



International
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International Labour Office
Decent Work Country Programme
Sri Lanka

DECENT
WORK
COUNTRY
PROGRAMME

SRI LANKA

**DECENT WORK COUNTRY PROGRAMME
2008 – 2012**

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Abbreviations

ADB	Asian Development Bank
BDS	Business Development Services
CBT	Community-based training
CCA	Common Country Assessment
DLDPs	Divisional Livelihood Development Plans
DWCP	Decent Work Country Programme
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
ILO	International Labour Organization
ILS	International Labour Standards
INGO	International Non-governmental Organization
IRAP	Integrated Rural Accessibility Planning
MDG	Millennium Development Goals
MSMEs	Micro, small and medium enterprises
NGO	Non-governmental Organization
NLAC	National Labour Advisory Council
NPADW	National Plan of Action for Decent Work
PHC	Poverty Head Count
SIYB	Start and improve your business
TC	Technical cooperation
TVET	Technical Vocational Education and Training
TYDF	Ten Year Horizon Development Framework
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WFP	World Food Programme
YE NAP	National Action Plan for Youth Employment
YEN	Youth Employment Network

This document outlines a Decent Work Country Programme for Sri Lanka for the period 2008 – 2012. The DWCP provides a framework for the integration of ILO’s contribution to national development initiatives, the identification of opportunities for United Nations joint programme development, and promotion of decent work in the wider development and poverty alleviation context. The ILO Office in Colombo expresses its gratitude and thanks to its tripartite constituents and other stakeholders who have played an active role in the formulation of the DWCP for Sri Lanka.

1. Sri Lanka Country Context

Sri Lanka, a democratic country with a market-based economy, has over the years progressively moved from a low-income country to a middle-income country. Despite the shocks of 25 years of civil war and the tsunami in 2004, the country’s economy has been resilient and has coped relatively well with the challenges. The country is nevertheless grappling with maximizing the benefits of globalization. This makes the development process challenging. Interestingly, Sri Lanka’s social indicators with Human Development Index Ranking of 99¹ on life expectancy, literacy and mortality rates are well above those in comparable developing countries in South Asia and are on par with many developed countries.

The sectoral composition of the economy has changed from an agriculture-based economy to one dominated by the service sector. The service sector was the highest contributor to GDP in 2005, with 56 per cent, followed by the industrial sector at 27 per cent and the agricultural sector at 17 per cent. With increasing liberalization, the services sector has become the largest sector in terms of employment. Agriculture, however, seems still to be the main source of employment and sustenance in the rural area, where the largest part of the population resides. Analysts estimate that between 60 % - 65 % of the workforce is employed in the informal sector, where a majority resides in the rural parts of the country².

In 2007, the Sri Lankan grew by 6.8 per cent, indicating that Sri Lanka has the potential to move on to higher growth paths of above 6 per cent per annum from the historical average of around 4-5 per cent³. However, Sri Lanka’s growth pattern has not been adequate for significantly reducing poverty in rural (PHC Index -15.7 %)⁴ and plantation communities (PHC Index – 32%)⁵. While per capita income rose to US dollars 1,617 in 2007⁶, real wage increases of formal private sector recorded an increase in 2007, as against the real wage losses in 2006. The upward revision in the minimum wage for all workers earning a monthly salary, governed by the Wages Board Trades had a significant impact on the wage rate indices of the formal private sector.

However, informal sector employees suffered real wage losses in 2007, as their wages did not increase sufficiently to compensate the increase in the price level. Further, there are problems in relation to wages and income differentials, by region, sex and also between public and

¹ Sri Lanka: Human Development Ranking 2007/08 – URL:
http://hdrstats.undp.org/countries/data_sheets/cty_ds_LKA.html

² Labour Force Survey 2007 (4th Quarter) – URL: <http://www.statistics.gov.lk/samplesurvey/Bullet20074q.pdf>

³ Sri Lanka Central Bank – Annual Report 2007 – URL:
http://www.cbsl.gov.lk/pics_n_docs/10_publication/_docs/efr/annual_report/Ar2007/Ar_Data2007_E/5_Chap_1_e.pdf

⁴ Poverty Indicators 2006/07 – URL: <http://www.statistics.gov.lk/poverty/PovertyIndicators.pdf>

⁵ Ibid

⁶ Sri Lanka Central Bank – Annual Report 2007 – URL:
http://www.cbsl.gov.lk/pics_n_docs/10_publication/_docs/efr/annual_report/Ar2007/Ar_Data2007_E/5_Chap_1_e.pdf

private sectors. Parity in employment opportunities, regulation of labour market, skills development, representation of women, vulnerabilities of migrant workers are impending challenges under the overall challenge of achieving lasting peace in the country.

There is an urgency to balance growth with equity and economic development with social development, without sacrificing one for the other. Taking this fact to account the Government of Sri Lanka presented the “Ten Year Horizon Development Framework – 2006-2016: The Mahinda Chintanaya: Vision for a new Sri Lanka” in November 2006 covering both macro-economic and pro-poor social development challenges and strategies.

It recognizes major development challenges for the country : The high levels of poverty (23% of the population); Regional disparities where growth and poverty are almost inversely related; The need to create employment for the 2.8 million new annual entrants to the workforce, especially educated youth; Inclusion of marginalized and vulnerable groups (the ageing, disabled, and Internally Displaced Persons) in the development process; Addressing special needs of plantation communities for human resources development and housing; Promotion of gender equity and human rights.

2. DWCP links to UNDAF and National Development Priorities

In Sri Lanka, the DWCP is aligned with development assistance frameworks such as the Millennium Development Goals (MDG's), the United Nations Development Assistance Framework (UNDAF), Sri Lanka National Plan of Action for Decent Work (NPADW) and the Ten Year Horizon Development Framework (TYDF) of the Government.

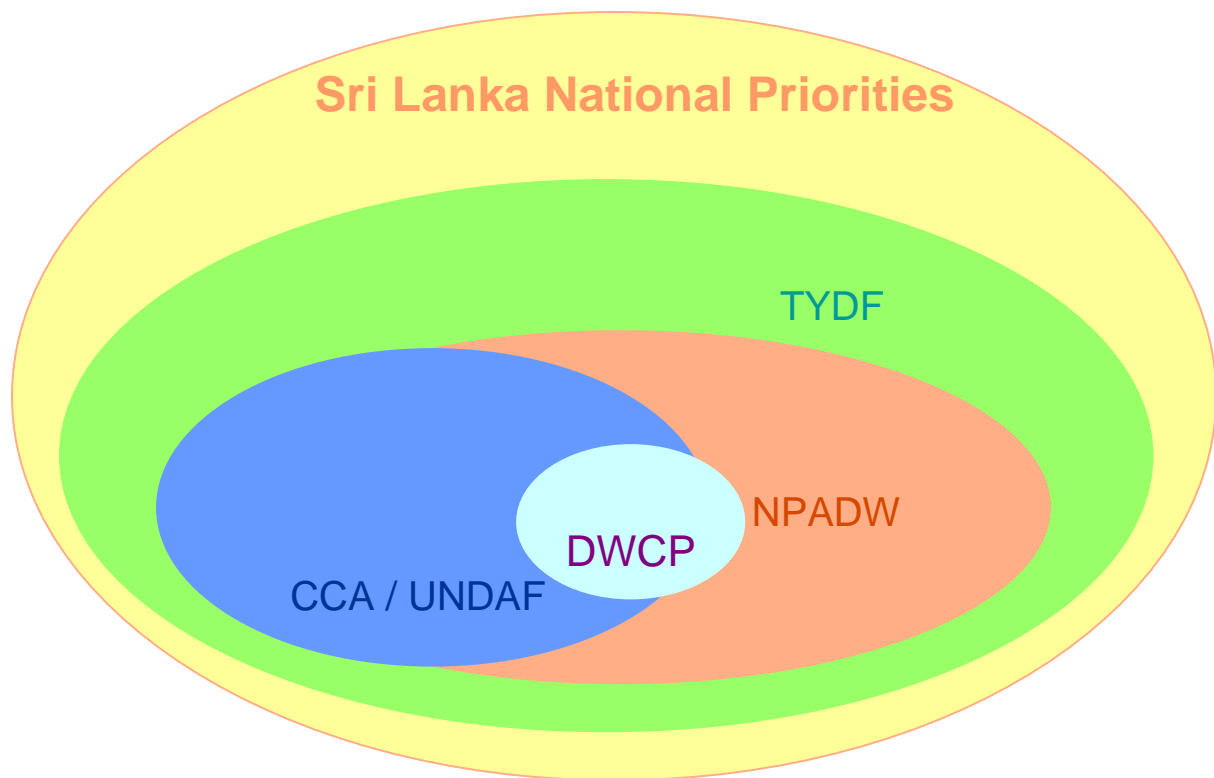
Through an extensive participatory and consultative process followed by the government and the social partners, the National Plan of Action for Decent Work was adopted in 2006. This document highlights the commitment of the Government to include the social development agenda within the macro-economic development framework, primarily the TYDF.

The NPADW together with TYDF provided the basis for the development of the DWCP 2008-2012.

The DWCP also took to note of the analysis and conclusions of the United Nations Common Country Assessment (CCA), in identification of key development challenges and opportunities facing Sri Lanka. The CCA completed in October 2006 formed the basis for the UNDAF in Sri Lanka.

In the UNDAF formulation the ILO co-chaired the UNDAF Poverty Group and was instrumental in advocating with other UN agencies the need to integrate Decent Work as a fundamental basis to overcome poverty. Further to support their commitments in the promotion of Decent work in Sri Lanka the ILO altered its programming cycle to be in line with the UNDAF implementation period of 2008-2012.

Annex 1 provides a detailed description of the linkage between the DWCP, the UNDAF, and the TYDF.



3. DWCP Priority and Outcomes

The country priority on **Poverty Reduction and Decent Work for All** defines the intersection between the country situation in Sri Lanka and the expressed priorities of the constituents. Consequently, this priority area aims to supplement national poverty reduction strategies through interventions promoting improved decent employment opportunities, enhanced management of labour markets, and improved social dialogue for mutual cooperation and growth.

To address this particular issue of poverty reduction and decent work for all, the tripartite constituents have identified three main areas of intervention or country programme outcomes – all of which rely on the involvement of and partnership with the ILO constituents and other development partners. Emphasis has also been placed by the constituents of the need to integrate strategically the use of ILO's global programme objectives in achieving the country priority.

The three country programme outcomes were selected by the constituents on grounds of the analysis of the development frameworks of the UN and the Government and the comparative advantage of the ILO's work in Sri Lanka.

The three country programme outcomes based upon the intervening logic are as follows:

Priority: Poverty Reduction and Decent Work for All

Outcome 1: Enhanced access to more and better jobs in economically disadvantaged and crisis affected areas

Outcome 2: Enhanced labour administration and promotion of equitable employment practices

Outcome 3: Improved tripartite cooperation on initiatives linking job security, productivity and competitiveness

Cross cutting themes: Informal economy; Gender equality; Promotion of application and ratification of International Labour Standards; Adaptation of the Code of Practice on HIV/AIDS at the work;

The cross cutting themes are specific programming considerations the 3 outcomes and their intervening strategies need to consider in the program implementation stage of the DWCP.

Enhanced access to more and better jobs in economically disadvantaged and crisis affected areas

Sri Lanka has been regarded as a model of a successful welfare state; yet it has for decades faced major challenges in providing employment and meeting the aspirations of the economically disadvantaged. The category of economically disadvantaged includes youth (major focus), rural poor, migrant workers (particularly women), tsunami affected and conflict-affected population and child soldiers.

Better access to productive employment is the only sustainable way out of poverty and out of crisis, and is critical to the achievement of the MDGs and Sri Lanka's TYDF targets. ILO's programme to support access to more and better jobs (thereby reducing poverty) will focus on the following outputs:

- **Road Map for the implementation of the National Action Plan for Youth Employment (YE NAP) developed.**

In Sri Lanka employability is not only about earning a living, but it is intrinsically linked to the aspirations of young people, which in turn is linked to social status and social mobility. Sri Lankan youth perceive Sri Lankan society as unjust and unequal. They are frustrated by shortfalls in employment services including skills development and the failure of mainstream institutions to address existing inequalities in the distribution of both resources and gains generated by economic development. These perceptions and frustrations based on experiences were at the heart of civil unrest in the last three decades and it has been observed that this problem increases during times of crisis and natural disasters.

The Government of Sri Lanka in July 2007 has undertaken an initiative to formulate a Youth Employment National Action Plan in broad consultation with major stakeholders, including youth themselves, thus ensuring not only the legitimacy of the process but also generating true ownership by the Sri Lankan stakeholders. The plan adheres to the "4 Es" conceptual framework developed by the global UN-sponsored Youth Employment Network (YEN) initiative – Equal opportunity, Employment creation, Employability, and Entrepreneurship. The ILO has been a key player in developing the Sri Lankan YE NPA and has been requested by the Government to assist in effective implementation in the next five years.

- **Skills development and vocational training strategies developed to improve access to better jobs**

Skills development for livelihood restoration and vocational training is essential for men, women and children affected by war and by the tsunami. ILO interventions aim to facilitate an integrated system for Technical Vocational Education and Training (TVET); promote multiplicity of training institutions; and, enhance access and outreach of such service delivery mechanisms specifically to rural and conflict affected areas.

○ **Promotion and utilization of ILO tools for promoting livelihood opportunities and better jobs**

The creation of an enabling environment for micro, small and medium enterprises (MSMEs) in the informal sector is essential for promoting livelihood opportunities. Livelihood opportunities are crucial for the war returnees (youth, child soldiers) and tsunami affected families as well as for families hit by poverty more generally. There is weak co-ordination among government, donors, development agencies INGO's NGO's, private sector for reviving livelihoods in these areas, which has made recovery incomplete. ILO's interventions seek to address some of these gaps by promoting ILO tools (IRAP, DLDPs, CBT, BDS, and SIYB) and planning methodologies to support livelihood opportunities and better jobs.

Programme strategy:

- a.) Technical and Advisory support to Government action plans for economically disadvantaged people – strategy for implementation of YE NAP;
- b.) Technical and Advisory support to promote ILO tools and planning methodologies to support livelihood coordination at district level.
- c.) Technical and advisory support to improve quality and effectiveness of training policies, institutions and programmes through formulation of VT policy frameworks to supplement market demand
- d.) Support implementation of the Government's strategy for poverty reduction and the generation of quality employment through a coherent and integrated small enterprise development programme that targets poor districts and addresses issues at the national level. Transfer lessons learnt to the national policy level as well as other parts of the country.

Indicators	Targets
i. ILO constituents form thematic working groups to develop and finalize road maps for Govt. NAP for YE	a. Road Map for implementation of YE NAP activities ready to be presented to donors.
ii. Unemployment rate reduced	b. 30% reduction in unemployment rate where TC programmes on livelihoods recovery are operating.
iii. Use of employment services by young people and those with low incomes	c. 10% increase in use of employment services by young people / people with low incomes.
iv. Percentage of population with better and decent jobs due to skill development	d. 20% of target population in pilot areas have better jobs due to enhanced skills/ capacity.

Enhanced labour administration and promotion of equitable employment practices

As a developing nation, maximizing benefits of globalization while minimizing costs has been a challenge for Sri Lanka. Recent surveys of global business have indicated that Sri Lanka ranks as a country with a high level of employment “rigidity” – inadequate enforcement; peripheral forms of employment like casual labour, sub-contracting; lack of comprehensive wage policy; lack of protection for workers; and, complex legal provisions relating to labour and employment. Employers and workers agree that reform is timely and necessary, but a consensus on the nature and extent of these reforms have been difficult to reach.

Against this backdrop, ILO’s role would focus on delivering the following outputs:

- **Road map developed for implementation of National Plan of Action for Decent Work (NPADW).**

The Decent Work agenda requires sustained commitment and collaboration of social partners for achieving its objectives. The National Plan of Action for Decent Work is an effective tool towards achieving this. However, implementation of the National Action Plan requires the need for developing an effective road map for achieving desired results in the strategic areas of employment creation, rights at work, social dialogue and social protection. ILO had played a pivotal role by assisting the Government in the formulation of this National Plan. The Government of Sri Lanka has requested ILO’s technical assistance in developing a road map for effective implementation of the NPADW. This work also includes the ILO’s support to the Government primarily the Ministry of Labour Relations and its related institutions in enhancing its capacities to better accommodate the application of conventions, labour inspection and labour market analysis and research.

- **Strategies to expand outreach of social security schemes developed**

Meaningful labour administration calls for an efficient system of social protection that benefits all. ILO’s support to Government, other national institutions and social partners to design innovative strategies, policies and programmes aimed at an effective system of social protection that has a wider outreach has been envisaged. Consequently, technical capacities of key actors, social partners and policy makers for implementation of various health and social security schemes, especially for the informal economy workers has been envisaged.

- **Draft comprehensive national wage policy developed**

The need for developing a comprehensive national wage policy for Sri Lanka is essential for an effective functioning of labour administration. There is the need to improve the wage-setting institutions and mechanisms – minimum wage, wage-fixing in the public sector, wage bargaining, pay systems related to performance. Consequently, existing labour legislation needs to be reviewed to include a comprehensive national wage policy.

○ **Draft policy on migration developed and presented to Government of Sri Lanka**

Shortcomings in the content and delivery of skills development (life skills, English, IT), in both domestic and foreign labour markets, is a major deficit in creating employment in Sri Lanka. It is estimated that about 1.2 million Sri Lankans are currently employed overseas, as migrant workers. Despite State initiatives to encourage skilled migration, 72 per cent of migrant workers are in the unskilled category, and this continues to be a serious issue for Sri Lanka. There also exists no policy on migration in the country.

On the request of Government of Sri Lanka, ILO is developing a draft policy on migration. The main focus areas include governance and policy framework on migration; issues of social protection and conditions of work; and, economic remittances and benefits to the source and destination areas. This policy will assist the Government to formulate a comprehensive policy on migration for the country.

○ **Knowledgebase on Informal Sector Developed**

Taking into account that over 60% of the work force is in the informal sector the ILO will support the constituents in building a knowledge base of the Sri Lankan informal sector. This knowledge base will guide future policy and programme interventions of both the ILO and the constituents.

Programme Strategy:

- a.) Technical and Advisory support to strengthened labour institutions on labour inspection and application of ILS.
- b.) Advisory support to Government to initiate National Social Security policy formulation.
- c.) Technical and Advisory support to Government to formulate national wage policy.
- d.) Technical and Advisory support to Government on the development of a National Migration Policy
- e.) Technical Support and research to build Knowledgebase of Informal Sector in Sri Lanka.

Indicators		Targets
i.)	Labour inspection integrated and strengthened	a.) 25% increase of labour inspection coverage by the Department of Labour.
ii.)	Draft National Policy for Social Security developed	b.) Inter-ministerial committee monitor streamlined strategy on Social Security Programmes initiated by the Government.
iii.)	National Wage policy developed.	c.) Determination of wage through the utilization of the wage national wage determination policy by 2010.
iv.)	National Migration Policy Developed	d.) 25% reduction in complaints filed with the Foreign Employment Bureau.
v.)	Knowledgebase of informal sector developed	e.) Constituents make use of knowledgebase to support policy formulation for informal sector

Improved tripartite cooperation on initiatives linking job security, productivity and competitiveness

The key focus here is on social dialogue as a means to promote participation of social partners in the national development process, and to ensure good governance through improving accountability and transparency. The aim is to strengthen mechanisms for social dialogue in determining social and economic policies.

The State in Sri Lanka plays a strong role in industrial relations and problem solving. This has been mainly through legislative interventions and not via a dialogue between the social partners. Tri-partite structures have existed in various forms, but there has been little or no effort to coordinate the activities of the social partners and to provide them with a role in determining policy in this area at a national level. The National Labour Advisory Council (NLAC) which was revived in 2001, initially to provide a tri-partite forum, has provided a reasonably effective platform for communication and discussion. However the full potential of the NLAC as a mechanism for tripartite decision making has yet to be realized.

Consequently the focus of ILO's intervention or outputs are:

- **Capacities of social partners strengthened for better social dialogue mechanisms**

ILO's comparative edge lies in its tripartite structure. Taking advantage of this strength, ILO will facilitate tripartite cooperation to achieve results on job security and productivity, thereby creating a mechanism for better jobs and promoting the overall decent work for all.

- **Dispute Settlement Procedure established**

The lack of formal or informal mechanisms to deal with grievances and disputes that arise is a serious challenge in establishing a culture of social dialogue and promoting national development. Trade unions in the public sector have traditionally been aligned with various political parties, and dispute resolution has generally been achieved through political interventions rather than through genuine dialogue, preventing lasting settlements and creating additional disputes when political changes occur. Disputes disrupt work, increase loss of productivity and hence has a negative effect on economic growth.

Programme Strategy:

- a.) Technical and advisory support to trade unions and employer's organizations to strengthen institutional capacity in relation to socio-economic changes in world of work (i.e. job security, productivity and competitiveness)
- b.) Technical and advisory support to government on the establishment of improved tripartite cooperation on initiatives on job security, productivity and competitiveness improved dialogue mechanisms in the private and public sectors.

Indicators	Targets
i.) Workers and Employers organizations effectively contribute to national development process through research and joint programme initiatives.	a. Number of initiatives taken by Workers and Employers Organizations to implement the national productivity policy at workplaces.
ii.) Effective social dialogue mechanisms deployed by Government to support private and public sector dispute resolution.	b. 60% decline in labour disputes within the public sector and 20% decline of disputes in the private sector in 2012.

4. Implementation and Monitoring Framework

The DWCP will be implemented jointly by the ILO, the Ministry of Labour and Manpower, and the employers' and workers' organizations and other stakeholders. At the national level, the ILO will work with the tripartite constituents and other key stakeholders to programme, plan, mobilize resources and monitor implementation of the DWCP. The ILO constituents will be implementing partners in delivering outcomes and participate in governance mechanisms such as Project Advisory / Steering Committees.

The ILO is an active member of the UN Country Team and close partnerships have been developed with key agencies such as the FAO, UNHCR, UNICEF, UNDP, WFP the World Bank and ADB. The ILO is already involved in a number of joint programme initiatives. Convergence and cooperation with these agencies under UNDAF for implementing the DWCP is envisaged.

Capacity-building for implementation will be extended through support from the International Training Centre in Turin, direct inputs from ILO experts in Geneva, Bangkok and Delhi, as well as through contracting of national professional expertise including NGOs. As the DWCP is the ILO's tool for results-based management, the ILO will prepare and share with its tripartite constituents biennial country work plans, identifying specific priorities for action and the financial and human resources required for implementation.

The ILO will cooperate with its tripartite constituents and other relevant agencies to mobilize resources as necessary.

The monitoring and evaluation of the DWCP provides a means of assessing the extent of ILO's contribution towards supporting national development initiatives and the UNDAF. It also serves to draw attention to where potential for improvements exist, and further actions need to be taken. The DWCP is a living process - lessons learned and good practices will feed into refining the future planning and programming process. Mechanisms like periodic tripartite consultations, progress reports (to constituents and ILO Regional Office and Subregional Office) and independent country programme reviews will serve as constructive monitoring and evaluation tools.

Annexure 1

Programmatic Relationship between UNDAF, DWCP and TYDF

UNDAF Outcome 1	DWCP Outcome 1	TYDF	Programmatic relation
Economic growth and social services are pro-poor, equitable, inclusive and sustainable in fulfillment of the MDGs and MDG plus, and focus in particular on the rural areas	Enhanced access to more and better jobs in economically disadvantaged and crisis affected areas	Implement National Employment Strategy; Increase employability of youth ; Create more Income generation for women; Promote foreign employment opportunities Increase skilled migration; Revise available graduate programmes to meet modern needs	The DWCP supports the UNDAF outcome through five strategic interventions. These five areas focus on strengthening the labour market demand side through interventions on youth employment, employment creation within the Tsunami affected and Crisis affected areas, supporting employment service delivery, and support to micro and small enterprise development through productivity increase.
UNDAF Outcome 2	DWCP Outcomes 2 & 3	TDYF Strategies	Programmatic relation
Governance mechanisms and practices enable the realization of the principles of the Millennium Declaration and promote and protect human rights of all persons	Outcome 2: Improved labour laws and practices	Regularize employment opportunities within the informal sector; Implement Labour Reforms through consultative process; Improve enforcement functions / capacity of Department of Labour ; Ensure Social Security; Improve OSH; Improve National Productivity; Increase compliance with EPF, ETF regulations.	The second outcome of the DWCP focuses on ensuring that labour market institutions are able to facilitate the first outcome of employment creation. Key areas targeted are vocational training, labour administration, labour law enforcement, and dispute settlement, in line with the UNDAF objective of providing technical assistance to the government for the revision of social protection and security policies.
	Outcome 3: Improved tripartite cooperation to achieve job security, productivity and competition	Improve dispute resolution mechanisms in the public Sector	The focus of the DWCP in this outcome is to bridge the effects of the first two outcomes through a process of dialogue. This will ensure that the national development process will be supported by an inclusive approach which facilitates good governance through accountability and transparency.
UNDAF Outcome 3	DWCP Outcome		Programmatic relation
An improved environment for a sustainable peace anchored in social justice and reconciliation.	.		Although the DWCP has no direct programme targeting peace, many of its programmes are aimed at peace building, especially in the areas of recovery of livelihoods of the displaced, children affected by war and ex-combatants. Many of the programmes on dispute settlement can be replicated effectively in conflict affected areas.
UNDAF Outcome 4	DWCP Outcome		Programmatic relation
Women are further empowered to contribute and benefit equitably and equally in political, economic and social life			Gender equity and equality are strong cross-cutting issues in the ILO's programme of action, and many of its programmes are geared to achieving this outcome. Capacity building of the tripartite partners will be specifically addressed.