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Export processing zones in Sri Lanka: Economic impact and social issues

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General introduction

Since 1977, Sri Lanka has given priority to export-oriented industrialization as a means for accelerating economic growth. A major strategy for attracting foreign direct investment (FDI) has been the establishment of export processing zones (EPZs). Since EPZs have been the subject of considerable interest and debate over the years, a review of their development as well as of their social and economic impact on the host country would seem both timely and justified.

The objectives of this study are to review the characteristics of EPZs and their influence on economic growth, export performance and employment in Sri Lanka. Working conditions and labour relations within the zones, with special reference to the situation of women workers, will also be examined. An assessment of the potential role of EPZs in the area of employment and in the overall development process will be undertaken. The study consists of three parts and a concluding section. The first provides an overview of the general features and performance of EPZs in Sri Lanka. The second part focuses on working conditions, industrial relations, training and employment in EPZs in three different sites — Katunayake, Biyagama and Koggala. In the third part there is a review of studies that have been carried out between 1982-1992 on the situation of women workers in the Katunayaka Zone. The general findings of the research are contained in the concluding section.

Part one

An overview of export processing zones in Sri Lanka

by

Romayne de Alwis

1. Background and characteristics of EPZs

Introduction

Sri Lanka's first export processing zone (EPZ) was established in 1978 as a part of the economic liberalization policy which was introduced after decades of protectionism. Several factors accounted for that interest in bringing about trade and investment policy reforms. First, there was a newly elected government which, as part of its election pledge, identified economic liberalization as a critical factor for stimulating economic growth, providing employment and eliminating black markets. Secondly, the experiences of the newly industrializing economies (NIEs) of Singapore, Hong Kong, the Republic of Korea and Taiwan which had successfully promoted export-led growth and open economic policies, provided an added impetus. Thirdly, international financial institutions such as the World Bank and the International Monetary Fund made economic liberalization an essential condition for governments to obtain loans under the structural adjustment programmes. Fourthly, there was the conviction that the development of export-oriented industries would contribute significantly to an improvement in the quality of products, the upgrading of skills, the efficient use of resources and the diversification of exports.

The setting up of EPZs was seen as a means for attracting foreign direct investment (FDI). Like EPZs in other countries, those in Sri Lanka provided modern infrastructure, a broad range of services as well as generous economic concessions to foreign investors. The zones were expected to absorb labour from the urban and suburban districts around the metropolis and in areas with high levels of unemployment.

Sri Lanka now has three EPZs established over a period of 13 years. The first two zones are located in the densely populated western Province which accounts for more than a quarter of the total population of 17 million. The third zone is located in the deep south of the country — an area marked by severe unemployment. All three zones are administered by the former Greater Colombo Economic Commission (GCEC), now known as the Board of Investment (BOI) of Sri Lanka. The BOI also administers licensed enterprises, i.e. industrial projects which enjoy similar rights and benefits as those granted to enterprises in EPZs, but which for technical or economic reasons, are not located within a zone.

EPZs and licensed enterprises: The expectations

The conventional reasons for establishing and operating EPZs are best described by F.A. Rabbani who noted that such zones were expected to make a critical contribution in the following ways:

(a) increasing foreign exchange earnings by exporting new products and finding new markets, improving the quality of exportable items and marketing technologies, and providing a shop window, thereby establishing a reputation for the goods of the home country as a whole;

(b) providing jobs, mainly for the educated unemployed and supplementing the incomes of their families, thereby raising their standards of living;

(c) upgrading the skills of the local manpower in production management and work techniques;

(d) creating linkages with the hinterland by stimulating the inflow of local raw materials, equipment, components and packing materials and giving an impetus to subcontracting, thus encouraging the growth of support industries and ancillary services;

(e) transmitting new technology by the training of local people in the zone enterprises by foreign experts or by sending them abroad and obtaining technological cooperation with those enterprises in the tariff area for the supply of equipment and components needed by the zone enterprises; and

(f) developing the underdeveloped regions of the country concerned. (Rabbani, 1980.)

Companies in EPZs in Sri Lanka are expected to boost export earnings since they, together with licensed enterprises, export no less than 90 per cent of their production. Companies in the zones must bring in the necessary working capital from foreign sources and all export earnings must be brought into Sri Lanka within 180 days of the date of export (Sri Lanka Gazette Extra Ordinary, 1978). The aim is to increase foreign capital inflows and enhance the country's balance of trade.

EPZs are also expected to open up job opportunities in industry and to attract workers into this sector where they could acquire skills and exposure to a work environment in the manufacturing sector.

Incentives and facilities offered

The BOI provides a comprehensive package of incentives to investors in EPZs and projects which are categorized as licensed enterprises. In order to qualify for those incentives, a company should have a minimum capital investment of not less than US$250,000 and export at least 90 per cent of its output. As regards fixed costs, the total cost of the fixed assets for a wholly foreign-owned enterprise should be financed from foreign sources. When there is a joint venture with a local partner, the fixed assets of the foreign participant has to be financed from foreign sources but recourse to domestic funds is permitted for the financing of the fixed assets of the local partner. Fully locally owned enterprises can fund their local fixed assets using capital from local banks. All working capital must originate from foreign sources.

The incentives given to investors are wide ranging and include a 100 per cent tax exemption on corporate income for between five to 15 years, with a concessionary tax of 2 to 5 per cent for a further 15 years after expiry of the tax holiday. The salaries of foreign personnel during the tax holiday period are tax free and their earnings may be repatriated. There is double taxation relief as well as exemption from controls on imports, exports, transfers of shares and dividends, and also the transfer of capital and proceeds of liquidation. Royalties, dividends and share transfers, imports and exports are not subject to taxes.

Characteristics of EPZs in Sri Lanka

By virtue of the nature of the activities carried out in EPZs, proximity to an airport or harbour is vital. The 22 hectare Katunayaka Zone (KEPZ) and the 80 hectare Biyagama Zone (BEPZ) are close to Colombo — the commercial capital and principal port of Sri Lanka. The KEPZ is in fact adjacent to the international airport and, by virtue of its location, it is strongly reminiscent of the world's first free trade zone (FTZ) at Shannon, Ireland. Work on the infrastructure of the KEPZ commenced in 1978 and is now almost complete.

The Biyagama EPZ which comprises 180 hectares is located some 24 kms. from Colombo and is much closer to the Colombo Port. The infrastructural development work was initiated in 1980. A decade later, construction began on the 80 hectare Koggala EPZ which is 180 kms. south of Colombo City. Access roads, water, sewerage and drainage facilities, electricity supplies, telecommunications, transport, postal, security and other business services (e.g. customs and banking) are provided to investors in these zones. The BOI spent Rs.424 million on such facilities for the KEPZ, Rs.591 million for those in the BEPZ and Rs.391 million for the KGEPZ.

Unlike the KEPZ and KGEPZ which are constructed on relatively flat land, the undulating land at the BEPZ had to be filled and levelled off. The cost of providing infrastructure at that site was therefore much higher.

Since the BOI does not provide factory shells, investors must build their own. The physical characteristics of the buildings depend on the nature of the activities for which they will be used and the floor space must conform to specifications that take into account the number of employees. The engineering division of the BOI is responsible for approving all building plans to ensure that the statutory requirements have been duly respected.

It is of interest to note that the cost of providing basic infrastructure is considered to be relatively high. In an endeavour to alleviate this burden which is borne by the Government, plans are under way for the private sector to develop industrial enclaves similar to the EPZs. Given the costs that are likely to be incurred, it is expected that the cost of leasing land in these private zones will be considerably higher than it is in the case of government-owned zones.

2. Investment trends

Enterprises involved and type of production

It is important to distinguish between "approved investments" — i.e. those that have been given the "green light" by the BOI, "contracted projects" — i.e. those that have been approved by the BOI but either may or may not be implemented even though the potential investor and the BOI have concluded a contract, and "actual or operational projects" — i.e. those that have been approved and put into effect.

According to the data shown in tables 2.1 and 2.2, during the first five years, 1980 was a peak year for investment. The sharp drop in 1983 may be attributed to ethnic and civil unrest, while the decline in project approvals in 1986 may be explained by the almost complete allocation of facilities at the first zone in Katunayake. It is significant that just prior

to the opening of the second EPZ at Biyagama, approvals for projects at Katunayake were limited to activities for which air transport services were considered indispensable.

Table 2.1. Approval of projects for EPZs in Sri Lanka, 1978-91

Year	No. of projects	Foreign investment		Local investment		Total investment (Rs.Mn.)
		Rs.*Mn.	%	Rs.Mn.	%	
1978	53	938	69.43	413	30.57	1 351
1979	40	813	75.98	257	24.02	1 070
1980	44	2 698	82.66	566	17.34	3 264
1981	18	981	58.99	682	41.01	1 663
1982	16	1 171	73.19	429	26.81	1 600
1983	13	190	66.90	94	33.10	284
1984	15	436	64.31	242	35.69	678
1985	13	182	63.64	104	36.36	286
1986	10	138	73.40	50	26.60	188
1987	31	592	72.91	220	27.09	812
1988	31	1 106	64.57	607	35.43	1 713
1989	23	1 608	80.80	382	19.20	1 990
1990	46	2 235	82.20	484	17.80	2 719
1991	117	7 896	86.23	1 261	13.77	9 157
Total	470	20 984	78.37	5 791	21.3	26 775

* Sri Lankan rupees.
Source: BOI 1992 primary data.

Table 2.2. Investment in contracted projects in EPZs in Sri Lanka, 1978-91

Year	No. of projects	Foreign investment		Local investment		Total investment (Rs.Mn.)
		Rs.*Mn.	%	Rs.Mn.	%	
1978	30	208	55.17	169	44.83	377
1979	13	525	83.87	101	16.13	626
1980	25	943	74.49	323	25.51	1 266
1981	9	312	63.29	181	36.71	493
1982	12	1 976	86.06	320	13.94	2 296
1983	10	948	72.26	364	27.74	1 312
1984	13	379	63.48	218	36.52	597
1985	7	135	67.50	65	32.50	200
1986	7	91	63.64	52	36.36	143
1987	12	359	76.87	108	23.13	467
1988	26	911	64.38	504	35.62	1 415
1989	14	1 313	81.71	294	18.29	1 607
1990	16	881	82.72	184	17.28	1 065
1991	52	3 015	88.62	387	11.38	3 402
Total	246	11 996	78.58	3 270	21.42	15 266

Source: BOI 1992 primary data.

A year-for-year comparison of "approved" and "contracted" projects would not be meaningful, since there is a gap between the time of approval and the time of signing an agreement with the BOI. For example, a project approved at the close of 1982, may in fact be the subject of an agreement concluded with the BOI in 1983. However, there was indeed a noticeable disparity between a number of "approved" projects and those for which contracts were actually signed between 1978 and 1991 (see table 2.3).

Table 2.3. Differences in the number of "approved" and "contracted" projects, 1978-91

	Approved	Contracted	Difference
Number of projects	470	246 (52.34%)	224 (47.66%)
Foreign investment component (Rs.Mn.)	20 984	11 996 (57 17%)	8 988 (42.83%)
Local investment component (Rs.Mn.)	5 791	3 270 (56.47%)	2 521 (43.53%)
Total investment (Rs.Mn.)	26 775	15 266 (57.02%)	11 509 (42.98%)

Source: Calculated from BOI primary data in tables 2.1 and 2.2.

The data show that on average, over 47 per cent of the companies which initially showed interest in locating in the EPZs failed to establish factories. In the absence of documented research findings, it may be argued that t
hat was the result of an interplay of influences originating from the host country, from external sources and also the attitudes and decisions of the investors themselves. There might have been problems arising from the negotiation of partnership agreements, and the question of financing as well as political and economic conditions in the host country would also have been critical. The fact that some investors submitted applications to more than one country might be another explanatory factor.

Distribution of investment by source

It is worthwhile to point out that up to June 1992, the largest number of investors in EPZs and licensed enterprises in Sri Lanka were of local origin. As regards foreign-owned projects, most originated from the Republic of Korea, while Australia, with only three projects in the EPZs, was the most significant foreign investor in terms of value — i.e. Rs.2,234.92 million.

At the end of June 1992, there were 202 projects of which 46 per cent were wholly foreign-owned and 8 per cent were joint ventures with foreign partners. As regards joint ventures, 81.82 per cent of the total number (88) involved Sri Lankan investors (table 2.4).

The huge investment flows from the south-east Asian NIEs and Japan, attested to the phasing out of labour-intensive manufacturing processes in those countries and their transfer to offshore locations such as Sri Lanka. Up to 1992, 47 per cent of all projects in the zones originated from Japan and the NIEs. Of those, 37.6 per cent were from the NIEs which accounted for 42 per cent of the value of those projects. In contrast, the volume and value of investment from member countries of the Organisation for Economic Co-operation and Development (OECD) such as Germany, the United Kingdom, the United States and France, were negligible.

Table 2.4. Distribution of investment in EPZs in Sri Lanka by country of origin (Investment — 1992 (Rs.Mn.) cumulative — as at 30.06.92)

Country	No. of projects	Foreign	Local	Total
1. Australia	3	2 219 877	15 047	2 234 924
2. Belgium	3	6 663	0 000	6 663
3. Belgium-India-Sri Lanka	1	11 797	0 000	11 797
4. Belgium-Sri Lanka	2	65 528	10 632	76 160
5. Canada-Netherlands	1	8 879	0 000	8 879
6. Denmark	1	17 352	0 000	17 352
7. France-Sri Lanka	1	1 000	3 000	4 000
8. Germany	5	393 468	0 000	393 468
9. Germany-Sri Lanka	3	312 119	2 491	314 610
10. Hong Kong	15	388 409	44 926	433 335
11. Hong Kong-Japan-Sri Lanka	1	5 960	1 600	7 560
12. Hong Kong-Korea-Sri Lanka	1	1 500	19 500	21 000
13. Hong Kong-Norway-Sri Lanka	1	35 889	0 000	35 889
14. Hong Kong-Sri Lanka	7	806 883	1 008 744	1 815 627
15. Hong Kong-UK-Sri Lanka	1	16 568	31 753	48 321
16. India-Sri Lanka	3	218 382	6 015	224 397
17. Ireland-Germany-Australia-New Zealand	1	9 743	0 020	9 763
18. Italy-Sri Lanka	1	3 924	9 069	12 993
19. Japan	10	186 776	15 438	202 214
20. Japan-Sri Lanka	8	113 838	21 748	135 586
21. Japan-Taiwan	1	23 043	0 000	23 043
22. Korea	26	1 688 924	27 992	1 716 916
23. Korea-Hong Kong	1	13 843	0 007	13 850
24. Korea-Sri Lanka	8	264 000	181 474	446 074
25. Luxembourg	1	15 000	0 000	15 000
26. Luxembourg-Sri Lanka	1	6 000	4 000	10 000
27. Malaysia-Sri Lanka	2	13 860	7 717	21 577
28. Netherlands	5	21 905	0 001	21 906
29. Netherlands-Germany-Sri Lanka	2	95 184	1 875	97 059
30. Netherlands-India-Channel Island-Sri Lanka	1	23 758	1 118	24 876
31. Netherlands-Sri Lanka	3	27 045	34 233	61 278
32. Norway	1	53 186	0 000	53 196
33. Norway-Sri Lanka	1	0 250	0 250	0 500
34. Pakistan	2	0 000	2 500	2 500
35. Pakistan-Saudi Arabia	4	112 993	0 000	112 993
36. Singapore	6	1 497 500	54 218	1 551 718
37. Singapore-Indonesia	1	6 600	0 000	8 600
38. Singapore-Sri Lanka	2	312 953	46 200	359 153
39. Sri Lanka	20	1 982 813	9 033 820	11 016 633
40. Sweden	3	233 467	0 000	233 467
41. Sweden-Luxembourg-UK	1	10 858	0 000	10 858
42. Sweden-Netherlands-Sri Lanka	1	32 154	117 772	149 926
43. Sweden-Sri Lanka	1	5 204	0 200	5 404
44. Switzerland	4	132 765	0 000	132 765
45. Switzerland-Hong Kong-Sri Lanka	1	145 171	214 829	360 000
46. Switzerland-Italy-Sri Lanka	1	48 252	0 166	48 418
47. Switzerland-Sri Lanka	3	29 456	31 084	60 540
48. Taiwan	4	92 635	0 000	92 635
49. Taiwan-Hong Kong	1	7 500	2 500	10 000
50. Taiwan-Sri Lanka	1	18 073	0 000	18 073
51. Thailand-Australia-Hong Kong	1	21 156	4 644	25 800
52. Thailand-Sri Lanka	1	25 600	38 400	64 000
53. UK	4	49 378	70 000	119 378
54. UK-Germany	1	4 117	0 000	4 117
55. UK-Hong Kong-Germany-Sri Lanka	1	0 189	9 811	10 000
56. UK-Norway-Sri Lanka	1	11 323	2 728	14 051
57. UK-Sri Lanka	7	138 666	93 907	232 573

Country	No. of projects	Foreign	Local	Total
58. United States	1	0 000	1 100	1 100
59. United States-Germany	1	10 641	4 000	14 641
60. United States-Hong Kong	1	76 024	0 000	76 024
61. United States-India	1	3 622	9 000	12 622
62. United States-Sri Lanka	3	93 143	12 650	105 793
63. USSR-Sri Lanka	1	2 354	0 000	2 354
Total	202	12 177 760	11 198 179	23 375 939

Source: BOI 1992 primary data.

Distribution of investment by sector

The bulk of investment in EPZs went to the manufacturing sector — particularly the textile, garment and leather industries (see table 2.5). Over the period 1991-92 there were further initiatives to boost production in those industries and to promote exports from others. Textile mills were established with a view to forging backward linkages within the garment industry and plans were drawn up to locate garment factories in less developed areas. The building of warehousing complexes, roads, industrial estates and hotels was identified as a priority, as was the development of large-scale agricultural and fisheries projects to increase exports from this sector. Software design as well as the establishment of efficiently run export houses and management consulting firms have also been earmarked as important components of the economic liberalization and export promotion programme.

At the end of 1982, 43.82 per cent of all establishments in EPZs were in the garment and textile industries. By August 1992, the number had fallen to 29.50 per cent. However, the size of investments grew significantly and several projects for the building of large-scale textile mills were approved between 1991 and 1992. It is of interest to note that "services" constituted a high-growth sector with the number of projects rising by 93.88 per cent and investment by 90.21 per cent over the aforementioned decade.

The Katunayake EPZ was located adjacent to the international airport with a view to attracting firms in the electronics industry. However, the textile and garment industry predominated in the zone, and it was only in 1991 that the first large-scale electronics company — FDK of Japan, successfully established a factory there. Over the years, activities have been diversified to include the polishing of gem stones and diamonds (Nunan Sapphire and Davidov), the manufacture of artists brushes (Usui), surf sails (North Sails), precision moulds (Nihon Seiki and T.K. Precision), bolts and fasteners (T.K. Fasteners), costume jewellery (Lanka Metal), artificial flowers (Floral Greens and A.P.M. Magpek), steel enclosures (El Steel), footwear (Korea-Ceylon Footwear) and control/relay panels (Cruikshanks).

The site of the Biyagama EPZ is close to a major river and the objective was to attract heavy industry that utilizes relatively large quantities of water. Production in this zone has always been well diversified — with activities ranging from the making of rubber products (Ansell), winches and cranes (Far East Engineering) to the processing of tobacco (Wintermans).

The EPZ at Koggala, which is in the south of Sri Lanka where there is a high level of unemployment, was meant to encourage labour-intensive operations. At present, there are mainly garment factories located in the zone.

Although enterprises in the EPZs have been relatively successful in diversifying their production activities over the years, the level of technology used has remained low. Unskilled and inexperienced workers are recruited and employers in the zones are expected to provide them with the necessary training. Almost all firms employ a small number of expatriate staff to fill the positions of senior managers and technical experts, while middle-level management and supervisory personnel are generally of Sri Lankan origin.

Table 2.5. Sectoral distribution of actual investment (up to 1992)

Sector	No. of projects	Foreign investment (Rs.Mn.)	Local investment (Rs.Mn.)	Total investment (Rs.Mn.)
Food, beverage and tobacco	4	43 856	1 510	45 366
Textile, wearing apparel and leather products	75	2 521 956	33 679	2 855 635
Wood and wood products	1	3 000	0	3 000
Paper, paper products, printing and publishing	0	0	0	0
Chemicals, petroleum, coal rubber and plastic products	14	3 014 784	30 555	2 045 339
Non-metallic mineral products	22	588 250	546 393	1 134 643
Fabricated metal products machinery and transport equipment	9	1 446 236	42 734	1 488 970
Manufactured products	51	1 540 588	251 585	1 792 173
Services	26	3 019 090	9 991 723	13 010 813
Total	202	12 177 760	11 198 179	23 375 939

Source: BOI 1992 primary data.

3. Employment

Direct employment effects

One of the main objectives of establishing EPZs is to create jobs. Between 1979 and 1992 the number of workers in the KEPZ soared from 5,876 to 53,289. By the end of 1992, total direct employment in the three zones stood at 77,011, with the KEPZ generating more than half of all jobs in the EPZs in Sri Lanka (see table 3.1).

Table 3.1. Direct employment in GCEC zones and licensed enterprises (up to 1992)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	Total
Annual employment	-	5 876	4 705	9 146	5 199	3 779	4 020	3 061	9 261	5 697	3 882	6 803	9 929	14 099	19 186	104 643
KEPZ	-	5 876	4 415	8 787	2 422	2 593	2 198	2 355	6 597	4 495	1 304	1 504	2 550	3 979	4 214	53 289
BEPZ	-	-	-	-	-	-	-	40	1 309	1 099	2 238	3 826	2 520	4 921	4 870	20 823
KGEPZ	-	-	-	-	-	-	-	-	-	-	-	-	-	917	1 982	2 899
Outside zones	-	-	290	359	2 777	1 186	1 822	666	1 355	103	340	1 473	4 859	4 282	8 120	27 632
Employment (cumulative)	-	5 876	10 581	19 727	24 926	28 705	32 725	35 786	45 047	50 744	54 626	61 429	71 358	85 457	104 643	-
KEPZ	-	5 876	10 291	19 078	21 500	24 093	26 291	28 646	35 243	39 738	41 042	42 546	45 096	49 075	53 289	-
BEPZ	-	-	-	-	-	-	-	40	1 349	2 448	4 686	8 512	11 032	15 953	20 823	-
KGEPZ	-	-	-	-	-	-	-	-	-	-	-	-	-	917	2 899	-
Outside zones	-	-	290	649	3 426	4 612	6 434	7 100	8 455	8 558	8 898	10 371	15 230	19 512	27 632	-

Source: BOI Primary data (Nov. 1992).

Sectoral distribution of employment in EPZs

The garment and textile industries which are labour-intensive, accounted for 55.58 per cent of jobs in the manufacturing sector in the zones. Miscellaneous manufacturing activities absorbed 9 per cent of the workers while 8 per cent were engaged in the manufacture of transport equipment and other machinery, plastic/pvc products, non-metallic minerals and fabricated metal products. The making of jewellery and the electronics industry employed 2.86 and 2.96 per cent of the workforce respectively.

Table 3.2. Actual employment by branch of activity (as at 30 November 1992)

Product	No. of projects	Employment	%
Food products	1	325	0.31
Beverages and tobacco	2	2 273	2.17
Industrial chemical products	0	0	-
Rubber products	9	4 318	4.13
Wood products (incl. furniture)	1	67	0.06
Textiles	10	7 690	7.35
Non-metallic minerals	10	4 029	3.85
Coir products	1	4	-
Jewellery	12	2 997	2.86
Electronic and electronic goods	12	3 094	2.96
Fabricated metal production	9	1 438	1.37
Transport equipment/other machinery	1	19	0.02
Wearing apparel	60	50 465	48.23
Footwear	5	3 015	2.88
Leather products (incl. leather)	5	4 949	4.73
PVC products	10	3 225	3.08
Horticulture	8	577	0.55
Services	7	5 505	5.26
Fishing gear and accessories	2	188	0.18
Cosmetic and artist brushes	2	545	0.52
Printing	2	146	0.14
Other	20	9 774	9.34
Total	190	104 643	100

[1] The total may not be 100 because of the rounding off of certain figures.
Source: BOI primary data.

Skills and jobs

Semi-skilled labour accounted and generally still accounts for 38.67 per cent of the total indigenous workforce in the zones. In the KEPZ, 45.10 per cent of the workers were classified as semi-skilled. Trainees made up 23.83 per cent of the workforce, with the Koggala Zone having 51 per cent of the total number of workers in the "trainee" category (table 3.3). Seventy-six per cent of all workers in the three EPZs and licensed enterprises were in the "trainee", "unskilled" and "semi-skilled" categories.

Table 3.3. Employment by skill and occupational category in the EPZs and enterprises operating under similar regime (up to 1992)

	No. of workers									
	KEPZ	%	BEPZ	%	KGEPZ	%	Outside	%	Total	%
Trainees	10 566	20.34	6 902	32.81	1 172	51.02	5 302	21.05	23 932	23.83
Unskilled	7 713	14.87	3 172	15.01	418	18.20	2 529	10.24	13 832	13.76
Semi-skilled	23 401	45.10	7 705	36.63	285	12.41	7 384	29.31	38 775	38.67
Skilled	5 352	10.32	1 928	9.16	250	10.88	4 603	18.27	12 133	12.08
Supervisory (technical)	699	1.35	80	0.38	38	1.65	545	2.16	1 362	1.36
Supervisory (non-technical)	1 294	2.49	292	1.39	21	0.91	494	1.96	2 101	2.09
Technical (executive)	288	0.56	86	0.41	12	0.52	416	1.65	802	0.80
Technical (non-executive)	326	0.63	161	0.77	17	0.74	292	1.16	796	0.79
Administrative	356	0.69	156	0.74	17	0.74	379	1.50	908	0.90
Clerical and allied	1 080	2.08	320	1.52	24	1.04	2 273	9.02	3 697	3.68
Others	820	1.58	235	1.12	43	1.87	973	3.86	2 071	2.06

Source: BOI primary data, Aug. 1992.

Gender composition of workforce

The predominance of female workers, particularly in the lower grades, was a salient characteristic of all three EPZs (table 3.4). The supervisory and technical personnel were mainly male (see table 3.5).

Table 3.4. Employment by sex, August 1992

	Employment				
	Male	%	Female	%	Total
Katunayake EPZ	7 293	14.06	44 592	85.94	51 885
Biyagama EPZ	3 933	18.70	17 104	81.30	21 037
Koggala EPZ	196	8.53	2 101	91.47	2 297
Outside	10 245	40.67	14 945	59.33	25 190
Total	21 667	21.58	78 742	78.42	100 409

Source: BOI primary data.

While enterprises within the zones tended to employ mainly women workers, those outside (licensed enterprises) had as much as 40.67 per cent of male employees on their workforce. In the Koggala and Katunayake EPZs where garment manufacturing was the main activity, women made up as much as 91.47 and 85.94 per cent of the workforce, respectively. Even in the Biyagama EPZ, where the product range was more diversified, women nevertheless comprised 81 per cent of all workers. Males had a high profile in all technical and administrative posts — i.e. executives (83.27 per cent), non-executive staff (58.24 per cent) and administrative positions (74.45 per cent). In the clerical and allied occupations 41.82 per cent of the workers were males. They also accounted for 81.60 per cent of all office assistants, labourers and cleaners (see table 3.6).

Table 3.5. Gender composition of supervisory and technical staff (up to August 1992)

Location	Supervisory										Technical staff									
	Technical					Non-technical					Executive					Non-executive				
	Male		Female		Total No.	Male		Female		Total No.	Male		Female		Total No.	Male		Female		Total No.
	No.	%	No.	%		No.	%	No.	%		No.	%	No.	%		No.	%	No.	%	
KEPZ	290	41.49	409	58.51	699	308	23.80	986	76.20	1 294	194	67.36	94	32.64	288	247	75.77	79	24.23	328
BEPZ	49	61.25	31	38.75	80	114	39.04	178	60.96	292	78	90.70	8	9.30	86	138	85.71	23	14.29	161
KGEPZ	11	28.95	27	71.05	38	4	19.05	17	80.95	21	11	91.67	1	8.33	12	17	-	-	0	17
Outside	445	81.65	100	18.35	545	240	48.58	254	51.42	494	384	92.31	32	7.69	416	281	96.23	11	3.77	292
Total	795	58.37	567	41.63	1 362	666	31.70	1 435	68.30	2 101	667	83.17	135	16.83	802	683	85.80	113	14.20	796

Source: BOI primary data and computation, Aug. 1992.

Table 3.6. Distribution of office workers in EPZs by sex (up to August 1992)

Location	Administrative					Clerical and allied					Others				
	Male		Female		Total No.	Male		Female		Total No.	Male		Female		Total No.
	No.	%	No.	%		No.	%	No.	%		No.	%	No.	%	
KEPZ	243	68.26	113	31.74	356	413	38.24	667	61.76	1 080	597	72.80	223	27.20	820
BEPZ	118	75.64	38	24.36	156	118	36.88	202	63.12	320	187	79.57	48	20.43	235
KGEPZ	16	94.12	1	5.88	17	7	29.17	17	70.83	24	30	69.77	13	30.23	43
Outside	299	78.89	80	21.11	379	1 008	44.35	1 265	55.65	2 273	876	90.03	97	9.97	973
Total	676	74.45	232	25.55	908	1 546	41.82	2 151	58.18	3 697	1 690	81.60	381	18.40	2 071

Source: BOI primary data and computation, Aug. 1992.

The preponderance of male workers in technical and supervisory positions may be attributed to the patriarchal nature of Sri Lankan society. The socio-cultural context is one in which women are relegated to routine work that is not knowledge and skill-intensive. Since not much training and skill development programmes have been widely implemented in the EPZs, career prospects for the majority of the workforce are rather bleak.

Contribution of EPZs to employment

While employment in EPZs and other enterprises operating under a similar regime may be important in regional terms, it is rather modest when compared with total employment or employment in the manufacturing sector as a whole. In 1985, less than 1 per cent of the national workforce was employed in such enterprises, while less than 10 per cent of all jobs in industry were in those establishments. However, the steady rise in employment in the zones over the past seven years suggests that EPZs are likely to make a noticeable contribution to the creation of employment in the future, particularly with the setting up and expansion of the zones at Biyagama and Koggala.

4. Linkages

Linkages between EPZs and the domestic economy can be created through the procurement of goods and services from local suppliers. According to Watanabe (1981) "It has long been recognised that one of the centrally important elements in the contribution — positive or negative — made by the subsidiaries of foreign enterprises to their host country's technological development, is the nature and intensity of their interaction with domestic firms, and more generally with the local economy."

According to the 1988 study by the ILO and the former United Nations Centre on Transnational Corporations (UNCTC), "through its local purchases of raw materials, components, semi-finished goods or machinery, a foreign subsidiary can directly or indirectly help to upgrade and develop the technical skills of its suppliers. The quality and intensity of these so-called backward linkages are conditioned to a large extent by the firm's own policy — some enterprises as a matter of corporate policy, make much greater efforts than others to integrate themselves, economically and technologically, in the host country — but experience shows that this also depends a lot on the policy, or absence of policy on the part of the host country with regard to local sourcing and the importation of machinery, components and semi-finished goods. The possibility of developing such backward linkages is heavily influenced by the overall level of industrial development of the host country. If there is already a fairly well-developed industrial base, this will quite naturally encourage foreign subsidiaries to seek out local suppliers, who, in addition to having the locational advantage of being physically much closer, may also be more competitive in terms of price, if not quality" (ILO/UNCTC, 1988).

One of the criticisms levelled at EPZs is that they tend to import most of their intermediate goods and services. The information in table 4.1 which compares the value of imports as opposed to local purchases of raw materials and capital goods by firms in the EPZs between 1978 and 1991 bears out that observation.

Table 4.1. Value of imports and local purchases of raw materials and capital goods in EPZs (Rs.Mn.) 1978-91

Year	Imports		Local purchases		Total
	Raw materials	Capital goods	Raw materials	Capital goods	
1978	7	21	-	-	28
1979	183	70	-	-	253
1980	396	120	-	-	516
1981	843	476	75	-	1 394
1982	1 009	288	108	31	1 436
1983	1 649	368	140	39	2 196
1984	2 331	495	235	42	3 103
1985	2 326	525	160	41	3 052
1986	3 678	388	195	32	4 293
1987	5 276	385	197	84	5 942
1988	6 781	499	306	37	7 623
1989	8 999	980	391	39	10 409
1990	13 060	2 627	407	51	16 145
1991	10 811	1 210	428	83	12 532
Total	57 349	8 452	2 642	479	68 922

Source: BOI primary data.

Over the period covered, the total value of imports of raw materials and capital goods amounted to Rs.65,801 million as against local purchases of only Rs.3,121 million. In other words 95 per cent of the capital goods and raw materials utilized by establishments in the zones were imported. In the initial three years of the establishment of the first EPZ, no raw materials or capital goods were bought from local sources. However, the fact that the situation changed slightly in subsequent years, suggests that there may be possibilities for local producers to meet the needs of the industries operating in the zones.

Technology transfer and linkages

One of the motives for attracting foreign investment is the interest in enhancing the technological capability of the host country in the areas of production and management. For the purpose of this paper technology transfer is defined as "a learning process wherein technological knowledge is being continually accumulated into human resources engaged in production activities. A successful technology transfer would eventually lead to deeper and wider accumulation of knowledge" (Shiowattana, 1989). Improved capabilities would help to strengthen the position of domestic firms wishing to foster linkages with enterprises in the zones.

So far, linkages have been very limited. This may be due to the level of industrialization, the low level of production technologies used in most enterprises in the zones as well as the unavailabilty of inputs of the required quality and specifications at a competitive price. Companies with foreign participation are more inclined to import their intermediate goods from related overseas-based enterprises which can give guarantees with regard to the price, quality and delivery of materials. Moreover, since the tax regime provides for duty free imports, there is an added incentive to continue those practices. As a result, notwithstanding the existence of backward linkages in a few industries (e.g. agro-based and rubber products) the general propensity to use imported components remains quite high.

In an endeavour to redress the situation, the BOI in 1991, introduced a system of selectively targeting industries and activities which are expected to create linkages. So far it has identified the following: textiles, to form linkages with the garment industry; agriculture, to foster linkages with agroindustrial units; infrastructural development for the provision of refrigeration and warehousing facilities and the establishment of training complexes for the textile/garment and information technology industries.

The BOI has been granting fiscal and financial incentives to promote projects in these areas. In the first year, eight large textile mills were set up. They included Taegu Weaving (Republic of Korea), Kuruwita Manchester and the Hayleys Australian Dying Company (Australia), Lanka Synthetic Fibre Co. Ltd. (Hong Kong), South Textiles (Hong Kong) and Deutsche Lanka (Singapore).

Incentives are also given to small-scale manufacturers who supply industries in the EPZs, since those supplies are considered to be indirect exports. An increasing number of industrial projects are being registered with the BOI for the provision of labels, buttons, polypropylene bags, embroidery, rubber and leather soles, polyester wadding, cables and wires, garment hangers and plastic accessories.

As regards forward linkages, enterprises operating under the BOI have none with the domestic market, since they are export-oriented. Indeed, after one decade of operation, the zones have not developed linkages significant enough to change their status and characteristics as "enclaves" in the host economy.

5. Conditions of work and life

Wages and working conditions

Enterprises operating in zones administered by the BOI must respect the national labour legislation. The Wages Board Ordinance and the Factories Ordinance prescribe the wage rates and working conditions. The following other laws set out the terms and conditions of employment in the zones: the Shop and Office Employees Act; Wages Board Ordinance; Trade Unions Ordinance; Maternity Benefits Act; Factories Ordinance; Workman's Compensation Ordinance; Employees' Provident Fund Act; Employees' Trust Fund Act; Termination of Employment of Workmen (Special Provisions) Act; Industrial Disputes Act and the Payment of Gratuity Act.

Wages in factories in the zones are slightly higher than those paid by enterprises in the same industrial sectors operating outside the EPZs (see table 5.1). The minimum wages are set by the BOI taking into account the cost of living and the possibility of high turnovers of staff if the wages are too low.

Table 5.1. Comparison of minimum monthly wages in firms in the textile and garment industries operating within and outside EPZs, 1992

Occupational category	Wages within the zone	Wages outside the zone
Unskilled worker	Rs.2 000	Rs.1 500
Semi-skilled worker	Rs.2 200	Rs.1 575
Skilled worker	Rs.2 300	Rs.1 700

Source: BOI 1992 primary data and Wages Board Ordinance, 1992.

Although many of the smaller enterprises with foreign participation operating outside the purview of the zones tend to pay the statutory minimum wage, there are several large multinationals which pay much higher wages than those stipulated either by the national legislation or the regulations of the BOI.

With regard to working conditions, these are also generally of a higher standard in large multinationals. However, it has been found that small enterprises do not always provide satisfactory working conditions for their employees, especially at the initial stages of their operations.

Problems arise particularly in establishments that do not fall under the administration of the BOI which has the authority to enforce the labour legislation and carry out periodic checks to ensure that the minimum standards are being respected. When factories are being built in the EPZs, the Engineering Division of the BOI takes into consideration a number of factors, including the building regulations, before approving the plans for construction.

Hours of work

Hours of work, including shift and night work are covered by the labour laws. In operations with a single shift, production workers work nine hours per day from Monday to Friday, with one hour for a meal or rest, and on Saturdays for six and a half hours inclusive of an interval of one hour for a meal or rest. Where there are two or three shifts, they work an eight-hour day from Monday to Friday inclusive of an interval of half an hour for a meal or rest, and on Saturdays, five and a half hours inclusive of an interval of half an hour for a meal or rest. For office employees, work on Saturday is of five hours duration.

As regards night work, there are no restrictions on the employment of male workers for the night shift. Women may also work on the third shift from 10.00 p.m. to 6.00 a.m. They must consent in writing and be paid one and a half times the daily wage rate. They can only be asked to work a maximum of ten nights in any given month. Adequate rest periods are allowed. Canteen, medical and rest room facilities are made available, as is transportation in cases of emergency.

Three-shift operations are carried out only during peak periods when production quotas and/or deadlines must be met. Two-shift operations are fairly commonplace, particularly in the garment industry and overtime is not prohibited by law. Workers generally regard shift work as a means of supplementing their income.

Superannuation and gratuity payments

All employees are paid on a monthly basis and authorized deductions (e.g. cash advances, income taxes) should not exceed 50 per cent of the wages. For the purpose of calculating pay deductions the monthly wage is divided by 26 to arrive at a daily wage rate. Employees are also paid for the days on which the employer is unable to provide work. The overtime pay rate is not less than one-and-a-half times the normal hourly wage which is determined by dividing the monthly wage by 200. In the event of termination of services, the salary must be paid within two working days after the date of termination.

The granting of perquisites does not form a part of the normal package of entitlements for workers in the zones. Like the MNEs operating outside of the zones, large companies in the EPZs often provide workers with additional benefits without the BOI having to use its "persuasive power" to get them to do so.

As regards superannuation benefits, employees contribute 8 per cent and employers 12 per cent of their total earnings to the Provident Fund, * and employers contribute an amount equivalent to 3 per cent of the employee's total monthly earnings to the Trust Fund.

Employees who have completed five years of service are entitled to gratuity payments upon cessation of service by virtue of retirement, resignation or termination at the initiative of the employer. Gratuity is calculated at the rate of half of the last month's salary for every year of completed service. It is to be paid within 30 days of cessation of employment by all employers who have a staff of fifteen or more persons.

Living conditions

The lack of suitable accommodation is a major problem for workers. While enterprises outside of the EPZs are often situated close to the villages, those in the zones are located near the Colombo Metropolitan Area. Rents in the Colombo and Greater Colombo Areas are higher than those in other parts of the country and workers are often unable to obtain low-cost housing relatively close to the workplace. Those coming from rural communities to work in the EPZs either have to pay high rents which can often be as much as 50 per cent of their monthly wage or obtain cheaper lodging further away. Moreover, commuting to the workplace can be both costly and time-consuming.

In an endeavour to improve the situation, the BOI has leased land to organizations such as the Young Women's Christian Association and the All Ceylon Women's Buddhist Association, for the construction of hostels for women workers, who consitute more than 80 per cent of the workforce in the zones. However, many reportedly prefer the smaller and squalid accommodation to the hostels where the cost of lodging is relatively higher, rules regarding hours and visitors are rigid, and cooking and food storage facilities are considered to be inadequate.

* "Earnings" include wages, allowances, payment made in respect of holidays and leave, the meal allowance as well as the cash value of food provided by the employer. It excludes overtime payments.

Leave entitlements

Sunday is an unpaid holiday for factory workers. Those employed to do urgent work on that day are paid one and a half times the daily wage rate and given a day off within the six days succeeding the Sunday on which they worked. Duties performed after the normal shift hours are remunerated at double the hourly wage rate. Office employees are granted a half-holiday on Saturday afternoon and Sunday off with full pay. If a statutory holiday falls on that day, an alternative half-holiday or whole holiday is granted either during the same week or in the following week.

The Full Moon Poya Day of each month is a paid holiday and work done on that day is compensated at one and a half times the daily wage. Official public holidays are not working days in the zones and the consent of the worker is required before work on such days may be carried out.

Employees are entitled to 14 days' paid vacation leave from the second year of employment. In the first year, leave is granted on a pro-rata basis which is calculated from the date of recruitment. Annual leave may be taken in the succeeding year on days mutually agreed upon by the employer and employee. Upon termination of employment, employees are paid for all leave not taken up to the date of cessation of service. Office employees have seven days' casual leave with pay from the second year of employment and during the first year of employment, they are given one day for every two months of service.

Sick leave is granted at the discretion of management. In some enterprises such leave is granted up to a maximum of 21 days. Medical certificates are required.

Paid maternity leave of 12 weeks (84 days) is given to factory workers for whom it is the first live birth or the second child. In cases where the woman has two or more children or where there was not a live birth, the leave entitlement is six weeks (42 days). Office employees are entitled to 84 working days' maternity leave.

Safety and health

Plans for the construction of factory buildings must be submitted to the BOI for approval in order to ensure that the standards are being respected. The regulations lay down specifications for the dimensions of the factory according to the size of the workforce as well as for lighting, ventilation, and amenities such as potable water supplies, wash rooms, canteens, first aid and rest facilities. It is worth mentioning that the BOI has introduced standards for pollution control and its Environmental Department provides safeguards for industries both within and outside of the zones. The BOI has an environmental monitoring laboratory and environmental impact assessments are carried out for all projects submitted for approval. Random inspections and periodic monitoring of factories are undertaken to ensure that the prescribed standards are being observed.

The national safety regulations also apply to firms in the zones with a view to preventing occupational injuries and minimizing hazards at the workplace. The occupier of a factory has to notify the BOI in writing of any industrial accident which causes death or a disability that either prevents the worker from earning a full wage for more than three days, or makes the person unconscious. The affected person is entitled to compensation. The provision of protective gear such as gloves, goggles and respirators, and also the location, maintenance and use of machinery, equipment and materials, are all prescribed by the

regulations. The prevention of obstructions to entrances and exits, the installation of fire escapes and the preparation of emergency evacuation plans are compulsory.

6. Industrial relations

A major concern is that organized labour could make demands for high wages and take industrial action which could lead to a decline in the production levels and competitiveness of enterprises in the zones. These are the reasons for which some countries have amended their labour laws with a view to attracting foreign entrepreneurs. It has been found that in some cases investors have taken advantage of those changes to exploit workers by paying them very low wages and demanding long hours of work (Edgren, 1982).

In principle, unions are permitted in the GCEC zones. However, in none of the three zones are there formal unions of external origin. Instead, company-based "joint consultative councils" are used as fora for labour-management consultations. They are said to be effective mechanisms and the BOI claims that no work days have been lost as a result of industrial disputes. The councils comprise an equal number of representatives of workers and management. They are company unions and meetings are held frequently to discuss and settle matters of mutual concern. The BOI's Industrial Relations Unit assists in the formation and operation of these joint consultative councils.

The presence of trade unions in the EPZs has been affected by stringent security measures. Persons and vehicles entering and leaving the zone are required to undergo physical security checks and entry permits must be obtained for all visitors, including sales persons, researchers, prospective investors and prospective suppliers of goods and services. The trade unionists are of the view that those regulations restrict their activities since it limits their access to workers in the zones. Recently, certain politically motivated groups have been agitating for the formation of unions within the zones. This has led to demonstrations and the distribution of pamphlets by unions. Nevertheless, the calls to unionize have not obtained much support from the mainly female workforce in the zones. There have been a few isolated strikes with workers demanding higher wages and the payment of year-end bonuses. The dismissal of employees has also been a source of tension. However, those company-specific disputes were settled within one week and did not have widespread repercussions. The BOI and the respective joint consultative committees played key roles as mediators in finding a negotiated settlement to the disputes.

All labour disputes in the EPZs must be promptly brought to the notice of the BOI. In the event of lay-offs or the reduction or closure of operations for technological reasons, prior notification to the BOI is required so that suitable arrangements could be made to deal with the effects of such actions.

Sri Lanka, being a latecomer among the countries that have set up EPZs, has attempted to secure a better deal for workers in the zones. In most enterprises conditions of work and wages are better that those provided by industries outside the zones, and the employers often provide meals, transportation and housing facilities for their employees.

Concluding remarks

EPZs in Sri Lanka have undoubtedly made a significant contribution to the expansion of exports of manufactured goods. Whereas in 1980 the zones accounted for only 8.8 per cent of total industrial exports, by 1991 their share had risen to 44 per cent. The textile, garment and leather industries are the major exporters. In 1989, half of all textile and garment exports from Sri Lanka originated from the zones, and in 1991, the figure was 44 per cent. That slight decline may be explained by the official decision to relocate certain plants to rural areas where unemployment was on the rise.

As regards linkages between enterprises in the zones and those in the rest of the economy, these have been rather weak, with 96 per cent of raw materials and 95 per cent of equipment used in the zones, originating from abroad. In the absence of local content requirements, and given the generous provisions facilitating the duty-free importation of inputs for industrial production, the propensity for procuring materials from external sources is not surprising. Recent initiatives to reverse this trend have not yet yielded appreciable positive results.

The zones in Sri Lanka have attracted considerable foreign capital which accounts for 52 per cent of total investment in those enclaves. Of equal significance is the relatively high participation of local private investors in the zones. While the textile and garment industries continue to play a key role in the EPZs, there has been a gradual but noticeable shift towards other labour-intensive activities.

In the area of employment, there were 104,643 persons working in the zones at the end of November 1992 and an estimated 209,000 indirect jobs were created. Fifty-six per cent of the workforce was in the garment industry. More than three-quarters of all workers were classified as "trainees", "unskilled" and "semi-skilled" and 78 per cent of the total were women. Positions in the technical and supervisory and administrative categories were generally male-dominated.

Some 170,000 jobs are expected to be created in business ventures that have already been approved by the Authorities and it is estimated that a further 125,000 are likely to be generated by projects for which contracts between the BOI and the interested investors have already been signed. On the whole, it may be said that the government's objective of boosting employment in the secondary sector through the establishment of EPZs has been largely attained.

Working conditions in the zone were found to be on par with those in enterprises operating in other parts of the country, while salaries in the EPZs were somewhat higher. As regards accommodation for workers in the zones it was considered to be inadequate.

One of the more sensitive issues concerns the organization of workers and collective bargaining in the EPZs. There is however, evidence that while the activities of trade unions have been effectively controlled to prevent labour unrest, workers have been able to negotiate better pay and working conditions through the joint consultative committees that have been set up at the company level.

The EPZs in Sri Lanka serve as a model for the development of other zones in the region. Member countries of the South Asian Association for Regional Cooperation (SAARC) have shown great interest in setting up zones. India, Pakistan, Viet Nam and China are major competitors for foreign investment inflows. However, Sri Lanka has almost a decade and a half of experience in successfully operating EPZs and the climate for foreign investment is generally considered to be favourable. Bureaucratic obstacles and corruption are kept to a

minimum and the "one-stop-shop" facilities provided by the BOI have proved to be so efficient that investors outside of the zones have requested similar facilities.

Apart from the zones, there are several industrial estates that fall under the administration of the Ministry of Industries, Science and Technology. These estates have very good infrastructure and are highly appreciated by local entreprenuers. The foreign investors, however, prefer to set up business in the EPZs because of the good security services, centralized facilities and efficiency of the BOI staff.

The powers of the BOI, which also approves investment projects outside of the EPZs, are likely to be extended in the future, to encompass the establishment of zones in rural areas. In the event of such decentralization, it is quite likely that socio-economic problems arising from costly and overcrowded living quarters and long distance travel to the workplace, will be minimized.

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Part two

Workers in export processing zones: A microanalytical survey

by

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Introduction

In the first part of this working paper it was shown that women constituted most of the workforce in EPZs and that they were underrepresented in technical and senior administrative positions. This second part of the paper examines working conditions and labour relations in the three EPZs in Sri Lanka with special reference to the situation of women workers in relation to that of their male colleagues.

Field surveys were conducted in all three EPZs using a sample of 180 workers of which 145 were women and 35 were men. Ninety were drawn from the Katunayake zone (75 women and 15 men), 60 from Biyagama (50 women and 10 men) and 30 from Koggala (20 women and 10 men). Interviews based on a questionnaire were carried out to obtain information on: (i) the socio-economic profile of the workers; (ii) their training, and terms and conditions of employment; (iii) their living environment, and (iv) their career aspirations and perceptions. Thirteen managers were interviewed: seven senior managers and two middle-level managers in the Katunayake EPZ as well as two high-level managers and two middle-level managers in the Biyagama EPZ. Managers in the Koggala EPZ were excluded given their relatively limited experience in the newly established enterprises in that zone.

1. Socio-economic background of workers

The survey investigated the characteristics of the women and men workers in the sample with respect to their residence, age, educational levels, socio-economic background and marital status.

Residence

The Katunayake and Biyagama export processing zones are located in the Gampaha district in the western Province in the periphery of the metropolitan district of Colombo. The Koggala EPZ, established in 1989-90 with a view to resolving social tensions in the southern Province, is located in Galle, the chief district of this Province. The largest number of workers came from those areas. Ninety per cent of the men workers in the Biyagama EPZ and 40 per cent of those in the Katunayake EPZ were from the Gampaha district, while 90 per cent of those in the Koggala EPZ were from Galle. The women workers originated from more dispersed areas, with a significant proportion in the Biyagama EPZ coming from Ratnapura, which is about 100 kilometers from the zone.

Although the sample comprised workers from 17 of the 25 districts in the country, 50 per cent (72 per cent of the men and 45 per cent of the women) were from Gampaha, Galle and Ratnapura, 30 per cent (10 per cent of the men and 35 per cent of the women) from the Matara district (contiguous to Galle), and the others were from three relatively more developed areas — Kandy, Kurunegala and Kegalle. Less that 20 per cent were from the less developed districts and from Colombo. It is apparent, therefore, that workers were and still

are drawn chiefly from areas surrounding the zones. The women came primarily from districts where there were relatively developed educational and transport facilities but a lack of employment opportunities.

Age

The men workers tended to be older than the women. In the case of the latter, the youngest were 17 years old in the Biyagama EPZ and 18 years in the Katunayake and Koggala EPZs. For the men, the youngest were 19 years in Biyagama and Koggala and 20 years in Katunayake. Six per cent of the men and 19 per cent of the women were in the 15-19 age group, while 12 per cent of the men and 5 per cent of the women workers were between 35 and 47 years. Sixty-five per cent of the workforce in Katunayaka were less than 25 years of age while in the Biyagama and Koggala zones the figures were 74 and 95 per cent respectively. In short, young persons made up most of the personnel in the zones (see table 1.1).

Educational levels

Half of the workers were secondary school graduates who had reached the Ordinary and Advanced Levels of the General Certificate of Education (GCE). The women were generally more qualified than the men with more of them having obtained GCE certificates at the ordinary and advanced levels (see table 1.1). For example, 60 per cent of the men workers were drop-outs as opposed to 44 per cent of the women. That disparity in educational levels reflected the overall higher percentage of girls in GCE classes. The presence of large numbers of those graduates in the zones, attested to the relatively limited opportunities for women to get better jobs.

Family background

The majority of workers, irrespective of gender, were found to be from lower-income families in which there was also a relatively high incidence of joblessness. The educational level of the parents was also generally low. About one-fifth of the parents had not completed primary school and 70 per cent were drop-outs. Less than 10 per cent of them had obtained school certificates. While workers in the sample had significantly higher educational levels than their parents, their employment opportunities appeared to have been adversely affected by their modest family origins.

Table 1.1. Educational levels of workers in EPZs

Level of education	Katunayake						Biyagama						Koggala						Total					
	Male		Female		Total		Male		Female		Total		Male		Female		Total		Male		Female		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Grades 1-4									1	1.7	14	23.3									1	0.7	1	0.6
Grade 5									2	3.3	30	50.0									2	1.4	2	1.1
Grades 6-10	9	60.0	39	52.0	48	53.3	4	40.0	24	40.0	8	13.3	8	80.0	5	25.0	13	43.3	21	60.0	64	44.1	85	47.2
GCE O/L	5	33.3	26	34.7	31	34.4	5	50.0	27	45.0	1	1.7	2	20.0	11	55.0	13	43.3	12	34.3	59	40.7	71	39.4
GCE A/L	1	6.7	10	13.3	11	12.2	1	10.0	6	10.0	6	10.0			4	20.0	4	13.3	2	5.7	19	13.1	21	11.7
Total	15	100.0	75	100.0	90	100.0	10	100.0	50	100.0	60	100.0	10	100.0	20	100.0	30	100.0	35	100.0	145	100.0	180	100.0

Source: The author.

Table 1.2. Workers in the EPZs (by age)

Age	Katunayake						Biyagama						Koggala						Total					
	Male		Female		Total		Male		Female		Total		Male		Female		Total		Male		Female		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
15-19	-	-	10	13.3	10	11.1	1	10.0	13	26.0	14	23.3	1	10.0	4	20.0	5	16.7	2	5.7	27	18.6	29	16.1
20-24	5	33.3	39	52.0	44	48.9	6	60.0	24	48.0	30	50.0	6	60.0	15	75.0	21	70.0	17	48.6	78	53.8	95	52.8
25-29	10	16.7	18	24.0	28	31.1	-	-	8	16.0	8	13.3	2	20.0	1	5.0	3	10.0	12	34.3	27	18.6	39	21.7
30-34	-	-	5	6.7	5	5.6	-	-	1	2.0	1	1.7	-	-	-	-	-	-	-	-	6	4.1	6	3.3
35-39	-	-	1	1.3	1	1.1	3	30.0	3	6.0	6	10.0	-	-	-	-	-	-	3	8.6	4	2.8	7	3.9
40-44	-	-	2	2.7	2	2.2	-	-	1	2.0	1	1.7	-	-	-	-	-	-	-	-	3	2.1	3	1.7
45-49	-	-	-	-	-	-	-	-	-	-	-		1	10.0	-	-	1	3.3	1	2.9	-	-	1	0.6
Total	15	100.0	75	100.0	90	100.0	10	100.0	50	100.0	60	100.0	10	100.0	20	100.0	30	100.0	35	100.0	145	100.0	180	100.0

Marital status

As in EPZs elsewhere, most of the workers were unmarried — 74 per cent of the men and 87 per cent of the women. In the case of married workers, most of their spouses were in low-income occupations and had educational levels similar to those of their partners.

In view of the disadvantaged economic situation of a large number of families, unmarried women workers contributed significantly to the support of their relatives. Some 18 per cent of the unmarried women in the sample contributed at least 50 per cent of their wages to the upkeep of the family and on the whole, 50 per cent of all the women workers committed between 20 per cent and 49 per cent of their wages to the upkeep of their relatives (see table 1.2).

In sum, workers in the EPZs came chiefly from districts in which the zones were located or from neighbouring regions with relatively better infrastructural facilities. Most were young, and the majority were from low-income families which they helped to support. Of the total sample, 51.1 per cent had completed their General Certification of Education (GCE) at the "ordinary" or "advanced" levels.

2. Employment in the EPZs

The 180 workers in the study were employed in 14 branches of industry. Approximately half of them had jobs in the garment industry where women made up some 80 per cent of the workforce. There were some activities in which only women were employed (i.e. the manufacture of brushes, artifical flowers, photo albums and the cutting of gems). In contrast, the men in the sample were employed mainly in weaving, and the manufacture of leather goods, bolts and nuts, and paints.

Semi-skilled production workers constituted most of the sample and the women held 84 per cent of those jobs. Almost three-quarters of the men and half of the women had obtained their jobs through informal contact with friends or through family members. Only about 10 per cent of the jobs were obtained as a result of having submitted applications for job vacancies advertised in the press or at the different enterprises. The Board of Investments employed 15 per cent of the workers, while some politicians influenced the recruitment of 6 per cent of the men and 17 per cent of the women in the survey.

As seen in table 2.1, there has been a high turnover of staff in the zones over the years. Since the Koggala EPZ is only three years old, nearly all employees had between one to two years of service. However, in the Biyagama EPZ which was established in the early 1980s, 50 per cent of the men and 82 per cent of the women workers had only one to two years of service, while in the first zone which was set up in Katunayake in 1978, 40 per cent of men and 53 per cent of women workers had only one to two years of service, and 46.6 per cent of the men and only 13.3 per cent of the women had worked for between five to ten years in the same establishment. The frequent movement of women workers in particular, may be explained to a large extent by their high degree of dissatisfaction with the working conditions in the zones.

Table 1.3. Contribution of unmarried workers to family income (percentage)

Percentage of income contributed	Katunayake			Biyagama			Koggala			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0	16.7	16.2	16.3	-	2.4	2.0	28.6	18.8	21.7	15.4	11.1	11.8
1-<10	-	2.9	2.5	-	2.4	2.0	-	6.3	4.3	-	3.2	2.6
10-<20	58.3	27.9	32.5	14.2	52.4	46.9	14.3	6.3	8.7	7.7	14.3	13.2
20-<30	58.3	27.9	32.5	14.2	52.4	46.9	14.3	6.3	8.7	34.6	33.3	33.6
30-<40	16.7	8.8	10.0	14.2	14.3	14.3	14.3	12.5	13.0	15.4	11.1	11.8
40-<50	8.3	1.5	2.5	28.6	7.1	10.2	-	18.8	13.0	11.5	5.6	6.6
50-<60	-	22.1	18.8	42.9	2.4	8.2	-	6.3	4.3	11.5	13.5	13.2
60-<75	-	1.5	1.3	-	-	-	-	-	-	-	0.8	0.7
75-<80	-	2.9	2.5	-	-	-	-	12.5	8.7	-	3.2	2.6
Not reported	-	-	-	-	2.4	2.0	14.7	18.8	17.4	3.8	3.9	3.9
Total	12.0	68.0	80.0	7.0	42.0	49.0	7.0	16.0	23.0	26.0	126.0	152.0

Source: Data collected by researcher.

About 80 per cent of all workers were new entrants to the labour market. Of those who had worked before, 25 per cent had occupations similar to those that they had held before, i.e. supervisor, machine operator, stitcher and mechanic. Others had come from the services sector or other industries.

3. Training

Few workers had any training prior to employment in the zones. Consequently, 75 per cent of the men and 80 per cent of the women were given some training after recruitment. The exception was the Koggala EPZ where only 20 per cent of the men had been trained. That training was related to the specific job and limited to periods ranging from less than one month in more than 60 per cent of the workers surveyed, to between four and nine months in the case of 15 per cent of them (see table 3.1). Training was perceived by the workers to be useful for carrying out their routine jobs and in most cases, for receiving wage increments. However, it was not regarded as a means for obtaining promotions, which was understandable, given the specificity of the skills that were acquired.

In short, the majority of women and a small number of men working in the zones were involved mainly in low-skilled production-related activities. Recruitment was largely through informal channels, i.e. through friends, relatives or political connections. On-the-job training was the chief mode of skill development. It was short-term, task-specific and geared to enhancing productivity and efficiency in the enterprise. The result was that such training did not necessarily provide workers with skills that would give them better career prospects either within or outside of the particular establishment.

4. Terms and conditions of employment

This section focuses on working conditions in the EPZs. It encompasses the types of contracts of employment given to workers, hours of work, remuneration, career propects and occupational safety and health.

Employment status

Almost all the men (91.4 per cent) reported that they had permanent jobs. Among the women, 70 per cent were permanent workers, 17 per cent were temporary and 13 per cent had casual jobs. One woman was an apprentice.

Table 2.1. Employment in EPZs: Length of service

Length of service (years)	Katunayake						Biyagama						Koggala						Total					
	Male		Female		Total		Male		Female		Total		Male		Female		Total		Male		Female		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
11-12	-	-	4	5.3	4	4.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	2.8	4	2.2
8-10	2	13.3	1	1.3	3	3.3	2	20.0	1	2.0	3	5.0	-	-	-	-	-	-	4	11.4	2	1.2	6	2.3
5-7	5	33.3	9	12.0	14	15.6	1	10.0	5	10.0	6	10.0	-	-	-	-	-	-	6	17.1	14	9.7	20	11.1
3-4	2	13.3	21	28.0	23	25.6	2	20.0	3	6.0	5	8.3	1	10.0	-	-	1	3.3	5	14.3	24	16.6	29	16.1
1-2	6	40.0	40	53.3	46	51.1	5	50.0	41	82.0	46	76.7	9	90.0	20	100.0	29	96.7	20	57.1	101	69.7	121	67.2
Total	15	100.0	75	100.0	90	100.0	10	100.0	50	100.0	60	100.0	10	100.0	20	100.0	30	100.0	35	100.0	145	100.0	180	100.0

Table 3.1. Duration of training

Duration of training	Katunayake			Biyagama			Koggala			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
<1 month	2	10	12	6	42	48	-	2	2	8	54	62
1 month	5	13	18	1	-	1	2	5	7	8	18	26
>1-3 months	5	21	26	2	-	2	-	3	3	7	24	31
4-6 months	3	13	16	1	-	1	-	3	3	4	16	20
7-9 months	-	-	2	2	-	-	-	-	-	-	2	2
No training	-	16	16	-	7	7	8	6	14	8	29	37
Not reported	-	-	-	-	1	1	-	1	1	-	2	2
Total										35	145	180

There was evidence that notwithstanding the workers' permanent job status, there were aspects of their terms of employment that were not consistent with those generally characteristic of permanent employment. For instance, only 17 per cent of the men and 39 per cent of the women had written contracts of employment. No one in the Koggala EPZ had a contract, while only 30 per cent of workers in the Katunayake EPZ and 58 per cent of those in the Biyagama EPZ reported that they had such agreements. As regards security of employment, it was significant that 72 per cent of the men and 84 per cent of the women who claimed to have permanent jobs reported that prior notice was not necessary for the termination of employment at the initiative of the employer. Only a very small proportion said that one month's prior notice was necessary. The same observation was made by virtually all of the temporary and casual workers. An appreciable number of workers were of the view that there was an implicit preference for younger workers, and more than half of the respondents believed that prospects for being hired were better for those aged 25 and under.

Working time

There were some establishments in which the working day appeared to exceed the statutory eight hours. Forty per cent of men and 31 per cent of women workers stated that they worked more than eight hours per day. While most workers reported a six-day working week (72.4 per cent), there were some for whom it was five and a half days, seven days or five days. Approximately half of the men and women said that they had night shifts and the incidence of such work varied widely from two to four days per week, to twice per month or at infrequent intervals. It seemed therefore, that the legislation governing night work was not widely respected in the EPZs and that there were cases of exploitation. It is worth pointing out that less than 15 per cent of those surveyed said that they could meet the production targets without difficulty.

Remuneration

Average monthly wages ranged from Rs.4,000 to Rs.5,000 for supervisory staff, Rs.2,500 to Rs.3,000 for technical staff, Rs.1,500 to Rs.2,000 for production workers and Rs.1,500 for unskilled labour. However, it was found that there were marked disparities between wages in different establishments and also between those paid to men and women. Wages varied among garment factories in different EPZs, and more importantly, among male and female workers carrying out the same tasks. For example, male packers in the Koggala zone got Rs.1,800 per month as opposed to their female counterparts who got Rs.1,525. Male machine operators in the Biyagama zone were paid Rs.2,500 per month while women received Rs.2,000 for the same job. Similar gender-based wage disparities were found in factories manufacturing garments, gloves and caps, dolls, rubber gloves and also in the tobacco industry, in all of the zones. Annual bonuses were not given to all workers. The same differences in treatment applied to overtime payments (see table 4.1). That situation reflected a violation of the national labour laws and the UN *Convention on the Elimination of All Forms of Discrimination against Women* which Sri Lanka has ratified.

Table 4.1. Average monthly wages and overtime payments (by industry)

		Wage				Overtime			
		No. of male workers	Rs.	No. of female workers	Rs.	No. of male workers	Rs.	No. of female workers	Rs.
Katunayake	Garment	5	2 020.00	55	1 962.00	5	540.00	48	423.23
	Gloves/jersey/cap	-	-	10	1 738.50	-	-	9	377.78
	Brush	-	-	4	1 975.00	-	-	4	450.00
	Flower making	-	-	2	1 500.00	-	-	2	675.00
	Tobacco	-	-	1	1 500.00	-	-	1	300.00
	Plastic toys	1	1 800.00	-	-	1	800.00	-	-
	Gem/diamond	-	-	3	1 640.00	-	-	1	200.00
	Bag/shoe making	6	2 316.67	-	-	6	475.00	-	-
	Making bolts and nuts	2	2 630.00	-	-	2	300.00	-	-
	Painting	1	2 790.00	-	-	1	400.00	-	-
	Subtotal	15	2 256.67	75	1 902.07	15	490.00	65	421.00
Biyagama	Garment	2	2 250.00	8	2 337.50	2	400.00	8	468.75
	Gloves/jersey/cap	1	2 000.00	3	1 800.00	-	-	3	233.33
	Doll making	2	1 974.25	28	1 614.29	2	325.00	25	246.00
	Tobacco	1	2 250.00	7	2 128.57	-	-	7	321.43
	Album making	-	-	1	1 800.00	-	-	1	300.00
	Rubber gloves	1	3 250.00	3	1 600.00	1	400.00	3	266.67
	Weaving	3	1 833.33	-	-	3	316.67	-	-
	Subtotal	10	2 144.85	50	1 816.00	8	350.00	47	296.81
Koggala	Garment	10	2 065.00	18	1 666.67	10	640.00	17	667.65
	Plastic toys	-	-	2	2 175.00	-	-	2	1 000.00
	Subtotal	10	2 065.00	20	1 717.50	10	640.00	19	702.63
	Total	35	2 169.96	145	1 846.93	33	501.52	131	417.29

Source: Data collected by researcher.

Most workers reported that they contributed to the Employees' Provident Fund and the Employees' Trust Fund. The granting of paid leave and maternity benefits, by employers was mandatory, while medical care, meals and recreational facilities were reportedly not available to everyone (see table 4.2). In the light of that situation, it is reasonable to conclude that the lack of uniformity in the provision of benefits reflected the shortcomings in the enforcement of the national labour legislation and regulations in the zones.

Career prospects and job satisfaction

With the exception of workers in the recently established Koggala EPZ, job satisfaction was generally low (39 per cent). In the Katunayake and Biyagama EPZs, there was strong dissatisfaction among workers involved in weaving, the manufacture of bags, shoes, dolls and flowers, and in painting. Between 74 and 78 per cent of those interviewed described their jobs as either "tiring", "monotonous" or both, while only 21 to 26 per cent of the respondents considered their duties to be "pleasant" and "interesting".

Interpersonal relations were said to be generally good. Only 8 per cent of the women said that they experienced difficulties by virtue of their gender, and from the interviews, it could not be said that sexual harassment was a major problem.

Occupational safety and health

Exposure to hazards at the workplace was reported by 6 per cent of the men and 7 per cent of women workers covered by the survey. More than half of the respondents claimed to have suffered from occupational illnesses which included headaches, pains in the back, hands, legs and chest, sore eyes and fingers, eye strain, catarrh and skin rashes. Dust, chemicals, noise, heat as well as prolonged standing and sitting were said to be the possible causes of those problems. Less than 10 per cent reported injuries and less than 3 per cent reported accidents, which in most cases, were caused by needles, machines, or shocks from electrical equipment.

The provision of protective gear was not a widespread practice. Only 11 per cent of the men and 10 per cent of the women said that the use of caps, gloves, masks, aprons or uniforms was compulsory. Moreover, none of the workers surveyed had been paid compensation for injuries sustained at work.

In summary, the research findings showed that working conditions in the EPZs were not always satisfactory and that there was little protection against arbitrary dismissal. The ineffective enforcement of labour laws had contributed to the emergence of situations in which there were wage disparities on the basis of gender, exposure to occupational health hazards, inadequate accident prevention measures and lack of compensation for injured workers.

Table 4.2. Average benefits available to employees in the sample

Benefits	Katunayake				Biyagama				Koggala				Total			
	Male		Female		Male		Female		Male		Female		Male		Female	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Cost of living	1	6.7	-	-	-	-	-	-	1	10.0	1	5.0	2	5.7	1	0.7
Employees' provident fund	15	100.0	74	98.7	10	100.0	47	94.0	10	100.0	20	100.0	35	100.0	141	97.2
Employers' trust fund	14	93.3	72	96.0	10	100.0	35	70.0	10	100.0	16	80.0	34	97.1	123	84.8
Medical facilities	10	66.7	61	81.3	7	70.0	18	36.0	10	100.0	18	90.0	27	77.1	97	66.9
Paid leave	9	60.0	54	72.0	10	100.0	36	72.0	3	30.0	-	-	22	62.9	90	62.1
Transport facility/allowance	-	-	5	6.7	2	20.0	-	-	-	-	-	-	2	5.7	5	3.4
Meals	11	73.3	49	65.3	2	20.0	31	62.0	10	100.0	15	75.0	23	65.7	95	65.5
Tea	15	100.0	75	100.0	10	100.0	49	98.0	10	100.0	20	100.0	35	100.0	144	99.3
Recreation	9	60.0	49	65.3	4	40.0	37	74.0	4	40.0	10	50.0	17	48.6	96	66.2
Maternity benefits	1	6.7	54	72.0	-	-	47	94.0	-	-	-	-	1	2.9	101	69.7
Library	-	-	1	1.3	-	-	-	-	-	-	-	-	-	-	1	0.7
Uniform	-	-	1	1.3	-	-		-	-	-	-	-	-	-	1	0.7

Source: Data collected by researcher.

5. Trade unions

The fact that none of the workers interviewed belonged to a trade union was significant, for it substantiated allegations that membership in trade unions was discouraged in the EPZs. However, there was evidence that other forms of workers' organizations had been promoted by employers or created by workers. Of the men interviewed, 62.9 per cent belonged to such bodies and 38.1 per cent of them were of the view that they were useful for resolving problems at the workplace. In the case of women workers, 37.9 per cent were members of those organizations, and of them, 55 per cent said that they were effective. However, many of the women who did not belong to those organizations claimed that membership was restricted. It is of interest to note that despite the initiatives of women activists in and near the EPZs, only two women in the sample belonged to a women's union (see table 5.1).

6. The living environment

Since export processing zones are enclaves from which residential buildings are excluded, over the years, villages around the zones (e.g. Katunayake) have become locations in which accommodation and support services are provided for workers.

The women workers as opposed to the men have been more vulnerable to the high rents imposed by "predatory" landlords. Between 70 and 84 per cent of them were boarders in lodgings located near to the EPZs. The sharing of rooms was a common practice, with more than four workers often sharing a room and, in one case, as many as 20. Eighty per cent of the men and 7 per cent of the women in the survey expressed discontent with their living arrangements. Congested living quarters, inadequate water and sewerage facilities, unsanitary conditions, and the absence of privacy and freedom were the major sources of problems. Rents appeared to be relatively high, particularly for most workers who made substantial contributions to the support of their families.

As regards married women, they tended to have difficulties in combining family responsibilities and work. While many could count on the assistance of members of their extended families (i.e. mother, mother-in-law, parents) when it came to child care, about one-third still reported problems in coping with work schedules and household tasks.

Table 5.1. Trade union membership

Responses	Katunayake				Biyagama				Koggala				Total			
	Male		Female		Male		Female		Male		Female		Male		Female	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
No trade union	15	100.0	75	100.0	10	100.0	50	100.0	10	100.0	20[1]	95.0	35	100.0	144	99.3
	-	-	-	-	-	-	-	-	-	-	1	5.0	-	-	1	0.7
Other workers' union:																
Yes	12	80.0	42	56.0	2	20.0	8	16.0	8	80.0	5	25.0	22	62.9	55	37.9
No	3	20.0	33	44.0	8	80.0	41	82.0	2	20.0	15	75.0	13	37.1	89	61.4
Not reported	-	-	-	-	-	-	1	2.0	-	-	-	-	-	-	1	0.7
Women's union:																
Yes	-	-	1	1.3	-	-	1	2.0	-	-	-	-	-	-	2	1.4
No	15	100.0	72	96.0	10	100.0	49	98.0	10	100.0	20	100.0	35	100.0	141	97.2
Not reported	-	-	2	2.7	-	-	-	-	-	-	-	-	-	-	2	1.4

[1] Includes one which was not reported.
Source: Data collected by researchers.

7. Aspirations and perceptions of workers

More than 80 per cent of workers in the three EPZs indicated that if it were possible they would leave their jobs to become self employed or to work in other occupations. Their sentiments in that regard may be attributed to the difficulties in getting leave, the long hours of work, low wages and health problems. Several respondents put forward suggestions for ameliorating working conditions. They called for wage increases, better facilities including accommodation as well as more leave entitlements and leisure time. They favoured the setting up of institutional arrangements such as a Board, on which the Department of Labour would be represented, to deal with problems affecting workers and the exercise of their rights. The decentralization of industrial locations was also seen as a way of circumventing the need for the concentration of large boarding houses in certain areas.

8. Employers' views

In an endeavour to present a balanced picture of the situation in the zones, 13 persons (eight men and five women) at management level were interviewed. Nine were from the Katunayake Zone and four from Biyagama. There were considerable difficulties in obtaining the opinions of those managers, nine of whom held senior positions and four of whom were middle-level managers.

The senior managers were generally satisfied with their jobs, had the possibility of changing to improve their career prospects and were relatively well paid. They worked long hours and under enormous pressure to meet production targets. They stated that trainees were given 156 days of training and promoted depending on their ability, efficiency, diligence and attendance record. A worker was classified as semi-skilled on completion of training and skilled workers could be promoted to positions of assistant supervisors, checkers or line leaders, if they had the necessary experience and leadership qualities. The highest level a trainee could reach in a company was the post of supervisor. Unskilled workers were promoted in very rare cases and their wages increased according to the number of years of service.

The managers considered the working conditions of factory workers to be satisfactory. An area of 400 cu.ft. of space per person was maintained in order to avoid overcrowding in factories and steps were taken to ensure that the proper temperature was kept in each workroom. Facilities were provided to remove fumes, dust and other hazardous pollutants from the workplace. The amenities, which included separate toilets for males and females, were considered to be adequate. In almost every company, workers were given two cups of plain tea and a daily subsidized lunch, while in a few establishments, tea with milk as well as lunch were provided free of charge.

The managers said that precautions were always taken to avoid industrial accidents and employees engaged in hazardous work were supplied with suitable protective devices (e.g. gloves, goggles and ear protectors). Joint labour-management consultative committees met regularly to discuss work-related matters, and those committees, on which the workers and management were equally represented, were deemed to be more effective than trade unions for dealing with labour-management issues.

While both men and women held positions as managers, supervisors, and factory

workers, the technical personnel were all men. There was the widepread view that the handling of heavy machinery was a man's job. Factory workers were predominantly female because it was felt that they were easier to manage and more disciplined. Male and female workers employed in the same category were always separated. As regards salaries and other benefits, the respondents were of the opinion that there was no discrimination against women.

The managers felt that the main problem was the inadequacy of housing for workers and the lack of child care facilities. They noted that 75 per cent of the workers were migrants, and that there were cases in which between 15 and 20 shared a sparsely furnished room from which the toilet and kitchen were detached.

The managing directors were of the opinion that day nurseries and hostels with at least the basic facilities should be provided by the government or any other authority. Apparently they did not consider the improvement of the living conditions of workers to be their responsibility.

In contrast, the personnel managers, many of whom were women, tended to have different perceptions of the problems and the possible solutions. They concurred that in view of the profitability of the companies concerned, working conditions could be improved. They recognized that in some companies, the essential protective gear such as masks and boots were often not provided.

According to the personnel managers, there had been cases of workers fainting because they either could not afford to have a good breakfast or had to leave home rather early to get to work on time. That had also contributed to accidents which could have otherwise been avoided. They were of the view that, in the interest of enhancing the efficiency of workers, companies should provide them with a nourishing breakfast and with lunch, as opposed to the bun and cup of tea with no milk which were given in most cases.

The respondents went on to state that they had often suggested to the general management that loans be made available to workers, since for example, a worker with eight years of service still earned about Rs.2,275.00 per month and a production bonus of about Rs.300.00. They argued that more attractive wages would serve as incentives for workers to improve their performance. It is worth stating that in a number of factories, rewards for increased levels of output were given to the supervisors and managerial staff. There was a consensus among the personnel managers on the need to improve pay and conditions of work and life, particularly with respect to women workers.

With regard to industrial relations, it was said that workers involved in a strike at the Katunayake zone were reportedly assaulted and arrested by the police, and subsequently dismissed without a proper inquiry.

At this point, it is worth mentioning that, following the dismissal of workers who had participated in a strike in March 1992 an organization was set up to look into the problems experienced by workers and to articulate their interests. It has also lodged complaints against what it considers to be the "pro-management activities" of the GCEC, labour officers and the police. Notwithstanding the lack of a place for holding regular meetings, the organization has been quite active. The demands which it has put forward include: the reinstatement of unfairly dismissed workers; payment of wages and allowances due to workers of a factory that has ceased operations; a minimum wage for all workers; free lunches for workers; improved occupational safety and health standards; elimination of compulsory overtime and night work; and the provision of accommodation, transport and medical services for workers.

While personnel managers generally made themselves available to discuss problems experienced by workers, there was from the interviews, evidence that a failure to identify and

resolve contentious issues at an early stage, did lead to labour disputes of the kind that had erupted in Katunayake.

Some managers strongly believed that qualified and competent counsellors should be employed in the zones, particularly since 90 per cent of the workers were away from their familiar environments and subject to many pressures. The lack of communication between workers and management was regarded as a source of discontent among workers. In fact, it was said that supervisors tended to block the flow of information to higher levels of management, with the result that conflicts between supervisors and workers appeared to involve management as a whole.

With respect to the minimum age of recruitment, it was said to be 18 years. The normal age of retirement was 55 years. Every worker was given a written contract of employment specifying the terms and conditions of service, the occupational category, the normal hours of work, rate of pay, period of training, leave and annual holiday entitlements.

In factories operating one shift, the normal working week consisted of nine hours, with one hour for meals. In factories, with two or three shifts, it was eight hours with an interval of half an hour for meals. While there were no restrictions on night work for males there were several regulations governing such work for women.

The middle-level management staff (production and export managers) appeared to be generally satisfied with their jobs. Both men and women were employed in those positions and they were all expected to put in long hours of work. They had opportunities for career advancement on the basis of their performance. None of them wished to comment on matters concerning working conditions or any other problems in the zones without having obtained prior permission from the senior managers. Their reticence may be seen as reflecting a fear of jeopardizing their careers and also their conviction that senior management was better able to determine the information that should be provided and that which could not be divulged to researchers.

Concluding remarks

The findings of the survey which covered a representative sample of men and women workers in the three EPZs confirmed those of previous studies of women workers in the Katunayake Zone. The majority of workers in the zones were young, unmarried women who were either secondary-school graduates or drop-outs. They generally came from low-income families. They predominated in the semi-skilled production jobs, while employers showed a preference for recruiting men to fill managerial and technical positions. Training was acquired mainly on the shop-floor. It was job-specific and there were very little prospects for the upgrading of skills and vertical mobility.

The vulnerability of production workers, particularly women, was reflected in their conditions of employment: excessively long working hours; wage disparities; lack of protection from exploitation and poor living conditions near the workplace.

Job satisfaction was found to be low. The fact that the views of top management on employment-related issues conflicted with those of certain other management staff whose perceptions were closer to those of the workers, attested to the lack of consensus on questions relating to the relationship between economic development and human development.

The research showed that the zones had opened new employment opportunities for women, giving them the chance to become wage-earners in the industrial sector. However, it was found that their conditions of employment had reinforced gender-based inequalities in the labour market. The findings had highlighted problems as regards workers' rights and the possibilities for women to play an important role in the development process on equal terms with men.

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Part three

Women workers in export processing zones: A review of selected studies

by

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Introduction

One of the salient features of export processing zones is the predominance of women in their workforce — approximately 88 per cent of factory workers and 10 per cent of executive or non-executive staff. Eighty-six per cent of those working in factories are between the ages of 16 and 26. The age, gender and preponderance of these workers have attracted considerable attention.

1. Research methodologies and issues

Researchers dealing with issues pertaining to workers in EPZs face many problems. There are barriers to access to enterprises in EPZs, difficulties in obtaining a representative sample and the reluctance of workers to answer questions. Various methodologies for overcoming these difficulties have had to be adopted. Interviews have been conducted with the assistance of contacts, followed by more in-depth interviews on selected questions. Information obtained by those means has been supplemented by interviews with the clergy, medical practitioners and trade unionists. The studies covered in this review have focused on various aspects of the experiences of women workers in EPZs. Their social background, the impact of paid employment on their relationships with their families, their standards of living, working and living conditions and social mobility are some of the issues which have been the subject of investigation over the years.

One of the earliest studies of women workers in the Katunayake EPZ was conducted by Ramanayake (1982) who used a sample of 5 per cent of production workers in non-supervisory grades. Where there was more than one shift in operation, workers on all shifts were included in the sample. Interviews were also carried out.

The study conducted by Voice of Women in 1983 was based on in-depth interviews with a sample of 100 women workers in the Katunayake EPZ — 80 from garment factories (31 from large factories, 32 from medium sized factories and 17 from small factories), and 20 from other enterprises. Of those, 14 were from "low prestige" factories and the other six were from non-garment factories. (Factories were designated as "low prestige" because of the dirty material they processed). That study also compared the working conditions of 17 other women in garment factories concentrated in the southern suburbs of Greater Colombo.

Sunil Bastian presented a collection of articles in 1984 in *Logos*, which dealt with the impact of foreign investment in Sri Lanka. Three aspects were highlighted — i.e. the relationship between the State and foreign capital; the relationship between local private and foreign capital and the relationship between foreign capital and women workers. Problems associated with the employment of women workers were given special emphasis.

Goonatilake and Goonesekere (1988) carried out a study using a sample of 100 female workers, 50 of whom were drawn from the Katunayake EPZ. The other 50 were from factories outside the zone. For that study, the researchers interviewed women workers in their residences and obtained comprehensive information which was rigorously checked for accuracy.

Weerasinghe's study (1989) looked at some complex problems pertaining to the employment of women workers in the Katunayake EPZ, while Hettiarachchi (1992) analyzed the position of women workers as a distinctive subgroup in Sri Lankan society. The data were collected as part of a fact-finding assignment for the former GCEC. The researcher examined conditions at the workplace and in the boarding houses as well as the problems created in the wider society by the unconventional life styles of those women.

Goonatilake's unpublished work (1987) looked at several facets of the life of women workers. She analyzed the job opportunities open to them in the light of rising unemployment and focused on the various social and economic problems which they faced.

Macro surveys have shown that the unemployment rate among women in Sri Lanka is quite high and that it more than doubled that of the rate for men in the last two decades. Women in the 20-29 year age group are the most severely affected, notwithstanding the fact that many of them have GCE certificates at the ordinary and in some cases, the advanced levels.

When EPZs were established in Sri Lanka they were expected to create jobs for educated persons. The research has shown that there was and still is a high demand for female labour and that enterprises in the zones have drawn heavily on the reserve of women of between 20 and 30 years old who can be easily trained.

Sunil Bastian (1984) argued that the EPZs were beneficial to the local capitalist class and that it was the primary reason for their establishment. He also pointed out that attractive economic incentives coupled with the ineffective enforcement of national labour laws have made it possible for foreign investors to recruit cheap female labour.

Type of employment

Researchers have identified four main categories of women workers in the zones in Sri Lanka — i.e. trainees, unskilled, semi-skilled and skilled workers. For a large number of them it was their first job and they had been given on-the-job training. The tasks were generally repetitive and monotonous assembly-type operations, which required manual adroitness but no special skills and knowledge. The majority of workers were employed as machine operators and a smaller number as packers, checkers, weavers and supervisors.

Most studies also noted the long hours of work, boredom and fatigue. The workers generally regarded their employment in the EPZs as a short-term measure to meet their need for an independent income and many expressed the hope of finding alternative employment after a few years.

Entry requirements

All the studies showed that young, unmarried females were generally preferred. Bastian (1984) even suggested that at the time of recruitment, workers were made to understand that marriage and child bearing would be a hindrance to their employment. It appeared that in the "low prestige" factories, single women comprised 71 per cent of the workforce, while in other non-garment and large garment factories, almost the entire workforce was made up of single women.

Age also seemed to be an important factor. According to one study (Voice of Women 1982), the "low prestige" non-garment factories tended to employ women between ages 16 to 25 who were likely to be in good health. Medical examinations were apparently conducted prior to recruitment to ensure that only those in good health were selected to carry out the hard work expected of them. Workers appeared to be retained only as long as they remained in good health and those who failed to do so were not given "permanent" status.

The educational level of the workers was found to be relatively high, with most having had at least ten years of schooling. Since the more "prestigious" factories tended to hire persons with sound educational qualifications, it can be assumed that that constituted a critical consideration for recruitment. However, another study (Bastian, 1984) suggested that a high level of education was not a stated requirement, but that most employers preferred educated workers because they associated the capacity for hard work, perseverance, ability to perform repetitive tasks, respect for authority and discipline, with education.

In the "low prestige" factories, the work was described as monotonous and labour-intensive, with difficult working conditions in certain factories (e.g. those producing fishing gear). In the garment and other factories the women held mainly semi-skilled jobs. According to the "Voice of Women" study, only women would agree to carry out such monotonous work. It was also argued that female labour was the cheapest factor of production and that was a reflection of the "socially devalued" role of women.

Researchers were not in agreement with regard to the skills necessary for getting a job in an EPZ. While one study (Voice of Women, 1982) saw little importance in the level of the skills needed, another (Bastian, 1984) suggested that most of the jobs seemed to require a certain skill by virtue of the need for concentration and precision in carrying out the tasks.

According to Bastian (1984), between 30 and 40 per cent of the workers had had some form of training before coming to work in the EPZ. That training was usually of one to three months' duration. The study by Remanayake (1982) which was based on a sample of 734 workers, showed that only 14 per cent had previous work experience, while Goonatilake and Goonasekera (1988) using an example of 50 workers in EPZs and 50 from other factories, found that 18 per cent of the sample had undergone some training before recruitment.

Ramanayake's (1982) claim that women in the zones were exploited, was reiterated in the other studies. Amenability to discipline and control seemed to be highly valued and it was concluded that, as the majority of the workers were school leavers with no work experience, employers could more easily impose their rules.

In sum, it was found that no special skills were required for entry to jobs in the EPZs. Age, good health and an unmarried status seemed to be the critical factors for entry. However, educational levels and basic skills were an advantage for certain jobs. In some cases political patronage also appeared to be important for obtaining employment in the zones. It was reported that while many employers complained of political interference, they were not in a position to reject the demands of the politicians. In principle, however, employees were said to have been recruited from among those registered with the former GCEC.

2. Terms of employment and working conditions

Recruitment

According to official policy, candidates for jobs in EPZs should be drawn from among persons registered with the former GCEC. However, the research had shown that only a very small proportion of the workforce was recruited through that channel. There was no evidence that workers were tested to determine their suitability for a particular job. In Ramanayake's study, 58 per cent of the sample stated that they were recruited by direct selection. In fact, such recruitment was at the request of influential individuals. In another study (Goonetileke 1987), 71.7 per cent said that they had obtained their jobs with the assistance of politicians. Weerasinghe (1989) also mentioned the importance of political patronage and that was substantiated by the findings of a 1992 study by Hettiaratchi.

Working conditions

Workers in EPZs carry out monotonous, repetitive tasks, often under exploitative conditions. De Silva, in a 1982 study, found that workers were recruited under informal and precarious conditions, with no letters of appointment. They were described as "frustrated and discontented", and "little better off than slaves". That study focused on a garment factory at Ekala which employed 700 persons. The working day was officially said to be from 8.00 a.m. to 4.30 p.m. with half an hour for lunch. However, the shift hours seemed to change haphazardly, overtime was compulsory and refusal to work extra hours was considered a good enough reason for dismissal. In that particular factory, 97 per cent of the workers were women who were called upon to perform tasks other than those related to their jobs. The cleaning of windows and polishing of floors were cited as examples. De Silva argued that a half an hour lunch break was most inadequate for an eight-hour shift working day. He further pointed out that the workers were subject to inhumane treatment, and were not even permitted to use the toilets during working hours.

Ramanyake (1982) also referred to the intensity of work and the long working week that exceeded the 40 hours which were the norm in industrial establishments in the organized sector. In his sample of 734 workers, 46 per cent worked more than 48 hours and in the case of some 17 per cent, it was about 55 hours.

Goonatilake (1987) paid particular attention to production targets. In that study, 54.4 per cent of the workers felt that the output expected of them was "reasonable", while according to some other studies, most workers felt that the targets were "excessive". Long hours of work, inadequate wages, boredom, fatigue and lack of freedom were the main complaints.

Similar findings were reported by Weerasinghe (1989) who cited the following problems: "unreasonable production norms, long working hours, compulsory overtime, inability to obtain leave, severe norms of punctuality, restrictions placed on even visiting the toilet, fines, punishment and humiliation, low pay, insecurity of employment, absence of basic working facilities and unscrupulousness of the administration...". There was the example of a woman worker who was given 119 seconds to fix a pair of sleeves on a hospital

cloak. Failure to meet the target meant that the worker had to remain after working hours to complete the task.

According to Hettiarachchi (1992), unrealistic production targets, frequent abuse and assaults from supervisors as well as occasional incidents of sexual harassment by male workers, supervisors or even managers, constituted major difficulties with which women workers had to cope on a daily basis. Since the majority of them were not given letters of appointment or contracts of employment, they were vulnerable to arbitrary dismissal. About half of them had no written statement about their salaries, hours of work or overtime rates. There was also very little evidence that the statutory provisions governing night work were being respected. The molestation of women returning home through dark alleys after having worked on night shifts, was also reported.

Few factories had any incentive schemes to motivate workers to be more productive and punctual. One study (Bastian, 1984) showed that of 18 factories, five had productivity-linked incentives and six had a bonus system. The workers confirmed that the space and lighting provided were adequate, and a smaller number expressed satisfaction with the food and canteen services. Some studies reported that in certain factories, the provision of amenities was a low priority. There was also evidence that employers were callous, seldom complied with national safety and health regulations and seldom respected those relating to the payment of accident benefits and other forms of relevant compensation. Since the workers concerned had no contract of employment there was no possibility of seeking legal solutions to the problem. Many studies revealed that management was very keen to prevent the formation of any type of workers' organization.

The foregoing research findings demonstrated that working conditions in EPZs were to a great extent, very harsh. Some researchers also noted that women were victims of violence, and on the whole, the women resented the attitude of management as well as the conditions under which they had to work.

Wages

There were diverse opinions as regards wages. According to Ramanayake (1987), there were little inter-company differences in the wages paid to production workers and the wages were based on the minimum stipulated by the former GCEC. However, that conclusion was not supported by other research findings.

Goonatilake and Goonasekera (1988) found that production workers were supposed to be paid Rs.685.00 per month upon recruitment and Rs.750.00 when they became permanent workers. However, the starting salary of Rs.685.00 was often continued even after the workers had acquired permanent status. In the "prestigious" factories, wage rates seemed to be higher. The researchers also pointed out that according to statistics published by the International Labour Office (ILO), wage rates in Sri Lanka were the lowest in Asia.

Weerasinghe (1989) categorically maintained that pay differed among companies in the EPZs and that there was no uniformity in the salary scales, incentives and bonus payments. She found that workers generally expected a pay increase once they changed from temporary to permanent status. However, since they were not given letters of appointment, they were ignorant of their real status. There was a marked difference between the salaries of office employees and factory workers, and salaries paid to women were generally much lower than those prescribed by the former GCEC. However, she concluded that the payment of low

wages was characteristic of all EPZs in developing countries.

The studies found that wage rates in EPZs in Sri Lanka were far below those in other developing countries and that they were not commensurate with the arduous tasks carried out by workers. Overtime pay varied from Rs.200.00 to Rs.500.00 per month and, according to Hettiarachchi (1992), it made up as much as 20 per cent of the take-home pay.

Another noteworthy feature that emerged from those studies was that there was a 27 per cent difference in the average wages paid to men and women. Weerasinghe (1989) reported that some female workers in the EPZs had denied that such differences existed. However, since unemployment among women was quite high in Sri Lanka, it was clear that those workers were willing to accept whatever wages they were paid.

Factories in the EPZs are expected to comply with the labour regulations regarding overtime rates. However, according to the research findings these have been reportedly violated in many cases. There have been many complaints about the non-payment of overtime wages, the absence of a fixed rate for computing overtime pay, inaccurate calculation of overtime wages and favouritism in the assignment of overtime duties. It was also alleged that some workers had been forced to work at night.

Sanctions

Workers were expected to respect the company regulations which were found to be strict. Failure to do so could result in their dismissal. The research showed that punishment was meted out in different forms for various offences. Fines, deductions from wages, humiliation and expulsion from the workplace were used to sanction workers, according to the research findings. In certain factories one day's absence from work required a medical certificate. The detention of workers after normal working hours in order to meet production targets without overtime payment, was one of the most common forms of punishment, another, was to be made to stand in front of the assembly line for a few hours. Workers were also subjected to ridicule and humiliation. For example, those caught dozing were reportedly made to run around the factory several times. Weerasinghe (1989) cited the case of a checker who failed to spot a defect in a garment and was made to stand at the front of the assembly line holding a placard on which the words "check me" were written. Goonatilake and Goonasekere (1988), stated that another form of punishment was to keep those who had failed to meet the daily production target in the "training centre" where they had to do strenuous physical exercises. In some factories, a series of lectures on "how to be good workers" were given.

Sexual harassment by male supervisors was also reported, and it was said that some supervisors, unknown to management, considered such harassment to be a form of "sanction". However, there was no evidence to support arguments that all the factories in EPZs resorted to the types of punishment described in the aforementioned studies.

Leave

According to the regulations, women workers were and still are entitled to 14 days' casual and 14 days' medical leave. Casual leave must not exceed three consecutive days at any given time, but medical leave in excess of such periods is possible as long as a medical

certificate is submitted. However, it has been found that many do not enjoy that entitlement and dismissal after three to four days off is not uncommon. Weerasinghe (1989) reported that women workers needed to have worked for 25 days in order to qualify for vacation leave in the following year, but that in some cases they were given leave only after having completed one and a half years of service. Some factories did not grant any leave even after two or three years of work, while others gave only four days out of the 14, and Christmas and New Year holidays were counted as part of the entitlement.

Goonatilake and Goonasekera (1988) as well as other researchers confirmed that workers could not take leave when they wished and not if it coincided with urgent production orders. According to Hettiarachchi (1992), the limited holidays available to workers made if difficult for them to visit their place of origin and that gave rise to certain social problems. Employers were said to flout the regulations with impunity. Even unpaid leave could only be taken after giving prior notice. Notification by telegram of the intention to take such leave was not accepted by management and it could result in dismissal. It must of course be noted that workers generally prefer not to take unpaid leave.

Benefits and promotions

Most of the women said that they did not get the fringe benefits to which they were entitled in accordance with the official policy. Also, promotions seemed to be rare, and most workers did not remain in the job long enough to qualify for "long service promotions".

The majority started as trainees and remained in that category for about one year before moving into the semi-skilled grade, while a few attained supervisory positions. Thereafter, upward mobility was very rare. Skills, good health, docility as well as satisfactory conduct and attendance were reported to be critical factors which were taken into account before a worker got promotion. Political patronage often played a key role in influencing mobility to supervisory levels.

As regards medical care, that was offered by some factories. Bastian (1984a) found that 79 per cent of the workforce in EPZs had some form of medical coverage while 67 per cent reported that the employer would bear expenses in cases of accidents suffered while on duty. However, in later studies, it was found that some factories did not even have basic first aid equipment (Goonetileke, 1987).

3. Training, skill development and further training

The relatively low-level skills that were needed to work in the zones could be acquired within a short period. Consequently, training was not of a long duration. On-the-job training was said to be approximately six months according to the regulations of the BOI. However, in some cases it went on for nine months. According to one study, new recruits were given on-the-job training for 156 working days with a daily wage of Rs.20.00 (Goonetileke and Goonesekera, 1988). For some however, the training period seemed to be "perpetual", and according to some sources, it was a strategy to keep workers on a low wage.

After completion of the training, garment factory workers moved into semi-skilled posts such as sewing machinists, ironing operators and section leaders. A rather small number moved into the higher grades of supervisors, designers or pattern makers. One study found that only 0.34 per cent of the workforce had the possibility of moving into the managerial or executive grades, while 1.75 per cent became white-collar workers. Very often, promotion to managerial positions did not mean the exercise of any authority at the decision-making level, and according to the aforementioned study, only ten women in those positions had any decision-making power.

Patronage was and remains an influential factor for vertical mobility. Those who cultivated close friendships with supervisory staff were said to have greater career opportunities, sometimes irrespective of their competence.

4. Occupational safety and health

Some workers in the garment industry complained of minor injuries to their fingers, while those involved in rubber processing reported burns to the face and hands, eye injuries and discomfort resulting from the unpleasant odour emanating from certain raw materials. Skin diseases, respiratory problems, laryngitis, asthma as well as pains in the joints, knees, shoulders and spine were also reported. Restrictions on the use of toilets during working hours were said to have provoked genito-urinary infections among many workers. Although those problems seemed to have existed from the day that the plants went into operation, no adequate measures had been taken to resolve them over the years. There were and still are no state-run hospitals or dispensaries in or near to the zones, and according to Goonetileke and Goonesekere (1988) only 13 per cent of the factories had a medical service and 60 per cent had a first-aid kit. It was also found that some employers were not disposed to paying compensation for occupational accidents.

The inadequacy of accommodation for women workers who had migrated from outlying districts to work in the zones, is well documented. Severe overcrowding and high rents for deplorable living quarters were identified as major problems in studies by Goonetileke (1987), Weerasinghe (1989) and Hettiarachchi (1992).

It was further argued that the sexual harassment to which some workers were reportedly subjected, their peculiar lifestyles as young women workers living away from home and the poor quality of the living quarters in which they were concentrated in areas surrounding the zones, had led to the ridicule and stigmatization of those women (Voice of Women, 1982; Weerasinghe, 1989; Hettiarachchi, 1992).

5. Trade unions and women's organizations

There are no trade unions in the zones and some workers seemed to have no idea of what trade unions could do for them. The absence of workers' organizations could be attributed to the fact that management was opposed to their formation and workers felt that to organize would not only be futile but could even result in their dismissal. Moreover, joint

consultative councils had been set up at the enterprise level to serve as channels for discussions between labour and management.

Notwithstanding those arrangements, one study (Bastian, 1984a) found that 65 per cent of the workers felt that they needed a trade union and some stated that they had no faith in the organizations that had been set up with assistance from management. They were of the view that the employers' interests as opposed to those of the workers would be better advanced by such organizations. In the absence of alternatives, the existing consultative councils were the only means of communicating with management and making known the concerns of workers. Some women's associations were also active in promoting the interests of females in EPZs.

Concluding remarks

The research has shown that women were prepared to subject themselves to difficult conditions of work and life in order to become wage-earners. For many, a considerable percentage of their monthly income was spent on accommodation near to the EPZs and earnings from overtime work made it possible for them to assist parents and siblings who depended on those remittances. According to Goonetileke and Goonesekera (1988), 14 per cent of the women surveyed gave all of their wages to the family and 70 per cent gave half. In some cases, those who lived at home handed their pay packet to their mothers, who in turn gave them an allowance to cover travel and other miscellaneous expenses. In the case of married workers, the financing of their children's education and the building or improvement of homes constituted priorities. Investing in jewellery for marriage in the future was identified as important for the unmarried women, while the saving of money for the setting up of a small business in the long term was another consideration that motivated some women, regardless of their marital status, to seek employment in the zones.

From the research findings it is undeniable that EPZs have provided employment opportunities for women in Sri Lanka and that the financial contribution of these workers to the support of their families is far from negligible. The possibilities for skill development and career advancement in those jobs are rather limited and conditions of work and life often unsatisfactory. It may therefore not be unreasonable to conclude that while the employment of women in the zones has contributed to the country's economic growth and has given them a critical role in the family, there has not been a significant overall improvement in their social and economic status.

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General conclusions

The major features of export processing zones are undoubtedly determined by the underlying factors that were responsible for their emergence and development. EPZs were set up as a result of rising labour costs in industrialized countries, coupled with the strategy of multinational enterprises to relocate labour-intensive production processes to developing countries with low-cost surplus labour. Those developments coincided with the efforts of some developing countries to adopt a strategy of export-led industrialization for accelerating economic growth and development. EPZs were introduced in East Asia in the 1960s and in south-east Asia and south Asia during the seventies and eighties, to create locational advantages which would attract foreign and local investment in export-oriented industries. The objectives were to stimulate economic growth, encourage investment capital inflows and expand employment opportunities.

In Sri Lanka, the economic liberalization measures adopted in the late 1970s and the promotion of export-oriented industrialization through the stabilization and structural adjustment programmes, set the stage for the establishment of the Katunayake EPZ near the capital, Colombo, in 1978. Subsequent emphasis on export promotion and industrialization provided the impetus for creating two more EPZs — one in Biyagama in the mid-1980s and another in Koggala in 1990. By virtue of the industrial expansion and growth that was taking place in south-east Asia, the newly industrializing countries (Republic of Korea, Taiwan, Hong Kong and Singapore) accounted for 42 per cent of the value of investment in the zones.

As is the case in EPZs in other countries, garment manufacturing is the main activity, especially in Katunayake and Koggala. In the Biyagama EPZ attempts have been made to diversify production by encouraging heavy industries. An important development over the years, is that the share of garment industries in the EPZs in Sri Lanka has been falling steadily — from 44 per cent in 1982 to 30 per cent in 1992. Unlike in many other zones in east and south-east asia, the scale of activities in the electronics industry began to grow only in the 1990s.

There is evidence that the EPZs have made a significant contribution to the process of industrialization in Sri Lanka. Foreign and local capital inflows have been stimulated and foreign exchange earnings have increased. The share of manufacturing in total exports rose from 14.3 per cent in 1978 to 60 per cent in 1992, thereby reducing the country's dependence on the traditional agricultural commodity exports. The share of exports from the zones in total industrial exports grew from 15.6 per cent in 1981 to 43.6 per cent in 1991. However, 96 per cent of the materials utilized were imported, which meant a reduction of potential foreign exchange earnings and little local input in the production process. Two major shortcomings of EPZs as agents of economic development have been the poor backward and forward linkages with the domestic economy and the negligible transfer of technology.

Job creation by EPZs has not lowered unemployment to the levels expected by the government. The rate of unemployment is still around 14 per cent and women make up almost one quarter of the unemployed. At the end of 1992, 104,643 persons had jobs in the EPZs and 48.2 per cent of those workers were in the garment industry. The research has shown that they were mainly from low-income families and that poverty and unemployment motivated them to seek jobs in the zones. Married and unmarried workers have been able to

contribute to the support of their families as a result of the job opportunities provided by the EPZs. Most of the jobs were and essentially still are, at the lower levels, with trainees, unskilled and semi-skilled workers constituting three-quarters of the workforce.

The demand was and still is largely for women who already comprise about 80 per cent of the total workforce in the zones. However, they are under-represented in executive positions where they make up only 17 per cent in contrast to their high profile (83 per cent) in unskilled and semi-skilled jobs. It may be concluded that the EPZs have reinforced existing gender divisions as well as disadvantages for women in the labour market. The enterprise-level research helped to shed light on inequalities in the treatment of staff in the zones and the shortcomings of the job-specific training that was given to workers.

While officials of the BOI and top-level management in the zones were convinced that the terms and conditions of employment specified in the official documents and labour legislation were being respected, the personnel managers and workers covered by the survey had a more realistic appreciation of prevailing labour conditions in the zones. The situation in the Sri Lankan EPZs differed little from those in EPZs in other countries (Joekes, 1987); (Elson and Pearson, 1981); (Heyzer, 1986); (Locheed, 1988) and (Hossain, Jahan and Sobhan, 1990). It was found that most workers, and especially women, did not have security of employment and support from independent trade unions. Working hours exceeded those stipulated in the labour regulations. Poor amenities, unsatisfactory conditions in lodgings, low wages, gender-related wage disparities, vulnerability to sexual harassment and abuse, and inadequate protection against occupational health hazards were other major sources of difficulties.

What then are the implications for the future? The Government's new industrialization strategy formulated in 1989 re-emphasizes the priority to be given to export-oriented industrialization, including the development of EPZs. Sri Lanka has set its sights on achieving the status of a newly industrializing country (NIC) by the year 2000 or by the turn of the twenty-first century. Consequently, efforts are being made to promote investment in the zones, to expand employment opportunities and to increase the value-added component by encouraging backward linkages through the establishment of textile mills to supply the apparel industry and the promotion of agro-based industries using local products. Export-oriented garment factories are also being set up outside the zones, in rural areas. It is apparent however, that NIC status cannot be achieved without substantial industrial restructuring, transfer of a higher level of technology and promotion of skill-intensive industries. The changes that are envisaged will undoubtedly provide a challenge to policy-makers, administrators and entrepreneurs.

It is likely that workers will be adversely affected by the increasing deregulation of the labour market in response to the demands of entrepreneurs. There is a rising demand for skilled labour to match the changing occupational profiles in skill-intensive industries. In the light of this development, the current practice of low-level, on-the-job training and the gender imbalances in vocational training programmes could contribute to the displacement of women from their "niche" which has been created by the reliance, so far, on the "comparative advantage" of low-cost female labour. In other words, the participation of women in the global economy has been and will most likely continue to be on unequal terms.

The EPZs are an outcome of inequalities among actors in the international economy and of pressures for policy reforms within the framework of structural adjustment programmes. Factory automation as well as protectionism in industrialized countries and in regional groupings have negative implications for future industrialization in Sri Lanka. It

remains to be seen whether the demands of the international labour market and national industrialization strategies will advance or undermine the rights and dignity of workers who make a critical contribution to the process of national development. The achievement of optimal results in terms of economic growth and the advancement and welfare of workers in the zones will depend on the extent to which national macroeconomic policies encourage investment and industrial expansion both within and outside EPZs. Another critical factor will be the extent to which there are policies which encourage the enforcement of labour legislation, gender equality in recruitment, training and all aspects of working life as well as the provision of adequate support structures and services by the State, or by workers' and women's organizations.