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# Foreign Labor Trends: Sri Lanka

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Foreign Labor Trends

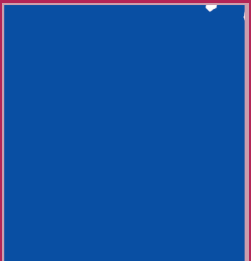
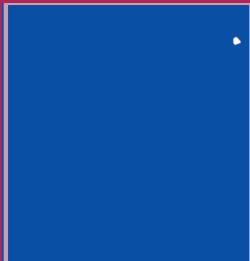
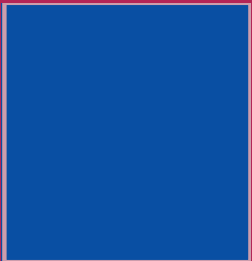
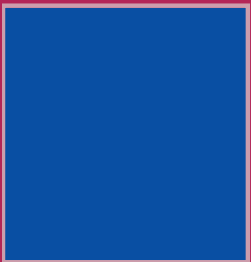
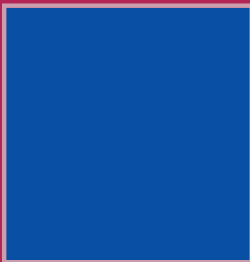
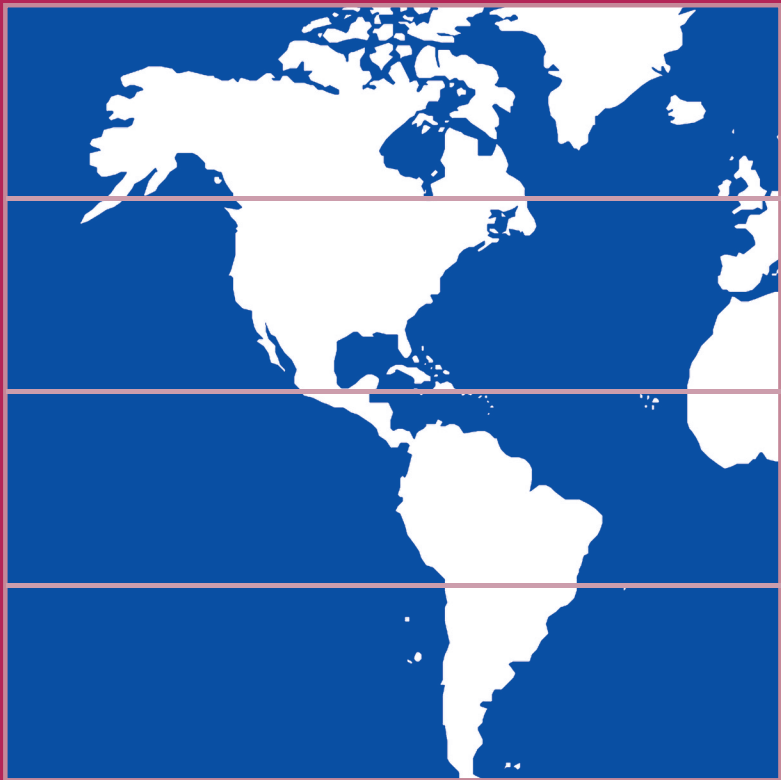
# Foreign Labor Trends

Sri Lanka



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# KEY LABOR INDICATORS

## Sri Lanka 2003

<u>INDICATOR</u>	<u>2001</u>	<u>2002</u>	<u>% CHANGE</u>
	<u>2000</u>	<u>2001</u>	
1. Per capita GDP current prices (US\$) <sup>1</sup>	899	837	-6.9
2. Contribution to GDP in agriculture (%)	19.4	19.4	0.0
3. —, in manufacturing (%)	27.3	26.5	-2.9
4. —, in services (%)	53.3	54.1	1.5
5. —, per capita GDP (Rs.)	68,126	74,794	9.8
6. Population, total (000) <sup>2</sup>	18,467	18,732	1.4
7. —, in major ethnic groups (%), 1981 census			
Sinhalese	74	74	0.0
Tamil	18	18	0.0
Moor	7	7	0.0
8. —, in major urban areas (%)	22.8	23.1	1.3
9. Birth rate (per thousand population)	16.78	16.58	-1.2
10. Life expectancy at birth, total	71.83	72.09	0.4
11. —, male	69.33	69.58	0.4
12. —, female	74.45	74.73	0.4
13. Adult literacy rate (%)	90	90	0.0
14. Labor force, civilian, total (3 <sup>rd</sup> quarter, millions) <sup>3</sup>	6.7	6.7	0.0
15. —, male (%)	n/a	66.4	~
16. —, female (%)	n/a	33.5	~
17. —, in informal economy (% est.) <sup>4</sup>	55	55	0.0
18. Employment, civilian, total (3 <sup>rd</sup> quarter, millions) <sup>5</sup>	6.2	6.2	0.0
19. —, in industry (millions) <sup>6</sup>	n/a	1.6	~
20. —, in export processing zones <sup>7</sup>	n/a	.110	~

<sup>1</sup> Source: Sri Lanka Central Bank Annual Report 2001.

<sup>2</sup> Source: National Accounts and Statistics, Department of Census and Statistics, May 2002.

<sup>3</sup> Source: *Annual Bulletin of Labor Force—2001*, Dept. of Census & Statistics. Labor Force (10 years and over) total in 2002 was 7.3 million, with 4.7 million (67%) males and 2.6 million (33%) females.

<sup>4</sup> Source: Institute for Policy Studies estimate 2001.

<sup>5</sup> *Ibid.* 66.4% are employed in non-agriculture. [In 1999, 143,279 were working overseas. Source: *Sri Lanka Labor Gazette*, June 2002.] [In 1998, private remittance from overseas was Rs. 64.5 million, 6.5% of GNP. Source: *Labor Statistics 1999*, Ministry of Employment and Labor (MEL), Tables 2.7, 2.8, 2.15.]

<sup>6</sup> Industry employment includes manufacturing, construction and electricity.

<sup>7</sup> *Ibid.* In June 1998, there were a total of 164 enterprises in the export processing zones, with 93,150 employed; 81.3% of whom were women.

## Sri Lanka 2003

<u>INDICATOR</u>	<u>2001</u>	<u>2002</u>	<u>% CHANGE</u>
	<u>2000</u>	<u>2001</u>	
21. Employment, civilian, in agriculture (%)	38.0	32.4	-14.7
22. —, in services (3 <sup>rd</sup> quarter, %) <sup>8</sup>	45.0	42.5	-5.6
23. Unemployment rate (%) <sup>9</sup>	7.9	7.8	-1.3
24. Underemployment rate (%)	n/a	n/a	~
25. Labor productivity, manufacturing (% change)	n/a	n/a	~
26. Work-related accidents and illnesses	n/a	n/a	~
27. Days lost from industrial disputes (000) <sup>10</sup>	n/a	n/a	~
28. Minimum monthly wage rate (Rs.) <sup>11</sup>	<u>2001</u>	<u>2002</u>	
Agriculture (tea and rubber, among others)	n/a	2,625	~
Manufacturing	n/a	2,731	~
Services	n/a	4,030	~
29. —, (US\$)	n/a	n/a	~
30. Average daily earnings by major industry (US\$) <sup>12</sup>			
—, in agriculture [Rs. 104.53 (2000); Rs. 113 (2001)]	1.38	1.25	-9.4
—, in manufacturing [Rs. 219.58 (2000); Rs. 231 (2001)]	2.89	2.58	-10.7
—, in services [Rs. 263 (2001)]	n/a	2.94	~
31. Hourly compensation costs for production workers in manufacturing (US\$)	<u>1999</u>		
—, (Rs.)	0.46	n/a	~
32. —, (Rs.)	32.60	n/a	~
33. Daily compensation costs for laborers (US\$)	n/a	n/a	~
34. —, clerical	n/a	n/a	~
35. —, mechanic	n/a	n/a	~
36. —, commercial assistant	n/a	n/a	~

<sup>8</sup> Services include trade, hotels, transportation, communication, finance, insurance, and personal services among others.

<sup>9</sup> Source: *Annual Bulletin of Labor Force—2001*: The unemployment rate was 7.8% with an estimated 537,246 out of work. Employment is defined as one who worked for pay, profit or unpaid family work for one or more hours during the survey week in the third quarter of 2001. (However, the *Bulletin of Labor Force Statistics, 2002*, puts unemployment in 2001 at 11.2%, and in 2002, 1<sup>st</sup> quarter at 12.8%).

<sup>10</sup> In 2001, there were 31 strikes at the plantations and 61 in establishments. Number of man days lost at the plantation were 32,548 and in the establishments 37,449. [Source: *Sri Lanka Labor Gazette*, June 2002, Table 11.] In 1998, total strikes were 122 with 44,343 workers involved. [Source: *Labor Statistics 1999*, MEL.]

<sup>11</sup> Source: Department of Labor, Statistics Division. There is no national minimum wage. In 1998, the daily minimum wage in tea and rubber estates was Rs. 85.47, and for unskilled government males the monthly wage was Rs. 3,400. [Garment manufacturing top grade (supervisors) minimum monthly wage was Rs. 3,025 in 2002. Source: *Labor Statistics 1999*, Tables 3.6, 3.7, 3.14, 4.7.]

<sup>12</sup> Source: *Ibid.* Minimum wages for tea and rubber workers were increased in 2000, 2001 and 2002; minimum wage for garment manufacturing industry is Rs. 2,300 for trainees; for machine operators is Rs. 2,825 and Rs. 3,025 for supervisors.

## Sri Lanka 2003

<u>INDICATOR</u>	<u>2001</u>	<u>2002</u>	<u>% CHANGE</u>
	<u>2000</u>	<u>2001</u>	
37. Supplementary benefits as % of manufacturing earnings	n/a	n/a	~
38. Average hours worked per week <sup>13</sup>	n/a	n/a	~
39. Unionization of labor (%) <sup>14</sup>	n/a	n/a	~
40. Average personal income per year at current prices (US\$)	n/a	n/a	~
41. Average disposable income after taxes and withholding (US\$)	n/a	n/a	~
42. Percent of population beneath poverty level <sup>15</sup>	n/a	n/a	~
43. Colombo consumer price index (%) <sup>16</sup>	6.2	14.2	~

n/a = not available

Exchange rate: US\$ 1 = 94 Sri Lankan rupees (Rs.) (2002); 89.36 (2001); 75.78 (2000); 70.402 (1999).<sup>17</sup>

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<sup>13</sup> The nominal workweek is 48 hours.

<sup>14</sup> Unionization rates are estimated at more than 20%, with the rate within export processing zones at 10%.

<sup>15</sup> The population beneath the poverty line was 25% chronic and 40% transitory according to 1995/96 Household Income and Expenditure Survey of the Department of Census and Statistics. Comparable numbers from 96/97, Central Bank Consumer Finance Survey, are 19% and 31% respectively.

<sup>16</sup> The change from 2000 to 2001 in Colombo Consumer Price Index is 129%.

<sup>17</sup> Source: *National Accounts Statistics*, Department of Census and Statistics, Sri Lanka, May 2002.

## **SUMMARY**

The Democratic Socialist Republic of Sri Lanka (formerly known as Ceylon) is an island off the southeastern coast of India. Sri Lanka is ethnically, linguistically and religiously diverse. Two major parties, the United National Party (UNP) and the Sri Lanka Freedom Party (SLFP), have generally alternated rule.

With an economy of US\$ 15.8 billion, and a per capita gross domestic product (GDP) of about US\$ 837, Sri Lanka has enjoyed modest growth in recent years. Since 1977, the Government has been deregulating, privatizing, and opening the economy to international competition. The private sector, especially the export in garments and tea, continues to grow. The service sector is the largest in the GDP (54.1 percent in 2001). Manufacturing accounts for about 19.4 percent of GDP (2001), with textile, apparel and leather products being the largest sectors. Next in line are food, beverages and tobacco, followed by chemical, petroleum, rubber and plastic products. The agriculture sector consists of rice, and plantations of tea, rubber and coconut.

The Government respects the constitutional right of workers to establish unions. More than 20 percent of the 6.7 million labor force, excluding the north and east, is unionized. Sri Lanka has a strong trade union tradition with over 1,500 registered unions (approximately 500 active unions). Labor in the 10 free trade zone enterprises (also called export processing zones—EPZs) tends to be represented by non-union Worker Councils. Most of the major trade unions are affiliated with political parties, creating a highly politicized labor environment.

Sri Lanka has ratified all the International Labor Organization (ILO) core labor standards except Convention No. 105 on forced labor. Convention 105 was recently approved, and is in the ratification process.

## **BACKGROUND**

Sri Lanka has an active multiparty system. Constitutional power is shared between the popularly elected President and the 225-member Parliament. The most recent presidential election was held in December 1999 and President Kumaratunga of the People's Alliance (PA) won re-election with 51 percent of the vote. Thereafter, PA won parliamentary elections held in October 2000, in coalition with the Sri Lanka Muslim Congress (SLMC), and the Ceylon Workers Congress (CWC) representing plantation workers and other parties. A political crisis began in June 2001 when the ruling PA lost its Parliamentary majority and sought to rely on the support of the Marxist Janatha Vimukthi Peramuna (JVP). Consequently, the President dissolved the Parliament in October 2001 and parliamentary elections were held for the second time in 14 months in December 2001, in which the strongly pro-business United National Party (UNP) took power.

The UNP formed a coalition government—United National Front (UNF)—together with SLMC and the CWC. The term of the Parliament is six years. Currently the President is from the PA but the UNF holds the parliamentary majority. The Cabinet is comprised of the President, Prime Minister and his colleagues from the UNF. In practice, most of the pre-December 2001 executive powers of the President have been taken over by the Prime Minister and other cabinet ministers. The President has the power to dissolve the Parliament a year after elections. Local government elections, held in 2002, strengthened the UNP's mandate. Presidential and



parliamentary elections are held at six-year intervals with next elections due by December 2005 (presidential) and December 2007 (parliamentary).

For the past 19 years, the Government has fought the Liberation Tigers of Tamil Eelam (LTTE), an organization fighting for a separate ethnic Tamil state in the north and east of the country. The LTTE entered into a cease-fire agreement with the Government on February 21, 2002. In September and December 2002, there were active peace talks with the Government and representatives from all factions.

The Sri Lankan Constitution provides for an independent judiciary. The law provides for freedom of assembly and the Government generally respects this right in practice.

There are no legal impediments to the participation of women in politics or government. In August 1994, voters elected a parliament that chose a female prime minister for the third time in the country's history. In November 1994, a woman was elected President for the first time and reelected in December 1999, for a second term. Ten women hold seats in the current Parliament including one who holds the cabinet position of Minister for Women's Affairs.

## **DESCRIPTION OF THE LABOR SCENE**

Over 70 percent of the plantation work force, which is overwhelmingly "tea estate" Tamil, is unionized. In the country's over 1,500 unions, there are more than 1 million union members, 650,000 of whom are women. Approximately 20 percent of the nonagricultural work force in the private sector is unionized. Unions represent most workers in large private firms outside the EPZs, but those in small-scale agriculture and small businesses and factories in EPZs, usually do not belong to unions. Public sector employees are unionized at very high rates and are highly politicized.

Most large unions are affiliated with political parties and play a prominent role in the political process, though major unions in the public sector are politically independent. More than 30 labor unions have political affiliations, but there are also a small number of unaffiliated unions, some of which have active leaders and a relatively large membership. According to the Ministry of Employment and Labor (MEL, June 2002), last year the MEL registered 147 new unions and canceled the registration of 155 others, bringing the total number of functioning unions to 1,580. The MEL is authorized by law to cancel the registration of any union that does not submit an annual report. This requirement is the only legal grounds for cancellation of registration.

All workers, other than civil servants and workers in "essential" services, have the right to strike. In most instances, unions have complained that employers are not recognizing trade unions, although they have the required membership. Employers allege that the JVP, a Marxist political party that is against private ownership, is provoking labor to strike under the guise of trade union activity. Prior to December 2001 parliamentary elections, the trade union arm of the JVP Inter-Company Trade Union, became popular among workers. Due to its violent past, employers are generally not in favor of the JVP. The JVP is anti-management and continues to agitate against economic reforms. The current membership of JVP's Inter-Company Trade Union is around 78,000.

Trade union advocates criticize the government's Board of Investment (BOI) rules and management regulations that make access to the zones virtually impossible for union representatives and labor organizers. In the plantation sector, union participation rates are as high as 75 percent, though unionization levels are reportedly on the decline. Many public sector

entities also have large and vocal unions, which stage protests and “industrial actions,” often to obtain pay hikes and sometimes to protest anticipated moves towards privatization or restructuring. Most of the major trade unions are affiliated with political parties, creating a highly politicized labor environment.

In general, labor unions are quite active, and strikes are not uncommon. In May 2000, due to the escalation of war to the north, the Government invoked the Public Security Act to prohibit activities that could be interpreted as encouraging terrorism or disrupting normal activities of the people, including strikes in both private sector and public sector workplaces. This regulation was revoked in April 2001, and trade unions are now free to engage in industrial action including work stoppages and strikes. Even when the regulation was in force, workers in a number of private companies went on strike, defying the law.

## **THE ECONOMY AND LABOR**

Sri Lanka is a low-income country with a market economy based mainly on the export of textiles, tea, rubber, coconuts, and gems. It also earns substantial foreign exchange from the repatriated earnings of citizens employed abroad, and from tourism. In 2002, GDP growth was forecast to be between two to three percent. To achieve growth, the Government pursued foreign investment, labor reforms, and support for the competitive sectors. The Government also plans large power and transport infrastructure projects and liberalization of telecom markets emphasizing key shipping lanes. Additionally, it is committed to reducing corruption.

The labor force is literate and trainable, but weak in certain technical skills. Although more computer skills training programs are becoming available, the demand still outpaces supply because many qualified workers seek employment overseas. The average worker has eight years of schooling. Two-thirds of the labor force is male and one-third is female. The unemployment rate in the third quarter of 2001 was 7.8 percent with an estimated 528,000 of a total labor force of 6.7 million out of work. Employment is defined as work for pay, profit, or unpaid work for the family for one or more hours during the survey week. Labor force data excludes the north and east, armed forces personnel deployed away from home, and migrant workers abroad. If the unpaid family workers are included, the unemployment rate is 8.6 percent. Youth unemployment remains a critical problem. Nearly 80 percent of unemployed persons are in the 15-29 year age range. Over 50 percent of unemployed youth are educated at the O-Level (10<sup>th</sup> grade) or higher.

Not surprisingly, a significant proportion of unemployed seek “white collar” jobs, while most sectors facing labor shortages offer manual or semi-skilled jobs or require technical or professional skills such as management, marketing, information technology, accounting and finance, and English language. The Government has recognized the challenge of formulating the educational system to better meet the needs of the private sector, but it will take time before the mismatch of skills to requirements is addressed.

In 2001, there were an estimated 932,500 workers abroad, most in unskilled (housemaids and laborer) positions primarily located in the Middle East. Many technically and professionally qualified workers move abroad to more lucrative jobs.

## **FOREIGN EMPLOYMENT (end of 2001)**

<b><u>By Gender</u></b>	<b><u>Totals</u></b>	<b><u>Percent</u></b>
Males	282,800	30
Females	649,700	70
Total	932,500	100

<b><u>By Country of Employment</u></b>		
Saudi Arabia	300,000	32
UAE	130,500	14
Kuwait	161,700	17
Qatar	40,000	4
Lebanon	80,000	9
Jordan	40,000	4
Oman	36,000	4

Source: Sri Lanka Foreign Employment Bureau.

Labor is available at a relatively low cost, though it is higher than in other South Asian countries. Child labor is prohibited and is virtually nonexistent in the organized sector, though child labor occurs in the informal economy.

Sri Lanka is actively undertaking labor reform. The trade unions have responded to labor law reforms by suggesting the following: implement in law and practice ILO Conventions number 87 and 98; provide an adequate social safety net; limit overtime (recently extended to 60 hours a month); make no risky pension funds investment; set minimum wages according to collective bargaining, not according to productivity; and allow spontaneous strikes without secret government polls. Additionally, they suggest that peace and political stability should promote investment and job creation.

## **FOREIGN INVESTMENT POTENTIAL**

The United States and Sri Lanka have enjoyed diplomatic relations for 54 years. Over the past 24 years, several hundred foreign investors have come to Sri Lanka to take advantage of its skilled workforce that has a literacy rate of over 90 percent. The market economy is based mainly on the export of textiles, tea, rubber, coconuts, and gems.

Foreign investment is actively welcomed as an important element of economic growth. The Government opened its economy to foreign investment in 1978. Over the past decades, there were several hundred sources of foreign investment, but in the past four years, due to economic and political concerns, investment has been weak. The BOI, an autonomous statutory agency, is the primary government authority responsible for foreign investment. It is structured to provide "one-stop" service for foreign investors, including approval of projects, granting incentives and arranging services such as water, power, waste treatment and telecommunications. The BOI also assists in obtaining resident visas for expatriate personnel and facilities, and import and export clearances. Information about the BOI is found on the worldwide web at: <http://www.boisrilanka.org>.

The Bureau for Infrastructure Investment (BII) (<http://www.bii.gov.lk>), a division of BOI, coordinates all private infrastructure projects. Projects are usually structured on the basis of

build, own, operate (BOO), build operate and transfer (BOT) or build, own, operate and transfer (BOOT).

The principal law governing foreign investment is Law No. 4 of 1978 (the BOI Act). Amendments were made in 1980, 1983 and 1992, and implementing regulations established under the Act. The BOI Act provides for two types of investment approvals. Under Section 17, the BOI is empowered to grant concessions to companies satisfying certain eligibility criteria. Investment approval under Section 16 of the Act permits entry for foreign investment to operate under the "normal" law of the country and is applicable to investments that do not satisfy eligibility criteria for BOI incentives. Other laws affecting foreign investment are the Securities and Exchange Commission Act of 1987 and the Takeovers and Mergers Code of 1995. In addition, various labor laws and regulations affect investors.

The BOI specifies certain minimum investment amounts for both local and foreign investors to qualify for incentives. Firms enjoying preferential incentives in the manufacturing sector are, in most cases, required to export 80 percent of production, while those in the service sector must export at least 70 percent of production. Sri Lanka complies with WTO Trade Related Investment Measures (TRIMS) obligations.

Foreign investment is encouraged in enterprises that involve extensive use of foreign capital, in information technology (IT), electronic assembly, industrial and machine-tool manufacturing, in export-oriented manufacturing such as ceramics, glassware, mineral and rubber-based industries, light and heavy engineering industries, agriculture, and infrastructure projects. Foreign investors are generally not expected to reduce their equity over time or to transfer technology within a specific period of time, except for BOT or other projects in which such terms are clearly specified.

Maintaining a certain level of employment is a condition in some BOI-approved enterprises. In addition, privatization agreements as a rule prohibit new owners from laying off workers, although the owners are free to offer voluntary retirement packages to reduce their workforce. Some foreign investors have received political pressure to hire workers from a particular constituency or a given list, but have successfully resisted such pressure with no apparent adverse effects.

Foreign investors who have an equity investment of US\$ 50,000 can qualify for a resident visa. Employment of foreign personnel is permitted when there is a demonstrated shortage of qualified local labor. Technical and managerial personnel are in short supply, and this shortage is likely to continue in the near future. Foreign employees attached to BOI-approved companies usually receive preferential tax treatment and do not experience significant problems in obtaining work or residence permits.

## **INVESTMENT STATISTICS**

### **Estimated Total Foreign Investment By Sector (US\$ millions)**

<b><u>Sector</u></b>	<b><u>Total (end 2001)</u></b>
Food and Beverage	57
Textile/apparel, leather	246
Chemicals, rubber, plastics	114
Non-metal mineral products	36
Fabricated metal, machinery	42
Other manufactured products	87
Services	1,000
Total	1,582

Source: Board of Investment of Sri Lanka.

**Note:** Investment figures reported here consist of direct investment plus loan financing. The data provided by the BOI are incomplete. They do not include foreign investment that came through non-BOI sources prior to 1994. Foreign investment in the banking and insurance sectors is also not included. Figures reported by the BOI have been converted at the average prevailing exchange rate in 2001.

The Government has signed Investment Protection Agreements with the United States (May 1993) and with Belgium, People's Republic of China, Denmark, Egypt, Finland, France, Germany, Indonesia, India, Iran, Italy, Japan, Korea, Luxembourg, Malaysia, the Netherlands, Norway, Romania, Singapore, Sweden, Switzerland, Thailand, and the United Kingdom. The United States and Sri Lanka signed a bilateral treaty on avoidance of double taxation in September 2002, and U.S. Senate ratification is pending.

There are 10 free trade zones, also called EPZs, administered by the BOI. Several new mini-EPZs were opened in the provinces during the last few years. There are nearly 200 foreign export processing enterprises operating in these zones. There are also two industrial parks that have both export-oriented and non-export-oriented factories. An information technology park is located at the World Trade Center building in Colombo.

In the past, industrialists preferred to locate their factories in close proximity to the Colombo harbor or airport to reduce transport costs and save time. The excessive concentration of industries around Colombo has created problems such as scarcity of labor, inadequate infrastructure, environmental pollution, escalation of real estate prices and congestion in the city. Therefore, the BOI now actively encourages the establishment of export-oriented factories in the newly developed industrial zones farther away. The BOI also finds it easy to provide infrastructure facilities and security, as well as to monitor enterprises, when they are located in the zones. Additional fiscal incentives are given for industries locating outside the western provinces of the country.

United States investors in Sri Lanka (including garment buyers) generally promote labor-management relations and labor conditions that exceed local standards. A few large Sri Lankan firms have started Employee Share Option Schemes. Work stoppages and strikes have been on a decline since the pro-business UNF government led by Prime Minister Wickeramasinghe came to office in December 2001.

## **SOCIAL SAFETY NET**

The Termination of Employment (TEA) Act prevents many companies from laying off permanent staff despite economic contractions and export slowdowns. Consequently, affected companies bear the cost of maintaining excess labor. These developments have led to a renewed call for a review of labor legislation. The MEL has prepared draft laws to make retrenchment and dismissals easier. As an interim measure, the MEL has proposed the following non-binding minimum compensation formula as a guideline: 2 to 3 months' salary for each year of service, or full salary for remaining period of service up to retirement, whichever is less, subject to a maximum of 50 months' salary. Some trade unions have shown reluctance to accept this formula and some companies have offered better packages.

The Government provides a welfare package through the "Samurdhi" program for the poor. It is an income transfer program. It is inadequate, however, to meet the needs of a social safety net for workers being laid off, though the need for improvement is acknowledged. Around 2.3 million families received Samurdhi assistance in 2000. The Government has drawn a welfare benefit law to de-politicize and better target the provision of social assistance.

The labor laws do not mandate accessibility to buildings or government services for the disabled. The World Health Organization estimates that seven percent of the population is disabled. Most disabled persons unable to work are cared for by their families. The Ministry of Social Services operates eight vocational training schools for the physically and mentally disabled and sponsors a program of job training and placement for graduates. The Social Services Ministry has selected job placement officers to help the estimated 200,000 work-eligible disabled persons to find jobs. In spite of these efforts, the disabled still face difficulties because of negative attitudes and discrimination. In 1996, Parliament passed legislation forbidding discrimination against any person on the grounds of disability.

## **LABOR LAW AND SYSTEM**

The Labor Ministry has a process for settling industrial disputes with labor, and compulsory arbitration is available when attempts to reconcile industrial disputes fail. The Labor Commissioner typically becomes involved in labor-management mediation. The Labor Minister and the President have intervened in particularly difficult cases.

Labor-management relations in the past have been mainly antagonistic due to a failure to recognize the need for a social partnership for mutual benefit. The attitude of employers towards workers has changed considerably in the last few years. Employers are becoming conscious of the need to look after their human resources, and more effort is taken to ensure that workers feel motivated and cared for. Labor-management relations vary from organization to organization. Some managers emphasize communication with workers and offer training opportunities subsequently experiencing fewer difficulties.

Sri Lanka is a member of the ILO and has ratified 39 international labor conventions. The labor laws are laid out in almost 50 different statutes. They have ratified seven of the eight conventions including the 1998 ILO Declaration on Fundamental Principles and Rights at Work (ILO Core Labor Standards). The ILO Conventions 138 on minimum age and 182 on worst forms of child labor were ratified during 2000-01. Convention 105 on forced labor was recently approved, and is in the ratification process. The ILO and the AFL-CIO through the American Center for Solidarity are actively working to improve awareness about core labor standards.

Most permanent full-time workers are covered by laws pertaining to maximum hours of work, minimum wage, leave, rights of association, and safety and health standards. The Termination of Employment Act makes it almost impossible to fire or lay off workers who have been employed more than six months for any reason other than serious, well-documented disciplinary problems. Disputes over dismissals can be brought to a labor tribunal administered by the Ministry of Justice. The Labor Tribunals have large and growing backlogs of unresolved cases. Certain labor disputes founded upon fundamental rights (e.g. allegations of termination/transfers based upon discrimination, among other things) can be brought directly to the Supreme Court.

There is widespread belief that the labor laws and a plethora of holidays are dampening productivity. The full moon day of each month, if it falls on a weekday, is a paid holiday. There are eight other public holidays. The statutory holidays are in addition to 21 days annual/casual leave (at the discretion of management). In addition, female employees are entitled to 84 days fully paid maternity leave for the first 2 confinements.

The current government is keen to carry out urgently needed labor reforms. As a first step, a joint public and private sector committee has prepared a draft national employment policy. The policy contains seven initiatives to facilitate employment creation through economic growth and to improve employability of the current work force. Among other measures, it recommends labor law reforms to facilitate private investment as well as improvements to tripartite dialog among the state, private sector and employees to deal with industrial relations issues. The Government, with the assistance of the U.S. Agency for International Development (USAID), is also designing a national policy aimed at developing long-term policies to enhance productivity in all sectors of the economy.

The U.S. Department of Labor (USDOL) is funding a couple of projects in Sri Lanka. One is to help develop the capacity of local managers in the apparel industry of Sri Lanka. The project addresses areas covered by the ILO Declaration as well as, productivity, safety and health, and human resource management. Another, an ILO sub-regional project funded by USDOL, works to combat child trafficking in South Asia. A rehabilitation center established by the National Child Protection Authority (NCPA) provides vocational training and counseling services to child victims of trafficking.

## **LABOR STANDARDS AND WORKER RIGHTS**

The International Confederation of Free Trade Unions (ICFTU), World Confederation of Labor (WCL) the European Trade Union Confederation (ETUC) and unions from Sri Lanka have raised objections to Sri Lanka's application for Generalized Systems of Preferences (GSP) Special Incentive Arrangements from the European Union (EU), on the grounds that a problem in core labor standards exists. These grounds include unacceptable levels of anti-union discrimination by employers, particularly in the EPZs; the Emergency Regulations (no longer in force), that declare any service an essential service exempt from labor law; high level of child labor in the informal sector; discrimination against women; and unequal pay for men and women in certain sectors.

### **The Right of Association**

The Government respects the constitutional right of workers to establish unions, and Sri Lanka has a strong trade union tradition. Any seven workers may form a union, adopt a charter, elect

leaders, and publicize their views. In practice, however, such rights can be subject to administrative delays, and at times are unofficially discouraged.

By law, workers may lodge complaints with the Commissioner of Labor, a Labor Tribunal or the Supreme Court to protect their rights. The Government has periodically controlled strikes by declaring some industries essential under the emergency regulation (which lapsed in July 2001). The President retains the power to designate any industry as an essential service. Currently there are no industries designated as essential services.

Civil servants collectively may submit labor grievances to the Public Service Commission but have no legal grounds to strike. Nonetheless, government workers in the transportation, medical, educational, power generation, financial, and port sectors have staged brief strikes and other work actions in recent years. There were numerous public sector strikes during the year. The law prohibits retribution against strikers in nonessential sectors. Employers may dismiss workers only for disciplinary reasons, mainly misconduct. Incompetence or low productivity are not grounds for dismissal. Dismissed employees have a right to appeal their termination before a labor tribunal.

Unions may affiliate with international bodies, and some have done so. The Ceylon Workers Congress, composed exclusively of Tamil plantation workers, is the only trade union affiliated with the ICFTU, although a new trade union in the Biyagama EPZ is affiliated with the Youth Forum of the ICFTU. No national trade union center exists to centralize or facilitate contact with international groups.

## **The Right to Organize and Bargain Collectively**

The law provides for the right to collective bargaining but collective bargaining is not widespread. Currently, fewer than 100 companies (including a number of foreign-owned firms), belonging to the Employers' Federation of Ceylon (EFC) have collective agreements and rely on it to conduct negotiations on their behalf as and when required.

Large firms may have employees in as many as 60 different unions. In enterprises without unions, including those in the EPZs, Worker Councils—composed of employees and often a public sector representative—generally provide the forums for labor and management negotiation. The Councils do not have the power to negotiate binding contracts, and they have been criticized as ineffective by labor advocates.

In December 1999, Parliament passed an amendment to the Industrial Disputes Act to require employers to recognize trade unions and the right to collective bargaining. This law is being implemented.

There are approximately 110,000 workers employed in the EPZs, a large percentage of them women. Under the law, workers in the EPZs have the same right to join unions as other workers. However, few unions have formed in the EPZs, largely because of severe restrictions on access by union organizers to the zones. While the unionization rate in the rest of the country is estimated at more than 20 percent, the rate within the EPZs is only 10 percent. Labor representatives allege that the BOI, which manages the EPZs, including setting wages and working conditions in the EPZs, has discouraged union activity.



## **Prohibition of Forced or Compulsory Labor**

Forced or compulsory labor is prohibited by provisions of the 1844 Abolition of Slavery Act. There were reports of its use nonetheless.

## **Status of Child Labor Practices and Minimum Age for Employment**

The minimum age for employment is 14. Child labor is predominantly in the informal sector. Regular employment of children also occurs in family enterprises such as family farms, crafts, small trade establishments, restaurants, and repair shops. Children are involved in the manufacture of coconut fiber products, bricks, fishing, wrapping tobacco, street trading, and farming. Government inspections have been unable to eliminate these forms of child labor. An awareness campaign is coupled with the establishment of a hot line by the police for reporting child labor.

The Government has been a participating member in the ILO's International Program for the Elimination of Child Labor (IPEC) since 1996 and implements projects to eliminate child labor and raise awareness about the problem. This program focuses on (1) capacity building and research; (2) policy, law, and enforcement; (3) awareness raising; and (4) action for the prevention, rehabilitation and protection of children from child labor. In 1998, Parliament passed the National Child Protection Authority (NCPA) Act to combat the problem of child abuse, including unlawful child labor. The Act consolidated existing legislation that established what types of employment are restricted for children, which age groups are affected, and the minimum age for child labor in particular jobs. In 1998, the NCPA Act No. 50 was enacted to create an oversight agency for the protection of children against any form of abuse. The NCPA conducts training programs for judicial, labor, probation, and police officers to educate authorities dealing with child labor issues.

In 1999, a child labor survey was conducted by the Sri Lanka Department of Census and Statistics with technical assistance by the ILO. A child activity survey carried out in 1998-1999 by this Department found that approximately 7.5 percent (69,064) of the 926,038 working children (5-17 years old) were in full-employment, while an estimated 67.1 percent (621,705) of working children combined work with school and household activity. Sixty-four percent of working children are found in the agriculture sector, including child employees on farms or unpaid child workers helping in family enterprises. Of the age group 5-14 years, approximately 0.3 percent (10,948) of the 475,531 working children were in full time employment, while 14,585 engaged in household activity while working, making the total number of children working without schooling 25,533. Some 409,275 children who worked, combined work with schooling and household activity. Nearly 75 percent were employed as agricultural workers.

Persons in violation of Children Act No. 47 of 1956 may be subject to fines of up to Rs. 1,000 (US\$ 11), a period of imprisonment not to exceed 6 months, or some combination of both. Special provisions under this Act are applied to children working at sea. Except in the case of family work or apprenticeship programs, children are not allowed to work at sea. The Children and Young Persons Ordinance of 1956 also has similar provisions that address the employment of children.

The Government is committed to protecting the welfare and rights of children, but is constrained by a lack of resources. However, this strong commitment is demonstrated through its extensive systems of public education and medical care. The 1997 Compulsory Attendance of Children at Schools Act, implemented in January 1998, requires children between the ages of 5 and 14 to attend school. Education is free through the university level.

Many NGOs attribute the problem of exploitation of children to the lack of law enforcement rather than adequate legislation. Many law enforcement resources had been diverted to the conflict with the LTTE, although the Police's Bureau for the Protection of Children and Women continues conducting investigations into crimes against women and children.

There is a serious problem of child prostitution in certain coastal resort areas. The Government estimates that there are more than 2,000 active child prostitutes in the country, but private groups claim that the number is much higher. Child sexual exploitation in the form of child prostitution and pornography is committed by Sri Lankan citizens. Some child prostitutes, however, are boys who are exploited by foreign tourists. Some of these children are forced into prostitution.

Many thousands of children are believed to be employed in domestic service, although this situation is not regulated. Many child domestic workers are reportedly subjected to physical, sexual, and emotional abuse and often deprived of an education. In January 2000, Parliament repealed a regulation that permitted domestic employment for children as young as age 12. About 85 percent of children under the age of 16 attend school, and the law permits the employment of such persons for not more than 1 hour on any day before school. The ultimate effect that this Act may have on the child labor problem remains unclear.

## **Discrimination in Employment**

Some violence and discrimination against women, child prostitution, child labor in the informal sector, and discrimination against the disabled continue to be problems. There is some discrimination and occasional violence against religious minorities. In recent years, the Government has shown increasing sensitivity on human rights issues. In 1992, the Government established a National Human Rights Commission (NHRC), which has 11 offices around the country.

The Constitution provides for equal employment opportunities in the public sector. There are laws that govern sexual harassment in the workplace. However, women have no legal protection against discrimination in the private sector, where they sometimes are paid less than men for equal work; often experience difficulty in rising to management positions; and face sexual harassment. Women constitute approximately one-third of the formal work force.

In 1999, the Government introduced regulations that prohibit unfair labor practices by employers. The law now requires employers to recognize trade unions and the right to collective bargaining (ILO Convention No. 98), compelling employers to enter into negotiations with a trade union where the membership is 40 percent of the total workforce. Some employers have been reluctant to accept this legislation as they claim it is one-sided and does not contain reciprocal guarantees from trade unions for responsible conduct.

## **Acceptable Conditions of Work**

There is no universal national minimum wage. Approximately 40 wage boards set minimum wages and working conditions by sector and industry. The Ministry of Labor effectively enforces the minimum wage law for large companies through routine inspections. Staffing shortages, however, prevent the Ministry from effectively monitoring the informal sector.

The minimum wages are insufficient to provide a decent standard of living for a worker and the standard family of five, but the vast majority of families have more than one breadwinner. Most permanent full-time workers are covered by laws that prohibit them from regularly working more than 45 hours per week (a 5½ day workweek). This does not apply to workers in factories. Women workers covered under the Factories Ordinance can work up to 60 hours per week. Such workers also receive 14 days of annual leave, 14 to 21 days of medical leave, and approximately 20 local holidays each year. Maternity leave is available for permanent and casual female workers.

Several laws protect the safety and health of industrial workers, but the Ministry of Labor's small staff of inspectors is inadequate to enforce compliance with the laws. Workers have the statutory right to remove themselves from situations that endanger their health, but many workers are unaware of (or indifferent to) health risks, and fear that they would lose their jobs if they removed themselves. Health and safety regulations do not meet international standards.

### **Trafficking in Persons**

There are reports of women being trafficked to the country for the purpose of prostitution. Some children are reportedly trafficked primarily internally, to work in domestic labor or for purposes of commercial sexual exploitation.

Penal Code amendments enacted in 1995 made trafficking in persons illegal. There are nonetheless credible reports that trafficking in women and children occurs. Penalties for trafficking in women include imprisonment for 2 to 20 years, plus a fine. For trafficking in children, the law allows imprisonment of 5 to 20 years, plus a fine. According to police reports, there is a floating pool of approximately 200 foreign female sex workers in the country who may have been trafficked from the former Soviet Union, Thailand, and China.

# **DIRECTORY OF LABOR ORGANIZATIONS**

## **GOVERNMENT**

### **Ministry of Employment and Labor**

Labor Secretariat  
Colombo 5, Sri Lanka  
Minister: Hon. Mahinda Samarasinghe  
Phone: (94) 1-589267; Fax: (94) 1-588950  
Secretary: Hon. Mahinda Gammampila  
Phone: (94) 1-368164; Fax: (94) 1-582938  
Email: slmol@slt.lk

## **EMPLOYERS**

### **Employers' Federation of Ceylon**

No. 385/J3, Old Kotte Road  
Rajagiriya, Sri Lanka  
Director General: Mr. Golabaya Dasanauaka  
Deputy Director Gen: Mr. Ravi Peiris  
Phone: (94) 1-867966-8; Fax: (94) 1-867942  
Website: <http://www.empfed.lk>

### **Sri Lanka Chamber of Commerce**

50 Navam Mawatha  
Colombo 2, Sri Lanka  
Secretary General/CEO: Mr. Renton de Alwis  
Phone: (94) 1-421745-6; Fax: (94) 1-449352/437477  
Email: [renton@chamber.lk](mailto:renton@chamber.lk)  
Website: <http://www.chamber.lk>

## **LABOR UNIONS**

### **National Union of Workers**

187/1, Dimbulla Road  
Hatton, Sri Lanka  
General Secretary: S.A. Kandasamy  
Phone: (94) 051-22423

**Ceylon Workers Congress**

72, Ananda Coomaraswamy Mw  
Colombo 7, Sri Lanka  
General Secretary: Hon. S.A.R. Thondaman  
Phone: (94) 1-301359; Fax: (94) 1-301355

**Central Council of Ceylon Trade Unions**

31/27, Narahenpita Road  
Nawala, Rajagiriya, Sri Lanka  
General Secretary: Mr. P.P.F. Perera  
Phone: (94) 1-872318/806318; Fax: (94) 1-564269

**United Federation of Labor**

17, Barracks Lane  
Colombo 2, Sri Lanka  
President: Mr. Linus Jayatillaka  
Phone: (94) 1-324053/430621

**Lanka Jathika Estate Workers Union**

60, Bandaranayakepura  
Sri Jayawardenepura Mw  
Welikada, Rajagiriya, Sri Lanka  
General Secretary: Mr. Raja Seneviratne  
Phone: (94) 1-865138/872790

**Government Nursing Officers Association**

65, Templers Road  
Kaluwella, Galle, Sri Lanka  
President: Mr. Saman Ratnapriya,  
Phone: (94) 09-58108

**Association of Public Service Engineers**

Irrigation Department  
P.O. Box 1138  
Colombo, Sri Lanka  
President: Mr. K. W. Pereira

**Technical Services Trade Union Federation (TSTUF)**

P.O. Box 1138  
Colombo, Sri Lanka  
General Secretary: Mr. K. N. S. Andradi

**Jathika Sevaka Sangamaya**

416, Kotte Road  
Pita Kotte, Sri Lanka  
Chief Organizer: Mr. Palitha Athukorale  
Phone: (94) 1-865436; Fax: (94) 1-865438

**Sri Lanka Nidahas Sevaka Sangamaya**

301, T.B. Jayah Mawatha  
Colombo 10, Sri Lanka  
General Secretary: Mr. Leslie Devendra  
Phone: (94) 1-694074; Fax: (94) 1-682664/5  
Email: sinss@diamond.lanka.net

**All Ceylon Federation of Free Trade Unions**

94-1/6, York Building, York Street  
Colombo 1, Sri Lanka  
General Secretary: Mr. Anton Lodwick  
Phone: (94) 1-431847; Fax: (94) 1-470874

**Ceylon Mercantile Union**

No. 3, 22<sup>nd</sup> Lane  
Colombo 3, Sri Lanka  
General Secretary: Mr. Bala Tampoe  
Phone: (94) 1-328158; Fax: (94) 1-434025

**Public Health Inspectors Union**

No. 9, Kandawela Road  
Ratmalana, Sri Lanka  
President: Mr. S. Jayasinghe

**Ceylon Estate Staff Union**

6, Aloe Avenue  
Colombo 3, Sri Lanka  
General Secretary: Mr. S. Arulnandy  
Phone: (94) 1-573948; Fax: (94) 1-576841

**COPSITU**

32, Opposite Maha Vidyalaya  
Galmuruwa, Sri Lanka  
General Secretary: Mr. Adhikari Jayaratne  
Phone: (94) 032-40694

**Union of Post & Telecommunication Officers (UPTO)**

11/4, Lotus Road, P.O. Box 15  
Colombo 1, Sri Lanka  
General Secretary: Mr. K.S. Weerasekara  
Deputy Gen. Sec: M.N. Nawaratne Bandara  
President: M.A. Shantha Kumara  
Phone: (94) 1-324100; Fax: (94) 1-341626

**Samastha Lanka Local Govt. Trade Union Federation**

No. 11-3/1, Premachandra Building, Dambulla Junction  
Kurunegala, Sri Lanka  
Hon. President: Mr. P. Muhandiram  
Telefax: (94) 074-690270

**Nurses Administrative Union**

Matrons Quarters  
93, Regent Street  
Colombo 10, Sri Lanka  
President: Ms. Sumana Pereira

**Public Services United Nurses Union**

530, Thimbirigasyaya Road  
Colombo 5, Sri Lanka  
President: Rev. Muruththettuwe Ananda Thera  
Phone: (94) 1-584084/583747; Fax: (94) 1-583282

**Ceylon Federation of Trade Unions**

513-1/2, Elvitigala Mawatha  
Colombo 5, Sri Lanka  
General Secretary: Mr. D.W. Subasinghe

**Ceylon National Workers' Congress**

60A Greelands  
Kolahena, Colombo 13, Sri Lanka

**Ceylon Bank Employees Union**

Head Office  
No. 20 Temple Road  
Colombo 10, Sri Lanka  
The General Secretary: Mr. M. Shah  
Phone: (94) 1-693811/684157

**Government Medical Officers' Association**

Room No. 10, 1<sup>st</sup> Floor, Professional Center, 275/75  
Colombo 7, Sri Lanka  
Secretary: Dr. Prasanna Gunasena

**Telecommunication Officers' Union**

Telecommunication Building, Lotus Road  
Colombo 1, Sri Lanka  
President: Mr. Hemantha Weerakoon  
General Secretary: Lalindra Gunawardena  
Phone: (94) 1-350346/323555/350232/304895; Fax: (94) 1-323555/465231

**Ceylon Workers' Alliance**

15/11 10<sup>th</sup> Lane  
Colombo 3, Sri Lanka  
General Secretary: Hon. S. Sathasivam M.P.

**Sri Lanka Principals' Union**

03 Ramboda Bazaar  
Ramboods, Sri Lanka  
General Secretary: Mr. G.K. Rajendiran  
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**Ceylon Plantations and Mercantile Services Union**

No. 105 Neboda Road  
Matugama, Sri Lanka

**The Agricultural & Plantation Workers Congress**

45 Mahiyangana Road  
Badulla, Sri Lanka  
Mr. R.M. Krishnasamy  
Phone: (94) 055-2214

**Lanka General Services Union**

Head Office  
10/1-1/1, Kotugodella Veediya  
Kandy, Sri Lanka  
District Representative: R.R. Thiagaratnam  
Phone: (94) 08-223371; Fax: (94) 08-32343

**Agricultural and Rural Workers Development Society**

42 Main Street  
Udapussellawa, Sri Lanka  
Secretary: Mr. R. Rajalingam (Mr. V.S. Raja's Office)



**Ceylon Rural and Plantation Workers Congress**

29 Main Street

Dehiowita, Sri Lanka

Secretary: Mr. M. Sarkunam/Mr. W.M. Abeywardena

Phone: (94) 036-22575/22534

**Lanka Estate Workers Union**

457 Union Place

Colombo 2, Sri Lanka

General Secretary: S. Ramanathan

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