

WAGE DYNAMIC NETWORK SURVEY SRI LANKA



📞 Prices and Wages Division.
📍 Central Bank of Sri Lanka.

Wage Dynamic Network Survey – **Sri Lanka.**

The Wage Dynamic Network (WDN) Survey is a tool designed to study wage-setting behavior and labor market adjustments in response to economic shocks. Inspired by similar initiatives in the UK, Malta and Europe to understand wage-setting behaviors and labor market responses during economic shocks. Given the recent economic challenges in Sri Lanka, we propose conducting a similar survey to provide valuable insights into how firms in the country respond to crises, adapt wages, and manage employment.

Contents

Table of Figures	2
Objectives of the Survey	2
Reference Periods	2
Key Survey Areas	2
Methodology	3
Wage Dynamic Network Survey - UK.....	5
Section 3.1 - Changes in the economic environment.....	5
Section 3.2 – Method of Adjustments.....	7
Section 3.3 - Wage Setting and Wage Dynamics.	8
Key Observations Derived from UK- WDNS	10
Wage Dynamic Network Survey - MALTA	10
Wage Dynamics Network Survey (2014) – Central Bank of Malta	10
Background of the Survey	10
Survey Methodology.....	10
Key Findings from MALTA.....	11
Shorter Questionnaire:	12
Long Questionnaire:	19

Table of Figures

Figure 1 Unemployment Rate Sri Laanka From 2001-2023 3

Figure 2 Average Wage Per person From 2017-2024 in Private Sector considering EPF Contribution 4

Objectives of the Survey

- Understand how Sri Lankan firms adjust wages and employment in response to economic shocks.
- Analyze wage-setting mechanisms within different industries.
- Identify factors influencing wage rigidity and labor cost adjustments.
- Provide insights to policymakers for improving labor market resilience.
- Understand wage-setting mechanisms within different industries and firm sizes.

Reference Periods

1. **2019:** Pre-crisis baseline (Easter Bomb Attacks)
2. **2020:** Crisis onset (COVID-19 pandemic)
3. **2022:** Deep crisis (Economic Collapse)
4. **2023:** Early recovery phase (Economic stabilization begins)
5. **2026:** Projected modest recovery (Economic stability expected)

Key Survey Areas

1. **Wage Adjustment Mechanisms**
 - Changes to base salaries, bonuses, and non-wage benefits during crises. Frequency and reasons for wage freezes or reductions.
2. **Employment Adjustments**
 - Strategies such as reduced work hours, temporary layoffs, and workforce reductions. Retention of skilled employees during economic downturns.
3. **Factors Influencing Wage Decisions**
 - Role of labor laws, union agreements, and economic uncertainty. Impact of inflation and currency depreciation on real wages.
4. **Impact of Crises on Firms**
 - Effects of the 2019 Easter Bomb Attacks, COVID-19 pandemic, and 2022 economic collapse. Recovery trends and future expectations.
5. **Early Recovery Trends (2023)**
 - Weather gradual stabilization of wages and a return to normal employment levels in some sectors. Weather increased emphasis on productivity-linked compensation.

Methodology

1. **Survey Design** Develop structured questionnaires with both quantitative and qualitative questions. Include sections specific to each reference period.
2. **Sampling Strategy** Stratified sampling across industries, firm sizes, and regions to ensure broad coverage.
3. **Data Collection** Conduct surveys via online forms, emails, and in-person meetings where possible.
4. **Analysis Techniques** Use statistical methods to identify patterns in wage-setting and employment adjustments. [This is the process which UK and other European Countries have followed]

Unemployment Trends in Sri Lanka (2019-2023)

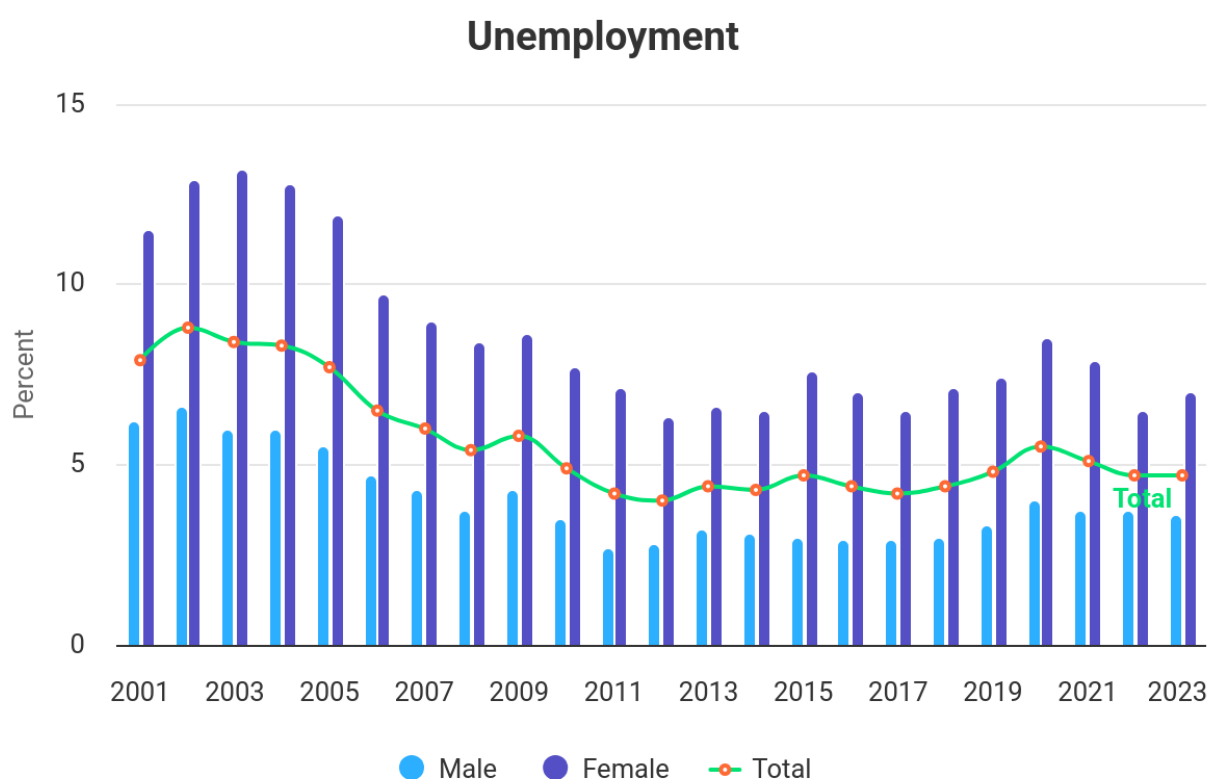


Figure 1 Unemployment Rate Sri Lanka From 2001-2023

Source: <https://www.cbsl.gov.lk/en/economic-and-statistical-charts/unemployment-rate-chart>

Despite experiencing multiple economic shocks between 2019 and 2023, Sri Lanka's unemployment rate showed a relatively moderate response. The trends are summarized as follows:

Pre-2019 Period: Before 2019, the unemployment rate was stable and comparatively low, reflecting a steady labor market. **2019:** Following the **Easter Bomb Attacks**, the unemployment rate increased by **0.4 percentage points**

compared to the previous year, indicating a slight impact on the labor market.**2020:** During the onset of the **COVID-19 pandemic**, unemployment peaked at **5.5%**, marking an increase of **0.7 percentage points** over 2019. This was the highest unemployment rate observed in the past decade.**2021-2023:** Despite the **economic collapse** in 2022, the unemployment rate began to decline after 2020. By 2021, 2022, and 2023, the rate gradually returned to levels close to those observed in 2019, suggesting a labor market recovery.

The labor market in Sri Lanka demonstrated resilience despite severe disruptions, including the Easter Bomb Attacks, the COVID-19 pandemic, and the 2022 economic crisis. The impact on unemployment was less severe than anticipated, with rates stabilizing relatively quickly after each shock. This resilience indicates that firms in Sri Lanka may have relied more on **wage adjustments** (e.g., reducing bonuses or benefits) rather than large-scale layoffs to manage costs during crises.



Figure 2 Average Wage Per person From 2017-2024 in Private Sector considering EPF Contribution

Source: EPF Contributions for the Formal Sector Wages

Analysis of **Employee Provident Fund (EPF)** data for private-sector employees from 2019 to 2024 reveals an overall **increasing trend in average wages per person**. However, several fluctuations were observed during this period:**2019:** A decline in average wages began in **July 2019**, likely influenced by the aftermath of the **Easter Bomb Attacks**. This was followed by a recovery starting in **October 2019**.**2020:** A significant drop occurred in **April 2020**, coinciding with the **COVID-19 pandemic lockdowns**.**2021-2023:** After the 2020 decline, wages exhibited seasonal patterns, with decreases observed around **February** and **October** each year, followed by recoveries.

These patterns suggest that firms responded to economic disruptions by adjusting wages in the short term, with recovery trends indicating the resilience of wage structures in the private sector. Understanding these dynamics through a **Wage Dynamic Network Survey** will provide deeper insights into wage-setting behavior during crises.

Wage Dynamic Network Survey - UK

Section 3.1 - Changes in the economic environment

In the UK, the job separation rate is **1.53%**, among the highest in OECD countries. Understanding Sri Lanka's separation rate is crucial for assessing labor market stability. The UK has low employment protection, allowing flexibility in hiring and firing. Sri Lanka should evaluate the balance between worker protection and labor market flexibility. UK union coverage is **35%**, one of the lowest among OECD countries. Sri Lanka should consider the role of unions in wage-setting and employment stability. The UK did not need significant labor market reforms during the Great Recession due to existing flexibility. Sri Lanka should assess whether current labor policies provide enough adaptability during crises. Stability in labor market institutions can help economies recover faster from shocks. Sri Lanka should aim to establish resilient labor market frameworks to withstand economic disruptions.

Survey Design

1. **Sample Selection: UK Context:** The UK survey included 18,416 firms, stratified by industry classifications (SIC2007) based on gross-value-added (GVA) shares. [The final sample is broadly representative of the UK Private Sector] **Sri Lanka Context:** The survey will target firms across **all economic sectors**, including **Private Sector Firms** registered under the Employees' Provident Fund (EPF). **Public Sector Enterprises** and **Semi-Government Organizations** registered under the **Democratic Socialist Republic of Sri Lanka**. (This data can be obtained by **Department of the Registrar of Companies**) The sample will ensure a representative mix of industries and firm sizes, including large enterprises and small- and medium-sized enterprises (SMEs).
2. **Data Sources: UK:** Data was sourced from the Bank of England's contacts and the Bureau van Dijk's (BvD) database. **Sri Lanka: Private Sector:** Data from EPF records and industry associations. **Public and Semi-Government Sectors:** Data from official registries maintained by the **Department of the Registrar of Companies. The companies registered under Democratic Socialist Republic of Sri Lanka**. This approach ensures that the survey reaches **all categories of firms**, regardless of ownership type.
3. **Response Rate Considerations UK:** The response rate was higher among firms contacted via Bank of England channels (11%) compared to the BvD database (2%). **Sri Lanka: Private Sector:** EPF-registered firms are accustomed to official surveys, which may result in higher response rates. **Public and Semi-Government:** Outreach to government institutions and semi-government organizations through official channels can improve participation.
4. **Pilot Study UK:** A pilot study improved question clarity and streamlined the survey process. **Sri Lanka:** A pilot survey will be conducted across **private, public, and semi-government sectors** to refine questions and address sector-specific nuances.

Employment Patterns

UK: The survey captured variations in employment across different firm sizes, with larger firms being overrepresented.

Sri Lanka: Private Sector: Most employment and wages are concentrated in a small proportion of **large firms (bulk companies)**. **Public and Semi-Government Sectors:** A significant share of employment is also within **government institutions** and **state-owned enterprises**. Ensuring balanced representation across these sectors is crucial.

Wage Trends

UK: Real wages fell during the Great Recession, with subsequent fluctuations.

Sri Lanka: Analysis from **2019-2024** shows wage variations due to events like the **COVID-19 pandemic** and **economic crises**. Trends will be analyzed across all sectors to understand comprehensive wage dynamics.

Survey Response Methods

UK: Firms could respond online or via email, with 90% preferring online submissions.

Sri Lanka: Online, email, and **paper-based submissions** will be provided to accommodate diverse organizational preferences, especially in the public sector (as they are not much equipped with technology) **Online Submissions:** Suitable for **private-sector firms** and **larger organizations** with adequate technological infrastructure. Allows quick and efficient data collection. **Email Submissions:** Provides flexibility for organizations that prefer electronic communication but lack dedicated survey platforms. Useful for **medium-sized firms** and **semi-government entities** **Paper-Based Submissions:** Essential for the **public sector** and **small organizations** that may not be equipped with modern technology. Ensures inclusivity and higher response rates by addressing potential **technological barriers**.

Data Weighting and Analysis

UK: Weighted data accounted for selection probabilities and response rates.

Sri Lanka: Employment-based weights will be applied to ensure the sample represents the workforce across **private, public, and semi-government sectors**.

Insights from the UK Survey (Table B)

Industry Distribution: The UK survey found that the final sample was somewhat **overweight** in **manufacturing** and **business services** sectors. **Firm Size:** Larger firms (250+ employees) were overrepresented, contributing to a higher employment share than in the general population, while **small firms (1-49 employees)** were underrepresented.

Relevance to the Sri Lankan Context

1. **Employment Patterns** In Sri Lanka, a similar pattern can be observed. Most employment and wage contributions are concentrated in a small number of **bulk companies**. Data from **EPF contributions** show that: **Only 20-30%** of the total number of companies are from **large firms**. **But 70-80%** of total employees and wage contributions are associated with **large firms (bulk companies)**.
2. **Sectoral Distribution** The **private sector** in Sri Lanka can be easily targeted for surveys since firms are registered under the **EPF Division**. Manufacturing and business services are key sectors in the UK These sectors are likely to be overrepresented in the survey.
3. To ensure comprehensive coverage, the survey should also include **public and semi-government organization**. Including these sectors will provide a balanced understanding of employment distribution and wage dynamics beyond the private sector. **Balanced Representation:** Ensure that the sample captures employment in **small firms** (1-49 employees) as well as **large bulk companies**. **Sector Focus:** Give adequate attention to **manufacturing** and **business services**, reflecting their significant economic contribution. **Comprehensive Data Collection:** Utilize data from both **EPF records** and **government registries** to include **private, public, and semi-government firms**

Changes in Economic Environment:

In UK, most firms reported an increase in nominal demand, primarily through domestic volumes and prices, with foreign demand playing a lesser role. Credit conditions remained tight, especially for smaller firms, despite economic recovery. Larger firms saw improved access to finance through capital markets, while smaller firms continued to face challenges accessing credit. A significant rise in the availability of inputs from suppliers, especially for smaller and medium-sized firms, was noted. This could be due to suppliers recovering from the recession, benefiting their clients as well.

Labour and Cost Dynamics:

In England, There was a moderate increase in base wages, but a stronger rise in other labour costs, especially pension costs. This was influenced by factors like low gilt yields and the introduction of auto-enrolment for workplace pensions in 2012. Employment trends showed that most firms increased permanent staff numbers, with medium and large firms more likely to increase working hours. Labour cost increases were also linked to demand levels, with higher demand correlating with higher costs, as firms expanded output and inputs.

Firm Size and Economic Conditions:

In England, Smaller firms faced more difficulties accessing credit and experienced higher increases in other labour costs, particularly pension contributions. Larger firms, however, were better positioned to manage costs, with some benefiting from falling energy prices.

Correlations and Implications:

The survey in UK found weak correlations between demand and costs, particularly labour costs, with firms experiencing both moderate wage increases and a stronger rise in other labour-related expenses (e.g., pensions). Uncertainty during this period seemed to drive base wage increases, possibly as firms sought to ensure employee retention during volatile conditions.

Section 3.2 – Method of Adjustments.

Labour Market Flexibility

UK: The UK labour market is relatively flexible, with firms able to adjust their labour input by using various methods like redundancies, hiring freezes, and non-renewal of temporary contracts. **Sri Lanka:** Labour market flexibility may be more constrained due to strict labour laws, cultural factors, and strong union presence. Adjusting wages or employment can be more challenging, especially in state-owned enterprises or larger firms.

Economic Volatility

UK: Firms in the UK are affected by economic volatility, and downturns or crises increase the likelihood of downward labour adjustments, with strong volatility contributing to the need for reductions. **Sri Lanka:** Economic volatility, such as inflation or political instability, may significantly impacts firms' ability to adjust. Firms might have to reduce labour input during periods of economic downturn, but they face more difficulties due to the less dynamic nature of the economy.

Union Influence

UK: Union presence increases the likelihood of downward labour adjustments, as unions may resist smaller changes in pay or employment and only agree to larger adjustments. **Sri Lanka:** Unions may have a significant presence in Sri Lanka, especially in the public sector, and they often resist wage reductions and job cuts. Therefore, firms may struggle to implement gradual adjustments without union opposition.

Nominal Wage Rigidity

UK: Downward nominal wage rigidity is a notable factor, where firms face challenges reducing wages but can still adjust labour input in other ways, such as reducing hours or hiring freezes. **Sri Lanka:** Downward nominal wage rigidity is morin Sri Lanka, particularly in large firms and the public sector, making it harder for employers to cut wages during economic downturns, leading them to reduce labour input through redundancies or other non-wage adjustments.

Firm Characteristics

UK: Larger firms with multiple offices are more likely to use collective redundancies, while smaller firms are more likely to use individual redundancies. **Sri Lanka:** Small and medium enterprises (SMEs) may face more difficulties in reducing labour input compared to larger firms due to limited resources and less bargaining power. Firms in sectors like manufacturing and construction might have different adjustment strategies due to the nature of their workforce.

Adjustment Methods

UK: Firms use a variety of strategies to reduce labour input, including individual redundancies, collective redundancies, non-renewal of contracts, and reductions in working hours. **Sri Lanka:** In Sri Lanka, firms likely adopt similar strategies, such as hiring freezes and redundancies. However, collective redundancies may be less common due to legal and social constraints.

Foreign Ownership

UK: Foreign-owned firms are more likely to move work overseas or adjust labour input at their parent company's location, often as part of a broader strategy. **Sri Lanka:** Foreign-owned firms in Sri Lanka may also consider moving work overseas or making adjustments in their parent country, reflecting similar tendencies to prioritize home-country adjustments.

Barriers to Hiring

UK: Firms face barriers to hiring permanent workers, such as skill shortages and economic uncertainty. Around 60% of firms reported skill shortages as an obstacle to hiring in 2013. **Sri Lanka:** Skill shortages are a significant challenge in Sri Lanka as well, with many firms struggling to find workers with the right skills. Economic uncertainty and a lack of alignment between education and industry needs also present barriers to hiring.

Labour Market Rigidities

UK: While the UK labour market is generally flexible, firms perceive it to be more rigid in areas like hiring employees, adjusting wages, and lowering wages for new hires. **Sri Lanka:** The labour market in Sri Lanka is generally more rigid, especially due to institutional barriers, such as strict labour laws, social expectations, and union opposition, which can make it difficult to make changes to employment or wages.

Section 3.3 - Wage Setting and Wage Dynamics.

Wage-setting frequency:

Most firms in the UK change wages annually, but a significant proportion (around a quarter) change wages less frequently. Small firms tend to have a broader range of wage-setting frequencies, with 50% of smaller firms changing wages annually, compared to 80% of larger firms. This suggests that wage-setting may be more rigid in smaller firms.

Relevance to Sri Lanka: Like in the UK, wage-setting frequency in Sri Lanka can vary by firm size and industry. Smaller firms in Sri Lanka may exhibit more flexibility or rigidity in wage-setting, depending on their financial health and bargaining power. Understanding this is crucial for Sri Lanka's policymakers to address wage disparities and protect workers in smaller, less formal sectors.

Policy Implications: Policies that support wage adjustments in line with inflation or economic conditions could be necessary to prevent stagnation in wages, especially in smaller firms.

Union impact on wage flexibility:

Unionized firms in UK tend to negotiate wages based on inflationary pressures, potentially contributing to downward real wage rigidity. Around 30% of firms directly linked wage changes to inflation, with unionized firms showing a slightly higher incidence of this linkage.

Relevance to Sri Lanka: Unions play a significant role in wage negotiations in Sri Lanka, particularly in public sectors and industries like plantations. Unionized firms often link wages to inflation, reducing the risk of real wage erosion during periods of high inflation. Understanding how unions impact wage flexibility can help Sri Lanka manage inflationary pressures without leading to widespread wage freezes or cuts, especially in sectors with strong union representation.

Downward nominal wage rigidity (DNWR):

In England, the data shows a clear spike at zero wage change, suggesting that firms are less likely to reduce wages in response to shocks. The incidence of wage freezes was relatively high (around 25% in 2010) but decreased by 2014. Construction firms had the highest incidence of pay freezes, which lasted an average of three years.

Relevance to Sri Lanka: Sri Lanka faces periods of economic instability, with inflation, currency devaluation, and fiscal challenges. If firms, particularly in labor-intensive sectors like agriculture and tourism, are unwilling or unable to reduce nominal wages, this could lead to labor market inefficiencies, contributing to higher unemployment or slower wage growth. Understanding DNWR in Sri Lanka can help policymakers design wage policies that prevent labor market distortions during economic downturns by creating mechanisms for wage flexibility while avoiding unnecessary wage freezes.

Determinants of pay freezes:

In England, the likelihood of a pay freeze is influenced by factors such as firm size, industry (e.g., construction firms were more likely to have pay freezes), and access to external financing. For example, firms with decreased access to external financing were more likely to implement pay freezes. The presence of unions was found to significantly reduce the likelihood of pay freezes.

Relevance to Sri Lanka: Firms in Sri Lanka may face challenges such as reduced access to external financing, which could influence their ability to raise or adjust wages. Sectors like construction and manufacturing, which are more vulnerable to economic shocks, might be more likely to implement pay freezes. Identifying the factors that contribute to pay freezes can help Sri Lanka's government provide targeted support to firms that are struggling, especially through access to financing, while also protecting workers' rights to fair wages.

Downward real wage rigidity (DRWR):

Some firms link wage changes to inflation, reflecting downward real wage rigidity. The survey explored factors that influenced the likelihood of inflation-linked pay, with demand fluctuations and volatility playing a key role.

Relevance to Sri Lanka: Given the country's periodic inflationary crises, linking wage adjustments to inflation helps maintain workers' real purchasing power. However, excessive rigidity could result in inefficiencies, particularly if firms are unable to adjust wages in response to declining economic conditions or demand for goods and services. Understanding DRWR can guide Sri Lanka's policies on inflation-indexed wages and how to balance wage growth with the overall economic stability of firms.

Theoretical frameworks for wage rigidity:

Various economic models (e.g., the shirking model, gift-exchange model, and insider-outsider theory) help explain why certain firms are more prone to wage rigidity. Factors such as the presence of unions, employee tenure, and the share of permanent employees influence this rigidity.

Relevance to Sri Lanka: Theoretical models like the shirking model, gift-exchange model, and insider-outsider theory are valuable for understanding the behavior of Sri Lankan firms in their wage-setting practices. Factors such as employee tenure, union presence, and firm size will influence wage-setting rigidity in Sri Lanka. These models can help design policies that address the underlying causes of wage rigidity and ensure that wage practices align with broader economic goals, such as maintaining productivity and reducing unemployment.

Key Observations Derived from UK- WDNS

Labor Market. Despite a **6% drop in output**, unemployment only rose by **3.3 percentage points**. By **2015**, the unemployment rate had returned to its **pre-crisis levels**.

Real Wage Decline Real wages fell by **nearly 10%**, indicating that firms managed to keep employment relatively stable by **reducing wages** rather than cutting jobs massively.

Labour Cost Adjustments As the economy recovered, firms reported increasing: **Base wages** Employment of **permanent workers** (and some temporary/agency workers) To reduce labor costs, firms used strategies such as: **Individual redundancies, hiring freezes** (non-renewal of temporary contracts and limiting new hires)

Labour Market Challenges Firms that wanted to expand faced difficulties in finding suitable workers, which could explain why **net migration remained strong** despite slack in the market.

Wage-Setting Frequency Median frequency of wage-setting was **annual** in most sectors, except construction, where it was **between one and two years**.

Wage Rigidity Downward Real Wage Rigidity: About **30% of firms** linked base wage changes to **inflation**, meaning they were reluctant to lower real wages significantly. **Downward Nominal Wage Rigidity:** About **25% of firms froze wages in 2010**, falling to **10% by 2014**.

- Reasons for wage rigidity include:
 - **Efficiency Wage Theories:** Firms avoid wage cuts because:
 - Workers might "**shirk**" (reduce effort) if they feel underpaid.
 - Worker's value being paid a "**fair wage**".

Wage Dynamic Network Survey - MALTA

Wage Dynamics Network Survey (2014) – Central Bank of Malta

Background of the Survey

The survey was conducted in 2014 as part of the Wage Dynamics Network (WDN), a collaborative research project involving the European Central Bank (ECB) and the national central banks of EU countries. The purpose was to study **wage adjustments** and **price-setting behavior** among EU firms, focusing on the Maltese labor market's evolution from **2010 to 2013**. A similar survey was conducted in **2010**, allowing for comparative analysis of the changes during this period. The use of a **harmonized questionnaire** across **26 countries** facilitated cross-country comparisons within the EU.

Survey Methodology

1. **Sample Selection:** The survey involved **271 companies** selected from the **Business Register** of the National Statistics Office (NSO) of Malta. Companies were chosen to ensure a **stratified representation** of different sectors and company sizes. Exclusions: Firms with **fewer than 10 employees**, **public corporations**, and those in **agriculture and fisheries** sectors were excluded.
2. **Response Rate:** **178 companies** participated, giving an overall response rate of **66.0%**. Firms that participated in the **2010 survey** had a higher response rate (**73.0%**) compared to new firms (**55.0%**). Approximately **one-third** of employees in the target population worked in firms that participated in the survey.

3. **Survey Execution:** Conducted via **face-to-face interviews** between **May and July 2014**. **Weights** were assigned to each company based on employment data to ensure the results were representative of the broader population.

Key Findings from MALTA

1. Economic Environment:

- Most sectors, except for **manufacturing** and **construction**, experienced a **favorable economic environment** between 2010 and 2013. **60%** of firms in the **services sector** reported increased demand, while **50%** of firms in manufacturing and construction reported a **decline in demand**, considering it **permanent**.
- Access to **credit** was generally not an issue, though firms in the **wholesale and retail** sector and **construction** sector noted that credit conditions (e.g., interest rates) were burdensome.

2. Cost Dynamics:

- **73%** of firms reported a **moderate increase** in total costs, and **16%** reported a **strong increase**. The main drivers of rising costs were **labour costs** and **supplies**. **Financing costs** increased for **33%** of firms, while **50%** reported no change. **Utility tariffs**, administrative costs, and regulatory fees were also noted as contributing to cost increases.

3. Labour Costs:

- The majority of firms saw an increase in **base wages**. Less than **40%** of firms awarded increases in **flexible wage components** like bonuses or fringe benefits, particularly in **tourism** and **financial services**. Increases in labour costs were partly due to the rise in **permanent employment** (**52%** of firms) and **temporary or fixed-term employees** (**33%**).

4. Labour Productivity:

- Many firms, especially in **manufacturing** and **tourism**, reported productivity growth exceeding labour cost increases. These results contrast with official statistics indicating declining productivity post-crisis, possibly due to challenges in measuring output in a service-driven economy.

5. Labour Force Adjustments:

- About **80%** of firms did not need to reduce labour input significantly. **Manufacturing** was an exception, with half of the firms making workforce adjustments by:
 - **Freezing/reducing new hires** (used by **85%** of firms in the sector).
 - Reducing **agency workers** or **working hours** (used by about one-third of firms).

Shorter Questionnaire:

Link:

<https://docs.google.com/forms/d/e/1FAIpQLSeBuYbfv-qHpGoMQottlHpNMzOuP1aXkmqxj9O39Lq4s2FhVQ/viewform?usp=preview>

Number of Questions: 47

1. Firm Demographics

Company Name, Industry Sector, Ownership Status, and Structure

- **Justification:** Understanding a firm's structure and ownership helps in analyzing how business dynamics, labor policies, and economic conditions affect different sectors. For instance, UK studies have shown that domestic versus foreign ownership can influence labor practices, wage dynamics, and company resilience during economic shocks.
 - **Relevance to Sri Lanka:** This is relevant for Sri Lanka's economic context, where foreign and mixed-ownership businesses face distinct challenges and opportunities. The structure of firms, such as whether they are subsidiaries or affiliates, can directly impact their decision-making autonomy and wage setting practices.

Autonomy

- **Justification:** Firms with high autonomy (especially subsidiaries or affiliates) may have more flexibility to adapt to wage changes, labor conditions, or other external shocks. This has been observed in UK studies where firms with higher autonomy have shown more adaptability in terms of workforce management and wages.
 - **Relevance to Sri Lanka:** Understanding the level of autonomy is critical in assessing how multinational and local companies respond to labor regulations and wage policies in Sri Lanka, where policy and regulatory changes can impact foreign-owned firms differently.

Degree of Competition for Main Products/Services

- **Justification:** The degree of competition is a key indicator of market pressure, which can influence wage structures, productivity, and job creation. UK results indicate that firms in highly competitive markets are often pressured to either reduce labor costs or invest in innovation, which can affect wage dynamics.
 - **Relevance to Sri Lanka:** For Sri Lanka, especially in industries like textiles or tourism, the degree of competition affects wages and job quality, as companies seek cost efficiency or invest in skill development.

Demand for Products/Services

- **Justification:** Changes in demand directly affect labor needs, wage structures, and overall business performance. In the UK context, businesses with higher demand often offer higher wages or invest in labor-saving technologies.
 - **Relevance to Sri Lanka:** Sri Lanka has seen shifts in demand across sectors due to global economic conditions. This question helps measure how changes in demand impact wages and employment practices.

2. Changes in the Economic Environment

Firm's Activity and Costs (Total Costs, Labour Costs, etc.)

- **Justification:** Tracking changes in operational costs, especially labor costs, provides insights into how businesses adjust to inflation, wage pressures, or changing supply chain costs. UK studies have linked labor costs with economic stability, showing that firms often reduce labor costs during economic downturns.
 - **Relevance to Sri Lanka:** Given the economic volatility in Sri Lanka (e.g., inflation and currency devaluation), this question is crucial in understanding how businesses are managing costs, including wages, during a challenging economic period.

Changes in Financing Access and Customer Demand

- **Justification:** The ability to access financing and the demand for goods/services are key factors in shaping business strategies and wage decisions. UK studies have shown that firms with restricted access to financing often reduce their labor force or slow down wage growth.
 - **Relevance to Sri Lanka:** In Sri Lanka, many firms face challenges in accessing credit, especially post-pandemic. Understanding how financing and demand changes impact business decisions helps assess how wages are being adjusted.

2.3. Credit Availability and Terms

Availability and Conditions of Credit for Working Capital and Investment

- **Justification:** The availability of credit affects how businesses can invest in their workforce and expansion. UK businesses have shown that restrictive credit conditions often lead to labor cost reductions or slowed wage increases.
 - **Relevance to Sri Lanka:** In Sri Lanka, particularly after the COVID-19 pandemic and the economic crisis, many businesses are struggling with credit access. This question helps measure the broader economic environment's impact on wage dynamics and business growth.

2.7 Impact of COVID-19, Easter Bomb Attacks, and Economic Crisis

Impact of COVID-19 and Other Crises on Firm Operations, Demand, and Financing

- **Justification:** These questions assess the direct and indirect effects of crises on business operations, labor needs, and financial stability. UK studies demonstrated that COVID-19 and financial crises forced many businesses to reduce their workforce or freeze wages to survive.
 - **Relevance to Sri Lanka:** Sri Lanka has been hit by several crises, including COVID-19, the Easter Bomb attacks, and the ongoing economic downturn. These events significantly impacted business operations, demand for products, and access to financing, which in turn affected wages and employment levels.

3 Method of Labour Force Adjustments

1. Has your firm experienced a significant reduction in demand or increased volatility in the past 3 years, and if so, to what extent has this affected your labor input?

- **Justification by incorporating factors in UK survey:**
In the UK, firms often report significant fluctuations in demand due to economic recessions, market conditions, or industry-specific downturns. These factors are crucial in deciding the extent of workforce reduction.
- **Relevance to Sri Lanka:** This question is highly relevant in the Sri Lankan context, especially for industries impacted by economic instability, natural disasters, or political instability. A firm's ability to adjust labor input based on demand volatility reflects its adaptability and resilience in the face of Sri Lanka's economic challenges, such as inflation and currency depreciation.

2. Does your company have a union?

- **Justification by incorporating factors in UK survey:**
UK firms with strong unions face more challenges in reducing labour input through methods like wage cuts or job losses, as unions typically resist these changes.
- **Relevance to Sri Lanka:** Unions play a significant role in Sri Lankan firms, especially in state-owned enterprises. Their influence often affects firms' labour adjustment methods. The presence of a union in Sri Lanka can make it harder to reduce labour input or implement other labour market adjustments, especially in sectors like manufacturing or services.

3. Does your firm operate in one location? (Yes- one location-or No -multiple locations)

- **Justification by incorporating factors in UK survey:**
In the UK, firms with multiple locations may have more flexibility in adjusting their workforce across different sites, whereas single-location firms face more immediate labour input issues.
- **Relevance to Sri Lanka:** This question holds significant relevance for Sri Lanka's firms, particularly SMEs that typically operate from one location. For larger firms or multinationals, however, having multiple locations could offer the ability to shift staff or reduce workforce in a specific area without affecting the whole business.

4. Did inflation, economic downturns, or government policies influence your decision to reduce labour input?

- **Justification by incorporating factors in UK survey:**
In the UK, economic factors like inflation and government policies (e.g., minimum wage adjustments) have been cited as important in firms' decisions to reduce labour input, especially during economic crises.
- **Relevance to Sri Lanka:** Economic factors such as inflation, fluctuating exchange rates, and changes in government policies (like taxes and minimum wage laws) strongly influence Sri Lankan businesses. In times of inflation or economic downturns, businesses may cut costs by reducing labour input, making this question essential for understanding labour market adjustments.

5. Was your firm unable or unwilling to lower nominal wages during the economic downturn?

- **Justification by incorporating factors in UK survey:**
In the UK, downward nominal wage rigidity is a common issue during economic downturns, where firms are reluctant to reduce wages due to employee dissatisfaction or legal constraints.
- **Relevance to Sri Lanka:** In Sri Lanka, similar rigidity can occur, especially in large firms or those with unionized workers. Wages are often seen as fixed costs that cannot be adjusted without causing dissatisfaction or legal ramifications. This question is crucial in determining the limitations Sri Lankan firms face in adjusting labour costs during economic crises.

6. Has your firm considered moving work overseas or outsourcing labour in response to economic pressures or labour input adjustments?

- **Justification by incorporating factors in UK survey:**
UK firms, especially those in manufacturing or IT, have increasingly moved work overseas due to lower labour costs in other countries, often as a cost-cutting measure during difficult economic times.
- **Relevance to Sri Lanka:** Outsourcing and offshoring are important strategies for Sri Lankan firms facing rising labour costs or economic volatility. This question is particularly relevant to firms in export-oriented sectors like textiles, where cost control is critical, and they may look to outsource work to other low-cost countries.

7. What are the main obstacles to hiring new permanent workers in your company?

- **Justification by incorporating factors in UK survey:**
In the UK, obstacles such as skill shortages, high wages, and economic uncertainty have been major barriers for firms in hiring permanent workers, particularly in industries that require highly specialized skills.
- **Relevance to Sri Lanka:** In Sri Lanka, skill shortages and economic uncertainty are significant barriers to hiring permanent workers, especially in sectors like technology and manufacturing. Additionally, government regulations can sometimes slow down the hiring process, especially when firms have to comply with strict labour laws or bureaucracy.

8. Do you find Sri Lankan labour laws to be more or less flexible compared to 3 years ago (2023) when it comes to making adjustments to your workforce?

- **Justification by incorporating factors in UK survey:**
UK firms have faced changes in labour laws that affect how easily they can adjust their workforce, particularly with regards to employment rights and redundancy processes.
- **Relevance to Sri Lanka:** Labour laws in Sri Lanka have historically been seen as restrictive, especially with regards to redundancies and wage adjustments. Any changes to these laws could significantly affect how businesses can adjust their workforce, making this a crucial question for understanding the impact of labour regulations on Sri Lankan firms.

9. How does your firm's size (number of employees) affect the methods you use to adjust labour input?

- **Justification by incorporating factors in UK survey:**
In the UK, larger firms often prefer collective redundancies or across-the-board cuts, whereas smaller firms may use more individualized methods due to their fewer resources and smaller staff sizes.
- **Relevance to Sri Lanka:** This question is highly relevant in Sri Lanka, where the size of the firm can influence the methods used for labour adjustments. Larger firms with more employees may face more stringent regulations and prefer using collective redundancies, while smaller firms may resort to individual layoffs due to limited resources or flexibility.

Sections for Staff Data

How many employees does your company have?

This question provides a snapshot of the firm's size. Understanding company size helps contextualize wage dynamics, as different-sized firms have different labor cost structures, flexibility, and responses to economic changes.

2. How were your firm's employees approximately distributed by occupational group and tenure at the end of 2023?

This section identifies workforce composition by skill level and job tenure. Knowing the distribution helps analyze:

- How wage dynamics vary by job category.
- The effects of skill shortages or surpluses.
- Stability and turnover within different occupational categories.

Occupational Categories:

- **Higher Skilled Non-Manual (OC: 1, 2, 3):** Managers, professionals, and technicians.

- **Lower Skilled Non-Manual (OC: 4, 5):** Administrative, secretarial, and service workers.
- **Higher Skilled Manual (OC: 7, 8):** Plant operators and skilled trades workers.
- **Lower Skilled Manual (OC: 9):** Elementary occupations.

Job Tenure:

- **Below 1 year, 1-5 years, More than 5 years:** Helps assess employee retention, experience levels, and potential wage growth.

3. How did staff turnover change in 2026 compared to 2023, and what was the primary cause?

This section measures workforce stability and the reasons behind turnover changes:

- **Overall Change:** Indicates if turnover increased, decreased, or remained stable.
- **Primary Cause:** Differentiates between turnover driven by new hires (entries), resignations/terminations (exits), or both.

Understanding these factors helps analyze how economic or organizational shifts impact employment stability and wage-setting practices.

4. Did you need to significantly reduce your labor input or alter its composition from 2023 to 2026?

This question identifies if firms needed to cut workforce size or change its structure:

- **Yes/No:** Indicates if adjustments were necessary due to economic or operational pressures.

5. Measures used to reduce labor input or alter composition:

This section assesses specific strategies for managing workforce changes:

- **Redundancies, reduced hours, early retirement, non-renewal of contracts:** These measures impact wage costs, employment policies, and overall labor market flexibility.

Analyzing these responses helps understand how firms adapt to economic pressures and the implications for wage dynamics.

6. How difficult are labor adjustments now compared to 2023?

Evaluates the flexibility of employment practices over time:

- **Layoffs, hiring costs, wage adjustments, mobility:** Shows how labor market conditions or regulations have changed, impacting firms' ability to manage workforce size and wages.

7. Obstacles in hiring workers with a permanent contract in 2026:

Identifies barriers to long-term employment:

- **Economic uncertainty, skill shortages, high costs, regulatory risks:** These factors help explain firms' reluctance to commit to permanent contracts, affecting wage stability and employment policies.

Wage Adjustments

1. Wage Review Frequency

- **Importance for SL:** Understanding how often firms review and adjust wages gives insight into the overall wage dynamics in the labor market. In Sri Lanka, as in the UK, firms may exhibit different wage-setting behaviors based on size, industry, and economic context.
- **UK Survey Justification:** The UK survey highlights how most firms adjust wages annually, but smaller firms often exhibit more varied wage-setting behaviors. This helps identify sectors where wage stagnation may occur due to infrequent reviews.
- **SL Relevance:** Understanding wage-setting frequency helps policymakers assess if inflationary pressures are reflected in wage changes, and how flexible the market is in responding to economic conditions.

2. Company Size and Wage Adjustment

- **Importance for SL:** In Sri Lanka, firm size (e.g., micro, small, medium, and large firms) often dictates the frequency and ease with which wages are adjusted. Larger firms might have more stable financial capacity to adjust wages, while smaller firms may struggle during economic downturns.
- **UK Survey Justification:** The UK survey indicated that smaller firms have a broader range of wage-setting frequencies. This suggests that smaller firms in Sri Lanka may also face challenges in adjusting wages in response to changing economic conditions.
- **SL Relevance:** Understanding firm size in relation to wage adjustment helps identify which sectors are more prone to wage stagnation or rigidity and can assist in designing targeted economic policies to support these sectors.

3. Link Between Wages and Inflation or Economic Factors

- **Importance for SL:** Given Sri Lanka's vulnerability to inflation and economic instability, understanding whether firms adjust wages based on inflation or economic conditions is crucial for managing real wage levels and protecting workers' purchasing power.
- **UK Survey Justification:** The UK survey shows that many firms adjust wages based on inflation, particularly in unionized environments. This directly affects workers' real income and economic stability.
- **SL Relevance:** Linking wages to inflation helps prevent real wage erosion in periods of high inflation, which is particularly important in Sri Lanka, where inflationary pressures can be substantial.

4. Downward Wage Flexibility

- **Importance for SL:** Sri Lanka has faced significant economic challenges, such as inflation, currency depreciation, and external debt pressures. Understanding how easy or difficult it is for firms to reduce wages downward will help policymakers address potential economic stagnation or unemployment resulting from rigid wage structures.
- **UK Survey Justification:** In the UK, the survey revealed that firms face resistance to reducing wages, which can lead to wage freezes or other forms of rigidity. This may have contributed to high rates of pay freezes during economic downturns.
- **SL Relevance:** Examining the ease of downward wage adjustments can help policymakers design policies to either encourage wage flexibility in times of economic distress or prevent wage freezes that could harm workers' financial stability.

5. Wage Freezes

- **Importance for SL:** Wage freezes are particularly relevant during economic downturns or financial crises. In Sri Lanka, periods of economic instability often lead to widespread wage freezes, which can have a long-lasting impact on both employee morale and the broader economy.
- **UK Survey Justification:** In the UK, wage freezes were common during the 2008 financial crisis and post-2010 austerity period. Firms in industries such as construction were more likely to freeze wages during these periods.
- **SL Relevance:** Identifying the occurrence, duration, and causes of wage freezes helps policymakers understand how firms cope with economic shocks and allows for the design of safety nets for workers affected by these freezes.

6. Factors Contributing to Wage Freezes

- **Importance for SL:** Understanding the reasons behind wage freezes, such as economic downturns, lack of financing, and union influence, helps policymakers better target interventions to prevent widespread wage stagnation in critical sectors.
- **UK Survey Justification:** In the UK, wage freezes were often driven by economic factors such as decreased demand and lack of external financing. Unionized firms also tended to freeze wages less often, as unions negotiated to protect wages.
- **SL Relevance:** Knowing the reasons behind wage freezes in Sri Lanka allows for targeted interventions in industries that are most vulnerable, while also considering the role of unions in wage protection.

7. Skilled vs. Unskilled Workers and Wage Freezes

- **Importance for SL:** Wage freezes might impact skilled and unskilled workers differently, and understanding this difference is important for addressing equity concerns in Sri Lanka's labor market.
- **UK Survey Justification:** The UK survey found that skilled workers were less likely to face wage freezes, as firms tried to protect their most experienced employees. This finding is relevant to understanding labor market segmentation.
- **SL Relevance:** Identifying differences in wage freezes between skilled and unskilled workers can inform policies that ensure fair wage treatment across different sectors and skill levels in Sri Lanka.

8. Wage-Setting Models

- **Importance for SL:** Understanding which theoretical models best explain wage-setting behavior helps policymakers design more effective wage policies, especially in sectors with high levels of informality or union influence.
- **UK Survey Justification:** The UK survey uses models like the shirking model, gift-exchange model, and insider-outsider theory to explain why some firms are more rigid in wage-setting. These models help explain wage dynamics, especially in unionized firms and in industries where workers' morale and retention are crucial.
- **SL Relevance:** Identifying which model best explains wage-setting in Sri Lanka can help tailor interventions that improve labor market efficiency and reduce disparities between different types of workers and industries.

Long Questionnaire:

Link:

<https://docs.google.com/forms/d/1y3daxHenhvbJAa1FrHcSDeXuElje2DfWTztqtibGB1g/edit>

Number of Questions: 85

Firm Demographics Section

1. **Company Name and Participation in Government Surveys** These questions are essential for identifying and categorizing firms. Previous participation in government surveys ensures that the company is familiar with reporting structures and may influence the quality of the data collected. This aligns with the UK's Wage Dynamics Survey, where firm identification aids in classifying data for policy analysis.
2. **Firm Establishment Date**
Knowing when the firm was established helps analyze its experience in the market, which is useful for understanding how long-term market dynamics (like economic crises) affect different generations of companies. The UK's data includes establishment years to analyze sectoral maturity and resilience.
3. **Industry Sector**
This allows for sector-specific analysis, as different industries may react differently to changes in the economic environment. UK surveys also ask about industry types to draw distinctions in wage dynamics across sectors.
4. **Structure, Ownership, and Autonomy of the Firm**
Ownership structure impacts firm decision-making, financial autonomy, and flexibility, key aspects in wage determination and labor market responses. The UK's Wage Dynamic Survey includes similar ownership-related questions to study differences between domestic and foreign-owned firms, which could influence wage-setting practices.
5. **Revenue Breakdown**
The revenue split between domestic and foreign markets is crucial for understanding the international exposure of a company, which could influence compensation practices and job security. In the UK, similar questions gauge how international demand affects wage dynamics.
6. **Degree of Competition**
Assessing competition is critical for understanding the challenges firms face in maintaining profitability and wages. Firms in competitive sectors may face greater pressure to cut costs or limit wage increases, a factor captured in the UK survey.
7. **Demand for Products/Services (Q1.7)**
Understanding shifts in demand helps assess how changes in economic conditions influence wage stability and job security. The UK survey captures demand changes as a way to understand broader economic influences on wages.

2. Changes in the Economic Environment Section

1. **Economic Changes Impacting Firm Activity**
The impact of factors like demand, financing access, and supply availability on firms is essential to understanding economic fluctuations' effects on employment and wages. The UK's Wage Dynamics Survey asks similar questions to determine how macroeconomic shocks affect firms' payroll decisions.
2. **Permanent vs. Temporary Effects**
This question identifies whether challenges are temporary or long-term, influencing firm strategies regarding workforce adjustment. UK firms' responses to economic shocks, such as recessions, are tracked in terms of permanent or temporary effects on wages and employment.
3. **Credit Availability and Terms**
Credit conditions influence firms' ability to expand, pay workers, and maintain salaries. If credit is difficult

to obtain or has onerous terms, firms may delay wage increases or hire fewer workers. The UK survey includes questions about credit access, reflecting its importance to wage determination.

4. **Cost Changes**

Understanding how labor and other operational costs change over time is vital for determining how these factors affect wage policies. The UK's survey asks questions about cost increases to monitor how firms react to rising costs, often adjusting wages or employment levels.

5. **Changes in Labour Costs**

Monitoring changes in labor costs, including wages, benefits, and employment types, directly correlates with understanding wage dynamics. The UK survey tracks these variables to identify patterns in labor cost adjustments across different sectors.

6. **Demand and Price Changes for Products/Services**

Price changes, both domestically and internationally, directly impact wage-setting decisions, especially in export-driven or price-sensitive industries. The UK survey evaluates how product/service demand influences wage policies.

7. **Impact of External Shocks**

External shocks like COVID-19 and economic crises significantly affect business operations and wages. This question captures the effect of these shocks on firms' ability to maintain employment levels and wages. The UK survey closely tracks such external impacts to understand their role in wage stagnation or growth during crises.

3 Method of Labour Force Adjustments

8. **Has your firm experienced a significant reduction in demand or increased volatility in the past 3 years?**

- Justification: This question is critical for understanding whether external economic factors, such as demand fluctuations or market instability, have forced businesses to reconsider their labour input strategies.
- o Relevance to Sri Lanka: This is highly relevant, given Sri Lanka's fluctuating economic conditions due to inflation and economic volatility. Firms in Sri Lanka may need to adjust labor input based on such factors, which can be crucial in determining business sustainability.

9. **If yes, to what extent has this affected your labour input?**

- Justification: Understanding the extent of labor reduction helps measure the direct impact on workforce strategy and business resilience.
- o Relevance to Sri Lanka: Many businesses in Sri Lanka face resource constraints, and knowing how severely labor input is impacted can guide policy changes and labor law reform discussions.

10. **Did factors such as inflation, economic downturns, or government policies influence your decision to reduce labour input?**

- Justification: Economic pressures like inflation or downturns are key drivers of decisions to adjust labor.
- o Relevance to Sri Lanka: This is crucial in Sri Lanka, where economic challenges such as inflation have led businesses to cut costs and reduce the workforce.

11. **Does your company have a union?**

- Justification: Unions can significantly affect labor decisions, particularly when it comes to wage reductions or layoffs.
- o Relevance to Sri Lanka: In Sri Lanka, where unions have a strong presence in many sectors, their role in influencing labor practices and policies is a critical consideration.

12. **Is your firm domestically or foreign-owned?**

- Justification: Ownership type impacts decision-making processes, including labor strategies.
- o Relevance to Sri Lanka: Firms in Sri Lanka may have different labor strategies based on whether they are foreign or domestically owned, given the cultural, regulatory, and economic environments unique to each ownership type.

13. **How did your ownership type (domestic or foreign) impact decisions related to labour input reductions?**

- Justification: The strategic flexibility of foreign-owned firms may differ from domestic ones, influencing labor decisions.

- o Relevance to Sri Lanka: Foreign-owned firms may have more flexible labor practices, or they might prioritize international cost-effectiveness, impacting Sri Lankan labor market dynamics differently than domestically-owned firms.
- 14. **Does your firm operate in one location or multiple locations?**
 - Justification: The scale and geographical spread of operations can influence the methods and strategies used for labor adjustments.
 - o Relevance to Sri Lanka: Sri Lankan businesses, especially those with operations in multiple regions, may face varied labor market conditions, requiring different approaches to labor input adjustments.
- 15. **Did this influence your approach to labour reductions?**
 - Justification: Understanding whether a multi-location firm has different needs compared to single-location firms provides insights into labor force strategies.
 - o Relevance to Sri Lanka: Many Sri Lankan firms have regional offices, and adjustments to labor input might vary by region, particularly when one location faces more economic challenges than another.
- 16. **Was your firm unable or unwilling to lower nominal wages during the economic downturn?**
 - Justification: Wage freezes or cuts are common during economic downturns, and this question assesses whether firms resorted to such strategies.
 - o Relevance to Sri Lanka: In Sri Lanka's economy, where inflation is a concern, this question can help understand the complexities faced by firms in balancing wages with the cost of living and inflation rates.
- 17. **Which of the following strategies have you used to reduce labour input during the past 3 years?**
 - Justification: This question identifies specific strategies used by firms to manage their workforce during difficult times.
 - o Relevance to Sri Lanka: With businesses facing tough economic conditions, understanding which strategies were employed helps guide labor policy adjustments and workforce planning in Sri Lanka.
- 18. **Which of the above strategies was most effective in adjusting labour input? Please rank them in order of effectiveness.**
 - Justification: This question evaluates the effectiveness of different labor reduction strategies, helping policymakers and businesses learn from successful practices.
 - o Relevance to Sri Lanka: Effective strategies could serve as a model for businesses in Sri Lanka, especially during challenging economic periods.
- 19. **How does your firm's size (number of employees) affect the methods you use to adjust labour input?**
 - Justification: The size of a firm plays a role in determining whether redundancies are individual or collective, and understanding this helps tailor workforce policies.
 - o Relevance to Sri Lanka: In Sri Lanka, smaller firms may face different challenges compared to larger firms, influencing the way they adjust labor input during economic downturns.
- 20. **Does the presence of unions affect the types of labour input adjustments you make? If so, how?**
 - Justification: Unions can heavily influence labor decisions, and this question gauges their impact on labor strategies.
 - o Relevance to Sri Lanka: Given the significant presence of unions in Sri Lanka, their influence is crucial in shaping labor policies within companies.
- 21. **Do you find it more difficult to adjust your labour input now (2026) compared to 3 years ago (2023)?**
 - Justification: This question assesses whether labor market conditions are becoming more rigid or flexible over time.
 - o Relevance to Sri Lanka: Labor market conditions may be changing in Sri Lanka due to evolving economic policies, making it more important to understand the challenges firms face.
- 22. **What are the main obstacles to hiring new permanent workers in your company?**
 - Justification: Identifying barriers to hiring provides insight into labor market inefficiencies and areas for improvement.
 - o Relevance to Sri Lanka: In Sri Lanka, factors like skill shortages, wages, and regulations can hinder the ability to hire new workers, and understanding these obstacles is vital for businesses and policymakers.
- 23. **Has your firm considered moving work overseas or outsourcing labour in response to economic pressures or labour input adjustments?**
 - Justification: Outsourcing decisions can help firms manage labor costs, and this question gauges the extent to which firms consider offshoring as a solution.
 - o Relevance to Sri Lanka: Sri Lankan firms, particularly in sectors like IT and manufacturing, may look to outsourcing as a way to reduce costs amid economic pressures.

24. **How do you perceive the flexibility of the Sri Lankan labour market? Has it become easier or harder to make adjustments to your workforce in the past 3 years (2023-2026)?**
- Justification: This assesses the perceived flexibility of labor laws and the ability to adjust workforce needs in Sri Lanka.
 - o Relevance to Sri Lanka: Labor market flexibility is a key issue in Sri Lanka, especially with evolving labor laws and regulations affecting workforce management.
25. **Do you find Sri Lankan labour laws to be more or less flexible compared to 3 years ago (2023) when it comes to making adjustments to your workforce?**
- Justification: Understanding whether labor laws have become more or less flexible is essential for firms in adjusting their workforce strategies.
 - o Relevance to Sri Lanka: This helps assess how well labor laws align with the needs of businesses in the current economic environment, guiding future reforms.

Sections for Staff Data

1 How many employees does your company have?

- **Justification by incorporating factors in UK survey**
This question aligns with the UK survey, which categorizes firms by size to analyze labour dynamics across different scales of operation. The categorization (1-50, 51-200, 201-500, 501 or more) is standard practice for segmenting organizational data.
- **Relevance to Sri Lanka**
This is relevant for Sri Lanka's economic context to assess how firm size impacts labour market decisions, workforce composition, and adaptability in response to economic changes. Many Sri Lankan businesses operate at small or medium scales, making this question crucial for identifying policy impacts across firm sizes.

2 How were your firm's employees approximately distributed by occupational group and tenure at the end of 2023?

- **Justification by incorporating factors in UK survey**
The occupational group and tenure breakdown is standard in workforce analysis. In the UK survey, it helps understand how employment is distributed across skill levels and tenure, providing insights into workforce stability and the prevalence of high-skill or low-skill labour.
- **Relevance to Sri Lanka**
This is significant in Sri Lanka, where occupational distribution varies across industries (e.g., agriculture, manufacturing, IT). Analyzing tenure is essential to evaluate workforce retention and the potential need for skill development policies.

3. Job Tenure

This section collects data on employee tenure, specifically:

- Below 1 year
 - Between 1 and 5 years
 - More than 5 years
- **Incorporation of UK Survey Factors:** Helps assess workforce stability and retention trends.
 - **Relevance to Sri Lanka:** Vital for identifying job turnover patterns and workforce stability, which can inform HR policies and retention strategies.

4 How did staff turnover change in your firm in 2026 compared to 2023, and what was the primary cause of the change?

- **Justification by incorporating factors in UK survey**
Understanding staff turnover trends and their causes (entries, exits, or both) is critical to evaluate workforce dynamics. The UK survey uses this to analyze labour market fluidity and the impact of external factors like economic policies.
- **Relevance to Sri Lanka**
This question is pertinent in Sri Lanka to analyze the effects of economic fluctuations (e.g., post-pandemic recovery) on staff turnover. It also highlights the impact of external pressures, such as inflation and global market volatility, on employment stability.

5. During the entire period from 2023 to 2026, did you need to significantly reduce your labour input or alter its composition?

Simple Yes/No question regarding workforce reductions or adjustments.

- **Incorporation of UK Survey Factors:** Measures the impact of economic shifts on employment.
- **Relevance to Sri Lanka:** Important for assessing how firms are adapting to economic challenges and workforce needs.

6 Which of the following measures did you use to reduce your labour input or alter its composition when it was most urgent?

- **Justification by incorporating factors in UK survey**
The UK survey tracks strategies like redundancies, working hour reductions, and non-renewal of contracts. These measures are studied to assess how firms adapt their workforce in times of crisis.
- **Relevance to Sri Lanka**
Sri Lanka has faced economic challenges, including inflation and exchange rate volatility. This question identifies common strategies firms employ to remain viable, providing insights for targeted labour market interventions and policy recommendations.

7. How difficult are the following adjustments now compared to 2023?

Measures difficulty of various workforce adjustments:

- Layoffs for economic reasons (group/individual)
- Dismissals for disciplinary reasons
- Hiring costs
- Adjusting working hours
- Moving employees to different locations or roles
- Adjusting wages

Options: Much Less Difficult, Less Difficult, Unchanged, More Difficult, Much More Difficult

- **Incorporation of UK Survey Factors:** Evaluates how labor market dynamics evolve over time.
- **Relevance to Sri Lanka:** Helps policymakers understand barriers to workforce flexibility and business operations.

8 How relevant are the following factors as an obstacle in hiring workers with a permanent, open-ended contract in 2026?

- **Justification by incorporating factors in UK survey**
The UK survey evaluates barriers like uncertainty, skill availability, and wage costs to identify obstacles to permanent employment. These insights inform policies to improve labour market efficiency.
- **Relevance to Sri Lanka**
Hiring permanent workers in Sri Lanka may be influenced by unique factors such as high payroll taxes, hiring costs, and economic uncertainty. Addressing these barriers can support workforce stabilization and long-term economic growth.

Section 7

1. Economic Influence on Wage Decisions:

- Sri Lanka, like many emerging economies, has experienced high inflation rates, currency depreciation, and economic crises in recent years. These factors directly affect wage-setting practices as companies aim to maintain employee satisfaction, competitive pay, and cost-efficiency.
- Questions about inflation, exchange rate fluctuations, and economic conditions help identify how these external pressures influence wage decisions, allowing businesses to navigate economic uncertainty effectively.

2. Government Regulations and Compliance:

- Sri Lankan labor laws, including mandatory benefits (EPF, ETF), minimum wage regulations, and inflation-linked adjustments, are crucial for companies to follow. This ensures fair compensation for workers and avoids legal conflicts.
- The focus on compliance with government regulations helps ensure that companies are aligned with the national standards, avoiding penalties and fostering a fair working environment.

3. Role of Unions and Collective Bargaining:

- Unions play a significant role in wage-setting in Sri Lanka, particularly in large public-sector companies. Understanding union influence on wages, wage freezes, and adjustments helps businesses plan for labor negotiations, reducing disruptions during economic downturns.
- Collective bargaining agreements can lead to specific wage agreements, which are central to both employee morale and industrial harmony.

4. Wage Flexibility and Business Sustainability:

- Given the economic challenges, firms in Sri Lanka may need to adjust wages or freeze them to protect their financial stability. The question about wage freezes and their duration helps understand how businesses balance between maintaining a stable workforce and controlling costs.
- The ability to adjust wages downward or freeze them during economic downturns is vital to maintain business sustainability while managing employee expectations.

5. Cultural and Political Factors:

- Cultural factors, societal expectations, and political stability significantly affect how companies approach wage-setting in Sri Lanka. For example, government changes or political instability can disrupt business operations, leading to wage adjustments.
- The inclusion of these questions captures broader societal influences, allowing companies to anticipate and mitigate risks associated with political and cultural dynamics.

Justification from the U.K. Context:

1. Economic Conditions and Inflation Impact:

- In the U.K., inflation and economic conditions similarly influence wage-setting, especially in times of economic recessions or booms. Wage policies linked to inflation are commonly seen in unionized sectors or through cost-of-living adjustments (COLAs). These dynamics are relevant to Sri Lanka, as both countries must navigate similar inflationary pressures.

2. Union Influence and Collective Bargaining:

- In the U.K., unions are a critical factor in wage negotiations, particularly in industries like manufacturing, public services, and healthcare. Understanding the dynamics of union negotiations, wage freezes, and labor costs helps companies in Sri Lanka adopt similar practices, ensuring that they remain competitive in attracting and retaining talent while adhering to industry standards.

3. Government Regulations and Wage Policies:

- U.K. labor laws and government-mandated benefits like social security and healthcare are comparable to Sri Lankan laws concerning EPF, ETF, and annual leave. This alignment helps multinational companies operating in both markets to standardize wage-setting practices, ensuring compliance with local regulations.
- Additionally, UK. firms often adjust wages based on inflation or economic conditions, which parallels Sri Lankan practices of linking wages to inflation, ensuring that employees' purchasing power is maintained.

4. Globalization and Attracting Talent:

- The trend of offering higher wages to attract talent is common in the U.K., particularly in tech and finance industries, where companies may offer above-market wages to attract the best talent. This also applies to Sri Lanka, where competitive salaries are necessary to retain skilled workers in sectors like IT, tourism, and manufacturing.