the factory dummies become insignificant if the interaction terms are removed from the equation (not shown in the table).

In the latter estimation, the significance of 'Age' also disappears. This result suggests that what matters is the age distribution of Thai workers in each factory. As argued above, one possibility is that a similarity of age between Myanmar and Thai workers might facilitate cooperative relationships in work groups.

## **8. Concluding Remarks**

For Thai garment firms to pursue upgrading involving the production floor, the skill level of the production workers and teamwork among them should be enhanced. In this respect, a concern arises as to whether and how reliance on Myanmar workers (mixed with Thai workers) could be compatible with such upgrading. To provide answers to this question, this chapter focused on the workers' motivation to develop skills and their perception of the difficulty of working in teams with foreign workers, and examines the effect of the workers' perception of a firm's human resource management practices (HRMP).

Major findings from the analysis of the data collected from Myanmar and Thai garment workers were as follows. Firstly, the Myanmar workers tend to have a weaker motivation to develop their skills than Thai workers do, while any difficulty they feel in working with Thai workers tends to be less than the difficulty perceived by Thai workers in working with Myanmar workers. Secondly, though not conclusive, there were some indications that Myanmar workers' desire to develop skills was positively affected by their perception of organisational justice (i.e. fair treatment in the factory) and the firm's commitment to workers, represented by efforts to improve working conditions, develop the workers' skills, and retain Myanmar workers. Thirdly, the degree to which Myanmar workers felt any difficulty working with Thai workers was mostly unrelated to their perception of organisational justice, except for the top manager's respectful attitude towards the Myanmar workers, but was more

affected by the workers' personal attributes, such as their age and education level, as well as the duration of employment at the factory.

These findings are far from conclusive, and further studies are needed to identify the factors that affect Myanmar workers' motivation to develop skills and good teamwork with Thai workers. Furthermore, the connection between successful upgrading and the workers' motivation, as well as the functioning of teamwork, need to be explored further.

Even with this limitation in mind, this chapter shows that a firm's HRMP matters to Myanmar workers' motivation to develop skills. The findings presented above suggest that an especially important factor is the firm's long-term commitment to the Myanmar workers, such as by making efforts to improve their working conditions, investing in training, and securing longer-term employment. This proposition, though it may seem to be a matter of course, is counter to the general assumption that foreign migrant workers under the work-permit system with a limited contract term tend to have a short-term perspective of their work in the host country and try hard to earn as much money as possible in the shortest period before returning to their home country. Under these circumstances the workers would prefer benefits given now rather than in the future, and the firm's commitment to a long-term perspective would not increase Myanmar workers' motivation to develop skills. Myanmar migrants working in garment factories in Thailand seem to have this kind of mentality, as reflected by their tendency to change factories frequently according to the availability of overtime opportunities. It is also true that many have the desire to continue working in Thailand over the long term, and they have been able to do so, as indicated by the data shown above. A firm's long-term commitment to such workers would pay off. Legal restrictions on the duration of employment of foreign migrant workers would have a negative effect in this respect.

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