

## Chapter 2

### Readymade Garment workers in Sri Lanka: Strategy to Survive in Competition

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#### Introduction

Chapter 1 analyzed Sri Lankan garment industry and issues they face in the post Multi Fibre Agreement (MFA) era. In this chapter focus is shifted to workers. We investigate the influence of MFA withdrawal on workers and the implications of the measures taken by the factories to improve labour productivity.

#### 1. Strategies of industry groups for increasing competitiveness in the global market

What did the garment industry opt for withdrawal from MFA? The Sri Lanka Apparel Exporters Association (SLAEA) was established in 1982 and is the largest business association for the garment industry in Sri Lanka. In July 1998 SLAEA held a seminar titled *Will you be there when the quotas are gone?* advocating a shift towards branded products and upscale items, diversification of the market to other than the US, and formation of strategic alliances with global giants.

Anticipating that benefit would be gained by observing corporate social responsibility, SLAEA launched the *Certificate of Conformity* certification program in 1998, which examined members with regard to compliance with the laws and regulations of Sri Lanka applicable to employment of labour, industrial relations, health, safety, welfare, and environmental standards. SLAEA expected benefit from observing social compliance: reducing operating costs, and enhancing brand image in the form of increase sales and customer loyalty, as well as increased productivity and quality. SLAEA recognizes that as a result of their activities, the industry has achieved dramatic growth in vendor codes of conduct.<sup>1</sup>

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<sup>1</sup>*The Island* 2002 Feb. 05 “Apparel exporters identify 5 focus areas”

In 2002 SLAEA identified five focus areas for continuous improvement in efficiency and control in order to remain competitive: (1) building strong relationships with customers and buyers, (2) pursuing an aggressive marketing strategy, (3) investing in technology, (4) increasing productivity and being price competitive, and (5) attracting and developing talent.

Also in 2002, the Joint Apparel Association Forum (JAAF) was established as the apex body for all textile- and apparel-related associations. Members are SLAEA, the National Apparel Exporters Association, the Sri Lanka Garment Buying Office Association, the Sri Lanka Chamber of Garment Exporters, and the Free Trade Zone Manufacturers Association. The purpose of its establishment was to prepare united opinion of the garment industry toward policymaking ahead of MFA withdrawal. The first work done by JAAF was to deliver its *Five-Year Strategic Plan*. This five-year plan presented strategic objectives that the Sri Lankan apparel industry must achieve in order to survive in global competition beyond 2005.<sup>2</sup>

Further, the Export Development Board (EDB) and other business groups sent delegations, together with ministers, to the US, Canada, and the EU, lobbying for market development and reduction of import taxes, while setting the stage for entry into FTAs. They appealed that Sri Lanka was a safe and reliable sourcing venue, observing stringent compliance with social standards and absence of child labour while the war in Afghanistan was ongoing in 2001.<sup>3</sup>

## **2. Measures taken by the industry**

Each company took measures to adopt the forthcoming changes in 2005. However, not all the companies could follow the strategies for survival in a

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<sup>2</sup>1. Increase the Sri Lankan apparel industry turnover from its present level of US\$2.30 bn. to US \$ 4.65 bn. by 2007. 2. Transform the industry from a “manufacturer” to a provider of a “fully integrated services”. 3. Increase market penetration to the premium market segments of the global apparel industry. 4. Become internationally famous as a superior manufacturer of specific product categories. 5. Consolidate and strengthen the industry to meet the challenges of the quota-free era.

<sup>3</sup>*The Daily News* 2001 October 30 “Apparel exporters adopt proposal to protect industry”

competitive world presented by the industrial groups. Large companies with solid financial backgrounds and resources were able to implement several measures to strengthen their capacity and competitiveness well before the deadline. They amalgamated some factories, formed conglomerates, established factories overseas, introduced new technologies, and increased the focus on specialized products lines.

Larger companies were able to cut costs through economy of scale, and some even found investment partners from other industries to help alleviate the undercapitalization of Sri Lanka's garment industry.<sup>4</sup> It was possible for large players to form alliances, expand their business, invest in new technology, and establish direct links with buyers. Thus, they consolidated the base of their business.

However, it has been difficult for small- and medium-scale enterprises (SMEs) to pursue such strategies. As Table 1 shows, in early 2000 the apparel business was sluggish. Though the apparel sector had been a pace-setting industry in the 1990s, the growth rate for the industry was far below that of real GDP in the early 2000s. The industry was seriously damaged in 2001 because of terrorist attack at Katunayake Airport in July and the 9/11 attacks in the US. Most SMEs vulnerable to economic downturns could barely keep up with daily operation costs and had nothing extra to spend, even though they recognized the importance of investment and improvement to upgrade productivity. One manager interviewed said that it was difficult to get loans from the bank. Government policy on special loans for SMEs was contemplated but never implemented.

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<sup>4</sup>Ocean Lanka, Sri Lanka's largest circular knitting plant, with turnover of around US\$42 mn. a year, is a joint venture among Hong Kong-based Fountain Set, Brandix, and Hirdaramani. Textured Jersey Lanka is a venture between Hong Kong's Pacific Textiles and Linea Clothing, itself a joint venture between MAS Holdings and Brandix Lanka. The company makes knitted, dyed, and finished weft knitted fabric.

Table 1-Percentage change in private-sector industrial production (1990 currency value)

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
Apparel	5.5	20.1	4.7	8.4	16.6	-8.5	1.3	2.6	9.9
Textile	1.6	10.0	4.3	-0.4	13.1	-8.6	3.5	1.8	-5.5
Leather	6.4	11.7	1.7	3.5	7.1	-5.6	-5.6	6.2	-5.9
Real GDP Growth Rate	3.2	6.8	4.6	3.8	6.0	-1.5	4.0	6.0	5.4

Sources: Annual Reports, Central Bank of Sri Lanka

Some factories furnished satisfactory welfare facilities for workers for the purpose of increasing productivity in a competitive world. This was also demanded by buyers, largely because of concerns of consumers. Improvements in this area translated into competitive advantage. This is precisely what the industrial groups were hoping for when proposing such improvements in working conditions.

However, it is pointed out that compliance with buyers' demands in this regard can make things difficult. For example, a factory may be supplying four buyers, each with a different and very specific set of demands, on top of the already severe and constant pressure to cut costs. In addition to the financial burden that entails, factory managers harbor doubts about the benefits of good workplace facilities. Though the business groups believe that good facilities enhance labour productivity, factory managers believe that good facilities do not necessarily solve pressing everyday issues. Most managers, irrespective of the scale of a factory, see high rates of absenteeism, high turnover, and labour shortages standing in the way of improving productivity.

### 3. Survey of workers

The purpose of our survey is, first, to clarify the basic features of workers in garment factories in Sri Lanka, broken down by gender as well as scale and location of factory. Second, we investigated the influence of MFA withdrawal on workers and the implications of the measures taken by the factories to improve labour productivity.

A sample survey of workers was conducted from October to December 2005 by experienced staff. For the interviews with workers, we met the managers and came with questionnaires prepared. We visited 13 factories and interviewed 140

workers. Factories in various locations around the nation were sampled (five in the Colombo area and eight in other areas). Table 2 shows the basic information on the factories surveyed. In this paper, factories are divided into three groups: small, medium, and large, employing fewer than 200 workers, 201 to 500, or more than 500, respectively<sup>5</sup>. The following are raw data based on direct interviews with managers and workers.

Table2-Basic information on factories surveyed

Index	Location		Number of workers			Average Salary (Rupees)
			Interviewed	Males	Females	
1	Ratmalana, Colombo	850	12	0	12	7,868
2	Pitakotte Colombo	264	12	7	5	9,097
3	Ja-Ela, Colombo	850	13	5	8	9,570
4	Kadawata, Colombo	750	11	4	7	7,845
5	Biyagama, Colombo	150	9	2	7	5,094
6	Polgolla, Kandy	200	9	2	7	4,937
7	Digana, Kandy	184	9	4	5	5,439
8	Teldeniya, Kandy	572	12	3	9	5,260
9	Pallekele, Kandy	400	10	1	9	6,185
10	Pallekele, Kandy	1200	12	5	7	17,947
11	Anuradhapura	360	10	2	8	8,321
12	Anuradhapura	670	9	0	9	5,978
13	Mahiyanganaya	317	12	2	10	5,262
			140	37	103	7,600

### 3.1 Gender of workers

According to the *Annual Survey of Industries* (2002), 83% of workers engaged in the garment industry are female. However, our sample was more than 17% males, since we wanted to be able to compare the behavior and working conditions of both male and female workers. Attention has been concentrated on the working conditions of females, while the reality of male workers has been virtually neglected so far. It is expected that with this adjustment to the gender balance of the sample, the additional data will help us clarify the actual conditions for male workers and in the process gain some extra insight with regard to the situation of the female workers as well. We interviewed 140 workers, 73% of them female and 27% of the workers male. A total of 57 were working in factories located in

<sup>5</sup>There is no official definition of scale of factories used by either the government or by industrial groups.

Colombo, and 83 were working in other areas. Numbers of workers for each scale of factory are shown in Table 3.

Table 3-Numbers of workers

Scale of factory	Small	Medium	Large	Subtotal
Total	27	44	69	140
Colombo	9	12	36	57
Other Area	18	32	33	83
Males	8	12	17	37
Colombo	2	7	9	18
Other Area	6	5	8	19
Females	19	32	52	103
Colombo	7	5	27	39
Other Area	12	27	25	64

### 3.2 Age of workers

Table 4 shows age groupings for all the workers, male and female, by workplace location. The largest age group is 21–25 years (34.3% of all workers), followed by 26–30 (28.6%). Comparing the Colombo area and other areas shows the composition of workers in the Colombo area to be younger. Though both male and female workers in their thirties employed in other areas are numerous, they are quite few in number in the Colombo area. Employment of workers in their forties is rare both in the Colombo area and other areas. The average age of clerical staff is higher, where the 26–30 group is the largest.

Table 4-Ages of workers (all) %

Age		-20	21–25	26–30	31–40	41–
All Workers		18.6	34.3	28.6	12.9	5.7
Location	Colombo	21.1	40.4	29.8	3.5	5.3
	Other Area	16.9	30.1	27.7	19.3	6.0
All Males		16.2	32.4	35.1	13.5	2.7
Location	Colombo	22.7	36.4	31.8	4.5	4.5
	Other Area	10.5	31.6	31.6	21.1	5.3
All Females		19.4	35.0	26.2	12.6	6.8
Location	Colombo	20.5	43.6	25.6	2.6	7.7
	Other Area	18.8	29.7	26.6	18.8	6.3

### 3.3 Marital statuses of workers

Table 5 shows marital statuses of workers. About 70% are unmarried. The percentage of married workers is higher outside Colombo. Considering the age distribution of workers, the higher percentage of married workers in other areas is reasonable.

Table 5—Marital statuses of workers (%)

		Married	Unmarried	Divorced	Widow/Widower
All Workers		30.0	69.3	0.7	0.0
Location	Colombo	22.8	77.2	0.0	0.0
	Other Area	34.9	63.9	1.2	0.0
Males		37.8	62.2	0.0	0.0
Females		23.1	76.9	0.0	0.0

### 3.4 Education levels of workers

Table 6 shows the educational levels of workers. *Passed O Level* is the biggest group. The *Passed A Level* group follows. Together, O Level and A Level cover over 90% of workers. This is on par with to the educational levels of machine operators. Clerical and technical officers' levels of education are quite a bit higher, and 65% of them are of *Passed A Level*. Considering general education levels in Sri Lanka, (see Table 7), that among workers in the garment industry is average. Table 7 shows their educational attainment in Colombo, Kandy, and Anuradhapura, where the factories surveyed are located.

Table 6—Educational level of workers (all) (%)

	Grade 1–5	Grade 6–10	GCE (O/L)	GCE (A/L)	Higher Education
All	0.7	6.4	59.3	33.6	0.0
Males	0.0	2.7	48.6	48.6	0.0
Females	1.0	7.8	63.1	28.2	0.0

Table 7—Percentage distribution (5 years and over), by educational attainment and by gender

		No Schooling	Attending Grade 1	Grade 1–5	Grade 6–10	Passed O level	Passed A level	Degree and above
Colombo	All	3.7	0.7	14.7	35.1	24.5	15.1	2.5
	Males	2.9	0.7	14.6	36.1	24.3	14.6	2.8
	Females	4.5	0.7	14.7	34.2	24.7	15.6	2.2
Kandy	All	6	0.9	21.4	39	19.2	9.8	1.3
	Males	4.4	0.9	22.3	40.8	18.9	8.8	1.4
	Females	7.6	0.8	20.5	37.3	19.5	10.9	1.2
Anuradhapura	All	5.4	0.8	25.2	44.9	14.7	6.3	0.8
	Males	4	0.8	25.3	46.8	14.4	5.9	0.8
	Females	6.9	0.7	25.1	42.9	15	6.7	0.7

Source: Department of Census and Statistics, Statistical Abstract 2004

Some of the managers we interviewed worried about the increasing level of education and popularization of higher education. Currently, nearly 30% of female workers are at *Passed A Level*. Managers complained that those at *Passed A Level* hate to join the garment industry as blue-collar workers, which makes it more difficult to recruit workers.

### 3.5 Residences and commute times of workers

Table 8 shows residences<sup>6</sup> of workers, and Table 9 shows commute times. Workers who commute from their own houses are the biggest group (55.7%). But there is meaningful difference among the areas. Namely, 70.2% of Colombo workers live in boarding facilities, and 75.9% of workers in other areas live in their own houses (see Table 8). The difference in residence is directly linked to commute time. As a typical Colombo worker lives in a boarding facility near the factory, more than 90% of females and more than 80% of males can commute to their workplaces within thirty minutes. More than half the workers outside Colombo (56.6%) also commute within thirty minutes. Very few workers spend more than one hour to commute.<sup>7</sup>

As to scale of factories, more workers live in their own houses and spend longer

<sup>6</sup>A boarding facility is a place that provides meals in addition to accommodations. A house in which a person pays money to stay and is provided meals is called a boarding house. A hostel may not provide meals and is a larger facility where many can stay.

<sup>7</sup>In the 1980s some of the EPZ workers took more than two or three hours to



hours in small-scale factories.

Table 8—Residence of workers (All) (%)

Type of residence		Boarding	Hostel	Own House
All Workers		34.3	10.0	55.7
Location	Colombo	70.2	3.5	26.3
	Other Area	9.6	14.5	75.9
Scale of Factories	Small	25.9	0.0	74.1
	Medium	27.3	4.5	68.2
	Large	42.0	17.4	40.6

Table 9—Commute Times (%)

Hours		-1/2 H	1/2-1 H	1 H-
All Workers		69.3	25.7	5.0
Location	Colombo	87.7	12.3	0.0
	Other Area	56.6	34.9	8.4
Scale of Factories	Small	48.1	37.0	14.8
	Medium	61.4	34.1	4.5
	Large	82.6	15.9	1.4

From the viewpoint of workers, Colombo workers need to spend more money than those working in other areas, because the cost of living in Colombo is higher, and they further have to pay for boarding or a hostel. Therefore, it is safe to say that working in Colombo is not so attractive for workers who like to save, unless the factory pays them very good salaries. The high cost of lodging is one of the reasons factory managers have difficulty recruiting workers.

Thus, factory managers often send staff to remote areas to recruit workers. They gather villagers in a public space and ask them to join their factories. Therefore, most Colombo workers are from remote areas.

Another measure for dealing with the shortage of labour is to shift the factory itself to a remote area. However, shifting away from Colombo does not seem to be attractive, because the remote areas lack infrastructure, and extra movement of supplies and finished products is required. But moving to a remote area is effective for addressing an acute labour shortage and the rising cost of labour. Those factories share a mutual interest with the government, which wants to promote the rural economy and create employment. For example, the government

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commute from their own villages to factories.

campaigned for building of garment factories all over the country under the 200 Factory Programme in 1992, offering great incentives.

### 3.6 Lengths of careers of workers/ number of factories worked in before

In the interviews with factory managers they stressed that they are forced to face problems of high rates of absenteeism and turnover. They considered lack of efficient use of labour to result in low productivity. Therefore, it was expected that careers of garment factory workers are generally short. Many workers quit before acquiring sufficient skills. But Table 10 shows that 18.6% of workers have worked for over 10 years. Adding 7–9 year workers to that, it comes to nearly 30%. Sri Lanka's garment workers seem to stay in the industry long enough to gain adequate skills. Data on length of career may not explain the shortage of labour in the industry.

Table 10—Lengths of careers of all workers (%)

Years		Over 10 Years	7–9	4–6	1–3	0
All Workers		18.6	11.4	25.7	31.4	12.9
Location	Colombo	14.0	12.3	33.3	28.1	12.3
	Other Area	21.7	10.8	20.5	33.7	13.3
Scale of Factories	Small	11.1	7.4	29.6	48.1	3.7
	Medium	18.2	11.4	18.2	34.1	18.2
	Large	21.7	13.0	29.0	23.2	13.0

However, if we look at the careers of workers from the numbers of factories at which they worked by scale of factories together with lengths of careers, we get a different view. Table 11 shows lengths of careers of workers at their present factories. We can see that all the workers in the small factories have worked in their present factories for less than 6 years. Workers with careers of 1–3 years are the biggest group. Further, Table 12 shows that about 26% of workers in small-scale factories answered that their present factory was the second or third factory for them in their short careers. The labour-shortage problem is more serious for the small-scale factories, with workers with shorter careers.

Table 11—Length of career of workers at present factory (%)

Years		Over 10 Years	7–9	4–6	1–3	0
Scale of Factories	Small	0.0	0.0	3.7	66.7	29.6
	Medium	13.6	6.8	13.6	34.1	31.8
	Large	13.2	8.8	25.0	26.5	26.5

Table 12—Number of factories worked in before (%)

Number of factories.		0	1	2	3
All Workers		59.3	26.4	9.3	5.0
Location	Colombo	66.7	19.3	8.8	5.3
	Other Area	54.2	31.3	9.6	4.8
Scale of Factories	Small	40.7	33.3	22.2	3.7
	Medium	68.2	20.5	6.8	4.5
	Large	60.9	27.5	5.8	5.8

### 3.7 Promotions

Table 13 shows whether workers get any promotion after joining. Forty percent of workers got promotions. However, nearly seventy percent of them expect more promotions (Table14).

Table 13—Did you get any promotion after joining? (%)

	Yes	No	No Answer
All Workers	44.3	55.0	0.7
Males	43.2	54.1	2.7
Females	44.7	55.3	0.0

Table 14—Do you expect more promotions? (%)

	Yes	No	No Answer
All Workers	69.3	26.4	4.3
Males	75.7	21.6	2.7
Females	67.0	28.2	4.9

### 3.8 Working hours

The work day is basically eight hours. Two hours' overtime are regularly added. One big factory was working round the clock in two 10-hour shifts with an hour break time per shift and one hour between shifts. To comply with buyer demands with regard to working conditions, female overtime is limited. Very few female

workers work more than 10 hours a day (Table15). Overtime of up to 100 hours a year used to be allowed, but with a change in the law in 2003 that is now allowed 60 hours a month.

Table 15—Duration of work (hours per day) (%)

Hours		8 H	10 H	12 H	14 H	Over 14 H
All Workers		33.1	59.7	6.5	0.0	0.7
Location	Colombo	24.6	66.7	8.8	0.0	0.0
	Other Area	39.0	54.9	4.9	0.0	1.2
All Males		36.6	48.8	14.6	0.0	0.0
Location	Colombo	27.3	59.1	13.6	0.0	0.0
	Other Area	47.4	36.8	15.8	0.0	0.0
All Females		31.6	64.3	3.1	0.0	1.0
Location	Colombo	22.9	71.4	5.7	0.0	0.0
	Other Area	36.5	60.3	1.6	0.0	1.6
Scale of Factories	Small	50.0	46.2	3.8	0.0	0.0
	Medium	50.0	45.5	4.5	0.0	0.0
	Large	15.9	73.9	8.7	0.0	1.4

It is very difficult to force workers to work overtime, since there is pressure from buyers against it. Therefore, in the case of an unexpected deadline or accident, they fail to complete the work on time, because they cannot ask workers to do extra work, even for extra pay. When they are on a severe deadline, managers use harsh words to urge workers to work quickly.<sup>8</sup>

The restriction on overtime leads to subcontracting to other factories of the same group or in the vicinity. Because of the restriction on the overtime, a kind of work sharing is put into practice.

### 3.9 Change in workload

For the question on the change in workload after January 2005, half of the workers answered “increased”; 32.1% of workers felt no change in the workload, and less than 10% of them felt it was “decreased” (see Table 16). Night work did not increase.

<sup>8</sup>Sexual harassment, which the media have reported, does not seem a serious problem currently among garment workers.

Table 16-Change in the amount of work after Jan. 2005 as compared with the previous time period (%)

		Increased		No Change	Decreased		No Answer
		Substantially	Slightly		Little	Considerably	
All Workers		12.9	40.7	32.1	7.1	1.4	5.7
Location	Colombo	10.5	36.8	28.1	10.5	3.5	10.5
	Other Area	14.5	43.4	34.9	4.8	0.0	2.4
All Males		12.2	46.3	22.0	9.8	2.4	7.3
Location	Colombo	13.6	45.5	13.6	9.1	4.5	13.6
	Other Area	10.5	47.4	31.6	10.5	0.0	0.0
All Females		13.1	38.4	36.4	6.1	1.0	5.1
Location	Colombo	8.6	31.4	37.1	11.4	2.9	8.6
	Other Area	15.6	42.2	35.9	3.1	0.0	3.1
Scale of Factories	Small	11.1	40.7	37.0	11.1	0.0	0.0
	Medium	6.8	45.5	31.8	6.8	0.0	9.1
	Large	17.4	37.7	30.4	5.8	2.9	5.8

### 3.10 Wage system and wage levels

The basic wage system is “fixed salary and overtime” (see Table 17). This is common among locations, genders, and scales of factory. Nearly sixty percent of factories pay bonuses and rewards according to achievement of workers. Eighty percent of workers answered that wages were paid on time. However, small-scale factories sometimes have trouble paying wages on time (see Table 18).

Table 17-Wage system (%)

		Fixed Salary Plus OT	Without OT	No Answer
All Workers		90.0	7.1	2.9
Location	Colombo	89.5	3.5	7.0
	Other Area	90.4	9.6	0.0
All Males		80.5	12.2	7.3
All Females		93.9	5.1	1.0
Scale of Factories	Small	81.5	14.8	3.7
	Medium	88.6	9.1	2.3
	Large	94.2	2.9	2.9

Table 18-Do you receive your salary and overtime pay within a proper time period?

		Yes	No	No Answer
All Workers		81.4	7.1	11.4
Males		73.2	7.3	19.5
Females		84.8	7.1	8.1
Scale of Factories	Small	66.7	14.8	18.5
	Medium	79.5	2.3	18.2
	Large	88.4	7.2	4.3

Table 19 shows the average salary the workers actually received, by job category. The average salary of a machine operator is 6,415 rupees, which includes overtime. This is well above minimum wage<sup>9</sup> for the garment industry. Surveyed factory No. 10 pays the highest salary to machine operators, which comes to 12,136 rupees on average. This is very high for Sri Lanka, where entry level for a government official with a college degree is less than 6,000 rupees. Therefore, machine operators earn relatively high income.

Table 19-Average salary, by job category

Job category	Number of Samples	Average Salary (Rs)
Machine operator	62	6,415
Cutter	6	5,995
Packing	5	5,925
Ironing	4	7,775
Supervisor, Coordinator	17	11,733
Efficiency Expert	1	9,200
Quality-Control Officer	8	6,980
Clerk, Bookkeeper, Store Assistant	15	7,132
Mechanic, Electrician	4	17,067
Helper, Cleaner	17	5,088
Matron	1	25,000

### 3.11 Training

It is often pointed out that labour productivity in Sri Lanka is low compared with

<sup>9</sup>Minimum wages are regulated by the Wage Board of each industry. Minimum wage for a machine operator in the garment industry is about 3,000 Rupees.

that in other garment-exporting countries (Kelegama and Eparachchi, 2002). There would be relations between labour productivity and training to some extent. Table 20 shows the types of training the workers received. Sixty percent of workers received OJT, and nearly thirty percent (males: 38%, females: 24%) received training at formal training institutes.

Table 20-Type of training received (multiple answers)

	Formal Training Institute	Informal Institute	OJT	No Answer
All Workers	28	7	65	6
Males	38	14	62	3
Females	24	5	66	8

### 3.12 Working conditions

Industrial Disputes Amendment Act No. 56 1999<sup>10</sup> made it possible for workers to organize labour unions in an Export Processing Zone, and in January 2001 the first union in an EPZ was established.<sup>11</sup>

In this survey we asked whether they had a labour union in the factory, and we received answers, including “joint consultation committee”. A work council is a workers’ and managers’ group in the factory in which they discuss daily problems.

There were no labour unions in the factories we surveyed. Work councils are organized in eight of the 13 factories surveyed. They discuss not only how to improve productivity but also working conditions in the factory. It seems some factories organized this type of group to comply with demands of buyers. Some managers recognized these groups as being very effective for improving productivity.

The factory facilities related to workers’ welfare are well provided. Payment of the Employer’s Provident Fund (EPF), break time, free tea, recreation, transport, infirmary, regular visits of doctors, etc. are provided by factories. Table 21 shows

<sup>10</sup>Forming a union requires commitment to membership of 40% of the workers.

<sup>11</sup>In 2002 emergency regulations designated all export industries as essential industries, and freedom to strike and freedom of association were restricted.

that the level of satisfaction of workers is high. More than 80% of workers found the facilities of factories adequate.

Table 21-Are you satisfied with factory facilities? (%)

		Yes	No	No answer
All Workers		81.4	17.9	0.7
Location	Colombo	87.7	12.3	0.0
	Other Area	77.1	21.7	1.2

### 3.13 Attitudes of workers

We asked about the views of workers on future security of employment, the industry, wages, health, and family/private problems. Ninety percent felt their employment was secure (Table 22). When they talked about the garment industry (Table 23) the percentage of “no answer” increased. However, the workers did not feel any explicit consequences of MFA withdrawal. Table 24, about their views on wage security, reflects the same tone as with employment and the industry. It is hard to tell whether or not the workers in Sri Lanka’s garment industry are suffering because of withdrawal from MFA. Table 25 shows changes in family income in 2005. It reflects the economic backgrounds of workers. The most common response was “improved slightly”, followed by “no change”. Nearly ten percent of workers answer “reduced”. The workers saw very little “change in workload” or “reduced family income”.



Table 22-What is your view about the future security of your employment?

		Secure	Insecure	No Answer
All Workers		90.7	7.1	2.1
Location	Colombo	94.7	1.8	3.5
	Other Area	88.0	10.8	1.2
All Males		95.1	4.9	0.0
Location	Colombo	100.0	0.0	0.0
	Other Area	89.5	10.5	0.0
All Females		88.9	8.1	3.0
Location	Colombo	91.4	2.9	5.7
	Other Area	87.5	10.9	1.6
Scale of Factories	Small	92.6	3.7	3.7
	Medium	93.2	6.8	0.0
	Large	88.4	8.7	2.9

Table 23-What is your view about the future security of the garment industry? (%)

Garment Industry		Secure	Insecure	No Answer
All Workers		81.4	2.1	16.4
Location	Colombo	75.4	0.0	24.6
	Other Area	85.5	3.6	10.8
All Males		78.0	2.4	19.5
Location	Colombo	77.3	0.0	22.7
	Other Area	78.9	5.3	15.8
All Females		82.8	2.0	15.2
Location	Colombo	74.3	0.0	25.7
	Other Area	87.5	3.1	9.4
Scale of Factories	Small	85.2	0.0	14.8
	Medium	86.4	0.0	13.6
	Large	76.8	4.3	18.8

Table 24-What is your view about the future security of your wage? (%)

Wages		Secure	Insecure	No Answer
All Workers		86.4	3.6	10.0
Location	Colombo	77.2	3.5	19.3
	Other Area	92.8	3.6	3.6
All Males		85.4	7.3	7.3
Location	Colombo	90.9	4.5	4.5
	Other Area	78.9	10.5	10.5
All Females		86.9	2.0	11.1
Location	Colombo	68.6	2.9	28.6
	Other Area	96.9	1.6	1.6
Scale of Factory	Small	92.6	0.0	7.4
	Medium	97.7	0.0	2.3
	Large	76.8	7.2	15.9

Table 25-Whether family income changed in 2005

		Improved		No Change	Reduced		No Answer
		Considerably	Slightly		Slightly	Substantially	
All Workers		10.0	55.0	25.0	7.1	2.1	0.7
Location	Colombo	8.8	64.9	17.5	3.5	5.3	
	Other Area	10.8	48.2	30.1	9.6	0.0	1.2
All Males		5.4	54.1	29.7	8.1	2.7	0.0
Location	Colombo	5.6	66.7	16.7	5.6	5.6	0.0
	Other Area	5.3	42.1	42.1	10.5	0.0	0.0
All Females		11.7	55.3	23.3	6.8	1.9	1.0
Location	Colombo	10.3	64.1	17.9	2.6	5.1	0.0
	Other Area	12.5	50.0	26.6	9.4	0.0	1.6
Scale of Factory	Small	7.4	44.4	40.7	3.7	3.7	0.0
	Medium	6.8	63.6	25.0	4.5	0.0	0.0
	Large	13.0	53.6	18.8	10.1	2.9	1.4

Table 26 shows willingness to continue working in the garment industry. Nearly half the workers answered “Yes” to this question. The rest are thinking of withdrawing from the industry. The most common reason cited by female workers was “marriage,” followed by “stress in the workplace” or “no reason”. Males most commonly selected “want a better job”, followed by “low wage” and “starting own business or self-employment”. Males showed a trend toward wishing to pursue economic gain (Table 27).

Table 26- Would you like to continue to working in the garment industry in the future?

		Yes	Yes, but no other choice	No
All Workers		47.1	6.4	46.4
Location	Colombo	56.1	3.5	40.4
	Other Area	41.0	8.4	50.6
All Males		43.9	7.3	48.8
Location	Colombo	50.0	4.5	45.5
	Other Area	36.8	10.5	52.6
All Females		48.5	6.1	45.5
Location	Colombo	60.0	2.9	37.1
	Other Area	42.2	7.8	50.0
Scale of Factory	Small	44.4	3.7	51.9
	Medium	52.3	4.5	43.2
	Large	44.9	8.7	46.4

Table 27-Reason for not expecting to continue working in the garment industry (%)

		1	2	3	4	5	6	7	8	9	10
All Workers		35	2	10	5	0	11	16	10	8	5
Males		11	5	26	0	0	21	32	5	0	0
Females		45	0	2	7	0	7	9	11	11	7
Scale of Factory	Small	21	0	0	14	0	14	29	14	0	7
	Medium	29	0	18	6	0	18	18	6	0	6
	Large	44	3	9	0	0	6	9	9	16	3

#### Reasons for discontinuing work in the garment industry

1	Marriage
2	Health problem
3	Low wage
4	Family problem
5	Disputes
6	Want to start own business or self-employment
7	Want to find a better job
8	No reason given
9	Job is too difficult/stress
10	Other (far from home, want to continue studies, need to stay at home)

Looking at the reasons for discontinuing to work by factory scale, SME workers cited reasons other than marriage. In small factories, workers most commonly cited “want to find a better job”.

Casting the spotlight on the public mindset, garment workers and their families have a bad image as machine operators among EPZ female workers. The bad images, which have often been taken up by the media about the very poor environment, sexual harassment, and “misbehavior” still remain (Hettiarachchi, 1994). Though these issues are not discussed in media these days, they do have an adverse effect on worker morale.

The workers did not exhibit a sense of crisis over withdrawal of MFA. One reason is that Sri Lanka’s exports had not decreased significantly by the time of the survey.

#### **Conclusion**

The garment industry in Sri Lanka experienced negative growth of 8.5% in 2001 after positive growth the previous year of 15.9%. The terrorist attack on Katunayake International Airport (July), the 9/11 attack in the US (September), and the subsequent reduction in orders and escalating insurance costs damaged the industry severely. As a result, many small-and medium-scale subcontractors were forced to shut down. Therefore, the garment factories currently operating have already withstood the hardest times before withdrawal of MFA. They are not vulnerable industries solely dependent on quota distribution.

Large, strong companies that have expanded their business within the country as

well as establishing plants overseas will be the industry leaders. SMEs will survive as long as they have direct links with buyers or subcontract agreements with large factories. Sri Lanka's garment industry should achieve a considerable market position through its established capabilities before the full-fledged entry of China into US market in 2008.

The MFA withdrawal does not appear to have any significant negative impact on workers in Sri Lanka at the moment. First, Sri Lanka's garment exports decreased slightly in 2005. It is true that a few factories were forced to shut down, but the phenomenon of displacement of workers is not an immediate problem. Second, buyers' demands regarding working conditions protect the workers. Sri Lanka is a showcase to consumers demonstrating that the buyers are using good producers. The industry groups believe that compliance with such requirements is an effective way of appealing to buyers. So as long as buyers impose such standards, factories will observe them, and workers will benefit. Third, factories provide workers' welfare facilities and incentives to be competitive and improve productivity. These measures help to protect workers and upgrade working conditions in the factories. Generally, efforts by managers to improve productivity will lead to intensification of labour. However, it will not come because of buyers' demands. At the same time, factories always having labour shortages need to provide better facilities for workers. Therefore, large-scale displacement of workers or intensification of labour because of MFA withdrawal is not an issue at the moment.

The operation of SMEs will be become more difficult in the future, and there will be displaced workers. But they will find employment with large-scale factories, as optimistic expectation. There will be no flood of displaced workers from the garment industry. However, in the long run, there will be growing disparity among the large, strong factories and the SMEs. The government should be prepared to strengthen the garment industry and help establish create other labour-intensive industries.

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