

# LECTURE 9

## INDUSTRIAL RELATIONS & LABOUR LAW IN SRI LANKA

By

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# LEARNING OUTCOMES

**On successful completion of this lesson, the learner will be able to:**

- LO1:** Define the term “Industrial Relations” and understand the nature of industrial relations.
- LO2:** Discuss the types of employment relationships and ways of making them productive.
- LO3:** Discuss the importance of trust and psychological contracts.
- LO4:** Compare and contrast industrial relations and HRM.
- LO5:** Discuss some important rules an employer has to follow when/after employees are hired.

# DEFINING INDUSTRIAL RELATIONS

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## Narrow Sense

The term industrial relations describes the interconnections that exist between employers and employees in the workplace.

# DEFINING INDUSTRIAL RELATIONS

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## Broader Sense

Industrial relations is a multidisciplinary academic field that studies the **complex employment relationships between employers and employees, labor/trade unions, employer organizations and the state.**

# SYNONYMS AND CONTROVERSIES

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- **EMPLOYMENT RELATIONS:** is it a synonym to industrial relations?
- **EMPLOYEE RELATIONS:** does this represent relationships only with individual employees?
- **LABOUR RELATIONS:** is it of managing unionized employment situations?

# NATURE OF INDUSTRIAL RELATIONS

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There are four dimensions of the employment relationships as proposed by the Kessler & Undy (1996) which are:

**Parties, Substance, Structure, Operation**

- **PARTIES:** People who involve in the relationships.
- **SUBSTANCE:** Different aspects of the jobs that affect parties.
- **STRUCTURE:** Different forms of the relationships.
- **OPERATION:** Different levels at which relationships exist.

# PARTIES OF INDUSTRIAL RELATIONS

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- Parties of employment relationships are diverse.
- Mainly categorized as internal and external.
- Internal parties represent:
  - Managers
  - Employees
  - Employee representatives
    - Trade unions
    - Staff associations
    - Works councils
- External parties represent:
  - Employer organizations
  - Regulatory bodies
  - The state

# SUBSTANCES OF INDUSTRIAL RELATIONS

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- Substances play a major role in industrial relations.
  - It can be individual or collective.
  - It can also be related to **job itself** and **job context**.
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- Main focus is given to:
    - **Job:** workload, working hours, autonomy etc
    - **Rewards:** financial and non financial
    - **Career:** career path, training & development
    - **Communications:** strategy, decisions and outcomes
    - **Culture:** values, norms, attitudes

# **STRUCTURES OF INDUSTRIAL RELATIONS**

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- Different structures are indispensable in industrial relations.
- It can be formal or informal.
  
- The formal dimensions include rules and procedures.
- The informal dimensions include understandings, expectations and assumptions.
  
- Both formal and informal structures are inevitable for successful industrial relations.

# OPERATIONS OF INDUSTRIAL RELATIONS

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- Operations of employment relations are mainly threefold:
  - Pattern
  - Process
  - Style
- Employment relations exist in different patterns.
  - Management to individual employees
  - Management to employee groups
- Processes of operation include communications and consultations.
- Management style do influence nature of industrial <sup>10</sup> relations.

# **CREATING EMPLOYMENT RELATIONSHIPS**

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**HR specialists can contribute to the development of productive employment relationships in various ways:**

- During recruitment interviews
- Through induction programs
- Through employee handbooks
- Through the performance management processes
- Using personal development plans
- Using learning and development programs
- Through manager and team leader training
- Through two-way communications
- Using general policy of transparency
- Developing HR policies, practices & procedures

# IMPORTANCE OF TRUST

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- Building trust is the only basis upon which **commitment** can be generated.
- Trust should be regarded as social capital that enables people to **collaborate** with one another.
- A core competency that leads to **higher business performance**.
- A unique human resource capability that helps the organization fulfil its **competitive advantage**.
- Effective **pay-for-contribution** processes are built on trust.
- There is a business need to develop a climate of trust.

# IMPORTANCE OF PSYCHOLOGICAL CONTRACT

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- A psychological contract creates **emotions and attitudes** which form and control employer – employee behavior.
- Psychological contract is necessary for the **continual and harmonious relationship** between the employee and the employer.
- Psychological contract **governs the continuing development** of the employment relationship, which is constantly evolving over time.

# **CHARACTERISTICS OF HRM**

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- Create job opportunities according to the vision, mission and objectives of the organization.
- Maintain the right mix of employees with the required competencies to accomplish the goals of the organization.
- Provide fair treatment and pleasant working conditions for the employees.
- Create a positive and friendly work environment.
- Provide a structure to help the employees to be more effective at their work.

# **CHARACTERISTICS OF IR**

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- Ensures a smooth flow of business operations by safeguarding the interests of employees and employers in the organizations.
- Reduces industrial disputes affecting the productivity.
- Increase the morale of the employees as they are working in a peaceful and safe environment.
- Promotes economic growth and development based on employee performance and good leadership of the employers.
- Discourages unfair practices as both parties work according to the accepted rules and procedures.

# **HRM Vs IR**

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**HRM differs from IR in various aspects.**

- HRM focuses on the ways of effectively managing the human resources within an organization and IR is about establishing good relationships between employers and employees.
- IR is a part of HRM.
- There are four parties involved in IR such as the employees, employers, trade unions, and government. In HRM, there are mainly two parties involved such as the employees and employers.

# **IMPORTANCE OF IR IN HRM**

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## **Why is IR important in HRM?**

- It establishes mutual agreement
- It leads to higher productivity
- It improves mutual cooperation
- It ensures maximum use of resources
- It eliminates wastage
- It encourages just practices
- It necessitates the enactment of labor legislations
- It facilitates the management of change

# LABOUR CODE OF SRI LANKA

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## Labour Laws Relating to Industrial Relations

- Shops and Office Employees Act
- Industrial Disputes Act
- Trade Unions Ordinance
- Employees' Provident Fund Act
- Employees' Trust Fund
- Payment of Gratuity Act
- Termination of Employment of Workmen
- National Minimum Wage of Workers Act
- Maternity Benefits Ordinance
- Employment of Women, Young Persons and Children
- Factories Ordinance
- Workmen's Compensation
- Medical wants

**DOL:**[http://www.labourdept.gov.lk/index.php?option=com\\_content&id=65&Itemid=86&lang=en](http://www.labourdept.gov.lk/index.php?option=com_content&id=65&Itemid=86&lang=en)

# **SHOPS AND OFFICE EMPLOYEES ACT**

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## **Who does it apply?**

- It applies equally to all local and foreign employees working in Shops and Offices in Sri Lanka.

## **Who doesn't it apply?**

- If the employee works in a bazar or works for charitable/other purposes.
- Works carried on for either one month or less
- Businesses in connection with funerals
- A watcher or a care-taker

# **COVERAGE**

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**Shop and Office Employees Act No 19 of 1954 Provides  
Regulations on employment and remuneration:**

- Minimum age of employment
  - Restrictions of hours of employment
  - Weekly holidays
  - Annual holiday and leave
  - Public holidays
  - Intervals for meals
  - Employment of women and persons under eighteen
  - Provisions for lighting and ventilation
  - Provisions for sanitary and washing
  - Payment of remuneration
  - Maternity benefits
- etc

# **MINIMUM AGE OF EMPLOYMENT**

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## **Section 10 (amended)**

**Sixteen**

- A person who has not attained the age of **fourteen years** shall not be employed in or about the business of a shop or office.

**Sixteen**

- A female who has attained the age of **fourteen** years but shall not be employed before 6 a.m. or after 6 p.m. on any day (exceptions applied).

**Sixteen**

- A male who has attained the age of **fourteen years** but not attained the age of eighteen years, shall not be employed before 6 a.m. or after 6 p.m. on any day. (exceptions applied).

# **EXCEPTIONS FOR FEMALES**

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- Any **female** who has attained the age of **eighteen years** may be employed in or about the business of a **hotel or restaurant** for the period, or any part of the period between **6 p.m. and 10 p.m.**
  
- Any **female** who has attained the age of **eighteen years** may be employed in or about any prescribed work in a **residential hotel before 6 a.m. or after 6 p.m. on any day.**
  
- Any **female** who has attained the age of **eighteen years** may be employed in or about the business of a **shop or office** for the period, or for any part of the period, between **6 p.m. and 8 p.m.**

## **EXCEPTIONS FOR MALES**

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- Any male who has attained the age of **sixteen years** may be employed in or about the business of a **hotel, restaurant or place of entertainment** for the period, or for any part of the period, between **6 p.m. and 10 p.m.**

# **EXCEPTIONS FOR CHILDREN**

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- A child under the age of 16 is not prevented from getting involved in agri-business activities of his family,
  
- OR in any business activity organized for an educational or charitable purpose, provided that such partaking is done only before or after the commencement of school.

# **MAXIMUM HOURS OF WORK**

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**The normal period during which any person may be employed in or about the business of any shop or office –**

(a) on any one day shall not exceed **eight hours**,

and

(a) in any one week shall not exceed **forty five hours**.

**The period shall not include any interval allowed for rest or for meal.**

# **INTERVALS FOR REST/MEALS**

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- Where any person employed, suitable and sufficient facilities for taking meals/rest shall be provided and maintained by the employer.

## **Applicable where such period includes**

- (a) An interval of one hour between 11am – 2pm
- (b) An interval of half an hour between 4pm – 6pm
- (c) An interval of one hour between 7pm – 10pm

# **WEEKLY HOLIDAYS**

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**Every person employed in or about the business of any shop or office shall, in respect of each week, be allowed:**

(a) One whole holiday and one half-holiday

And

(b) Such holidays shall be so allowed **with full remuneration if such person has worked for not less than twenty-eight hours** during that week.

# PUBLIC HOLIDAYS

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- (a) Every employee shall be allowed a holiday on public holidays with full remuneration.
- (b) If any person is employed for a normal period of time on any such a holiday, that person shall instead be allowed a holiday with full remuneration on or before the thirty-first day of December next succeeding, or be paid remuneration at a rate which is double the rate at which such person is ordinarily remunerated for such employment on any day.
- (c) No employer can employ any person whom the provisions apply without his/her own consent on any such holiday and be allowed him/her on the day so declared.

# FULL MOON POYA DAYS

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- (a) Every person employed in or about the business of a shop or office shall be granted a holiday on a Full Moon Poya Day.
- (b) In a case where a Full Moon Poya Day falls on a holiday (full/half holiday), no additional holiday shall be allowed to the employee in lieu of that Full Moon Poya Day.
- (c) If a person employed on a Full Moon Poya Day for a normal period of employment, he/she shall be paid not less than one and a half times of normal daily rate of remuneration.

# ANNUAL HOLIDAYS – YEAR 1

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**In respect of the first year of employment during which any person has been continuously in employment, that person shall be entitled to take and shall take -**

**If employment commences:**

- (a) On or after the first day of January but before the first day of April, a holiday of **fourteen days** with full remuneration;
- (b) On or after the first day of April but before the first day of July, a holiday of **ten days** with full remuneration;
- (c) On or after the first day of July but before the first day of October, a holiday of **seven days** with full remuneration;
- (d) On or after the first day of October a holiday of **four days** with full remuneration,

# **ANNUAL HOLIDAYS – AFTER YEAR 1**

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**In respect of any subsequent year of employment,  
any employee shall be entitled to take-**

- (a) Fourteen days of holidays with full remuneration;
- (b) Not less than seven days shall be consecutive days;
- (c) The holidays shall be taken in the year immediately succeeding on days to be agreed upon by the employer and the employee;
- (d) A period or an aggregate of periods not exceeding seven days on account of private business, ill health or other reasonable cause with full remuneration.

# **LIGHTING/VENTILATION/SANITARY**

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- (a)** In every part of the premises of a shop or office in which persons are employed about the business of the shop or office, suitable and sufficient means of lighting and ventilation shall be provided and maintained by the employer.
- (b)** Sufficient sanitary conveniences and washing facilities for the use of all persons employed shall be provided and maintained in the premises by the employer.
- (c)** Separate conveniences and facilities to be provided if both sexes are employed.

# FAILURE TO PAY REMUNIRATION

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- Every employer who fails to pay remuneration to any employee, shall be guilty of an offence and shall be liable to a fine and surcharge. The surcharge payable shall be calculated as follows:

If such sum is in arrears for a period:

- (a) Exceeding one month but not exceeding three months, a surcharge of 20% of such sum;
- (b) Exceeding three months but not exceeding six months, a surcharge of 30% of such sum;
- (c) Exceeding six months but not exceeding twelve months, a surcharge of 40% of such sum;
- (d) Exceeding twelve months, a surcharge of 50% of such sum.

# SUMMARY

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- Industrial Relations is a multidisciplinary field that studies the employment relationships.
- There are diverse factors affecting industrial relations which are including but not limited to individual behavior, organizational structure, psychological factors, leadership styles, economic condition, technological development, legal & political context etc.
- Nature of industrial relations can be well explained by four dimensions.
- Relational contracts enhance employee engagements than transactional contracts.
- Trust should be regarded as social capital that enables people to collaborate with one another.
- Psychological contract is necessary for the continual and harmonious relationship between the employee and the employer.
- HRM differs from IR in various aspects.

# RECOMMENDED READING

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- Armstrong, M. (2009) Armstrong's Handbook of Human Resource Management Practice. 11th Edition, Kogan Page Limited, London.
- Boxall, P., Purcell, J. and Wright, P. (2007). The Oxford Handbook of Human Resource Management. Oxford: OUP .
- Gibb, S. (2007). Human Resource Development: Processes, Practices and Perspectives. Basingstoke: Palgrave.
- Marchington, M. & Wilkinson, A. (2011). Human Resource Management at Work: People Management & Development. 5th Edition. London: CIPD.
- Labour Code of Sri Lanka:  
[http://www.labourdept.gov.lk/index.php?option=com\\_content&id=65&Itemid=86&lang=en](http://www.labourdept.gov.lk/index.php?option=com_content&id=65&Itemid=86&lang=en)