

Working Paper No. 46



International
Labour
Office
Geneva

Emerging trends in employee participation in Sri Lanka

Shyamali Ranaraja

January 2013

Industrial
and Employment
Relations
Department
(DIALOGUE)

ILO Regional
Office for Asia
and the Pacific

**Emerging trends in employee
participation in Sri Lanka**

Shyamali Ranaraja

**Industrial and Employment
Relations Department
International Labour Office • Geneva
January 2013**

Copyright © International Labour Organization 2013

First published 2013

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: pubdroit@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit www.ifro.org to find the reproduction rights organization in your country.

ILO Cataloguing in Publication Data

Ranaraja, Shyamali

Emerging trends in employee participation in Sri Lanka / Shyamali Ranaraja ; International Labour Office, Industrial and Employment Relations Department. - Geneva: ILO, 2013

DIALOGUE working paper ; ISSN 2226-7433 ; 2226-7840 (web pdf), No.46

International Labour Office; Industrial and Employment Relations Dept

workers participation / workers representation / collective bargaining / trade union / works council / Sri Lanka

13.06.7

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our web site: www.ilo.org/publns

Foreword

This paper is part of a series of national studies on employee participation practices in Asia undertaken within the research programme in the field of industrial relations in the region. This is linked to the ILO Global Product on supporting collective bargaining and sound industrial and employment relations, involving close collaboration between the Industrial and Employment Relations Department (DIALOGUE) at ILO headquarters, the ILO Regional Office for Asia and the Pacific, and the ILO Decent Work Team for South Asia. The national studies aim at analysing the degree of employee participation within the enterprise, the forms such participation has taken, the issues that have been its focus, and its impact on workers' rights, employment conditions and the economic efficiency of the enterprise.

Employee participation at workplace level facilitates better labour-management communication, prevents and absorbs disputes and helps to find solutions for both work- and production-related issues. It also has the potential to reflect the voices of those whose trade union representation tends to be either low or absent. Various employee participation practices can thus play a complementary role to promote collective bargaining and sound industrial relations, so long as they are not used as replacements for collective bargaining.

The paper examines various forms of employee participation, including those involving trade unions (e.g. collective bargaining, tripartite social dialogue) as well as others (e.g. employee councils) which have developed in Sri Lanka as a result of statutory obligations, informal mechanisms that emerged out of HR practices, and a shared view between workers and employers on the need to cooperate. The five case studies examined in the paper provide insight into ways of promoting meaningful employee participation depending on different needs and labour-management contexts, together with examples of trade unions and employee councils co-existing amicably. Although the paper notes that employers in the EPZs in Sri Lanka appear to encourage employee participation through employee councils or similar non-trade-union mechanisms, the two cases examined (Trelleborg Lanka and Agio Tobacco Processing Co.) show management having no difficulty in maintaining a healthy relationship with the trade union and achieving common goals through dialogue. The paper concludes by identifying the general lack of trust between employers and trade unions as a key challenge to promoting meaningful employee participation schemes and practices widely in the country.

DIALOGUE working papers are intended to encourage an exchange of ideas and are not final documents. The views expressed are the responsibility of the author and do not necessarily represent those of the ILO. We are grateful to Shyamali Ranaraja for undertaking the study, and commend it to all interested readers.

Yoshiteru Uramoto
Regional Director,
ILO Regional Office for
Asia and the Pacific

Moussa Oumarou
Director,
Industrial and
Employment Relations
Department

Contents

Foreword.....	iii
List of tables and figures.....	vi
Acknowledgements.....	vii
Abbreviations.....	viii
Introduction.....	1
1. Key economic and labour market factors.....	2
Main challenges for enterprises	4
1.1 Labour market developments	4
Main challenges of the labour market	8
Trade union membership.....	9
Strikes and work-stoppages.....	10
Issues of concern to employers	11
Issues of concern to employees and trade unions.....	11
2. Employee participation mechanisms in Sri Lanka.....	12
2.1 Participation through trade unions.....	13
Collective bargaining	14
2.2 Other forms of employee participation.....	15
Employee participation mechanisms in Sri Lanka, other than trade unions.....	16
2.3 Employee participation at national and industry level	17
Wages boards	17
3. Case studies on employee participation	19
3.1 Case study 1. Omega Line Ltd., Sandalankawa	19
3.2 Case study 2. Trelleborg Wheel Systems, Sapugaskanda	25
3.3 Case study 3. Agio Tobacco Processing Co.	30
3.4 Case study 4. Small Groups on Plantations belonging to Kahawatte Plantations, Nawalapitiya and Rathnapura.....	33
3.5 Conclusion.....	41
4. Policy implications for improving employee participation in Sri Lanka	41
Annex 1. BOI Guidelines on Employee Councils	43
Annex 2. Estate Workers' Housing Cooperative Society (EWHCS) as a tool for participatory management	56
Bibliography	61

List of tables and figures

Table 1.	(a) Value of Exports by sector (Rs. million) (2006-2010).....	5
Table 2.	(b) Percentage change (annual) in value of exports by sector (2007-2010)	5
Table 3.	Employee council and trade union activity in the EPZs	17
Table 4.	Principal indicators of industrial activity in sectors selected for this study (2008).....	19
Table 5.	Staff at Omega Line by category of work (June 2011).....	20
Table 6.	Organizational structure.....	21
Table 7.	Benefits provided to workers on plantations under KWPL management.....	36
Table 8.	Summary of employee participation mechanisms in the enterprises studied.....	40
Figure 1.	Contribution to growth (2005-2010).....	3
Figure 2.	Sectoral composition of GDP (2010).....	3
Figure 3.	Change in employment in key economic sectors (1963-2010).....	6
Figure 4.	Employment by economic sector (1992-2009).....	6
Figure 5.	Percentage distribution of employment status by gender (2010).....	7
Figure 6.	Labour force participation rate by age group and gender (2009)	7
Figure 7.	Unemployment rate by gender (1963, 1973, 1992–2010)	8
Figure 8.	Unemployment rate by age group and gender (2009).....	8
Figure 9.	Distribution of formal/informal sector employment (2009)	9
Figure 10.	No. of registered trade unions and annual membership (1996-2009).....	9
Figure 11.	Industrial harmony in Sri Lanka: Strikes and number of workers involved (1996-2009)	10
Figure 12.	Strikes by sector (plantation and non-plantation) (1996-2009)	10
Figure 13.	Kahawatte Plantations – organizational structure and employee numbers	35

Acknowledgements

This study would not have been possible without the whole-hearted support of the management teams of the organizations that are subjects of the case studies. Special thanks to Mr Kapila Wanniarachchi, Director, Human Resources, and Mr Felix Fernando, Managing Director, both of Omega Line; Mr Dian Gunathilake, Director, Human Resources at Trelleborg Lanka Ltd.; Mr Aruna Siriwardena, Managing Director, Ms Ranjani Bandara, Human Resources Manager, and Mr Hector Peiris, Production Manager, all of Agio Tobacco Co.; Mr Roshan Rajadurai, CEO, Kahawatte Plantations; Mr S. Ram, Human Resources Manager, KWPL; Mr Manoj Ramadas (EM, Ketaboola Estate), Mr Sujeewa Godage (EM, Endana Estate), Mr Jeevantha Senaratne (Senior Manager, Pelmadulla Estate), Mr Indika Weerakoon (EM, Hunuwella Estate), Mr Rolley Douglas (EM, Opatha Estate) and Mr Uditha Tennakoon (EM, Rilhena Estate) of KWPL. The sharing of their expertise and experiences was of immense benefit. Mr Sunil Wijesinghe, CEO, and Mr Sudharshana Wickramarachchi, Human Resources Manager, both of Dankotuwa Porcelain, were also very supportive of this study, and their willingness to share information is greatly appreciated.

Mr Kanishka Weerasinghe, Deputy Director General, Employers' Federation of Ceylon, readily initiated the process of obtaining the consent of the management teams to this study, and assisted at various times in networking and support. The technical assistance of Mr Ravi Samithadasa, ILO Colombo Office, and the guidance of Ms Marleen Rueda, Senior Worker Specialist, SRO Delhi, is much appreciated.

While grateful to all those who assisted in the preparation of this report, the researcher accepts sole responsibility for all statements and comments in the report and errors and omissions, if any.

Abbreviations

ADB	Asian Development Bank
BOI	Board of Investors
CWC	Ceylon Workers' Congress
EFC	Employers' Federation of Ceylon
EPZ	Export Processing Zone
FTZGSEU	Free Trade Zone and General Services Employees Union
ILO	International Labour Organization
KWPL	Kahawatta Plantations Ltd.
NWC	National Workers' Congress
NLAC	National Labour Advisory Council
RPC	Regional Plantation Company
IDA	Industrial Disputes Act

Introduction

The past decades have been marked by the transformation of a significant number of countries in the world from autocratic governments and centralized economies towards democratic political structures and liberalized economies. Industrial relations systems have contributed to this process by bringing democracy to the workplace, putting in place structures for employee participation, including collective bargaining. In the pluralistic democracies in Europe, employee participation has become a central feature of the industrial relations systems

In addition, the rapid development of human resource management has resulted in an expanded concept of employee involvement that is particularly linked to the increase in direct forms of employee participation, where individual employees are actively involved at various levels of organizational decision-making. Indirect participation is exercised through processes such as collective bargaining and elected representatives. The search by enterprises and companies in the highly competitive globalized economy for competitive advantages has been a significant driver for new models of partnership, creating not only direct participation forms, but also new alignments between trade unions and employees and employers.

The developed economies have a long history of effective employee participation models, albeit with different trajectories and outcomes. However, empirical research in this area for developing countries is scarce. This study is part of a research project intended to fill this gap by documenting and analyzing practices in Sri Lanka.

Objective

The study analyzes the employee participation forms which have developed in Sri Lanka as a result of statutory obligations, informal mechanisms that have emerged out of HR practices, a shared view between workers and employers on the need to cooperate or other such reasons.

Employee participation

For the purposes of this paper, employee participation will encompass a wide range of practices, potentially serving different interests. It will include:

- employee sharing schemes
- joint committees
- works councils
- workers' committees
- human resource management (HRM) and high commitment work practices
- employee empowerment
- team working
- partnership.

Although this approach does not lend itself to precise definitions, it allows for several participation structures to be included in the study. It will exclude collective bargaining.

Based primarily on case studies, the research will analyze, among other issues, the degree of involvement of workers' representatives and trade unions in decision-making in the enterprise, the forms that participation has taken, the subject matters that have been the

focus of employee participation, and the impact of workers' participation on workers' rights, employment conditions, and the economic efficiency of the enterprise.

Methodology

The research is based on five case studies, selected on the basis of a sound culture of worker participation. The main factor in the selection of companies was the openness of the management to participate in this study, and the willingness to share information and to provide for consultations with employee groups; other companies with different models of workplace cooperation were not willing to highlight the specific practices in a case study for various practical reasons. The participation of the five companies which were ultimately part of this study was made possible mainly due to the cooperation and encouragement of the Employers' Federation of Ceylon, of which all five companies are members.

A series of open-ended and semi-structured interviews was used to engage both HR professionals in selected companies and with workers' representatives and trade unions where appropriate. These interviews – developed in consultation with the ILO – form the basis of the study, and is supplemented by data from company annual reports, journals, inhouse publications, documents detailing collective agreements or other agreements concluded in the companies, and other published material. The visits to the companies also permitted a degree of observation of some of the employee participation mechanisms in operation. The methodology can thus be characterized as a multi-pronged.

Structure of the report

The next section contains an economic and labour market overview of Sri Lanka which provides the context for the case studies. Chapter 2 examines mechanisms for employee participation in Sri Lanka, with a brief review of key statutes which impact such mechanisms; Chapter 4 details the enterprise case studies, and Chapter 5 identifies emerging trends and their policy implications.

1. Key economic and labour market factors

Despite a civil war that lasted more than a quarter of a century (from 1983-2009), the Sri Lankan economy has been surprisingly resistant to internal and external changes, with growth in GDP averaging around five per cent in the past decade. Although GDP growth slowed to 3.5 per cent in 2009 due to the global recession and to the stagnation of some sections of economic activity resulting from the escalation of the conflict towards the end of the civil war, the economy recovered significantly thereafter to become a lower-middle income developing nation with a GDP of about \$50 billion in 2009; per capita income is approximately US\$2,400, among the highest in the South Asian region.

The economy grew at an impressive rate of eight per cent in 2010 (CBSL, 2011), the highest annual growth rate reported in the last three decades. This is a remarkable achievement given that 2010 marked the first full year after the end of the three-decade long civil war and demonstrates the potential for growth, especially in the north and east of the country which is emerging after social and economic isolation during the war.

Figure 1.
Contribution to growth (2005–2010)

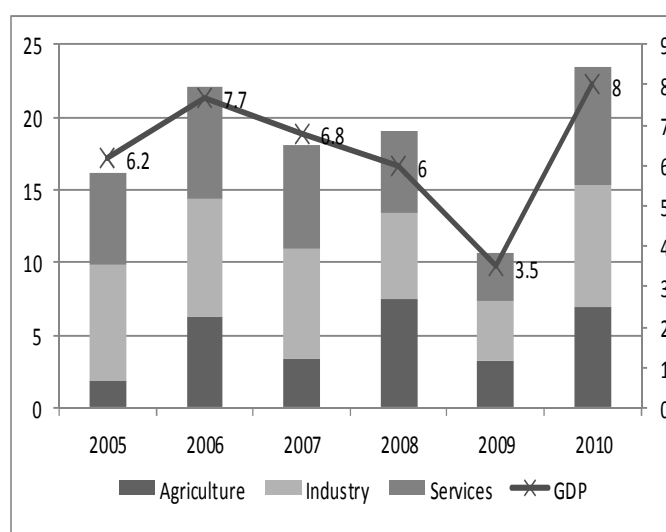
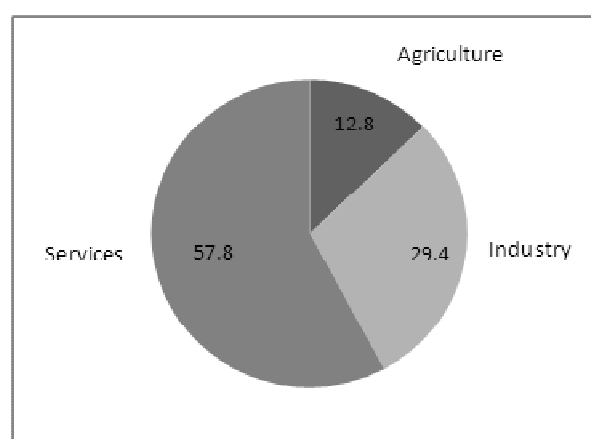


Figure 2.
Sectoral composition of GDP (2010)



Source: Annual Report (2011), Central Bank of Sri Lanka.

Sri Lanka has shifted away from the agrarian-led economy that prevailed in the years after it gained independence in 1948 from British colonization. Services account for nearly 60 per cent of GDP at present, and grew at a rate of 7.6 per cent, driven by growth in leisure and tourism, according to the most recent data. However, with the liberalization of the economy in the late 1970s industry has maintained a steady growth rate and attracts much of the foreign investment in Sri Lanka, due to the availability of skilled and reasonably low-cost labour. The enterprises studied in this report include plantations engaged in cultivation that produce the country's most renowned agricultural exports; the rest are industrial enterprises.

Despite losing the EU's Generalised System of Preferences (GSP) Plus trade benefit due to concerns of human rights violations, Sri Lanka's exports grew by about 13 per cent in 2010. Imports grew by about 35 per cent, resulting in a trade deficit of US\$5.7 billion. Remittances from migrant workers, at around US\$4.1 billion, are Sri Lanka's largest source of foreign exchange and have helped to offset the trade deficit. The apparel sector continued to dominate export earnings, with tea exports being the second highest export earner.

Main challenges for enterprises

Inadequate power supply, road network, transport systems, urban infrastructure and lack of port and aviation facilities have been identified as key obstacles to growth in enterprises and attracting sufficient private investment to achieve national development goals (World Bank, 2005). Although the 10-year development plan of the Government, the “Mahinda Chintana”, emphasizes the need to improve the business environment, significant impediments to investment and enterprise growth have persisted in Sri Lanka. The World Bank’s Doing Business 2011 report ranks Sri Lanka at 102 out of 183 economies, and identifies the need to eliminate red tape, strengthen regulatory institutions, build human resources capacity, and simplify procedures as major challenges for Sri Lanka in improving the business environment.

Other factors which impede enterprise growth have been identified as workers’ declining English language skills, inflexible labour laws, and an unreliable court system. Sri Lanka boasts a 90 per cent literacy rate in the local Sinhala and Tamil languages, but English, which was once widely spoken, is now far less prevalent; the mismatch in the skills acquired by the labour force vis-à-vis those needed by the labour market has emerged as a critical challenge. Sri Lanka’s labour laws include many protections, but can make it nearly impossible for companies to lay off workers even when market conditions fully warrant doing so. The cost of dismissing an employee in Sri Lanka is, percentage-wise, one of the highest in the world (Holzman, Robert, et al, 2011).

The judicial and legal system of Sri Lanka has also been criticized due to delays involved, as the adversarial procedure makes it possible for one side in a dispute to prolong cases indefinitely, and does not encourage mediation or non-judicial dispute resolution. Aggrieved investors (especially those dealing with the government on projects) have frequently pursued out-of-court settlements, in hopes of speedier resolution.

1.1 Labour market developments

The labour market in Sri Lanka has been gradually shifting away from agriculture to services, with a considerable expansion in industry. Currently, less than one third of the labour force is engaged in agriculture (Figures 1 and 2), reducing from more than half since independence in 1948. The movement of labour away from agriculture has had a significant impact on the Plantation industry. In fact, employee participation mechanisms in the two plantations studied for the current paper evolved mainly to attract and retain sufficient workers in this labour intensive industry.

Table 1.
(a) Value of Exports by sector (Rs. million)
(2006–2010)

Year	Industrial exports					Agricultural exports						
	Total	Garments	Yarn and other textile items	Petroleum products	Other	Tea	Rubber	Coconut	Other	Gems	Other	Total
2006	562 450	303 263	17 566	19 580	32 440	91 667	9 674	12 898	20 242			716 579
2007	660 389	347 670	21 793	18 693	38 588	113 565	12 089	15 636	25 655	11 665	6 684	845 683
2008	667 187	355 995	20 030	27 551	45 328	137 600	13 538	18 532	31 069	8 260	2 312	878 499
2009	609 513	358 374	17 772	15 484	36 383	136 171	11 327	19 091	27 616	7 912	2 280	813 911
2010	696 653	374 041	21 362	24 403	36 343	155 376	19 256	19 593	36 361	7 945	2 526	937 737

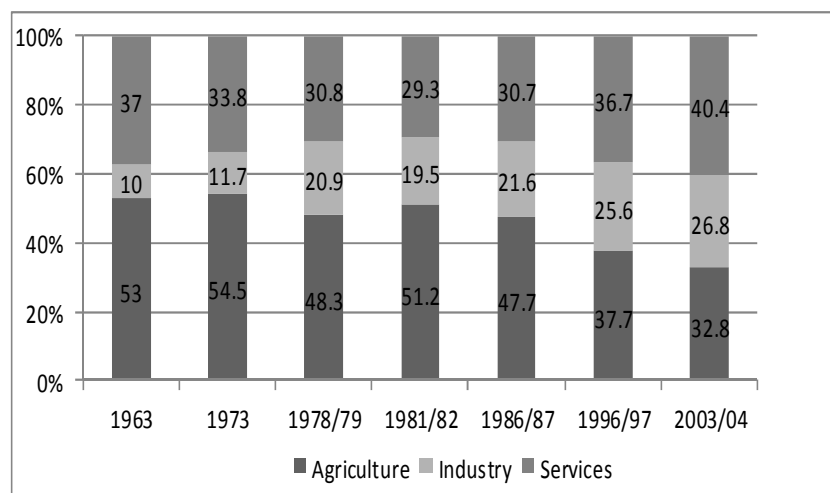
Source: Annual Report (2010) of the Central Bank of Sri Lanka

Table 2.
(b) Percentage change (annual) in value of exports by sector
(2007–2010)

Year	Industrial exports					Agricultural exports						
	Total	Garments	Yarn and other textile items	Petroleum products	Other	Tea	Rubber	Coconut	Other	Gems	Other	Total
2007	17	1	24	-5	19	24	25	21	27			18
2008	1	2	-8	47	17	21	12	19	21	-29	-65	4
2009	-9	1	-11	-44	-20	-1	-16	3	-11	-4	-1	-7
2010	14	4	20	58	0	14	70	3	32	0	11	15

Source: Own computation based on data from Annual Report (2010) of the Central Bank of Sri Lanka

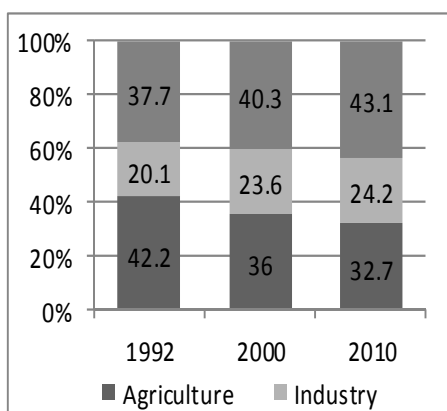
Figure 3.
Change in employment in key economic sectors (1963–2010)



Note: All data is as recorded in the relevant Consumer Finance and Socio Economic Surveys of the Central Bank of Sri Lanka. Data from the Northern and Eastern Provinces is not included.

Source: Compiled from Annual Reports of the Central Bank of Sri Lanka

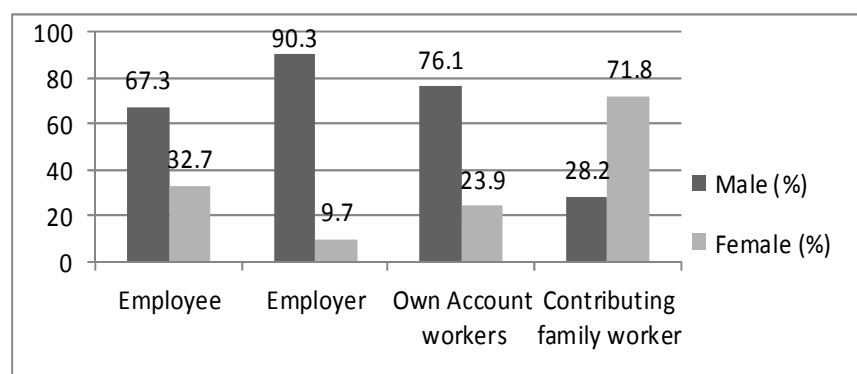
Figure 4.
Employment by economic sector (1992–2009)



Source: Annual Labour Force Survey (2011), Department of Census and Statistics

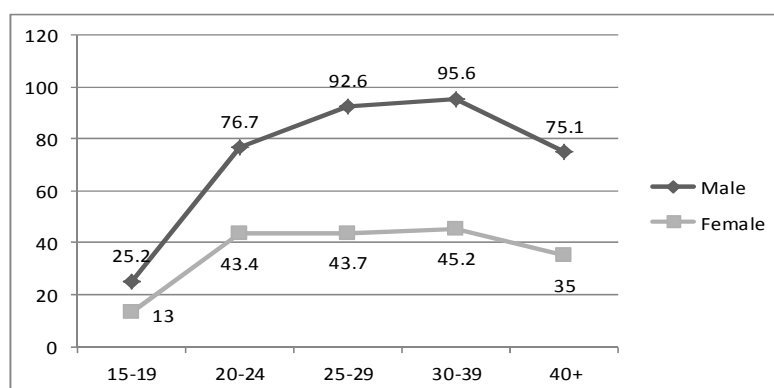
Despite making up a third of the labour force, more women continue to be employed as contributing family workers or as own account workers, rather than as wage earners, or employers (Figure 3). Women do not participate in the labour force as wage earners in large numbers, and may remain invisible in the type of occupations that they engage in, such as in unpaid economic contributions on family small holdings (Figure 4). This explains to some extent the low levels of labour force participation for women in Sri Lanka.

Figure 5.
Percentage distribution of employment status by gender (2010)



Source: Bulletin of the Annual Labour Force Survey (2010), Department of Census and Statistics

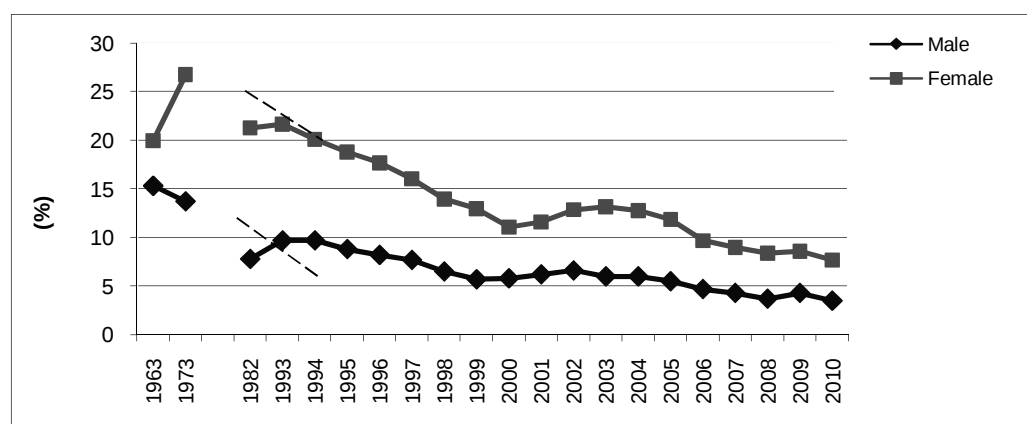
Figure 6.
Labour force participation rate by age group and gender (2009, %)



Source: Bulletin of the Annual Labour Force Survey (2010), Department of Census and Statistics.

Although unemployment among men and women decreased rapidly, especially after the adoption of liberal market policies in the late 1970's unemployment rate for women (Figure 5) remains at nearly double the rate for men as a large proportion of women do not appear in the labour force as wage earners.

Figure 7.
Unemployment rate by gender (1963, 1973, 1992–2010)

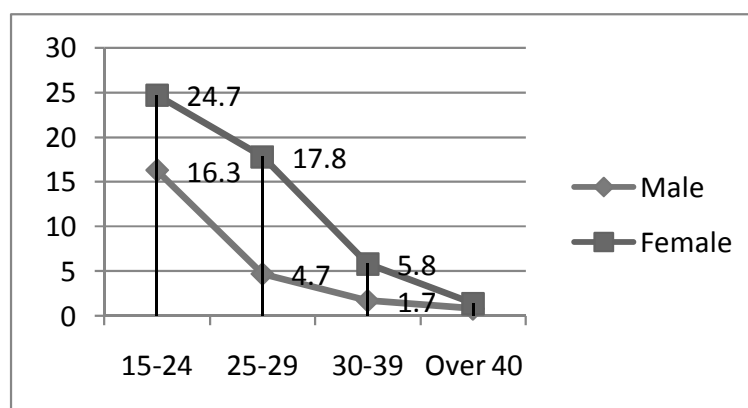


Source: Annual Report of the Central Bank of Sri Lanka (2010.) Data from 2005 excludes Northern and Eastern Provinces

Main challenges of the labour market

Unemployment among youth, particularly among females in the labour market entrant (15-24) and high productivity age group (25-29) categories is uncomfortably high (see figure 8).

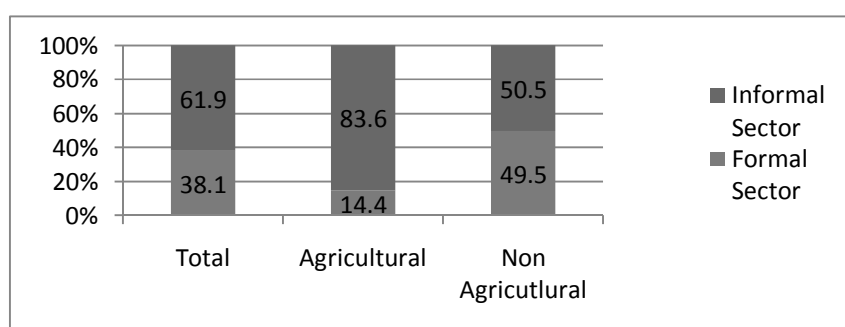
Figure 8.
Unemployment rate by age group and gender
(% of labour force, 2009)



Source: Annual Labour Force Survey (2009), Department of Census and Statistics

Persistent, and in fact, increasing, informality of employment is also an issue that poses a challenge to providing qualitative employment. Based on information collected on registration of organizations, their account keeping practices and number of regular employees the size of the informal sector both in total, and by sector is startling.

Figure 9.
Distribution of formal/informal sector employment (2009)



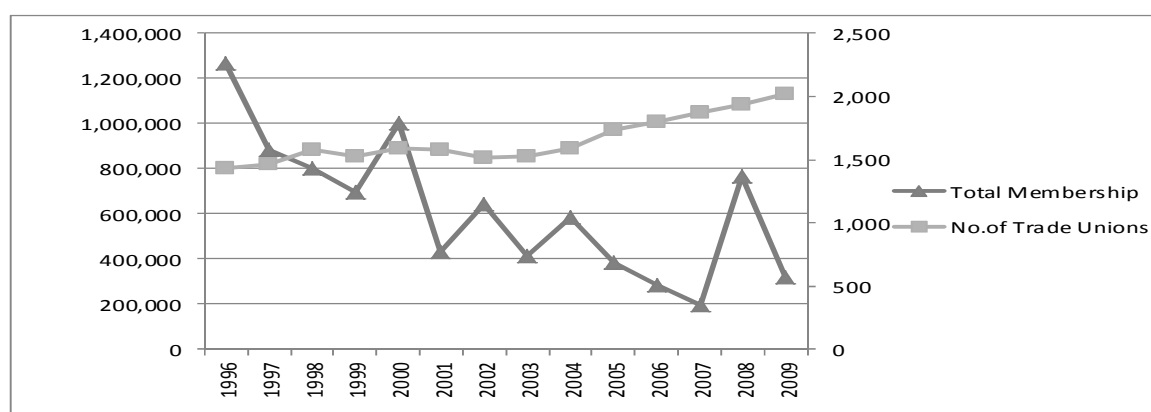
Source: Annual Labour Force Survey (2009), Department of Census and Statistics

Over 50 per cent of the male and female labour force is employed in the informal sector. This high degree of informality of employment has had an impact on the ability of workers to organize and to form and join trade unions and in Sri Lanka, there are very few workers' organizations in the informal sector (Perera, 2002).

Trade union membership

Membership in trade unions has been declining steadily over time, and it is estimated that only about 15 per cent of wage-earners are members of a trade union. On the other hand, the number of trade unions have increased, pointing to the possibility of a movement away from large national level unions to smaller, more enterprise based trade union. Although the Trade Union Ordinance requires trade unions to submit annual statements setting out their membership, it has been found that this is observed only in the breach. In addition, there is reason to believe that some of the data may be incorrect or inflated,¹ which explains the fluctuations in reported membership in trade unions. Such marked changes in levels of membership year-on-year cannot be attributed to any other socio-economic or political factors.

Figure 10.
No. of registered trade unions and annual membership (1996–2009)



Source: compiled from data from the Department of Labour, www.labourdept.gov.lk

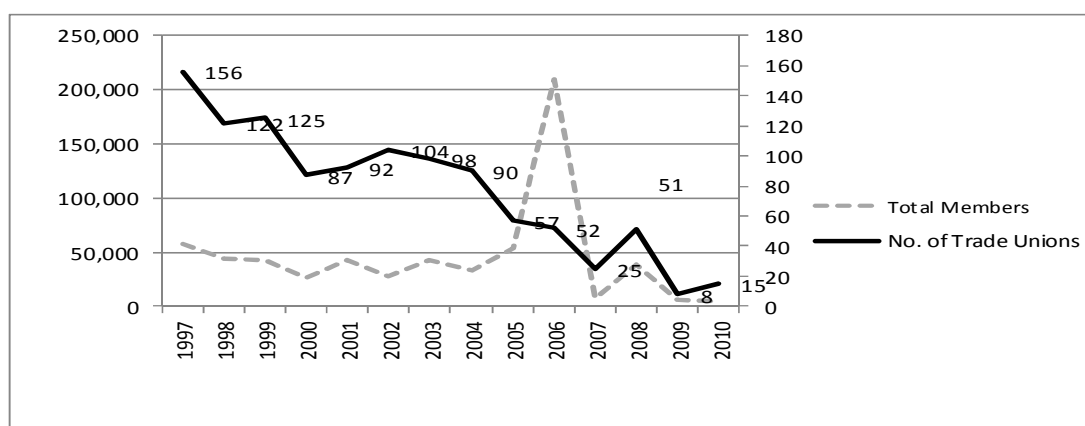
¹ E.F.G. Amerasinghe: *Employee Relation and Industrial Law* (Employers' Federation of Ceylon, Colombo, 1999)..

The requirement of only seven members for registration (see Chapter 3) makes such smaller unions possible. Also, fragmentation of established trade unions may result in case of any dispute amongst members and this can lead to the registration of a new union by them.

Strikes and work-stoppages

It is also seen that the number of strikes and the number of workers participating in such strikes decreased steadily from 1996 to 2009. The number of person-days lost also reduced from 388,917 in 1996 to 7665 in 2009 (Figure 2).

Figure 11.
Industrial harmony in Sri Lanka: Strikes and number of workers involved
(1996–2009)

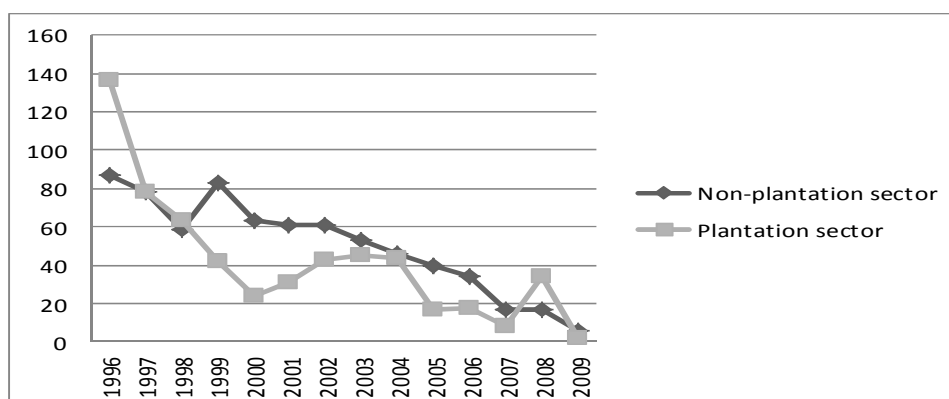


Note: The number of strikes shown against each year relates to the number of strikes that ended during the year. Strikes involving less than 5 workers or lasting less than one day are excluded from the statistics except in cases where, the aggregate number of person days lost exceeds 50.

Source: Compiled from data from the Department of Labour, www.labourdept.gov.lk

This is attributed to an improving social dialogue environment and a more effective system of resolution of industrial disputes by the Department of Labour (Amerasinghe, 2008). Similarly, the once turbulent plantation sector experienced only two strikes in 2009 (amounting to 300 person days), from a high of 137 strikes in 1996 alone.

Figure 12.
Strikes by sector, plantation and non-plantation (1996–2009)



Source: Compiled from data from the Department of Labour, www.labourdept.gov.lk

In the plantations, disputes have often been resolved without the trade unions resorting to strikes or similar actions. It is attributed to the fact that several representatives of the largest trade unions in the plantation sector have been appointed as Ministers in the

various Governments since the mid-1990s who were able to expedite and influence dispute resolution.

Issues of concern to employers

Mr Ravi Peiris, Director General of the Employers' Federation of Ceylon, the sole organization representing employers in Sri Lanka, was of the opinion that industrial relations issues cannot be resolved only through regulating employment, and that the focus needed to be on enhancing relations at the workplace.² Often policymakers had been too quick to introduce new laws whenever a problem arose with regard to labour and employment, and this had somehow led to the belief that employment security was guaranteed through these laws without further need for positive relations at the workplace, he said adding that employees and prospective employees often did not feel the need to upgrade their skills to match the needs of the labour market.

Issues of concern to employees and trade unions³

Mr Rasideen, General Secretary of the National Association for Trade Union Research and Education (NATURE) said the trade unions were currently up in arms against government's plans to overhaul the labour laws, particularly in the special investment and export processing zones (EPZs). The government is also more interested in promoting a separate set of labour guidelines for special investment and export processing zones to deal with industrial relations issues the EPZs. This, the unions felt, was being done to ensure that foreign investors' demand for "docile" labour are met. Decline in the enforcement of labour standards was also resulting in labour unrest, Mr Rasideen said. Mr Leslie Devendra, General Secretary of the Sri Lanka Nidahas Sevaka Sangamaya, was of the view that although employers sought flexible laws citing the need to increase productivity and competitiveness, trade unions in Sri Lanka have already made sufficient concessions to this need by accepting the amendments proposed to the TEWA Act in 2002 (which provided for the calculation of compensation on severance based on a published formula) and accepting to remove the restriction on night work for women.

He also identified the following issues as being of particular concern to trade unions:

- the failure of the government to implement in law and practice ILO core conventions already ratified by Sri Lanka more particularly, conventions No.87 and No.98;
- the impact on Sri Lanka of the global economic crisis as some 50,000 jobs have been affected;
- the multiplicity of unions due to the ease of registering trade unions, poaching of members from rival unions and continued disunity in the trade union movement;
- the increasing policy of employers of dealing directly with workers and not with unions;
- the increase in the use of contract labour, temporary employment, out-sourcing, casualization, and recruitment through labour contractors have all made union organization that much more difficult;
- the difficulty in organizing workers engaged in the informal sector;

The inability of the Government to enforce freedom of association in the Export Processing Zones (EPZs) was cited as the single most pressing issue by Mr Anton Marcus,

² "Managing employer-employee relations in a competitive business environment", <http://sundaytimes.lk/120108/BusinessTimes/bt10.html>, and in informal discussions for a previous study on the application in Sri Lanka of Conventions 87 and 98 in June 2010.

³ Partly based on interviews/discussions conducted in May-June 2010 for a previous study on the application of ILO Conventions 87 and 98.

General Secretary of the Free Trade Zone and General Services Employees' Union (FTZGSEU). He said the widespread creation of management-controlled "Employees' Councils" in factories in the EPZ were the main problem. Although the Board of Investment's (BOI) argument was that Employees' Councils were evidence that freedom of association and collective bargaining were respected in the EPZs, it was the management that chose most Employees' Council representatives and stacked the councils with supervisors and office-based (rather than shop floor) workers. Also, it was the management that set the schedules and agendas for meetings and thus limited the discussions to marginal workplace issues, avoiding issues of wages, hours and most other conditions of work. Managements often refused to bargain with a start-up trade union on the basis of low membership preferring to bargain directly with the Employees' Council.. In other cases, management offered benefits to workers' council members if they did not join the union, or threatened members of the workers' councils if they did.⁴

These observations indicate that although trade unions and employers recognize that labour law reforms were needed, their views on the nature and extent of such reforms are diametrically opposed. This, and the recurrent inference that employers are generally 'anti-union' in their approach, is likely to be the result of the trade union movements' historical role in the independence movement in Sri Lanka, where the struggle with the largely colonial employers for workers' rights predated the struggle for independence. This adversarial relationship had prevented employers and trade unions from recognizing that they were stakeholders in the same process.

Amerasinghe (2008) notes that "the rigidity of [labour law in Sri Lanka] led to many employers seeking closer relations with workers in order to attain levels of competitiveness so necessary for their survival. Some relationships helped workers enjoy better benefits since management wished to motivate more efficiency through reward schemes. Others induced permanent workers to look after themselves and ignore issues which should have concerned them, such as the use of labour contractors and casual workers for regular work on the basis that if the permanent workforce was kept thin they could enjoy greater monetary rewards." It is possible that new mechanisms may emerge for direct employee participation as a result of the inability of the traditional industrial relations system to enable enterprises to adapt to changing environments.

Identifying the employee participation mechanisms that have emerged in Sri Lanka in the recent past was therefore important as it could lead to a more productive industrial relations environment based on a participatory approach between employers and trade unions to industry issues.

2. Employee participation mechanisms in Sri Lanka

Employee participation mechanisms in Sri Lanka are based on a framework of legislation which firstly, requires formal registration of a trade union or workers' organization to be able to represent the employees who are members of that union; Other aspects such as the right to be recognized by the employer as a bargaining agent, the qualifying limits of membership for recognition, the liability of the employer once a trade union is recognized as a bargaining agent, etc., are also determined by law. While this emphasis on legislating to ensure rights has emerged as a result of the adversarial relationship between trade unions and employers inherited from Sri Lanka's colonial past and struggle for independence, But legislation alone has not succeeded in creating a better industrial environment as is evident from the views of trade unionists and employer representatives interviewed for this paper.

⁴ See also petition to remove Sri Lanka from the list of eligible beneficiary developing countries pursuant to 19 usc 2462(d) of the Generalized System Of Preferences (GSP) Filed by AFL – CIO, www.naturesl.lk

The Government has been criticized by trade unions for failing to enforce the laws that were intended to provide for compulsory recognition of trade unions. Employers, on the other hand, say that recognition of trade unions and collective bargaining are essentially based on trust and amicable relationship between parties, and that the attempts to compel such recognition would only lead to further acrimony and hostility towards trade unions.

The process of employee participation in the workplace has traditionally taken place in Sri Lanka through the formation of trade unions. In Sri Lanka, trade unions have been linked with the struggle for independence, and even today are viewed as adversaries, vis-à-vis the employer and to some extent, the political process.⁵

Legislative provisions that regulate trade unions in Sri Lanka apply to the private sector, state-owned commercial enterprises and public companies, public corporations and statutory boards or authorities. However, they do not apply to trade unions of employees of central and local governments (ministries and government departments), which are governed by the Establishments Code, the Cabinet and ministerial decisions issued from time to time.

2.1 Participation through trade unions

In order to bargain with the employer on behalf of its members or to be recognized for bargaining purposes, Sri Lankan legislation requires that a trade union must be registered as such with the relevant authority. The Trade Unions Ordinance No. 14 of 1935 makes the registration of trade unions a pre-requisite to exercise rights granted under the Trade Unions Ordinance (TUO). A trade union is required to register under this statute to qualify for the privileges and immunities available under the Act and can do so with an initial membership of seven workers. While employees may exercise the freedom of association by joining any organization, in order to interact with employers on issues related to employment such an association must be registered as a trade union.

A “trade union” is defined as being “any association or combination of workmen or employers, whether temporary or permanent, formed with the objective of (a) the regulation of relations between workmen and employers, or between workmen and workmen or between employers and employers; or (b) the imposing of restrictive conditions on the conduct of any trade or business; or (c) the representation of either workmen or employers in trade disputes; or (d) the promotion or organization or financing of strikes or lock-outs.

This provision is especially significant as ‘any association’ or ‘combination’ of workmen can be defined as a trade union and may register as a trade union in order to exercise the rights and privileges granted under the TUO. This enables any type of workers’ organization, whether Workers’ Council, Joint Consultative Committee, or any other such association to register as a trade union under the TUO, provided that one or more of the stated objectives are contained in its rules of association.

A “workman” is defined as any person who has entered into or works under a contract with an employer in any capacity, whether the contract is express or implied, oral or in writing, and whether it is a contract of service or of apprenticeship, or a contract personally to execute any work or labour and includes any person ordinarily employed under any such contract, whether such person is or is not in employment at any particular time.

Thus, even workers who are not in employment or whose services have been terminated, apprentices or probationers, and a worker who does not have a written contract with the employer may form or join a workers’ organization; there is also no restriction that the workers must be employed in the same trade or business, or with the same

⁵ R. Gunathilaka (2001), and A. Sivananthiran, C.S. Venkata Ratnam (2003).

employer, and thus, workers employed under many employers or many types of contract may become members of the same workers' organization. A workers' organization may also seek registration under the Trade Unions Ordinance as a trade union, thus enjoying the same bargaining status and rights, privileges and immunities before the law as do trade unions.

The Industrial Disputes Act No. 43 of 1950 ("ID Act") was introduced for the prevention, investigation and settlement of industrial disputes, and is the corner stone of labour administration in Sri Lanka. It applies to all workers and employers in the private sector, and is administered by the Commissioner General of Labour (CGL). An amendment to the ID Act in 1999⁶ the concept of unfair labour practice was established by statute, by making the non-recognition of a legitimate trade union by an employer a penal offence. The amendment makes it an unfair labour practice for any employer to prevent a worker from becoming a member of a legitimate trade union, or harassing a worker to withdraw from membership of a trade union; it is also an unfair labour practice for the employer to refuse to bargain with a trade union with 40 per cent of workers in a workplace in its membership.

The effect of this amendment is that any trade union having a membership of not less than 40 per cent of the workforce in any workplace must be recognized for bargaining purposes by the employer.⁷

Although this amendment was made to give effect to ILO Conventions Nos. 98 and 144, the ILO Committee of Experts on Freedom of Association has advised the Government that the threshold for recognition, 40 per cent, is unacceptably high by international standards, and has recommended that it be reduced. However, discussions with employers and the EFC indicate that any reduction of this limit is likely to be resisted by employers. Somewhat strangely, many of the larger trade unions also do not wish to see this limit reduced, perhaps due to the possibility of a multiplicity of trade unions being established in the same workplace, leading to a struggle to retain members.

Collective bargaining

A collective agreement is described in the ID Act as being an agreement between employer and workmen or trade union relating to the terms and conditions of employment of any workmen, or to the privileges, rights and duties of the employer, workmen or trade union, or the manner of settlement of any dispute.⁸ Significantly, Collective bargaining can take place without the presence of a trade union, which means that other forms of employee participation mechanisms could also use this provision to bargain with the employer.

The parties may submit a collective agreement to the Commissioner of Labour who shall cause the agreement to be published in the Government Gazette, provided that the Commissioner is satisfied that the terms of such agreement are no less favourable than those applicable to other workers in the same industry in that district. A collective agreement when published becomes enforceable and is binding on the parties unless it is repudiated as provided in the ID Act.

An average of 45 collective agreements are concluded every year, mostly by enterprises that are members of the EFC. According to Amerasinghe (2008) collective bargaining continues to be adversarial in nature, and outside of the EFC there is little or no collective bargaining. The EFC has been advocating a process of continuous dialogue even while collective agreement is pending, leading to a better understanding between parties, so that renegotiation of an agreement after its lapse becomes a less disruptive process.

⁶ Industrial Disputes (Amendment) Act, No. 56 of 1999.

⁷ Section 5.

⁸ Section 5.

2.2 Other form of employee participation

Trade unions have been given a pre-eminent position in Sri Lanka to represent workers at various levels, but there are other types of workers' organizations and representative bodies that have emerged for specific purposes.

A recent publication (Arrigo, G. and Casale, G. 2010) for the ILO, defined workers' (or employees') participation as *“any workplace process or mechanism that allows employees to exert some influence over their work and the conditions under which they work.”* It also states that this definition “includes a wide spectrum of practices from consultation of employees concerning aspects of the production process or workplace environment, to co-determination in decision-making by employee representatives, or even the supplanting of management to some extent by full workers' control (such as in cooperatives). Broadly speaking, formal processes for workers' participation can be divided into three approaches which may also co-exist in the same workplace:

- a) representative or indirect participation through employee representation (works councils, consultative committees, trade unions, and employee representatives on boards of management);
- b) direct participation, practiced face-to-face or individually between employees and managers or through teams, quality circles, and semi or fully autonomous work groups; and
- c) financial participation, through employee share-holding, encompasses different schemes under which employees can benefit from the organization's economic performance.”

The mechanisms, programmes and strategies for employee participation cited in the publication are many and include:

- Democratic management;
- Information sharing forums;
- Joint labour-management training programmes;
- Safety and health committees;
- Quality circles;
- Quality of work life programmes;
- Employee participation teams other than quality circles;
- Total quality management teams;
- Team based work structures with a variety of responsibilities;
- Gain-sharing and profit-sharing plans;
- Employee ownership programmes;
- Worker representation on corporate boards of directors;
- Survey feedback;
- Job enrichment or redesign initiatives;
- Union-management quality of work life committees;
- Mini-enterprise units;
- Self-managing work teams (autonomous work groups, semi-autonomous work groups, self-regulating work teams, or even simply work teams);
- Site-based management;

-
- Knowledge management programmes;
 - Business process re-engineering (but some do not consider this a participative mechanism);
 - Open-book management;
 - Theory Z.

Therefore, employee participation can clearly take many forms and arrangements, including formal and informal participation mechanisms at the workplace. Employee participation can be direct or indirect, and passive or active: it depends on the way it is built into an organization. Direct participation involves the employees themselves, whereas indirect participation takes place through intermediary employee representative bodies, such as workers' councils or trade unions.

Employee participation mechanisms in Sri Lanka, other than trade unions

The Greater Colombo Economic Commission, established in 1978 as a statutory body as the forerunner to the BOI, initially promoted the formation of Joint Consultative Councils (JCCs), and publicized these Councils as an alternative to trade unions, self-governed by employees. The Councils consisting of members nominated by the management and the workers, were required to meet monthly, and were intended to serve as a forum for workers' grievances and for in-house resolution of disputes. due to lack of organized support, The factory environment, which was very often authoritarian and intimidating, and the division between workers and supervisors on the factory floor discouraged workers from independently defending their interests. Besides, surveys have found that employee representatives who 'cooperated' were sometimes rewarded with more secure jobs and promotion. One survey found that because of the general reluctance of workers to represent others, supervisors sometimes were nominated as workers' representatives to the JCC.

The JCC was succeeded by the Workers' Council (WC) or Employees' Council (EC), and were creations of the BOI through its guidelines to investors, and had no legislative or statutory origin. The guidelines on the formation and operation of EC's (Annex 1) were recently amended in view of opposition by trade unions and workers' organizations (NATURE, 2009). Unionists point out that ECs had an advantage over the trade unions as these were funded by the employer, while the unions were dependent on membership dues. This consideration inevitably influences the choice of workers, especially as they are promoted as a substitute or alternative for trade unions.

A survey carried out in 1995 by the All Ceylon Federation of Free Trade Unions (cited in Peiris, S., 2001) found that more than 50 per cent of the employees who responded were not members of a WC, and 70 per cent of those who responded and who were members of a WC had not been required to vote to elect representatives. More than 70 per cent of those responded were interested in joining a trade union. Although no survey of employee interest has been carried out since then of the EPZs, discussions with unions and workers during the preparation of the current report reveal that a much larger percentage desire the creation of trade unions. At present, a few trade unions are active in the EPZs, the largest being the Free Trade Zone and General Services Employees' Union, and a few branches of this union have been recognized by various enterprises after its high-profile activism against anti-union discrimination.

The revised BOI guidelines do not reflect all the ILO recommendations made after reviewing the original guidelines. For example, it is the BOI that convenes the first meeting of the elected Council, and facilitates the conduct of elections, which makes it questionable as to whether the employees are in fact able to vote freely.

The data in Table 3 has been made available by the BOI on the activity of ECs and trade unions in the EPZs. Despite the high number of ECs indicated in the data, there is no

information on the manner in which such ECs have been constituted or the participatory model adopted in each EC. Enterprises where branches of national level trade unions have been established⁹ and recognized for the purpose of representing workers and for collective bargaining are indicated by the grant of check-off facility and these branch unions have been established as provided under the ID Act. One recognized trade union in the Biyagama EPZ, namely Workwear Lanka Employees' Council Union, is an EC that has been registered as a trade union and is not affiliated to any national level trade union.

Table 3.
Employee council and trade union activity in the EPZs

EPZ	Enterprises in operation	Total employed	No. of Employees' Councils in operation	No. of branch trade unions established	No. of trade unions with check off facility	No. of collective agreements signed
KEPZ	85	42 365	50	15	7	1
BEPZ	57	22 138	26	7	5	2
KgEPZ	21	11 195	11	2	2	2
MIP	3	1 381	-	-	-	-
KIP	11	6 445	5	-	-	-
HEPZ	11	1 761	5	3	3	1
SEPZ	28	20 473	17	-	-	-
WEPZ	17	7 900	6	1	-	-
MEPZ	8	2 543	2	-	-	-
MEPP	5	2 964	2	-	-	-
PEPZ	5	3 134	-	-	-	-
MWEPZ	7	4 836	5			
Total	258	127 135	129	28	17	6

Source: Industrial Relations Division, BOI, Sri Lanka ¹⁰

2.3 Employee participation at the national and industry level

Wages boards

The Wages Board Ordinance No. 27 1941 provides for the establishment of tripartite Wages Boards for the regulation of wages and working conditions in any trade or industry as deemed appropriate. Each Wages Board, chaired by the Commissioner of Labour or his nominee, determines minimum wage rates, maximum working hours, leave, holidays

⁹ National level trade unions with branch unions in the EPZs are: Free Trade Zone & General Services Worker Union, Inter Company Trade Union, National Workers Congress, Ceylon Mercantile Industrial & General Workers Union, and Commercial & Industrial Workers Union.

¹⁰ KEPZ - Katunayake EPZ, BEPZ - Biyagama EPZ, KgEPZ-Koggala EPZ, MIP- Mirijjawila Industrial Park, KIP - Kandy Industrial Park, HEPZ-Horana EPZ, SEPZ -Seethawaka EPZ, WEPZ-Wathupitiwala EPZ, MEPZ -Mirigama EPZ, MEPP- Malwatta Export Processing Park, PEPZ-Polgahawela EPZ, MwEPZ-Mawathagama EPZ

(including weekly, and public holidays) and overtime, and these are legally binding irrespective of the worker's employment status (whether casual or regular).¹¹

The Wages Board for a particular trade consists of an equal number of representatives of employers and workers in that trade appointed by the Minister in charge of the subject. The Minister may also appoint not more than three 'nominated members' who are neither employers nor workers, and are generally appointed from the Department of Labour. Since no mechanism has been provided to select nominees from amongst workers on a representative basis from any trade union and an apex body representing all trade unions in Sri Lanka has been absent such members are appointed through informal consultation with various trade unions active in a particular industry or trade group, or officials of the Department of Labour. Therefore, although there are worker members in a Wages Board for a particular trade, they are not elected by workers in that trade as their representatives.

Wages Boards may provide a forum for participation by employees at an industry or trade level due to its tripartite nature. However, since the members are nominated by the Minister, it is not representative of workers in that trade, but it does provide a platform for discussion of employee issues material to that trade. The weakness in the mechanism is that the worker members are not required to consult other workers or worker organizations in the particular trade or industry to discuss these issues though they are empowered to determine minimum wages and working conditions for all such workers.¹²

The decisions of Wages Boards also have implications for the matters which may be raised and discussed by workers' organizations or social dialogue mechanisms in workplaces: Since minimum wages and in some instances wage scales and increment rates are determined by the relevant Wages Board, employees may not have much scope for dialogue in some enterprises to discuss wage and related issues; issues of concern to employees such as leave, holidays, overtime, etc., may also be constrained by the decisions taken by Wages Boards even though the employees may have no accessible representation in the relevant Wages Board to raise their concerns.

The National Labour Advisory Council (NLAC) is a tripartite consultative mechanism established to provide for consultation and co-operation between the government and the organizations of workers and employers at the national level on matters relating to social and labour policies and international labour standards. It is administrative, and not statutory in origin, and due to its meetings being convened at the discretion of the Minister, at times it has become inactive and ineffective. At present, with about 12 representatives from employers, and 14 trade unions as members, with as many as two to three representatives from each trade union, and as many as 20 government officials nominated to the NLAC, it is unwieldy as a decision making body on national issues, and has become a forum for discussion, rather than for resolution, of employment related issues.

The objectives of the NLAC are:

- To promote social dialogue between the government and the organizations of workers and employers on social and labour issues.
- To provide a forum for the government to seek the views, advice and assistance of organizations of workers and employers on matters relating to social and labour policies, labour legislation and matters concerning the ratification, application and implementation of international labour standards.
- To promote mutual understanding and good relations and foster closer co-operation between the government and organizations of workers and employers with a view to developing the economy, improving conditions of work and raising standards of living.

¹¹ At present there are 43 tripartite Wages Boards in operation covering trades in the agricultural, manufacturing, industrial and service sectors.

¹² The four organizations which form part of this case study are covered by specific Wages Boards which are as follows: Omega Line: Wages Board for the Garment Manufacturing Trade; Trelleborg Lanka Ltd.: Wages Board for the Rubber (Including Tyre Manufacturing and Re-building), Plastic and Petroleum Resin Products Manufacturing Trade; Agio Tobacco: Wages Board for the Tobacco Trade; Kahawatte Plantations Ltd. Wages Board of the Tea Growing and Manufacturing Trade, Wages Board for the Rubber Growing and Manufacturing Trade.

Of the three approaches to worker participation discussed in this Chapter, participation through a trade union is most often used to enable employee participation, even though membership in trade unions is decreasing and is largely confined to the formal sector as noted in Chapter 2. The creation of Employee Councils and other mechanisms for participation is observed mostly in BOI enterprises, especially those within EPZs, although other non-BOI enterprises also use different mechanisms to build a sound relationship at the enterprise. Participation through Wages Boards is restricted to specific industries and to workers and their representatives in the formal sector; the NLAC provides mostly a forum for discussion without any real decision making or policy formulating capacity.

3. Case studies on employee participation

The four enterprises selected for this study on employee participation mechanisms are engaged in the manufacture of wearing apparel (Omega Line), manufacture of rubber tyres (Trelleborg), manufacture of tobacco products (Agio Tobacco Processing Co.) and manufacture of tea (Kahawatte Plantations). Data available (for the year 2008) indicate that the apparel sector provides employment to a large number of employees, and also has the highest level of value addition. The tea sector is next in terms of employment provided, and of value addition. The data indicates the industry situation prior to the onset of the global recession.

Table 4.
Principal indicators of industrial activity in sectors selected for this study (2008)

Manufacturing sector	No. of establishments	No. of employees	Salaries and wages (Rs.)	Value added (Rs.)
Rubber tyres, including tyre rebuilding	32	15 174	2 075 074 234	28 496 940 343
Tobacco products	31	2 417	826 910 179	37 708 703 666
Wearing apparel	1 852	351 018	42 408 297 941	134 282 680 878
Tea and tea products	690	59 787	7 383 881 523	59 572 807 870

Note: Data is from establishments with 25 or more persons

Source: Annual Survey of Industries (2009), Department of Census and Statistics

Case study 1. Omega Line Ltd., Sandalankawa

Omega Line is an organization manufacturing apparel products for export, which was set up by an Italian company, Calzedonia, a manufacturer of Hosiery that also produces bathing suits and underwear. It was established in 1987 near Verona in Italy, and is today directly represented in more than 25 countries, owns 800 stores, and has licensed 1200 franchised stores across the globe. Operating under the BOI, Calzedonia established Omega Line in 1997 at Sandalankawa, with a second factory Omega Line 2 being added at the adjacent premises in 2005; it has expanded with Sirio in 2003 in nearby Badalgama, Alpha Apparels (Polgahawela) and Benji Ltd. (Bingiriya) in 2007. The Company is also in the process of establishing at least one manufacturing unit for the north and east.

The total investment in the BOI approved Group of companies in Sri Lanka now stands at approximately US\$120 million, and its production of mainly lingerie and swimwear contributes approximately US\$ 300 million in sales annually at its parent company's exclusive, up-market flagship stores in Europe. The Company has been awarded many national awards for exports in the apparel category, the most recent being

the National Business Excellence Award (Gold) in 2010 awarded by the National Chamber of Commerce.

The five facilities of Omega Line employ 8,300 persons in Sri Lanka, mainly youth, with about 3100 employed at Sandalankawa. The management considers young people fresh out of school as the most “trainable”, and as they are “eager to learn and improve themselves” besides being cooperative and are able to fit in well with the corporate culture of the organization.¹³

Staff profile

The average starting salary of an entry level workers is approximately Rs.11,000 per month (about US\$ 100). The cost to the company per employee, approximately Rs.26,000 (including wages, other monetary benefits and non-monetary facilities). As a percentage of the manufacturing cost, this is approximately 12 per cent (with the wage component being about six per cent). The highest component of the manufacturing cost is raw material cost, while the cost of labour is the second highest.

The age of a production worker/machine operator is between the ages of 18-35. The workforce at Omega Line (the main company) is distributed as follows:

Table 5.
Staff at Omega Line by category of work
(June 2011)

Category of work	No. of workers
Production and related employees	2 800
Technical Staff (Mechanics, Workstudy/Maintenance)	106
Team Leaders/Section Heads/Production Planners/Production Records	102
Finance/Reception/IT/Stores/Shipping	65
HR Services (HR Dept/Nursing Staff/Transport)	30
Total	3 103

Source: Human Resources Department, Omega Line Ltd.

Female workers account for 90 per cent of the workforce, which is a common feature of enterprises in the apparel sector in Sri Lanka.

The company has a relatively flat structure, with a lower level of reliance on designations and job titles as a means of reward and recognition. Therefore, the levels identified below are an approximation of its current structure.

¹³ “Leading Italian branded apparel producer to increase investments”, in *Daily News* (online edition), 12 Feb. 2003, sourced from www.dailynews.lk/2003/02/12/bus02.html (accessed 12 Feb. 2003).

Table 6.
Organizational structure

Level 1	Managing Director, Director Finance	2
Level 2	Head of Human Resources, Head of production, Financial Controller	4
Level 3	Manager level (accountant, engineer)	2
Level 4	Assistant Manager level	5
Level 5	Section heads/team leader level	102
	Support staff (HR/finance/shipping/IT/reception/stores)	82
Level 6	Production and technical staff (operators, mechanics, maintenance, work study)	2 906
	Total workforce	3 103

Source: Human Resources Department, Omega Line

Recruitment

Due to the high employee turnover, a common feature in the apparel industry in Sri Lanka, both Omega Line and Omega Line 2 have been recruiting about 100 operator level employees a month.¹⁴ School pass outs with General Certificate of Education (G.C.E.) (Ordinary Level) or G.C.E. (Advanced Level) are eligible. Newcomers are recruited as operators, and are trained under the supervision of the Section Head within the company for about a week to ten days before being put on the production line. There is a probation period of three months. Informal and casual employees are not employed.

Despite the high level of turnover in the industry, the company has employees who have been in employment since its inception, and eleven years on, are team leaders or section heads or are holding positions at even higher levels. Three of the initial recruits – in production, work-study and IT – are now part of the international team of the parent company, and although working from Sri Lanka, travel extensively to share their expertise and knowledge with other manufacturing units in other parts of the world. They have all been trained ‘in-house,’ and have moved up in the organization through merit. Due to the linear structure, the designations may not seem impressive, but the experienced and skilled employees at middle-management level handle matters which would probably be dealt with by senior managers in other companies.

The company, as a policy, promotes from within for most positions, and external recruitment is made only in specific instances, such as Information Technology, Accounting, etc.

Benefits provided to employees

A dust and litter free, fully air-conditioned, spacious, tiled production facility is maintained at Omega Line and Omega Line 2. The machines are mostly computer-controlled and are maintained to provide optimum production. The following facilities are provided to all workers:

- Free transport to the factory, generally from the residence or the point nearest to the regular bus routes of the company, which are changed to accommodate requirements of the employees.
- Breakfast, tea and lunch at the company canteen; the workers are charged only a nominal fee of Rs.10 (less than ten US cents) per working day for meals. The canteen is managed by the Food Committee, which has both representatives of workers and the Human Resources department. The catering is done through a contractor.

¹⁴ “Apparels short of labour: Breaking unfair taboo seems hard”, in *The Island*, 25 Jan. 2011.

- Medical facilities – the two factories have a fully equipped medical room/nursing station, staffed by three trained nurses and visited daily by a qualified medical practitioner.
- Free uniforms to all workers
- Funeral assistance
- An interest free loan from Rs.500,000 to 1,200,000 is available to all confirmed workers, which is recovered in monthly instalments from the salary; even where workers resign or cease to be employed, workers continue to repay at the same rate, also without interest.
- A fully equipped gymnasium is available for all workers, with a qualified physical training instructor.

Welfare activities available for workers include an annual excursion, annual sports day, and a day visit for families of employees to the factory followed by lunch.

Employee representation mechanism

There is no trade union representing any category of employee at Omega Line. However, there is a system of worker participation/dispute resolution based on “Dialogue Teams”. There are two Dialogue Teams for both Omega Line and Omega Line 2. These teams can be considered the natural outgrowth of a long history of training workers in ‘Interest Based Problem Solving’ (IBPS) and mediation techniques.

Since 2001, employees have been selected for training in IBPS/mediation techniques, with the assistance of the Employers’ Federation of Ceylon. The training focused on:

- Preserving inter-personal work relationships
- Identifying interests
- Accommodating needs
- Searching for the best possible solution to an issue/problem through mutual discussion

Initially held as an annual training programme, the effectiveness of IBPS was such that it became a bi-annual event by 2003, and a quarterly programme by 2005, conducted as part of the orientation/induction process for all new recruits. By 2009, one employee in every ten had been trained in IBPS. This training helped the resolution of day-to-day issues on the shop floor by mini ‘Mediation Teams’ of trained employees. But with the increase in the number of workers, the need for a more regular, formal mechanism to channel employee issues, complaints and grievances was apparent.

In July 2006, a training programme on social dialogue by an external training organization for 36 selected employees who had been trained in IBPS became the start of the Social Dialogue Teams that were established at Omega Line.¹⁵ Initially intended as a mechanism to test whether the trainees could exercise the skills imparted for practical problem resolution, the Social Dialogue Team became a form of worker participation.

The Social Dialogue Team members are selected by production level workers through informal discussion to represent a work group or section. At present both Omega Line and Omega Line 2 have 28 coordinators (Team members) in the Dialogue Teams representing sections such as cutting, sewing, maintenance, etc., most of who are at the machine operator level. While there may be differences in Grade, seniority and rank, there is no hierarchy amongst the coordinators. Although production is organized on a modular system (four workers to each module, where they work interchangeably on three to four

¹⁵ “Skill development for effective corporate governance and intersectoral dialogue”, www.socialdialogue-adcor.org/articles/eustudies4.pdf

different machines during a shift), module or team leaders were not necessarily nominated to represent departments to avoid conflict of interest. When questioned as to how such a process could ensure that the ‘coordinators’ were truly representative of such workgroups, the response was that the workers and team members were generally aware of who the capable workers were, and as the team was reconstituted annually, they could always change their representatives.

This system of selection appears to be based on a ‘patriarchal’ attitude by the Social Dialogue Team as it was clear that that often production team members considered ‘suitable’ to be on the next team were informally suggested to specific production teams by the social dialogue team without any opposition from the workers. Although this system does not appear to have had any tension with regard to the current team in office, as was ascertained through discussion with some of the workers and with the Dialogue Teams¹⁶, there is a possibility that the workers may feel disconnected or distanced from the selection process at some point of time in the future.

Mandate of the Social Dialogue Team

The scope of responsibility of the Dialogue team was to ‘Resolve complaints, grievances, disputes and behavioural issues that could disrupt the harmony, goodwill and industrial peace prevailing at the place of work.’¹⁷

The Social Dialogue Team is made up of:

- Coordinators – selected by work groups on the shop floor to represent various categories of employees. The coordinator must be a person trained in IBPS
- Convenor – selected by the Dialogue Team members to convene meetings and to convey information to workers and workgroups
- Recorder – Selected by Dialogue Team members to record the proceedings of meetings
- Facilitators – Two non-managerial members from the Human Resources Division as observers and facilitators; they do not report on meetings nor do they participate actively, other than to provide institutional support.

Each Dialogue Team met about once a month, and the meetings generally lasted one to three hours. The issues raised were adequately recorded for future reference by the Recorder with indication of the action agreed upon and the person responsible, as well as the time frame in which the action was to be implemented.

The issues generally resolved by the Dialogue Team can be categorized as follows:

- Absenteeism, delays in reporting to work by employees, including unauthorized absence
- Issues related to determination of incentives, bonus or salary
 - e.g., discrepancy in a payment. Since the immediate supervisors were also present on the shop floor, the matter could be placed before the HR department with all relevant information.
- Issues relating to employee services such as transport, food and medical services
 - e.g., it had been found that, since no lunch was served on Saturday as it was a half-working day (end of the shift being 1.30 p.m.), there was a long lapse of time between the tea break at 10 a.m. and the end of the shift which caused discomfort and fatigue to employees. This was discussed with the

¹⁶ An open discussion was held with some workers and members of Dialogue Teams of both Omega Line and Omega Line 2 (including the Recorder of Dialogue Team 1 and the Conveners of both Teams).

¹⁷ PowerPoint presentation by Director, Human Resources, Omega Line (undated).

Dialogue Team. A request to delay the tea break by half an hour was accepted and implemented without delay.

- e.g., on behalf of the workers, the Dialogue Team also put in a request for water filters on the shop floor. This request was specifically made by the pregnant workers who found it difficult to walk to the canteen every time they needed to drink water.
- Issues related to production, such as employee suggestions for improvement of the production process, and suggestions for modular team based production incentives, are discussed and raised at management level for implementation where possible
- Issues arising from clashes in inter-personal relationships
- Very often, conflict between team leaders and production workers arose from external factors such as family concerns of one party; a member of the Dialogue Team was often aware of such difficulties, and when the issue was raised by a worker against the team leader, the matter could be resolved promptly and in a humane way.
- Disagreements between different departments due to work related issues
- Verification/correction of records for purposes of overtime and other payments
 - e.g., an issue had been raised by employees that the indication of hours worked as overtime should be in Sinhala in the monthly payslip, as the workers could not sometimes verify details as the indication was at that time in English; this was rectified by the HR department on a request made by the dialogue team.

The dialogue teams also stated that, although the formal meeting was held once a month, urgent issues were resolved on an immediate basis by team members as they arose and brought to the attention of either the Director, HR, or the Managing Director, as all workers had access to these senior managers at all times. Similarly, where a worker raised some doubt as to the authenticity of the complaint or allegation, the Team would make informal inquiries into the details before bringing it to the notice of the HR department.

Impact of the social dialogue mechanism – management perspective

The system ensured that only minimum intervention was required from the Human Resources department or senior management for the resolution of disputes or grievances which would otherwise need contentious adversarial decision making; since the workers resolved many of their inter-personal issues themselves, there was not even a single instance where the Director Human Resources had needed to issue a charge sheet for misconduct during the time of the existence of the Dialogue Teams

The facilities provided to the employees could be better focused as the suggestions for improvement or change came from those benefiting from the facilities themselves. For instance, routing of buses which provided transport for workers was revised on suggestions made by workers to include routes where prospective workers resided, as the Company was constantly in need of more workers.

It was also clear in discussions with production level workers and Social Dialogue Team members, that the workers felt a greater sense of ownership in the company through this ‘self-managed’ system and often acted to prevent behavior of fellow employees that could lead to conflict through their belief that the ‘good name’ or reputation of the company would be affected. Thus relations with the community in which the company was located was less contentious.

Overall, the Dialogue Teams provided industrial harmony, and ensured that there were no breakdowns in production or related services. An example cited by both The Director, Human Resources, and the Social Dialogue Teams was that even during a spate of worker unrest including strikes and public demonstrations against an amendment to Employees' Provident Fund legislation in about April 2011 in the Katunayake Free Trade Zone (which is about 40 km away), workers at the Company did not join in such demonstrations, although some of them travelled through areas of unrest on their way to and from work.

Impact of the social dialogue mechanism – employee perspective

Workers felt that the establishment of the social dialogue team helped in quick resolution of grievances. On the other hand, formal written communications could exacerbate a grievance or issue and possibly lead to animosity between employees, or between employees and management. The workers appeared to value the resolution of issues or disputes through informal discussion with the management.

Employees also had a greater autonomy to determine working conditions and to determine the provision of facilities according to their needs.

Workers clearly felt a sense of self-worth as they were heard and their views implemented in the decisions made by the company.

Significant issues

The success of the social dialogue mechanism at Omega Line is based on two factors:

Extensive training in IBPS and mediation techniques received by employees makes a mature approach to dispute resolution possible

High degree of autonomy that the employees, especially the Dialogue Teams enjoyed in resolving disputes. This style of management can be best described as a 'hands-off' style of management, which allows the Dialogue Teams the leeway required to resolve disputes, issues or grievances in the manner specified above.

In a more hierarchical or bureaucratic type of organization, this model may be unworkable or ineffective. However, at this enterprise it has been amply repaid for its investment in training and in giving responsibility to employees to determine the issues which were important to them.

As yet, the dialogue teams have not been used by the management as a tool for communicating to employees issues that are of concern to the management. And, so far the management has responded well to the issues raised by the dialogue teams. However, should the individuals that are currently in positions of authority within the Company change in future, there is a possibility that the Dialogue Teams may not be able to, or be in a position to, function in the manner that currently makes the system a success.

The system of employee participation through the Social Dialogue Teams may also be somewhat difficult to grasp, as it does not have formal guidelines to regulate its operations. For instance, it does not comply with the Guidelines issued by the BOI for the formation and operation of Employee Councils (Annex 1), and may therefore be confusing for new recruits to understand in order to benefit from its services.

Case study 2. Trelleborg Wheel Systems, Sapugaskanda

Trelleborg is a global industrial group based in Sweden whose leading positions are based on advanced polymer technology and in-depth applications know-how. Trelleborg develops high-performance solutions that seal, damp and protect in demanding industrial environments. The Trelleborg Group had annual sales during 2010 of approximately SEK

27 billion (approximately 24 billion US dollars), with about 20,000 employees in more than 40 countries. The Group comprises four business areas: Trelleborg Engineered Systems, Trelleborg Automotive, Trelleborg Sealing Solutions and Trelleborg Wheel Systems

Trelleborg has operations in 43 countries. Of the total number of employees, 91 per cent work outside Sweden. Overall, from 2009 to 2010 the number of employees increased by 7.9 per cent globally, from 18,899 to 20,393, with the number increasing by 50 in Sri Lanka (745 to 795).¹⁸

Trelleborg is a signatory to the United Nations Global Compact, a platform for encouraging and promoting good corporate principles and learning experiences in the areas of human rights, labour, environment and anti-corruption. Trelleborg's Code of Conduct serves as an important tool in the Group's corporate responsibility work and implementation of UN Global Compact principles 1-10. Its policy is to recognize local union clubs and the right to a collective agreement." In total, 53 per cent of Trelleborg's employees at the Group's production plants are represented by unions through collective agreements.

Trelleborg's production unit for solid industrial tires in Sri Lanka was one of the first in the country and was started as far back as the 1980s. It has expanded to two units in Kelaniya and Biyagama (a few kilometres outside Colombo), and these plants have been expanded and streamlined using entirely new technology.¹⁹ Due to excellent infrastructure for the raw material in the country, Sri Lanka has developed into a centre for the production of solid industrial tires and approximately 80 per cent of the total global production occurs in the country. Its main markets are Europe and the USA, with daily production being 120 tonnes, with 8-10 containers being shipped out from its production facilities on a daily basis.

Employee profile

The production processes at the company are not conducive to the recruitment of female labour, and possibly due to this 97 per cent of employees are male, with female staff being recruited at staff or management level. The average age of employees including production workers is 35 years. The average length of service is 12 years but there are some workers who have put in over 30 years of service. Approximately 65 – 70 per cent of all employees are unionized, a striking feature being that production staff belong to one branch union of the Free Trade Zone & General Services Employees Union" (FTZGSEU), and supervisory staff and support staff belonging to a separate branch union of the same union. While the two unions interact on an equal footing in relation to the parent union, at plant level they negotiate and bargain separately with the management; the staff union is not covered by the collective agreement.

The Company currently employs 850 persons of which 730 are production workers while the rest in staff, supervisory and management grades. About 60-70 per cent of production workers are unionized, while about 21 of about 30 supervisory grade employees in the two production facilities are unionized. The average wage of a production worker ranges between Rs.25,000 to 40,000, which is in excess of the minimum wage stipulated by the Wages Board for the Tyre Manufacturing Trade.²⁰

¹⁸ Corporate Responsibility 2010, United Nations Global Compact Communication on Progress 2010, (Trelleborg AB, Sweden)

¹⁹ Solid industrial tires are primarily used in material handling vehicles in such areas as airports, ports and storage facilities, for example, forklifts and other material handling vehicles with high utilization and load.

²⁰ The current minimum wages under the Wages Board range from Rs.5750 for unskilled workers at recruitment to Rs.9850 for a skilled worker with 25 years of experience.

The HR department is headed by a Director, Human Resources and comprises a HR Manager, four Assistant Managers and three HR Assistants, indicating a strong focus on employees and their development.

The formation of the trade union

In 2005 the “Free Trade Zone & General Services Employees Union” (FTZGSEU)²¹ formed a ‘branch’ union at Trelleborg, but the company refused to recognise the union as a bargaining agent on behalf of employees. The trade union struck work in March 2005 over a dispute relating to the production incentive. Although the dispute was eventually resolved through the intervention of the Commissioner General of Labour which resulted in the recognition of the trade union, the acrimony between the management and the trade union continued.

In 2006, with the appointment of a new Director of Human Resources, MrDian Gunatilake, the trade union became further disturbed, being under the impression that the Company was attempting to destabilize the trade union through retrenchment of some workers. A picketing campaign, damage to company property and premises, death threats and abuse against the Director, Human Resources, did not create a climate conducive to social dialogue. Yet, MrGunathilake states that by not retaliating violently or with intimidation but by offering a Voluntary Retirement Scheme (VRS) targeted at retrenching some of the older and more militant workers. The company was able to convince the trade union that there was no intention to harass or coerce workers and convinced of the bona fides of the management. The VRS was successful in reducing the number of workers not by the targeted 20, but by 40, indicating that the VRS package was viewed as being a fair compensation for the loss of employment.

Trelleborg adopted a Code of Conduct in 2007, which has been published in 27 languages, including Sinhala, which in itself is an indication of the commitment of the Company to transparency and accessibility. The guidelines set by the Company in dealing with employees is set out as follows:

Fair employment practices

Our fundamental principle is that we respect our employees and their human rights.

- We will not apply special treatment to employees in regard to employment or work assignments on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinions, or social or ethnic origin.
- Trelleborg employees shall not harass or discriminate against any colleague or business partner for any reason.
- We will respect our employees’ right to be represented by unions and other employee representatives, as well as their right to take part in collective employment agreements.
- Wages and salaries will be paid as agreed and on time. We will recognize good performance and extra efforts.

Source: www.trelleborg.com

Thereafter, the Human Resources Department commenced the task of building a relationship with the trade union; the keyword was transparency, and workers and the trade union were informed of the customers and markets of the company, and the business processes were explained to workers at production meetings with the relevant departments.

Training programmes were conducted by office of the Department of Labour on labour laws and regulations, social dialogue, occupational safety and health, etc.; welfare programmes were restructured, with benefits such as interest-free loans, medical insurance

²¹ Affiliated to International Textile, Garments and Leather Workers Federation of Brussels, and the International Chemical, Energy & Mining Workers Federation of Geneva.

being added to existing benefits; US\$ 26 million was allocated for plant expansion, indicating that the company was intending to stay and grow in Sri Lanka.

With the goodwill gained and the trust-building exercises, the relationship with the trade union improved. After extensive discussions, the management and the trade union entered into a collective agreement in December 2006, the first such agreement entered into by the FTZGSEU in the Free Trade Zone. The healthy relationship with the management was acknowledged by the union which has since publicly stated that it had regularly engaged with the company to resolve disputes through dialogue, which helped to develop an on-going relationship between management and the union.”²²

Employee relations and employee participation

The Collective Agreement is a detailed and comprehensive document, covering not only matters such as pay and incentive schemes, but also relation between the employer and the trade union, occupational safety and health, code of discipline, disciplinary procedure, and education and training. It was intended to be in operation for a period of two years, i.e., December 2007-December 2009. However, through a verbal agreement between management and the trade union the collective agreement has, extended in its operation to date, with no dispute on legal rights or implications of the lapse of the agreement in December 2009. This is a rare occurrence in the adversarial nature of industrial relations in Sri Lanka, where workers tend to commence agitating for the terms of a new collective agreement even before the lapse of the subsisting agreement, and the employer is sometimes forced to abrogate the collective agreement through legal process due to disputes with the union.

A new agreement however, was under negotiation, and was close to signing at the time of the preparation of this report. It was significant that the agreement was being negotiated by the company’s HR department and the branch union of the FTZGSEU, unlike most collective agreements in Sri Lanka, which were negotiated by the Employers’ Federation of Ceylon (on behalf of the company), or the parent union (on behalf of the branch union). Assistance was sort from both advisory bodies when required, but essentially, the terms were being discussed and agreed between the parties most directly concerned. The two branch unions of the FTZGSEU in the company have separate discussions with the management. Bi-monthly meetings are held with both branch unions, wherein issues on employee wages, incentives, production schedules, loans and other facilities, and welfare matters are discussed and resolved. However, both the staff union, and the two production worker branch unions at the two facilities have access to the HR department and its director, on the basis of an ‘open-door’ policy. Moreover, the company has provided the three branch trade union’s presidents and secretaries with a mobile phone to enable them to contact the management at any time with regard to employee issues.

A high degree of employer- trade union cooperation is evident in some areas. For instance, during the economic recession , the company stayed competitive by discontinuing workers employed on contract (some of whom were members of the union), and transferring some 30 employees from the smaller facility at Biyagama to the main production facility at Kelaniya due to lower production levels; both changes were affected with the agreement of the branch unions, and at present, there has been a request to release these workers to the smaller facility as orders had increased. The branch union could have objected to such transfers on various grounds but did not do so, thus maintaining industrial peace and the company’s ability to overcome the situation that had resulted from the recession.

The presence of contract workers has also been a contentious issue, as employees usually see the recruitment of contract employees as being a threat to the job security of

²² “Sri Lankan Union signs collective agreement with Swedish Multinational”, itglwf.org/lang/en/documents/ITGLWFPRESSReleases2008_000.pdf

permanent workers. In most instances at Trelleborg, contract workers are recruited during times when production is high or for specialized functions. The branch union acknowledged this in agreeing to the termination of contract workers, as the Union accepted that the reasons for such termination was justifiable without agitation.

Further, in April 2009, during the recession, the main facility only worked four days due to lack of orders. The employees however received their basic wage, the usual incentives, and the production bonus. This was achieved after discussions with the branch unions. The inevitable reduction in earnings in that month due to cut back in allowances for meals and transport however was not disputed by the workers.

Benefits provided to employees in the collective agreement

The Collective Agreement signed between the company and the branch union provides several benefits such as:

- Non-recurring Cost of Living Gratuity – An allowance based on the national consumer price index to compensate for the increase in the cost of living
- Assured bonus of three months, unless the finances of the Company prevent such payment
- Various allowances to compensate for production hardships or shift operations
- Free meals while on duty
- Free transport to and from work
- Medical benefits and accident insurance
- Interest-free loans repayable over a long period
- Free uniforms
- Library facilities
- Assistance with purchase of school supplies for children of employees
- Assistance with the funeral of a staff member, parent or dependents
- Advantages of employee participation– management perspective

According to the HR Director, the workers in the organization had been traditionally more vociferous and aggressive than production workers, for instance, in an apparel factory. This, he said could be attributed partly to the physical qualities required to work in the challenging work environment which was a feature of the production of rubber tyres, and in part to the higher age profile of workers and the longer period of service in the company. These factors could produce (and had produced in the past) adversarial and antagonistic worker-management relations. Thus, the current model of employee participation developed within the company had an advantage in maintaining industrial peace and higher productivity.

During the recent economic recession, this employee participation mechanism had played a major role in the company's ability to adjust to the challenging conditions; reduction of contract and temporary workers, rationalization of the production process, and the introduction of new technology²³ had been achieved without any disputes which would have jeopardized the company's ability to survive in a difficult environment.

The trade unions were also more flexible in their approach to dealing with employee issues and used the collective agreement as a guideline, rather than a rigid framework for industrial relations. The need to deal with individual employees, it is felt, was minimized as long as the communication channels remained open with the office bearers. They

²³ [http://www.trelleborg.com/en/Media/The-World-of-Trelleborg/Trelleborg-opens-expanded-production-unit-in-Sri-Lanka-with-a-unique-technology-for-the-production-of-solid-industrial-tires-/](http://www.trelleborg.com/en/Media/The-World-of-Trelleborg/Trelleborg-opens-expanded-production-unit-in-Sri-Lanka-with-a-unique-technology-for-the-production-of-solid-industrial-tires/)

communicate with their members more effectively than the management could in the absence of a union.

Advantages of employee participation – worker/trade union perspective

The members of the branch unions considered that the relationship built with the management was advantageous to them as issues or disputes were resolved through the open-door policy without the need for excessive formality, such as formal written requests or complaints which was the norm in other establishments. Although the Collective Agreement provided some guidelines and procedures neither party adhered strictly to the letter of the law, and this flexible approach was recognized as providing a productive working arrangement. The trade unions also appreciated that they could discuss any issue or dispute with the management without fear of reprisal or repercussion. Moreover, the system of dialogue had been sustained even though unions' annual elections brought in new office bearers which gave them an assurance that the management was willing to continue the dialogue regardless of the personalities involved.

The prompt response by the management to issues such as medical emergencies of a worker, or his spouse or children was also appreciated by the unions. One trade union official noted that the company had been providing school supplies annually to the children of a production worker who had died some time ago; the company had also provided assistance to families with the annual memorial customs of production workers who had died over five years ago, doing so even where fellow workers had not remembered them. The trust and the genuine concern of the Human Resources Department, especially the Director, was accepted without question by all three unions.

The trade union representatives recognized that this system of open dialogue was advantageous to them in protecting workers' rights as they believed that almost every issue could be resolved through dialogue, without the need for militant trade union action.

Significant issues

According to a recent survey across the company, the employees had rated the company highest on remuneration and benefits, and lowest on decision-making and training and development. The satisfaction with remuneration was expected; the lower rating given to the management for implementing training and development policies was also considered to be somewhat justifiable due to the lower investment in training provision in the immediate past due to the stringent economic conditions. The dissatisfaction with development, or career progression, was more complex, as employee turnover was extremely low, especially in supervisory and staff grades, which reduced the opportunities for internal promotion of production workers; however, the company did not recruit externally other than in technical capacities.

Case study 3. Agio Tobacco Processing Co.

Agio Cigars is one of the leading cigar manufacturers in Europe, offering well-known brands such as Meharis, Panter, Balmoral and De Huifkar. The company was founded in 1904, and its head office is situated in Duizel, in the Netherlands.²⁴

Every year, about 750 million cigars are produced and sold, primarily through the company's own sales organizations in Western Europe. Agio also exports to over 100 countries outside Europe. More than 100 years old, Royal Agio Cigars has grown to become a leading manufacturer of cigars, characterized by a consumer-oriented policy, advanced technology and a high standard of quality. The pre-processing of the filler tobacco, as well as the packaging and worldwide dispatch of its products, takes place in

²⁴ Compiled from information at www.royalagio.com

Duizel, which is also home to the various central departments: Marketing and Sales, Finance and Administration, Human Resources, Technical Services and Quality Control.

Due to its labour-intensive character, the preparation of tobacco takes place in the subsidiary in Sri Lanka, which was established in 1985 and is the largest of the company's facilities around the world. Here, the binder and wrapper of the cigar are cut to the desired shape. First, the tobacco is moistened, to give it the suppleness necessary for proper processing. It is then carefully selected according to size and colour, after which the leaves are machine-cut into their characteristic shape, depending on the cigar model around which they would be wrapped. The pre-cut leaves are placed on a fabric and rolled up to form 'bobbins', which leave the factory as semi-manufactured goods.

Staff profile

The company employs about 1300 workers, 90 per cent of who are female, with 60 supervisory grade staff. The age of a production worker is between 18 – 30 years, with supervisors being 35 years and above. Technical staff is generally male. There are also three nursing staff members. Basic salary of a production worker is Rs.10,500 (about US\$ 100), but with the attendance bonus, incentive payment, etc., the gross salary is comparatively higher than wages in other production sector organizations.

According to the managing director and the HR manager of the company almost all issues arising with regard to employees were resolved by an 'open-door' access policy, where the trade union, workers' council or any other workers could approach them at any time to resolve issues of concern to them. They stated that any disputes or challenges which arose were usually the result of external factors, such as the social and cultural problems in the home environments of the workers. For instance, the managing director indicated that about 25 per cent of the workforce was employed as a cover for high absenteeism over and above the leave entitlement. The absence of childcare and geriatric care services in and around residences meant that many female workers had to stay away from work to care for sick children or elders; taking punitive action against absent workers was not humane, as very often the reasons were beyond the control of such workers. The Human Resources Manager stated that the Company had not terminated the services of any employee from 1985 until now, when in 2011 a the services of a single female employee had been terminated as a result of chronic ill-health.

Benefits provided to workers

- Free meals, morning tea, at 6 a.m., breakfast (buffet style), 11 o'clock tea with a snack, lunch.
- Free transport
- Medical facilities (nursing staff, vitamin and nutrition supplements, well woman advice, medical transport for outside medical attention)
- Annual excursion
- Annual party at Christmas, gift at New Year
- Uniforms
- Grocery shop on the premises for the use of workers where goods are sold at subsidized rates.

The working environment is extensively mechanized and thus noisy. Workers' are provided with headphones which are connected to a radio system so they could tune in to music or other programmes. The workers too could present their own in-house radio programme two days a week, with song, comedy routines, news programmes, etc., thus giving them an opportunity to showcase their talents.

Worker representation and employee cooperation mechanisms

Sixty per cent of the production workers are represented by a branch of the National Workers' Congress (NWC), a national level trade union. The company also has a Workers' Council which has a membership of 8 to 10 per cent employees. They function as two entirely separate workers' organizations representing their separate membership. There is no collective agreement with either the branch union or the Workers' Council.

The National Workers' Congress (Agio Branch) trade union elects its office bearers annually, but according to the current President and Secretary of the NWC branch unions very often office bearers were elected uncontested as 'workers are aware of the people who are suitable for leadership.'

The Workers' Council has a President, Secretary and five members representing different sections of production. However, once again it was stated that very often office bearers were re-elected without contest as the workers were aware of the leadership qualities of those who had served on the committee in the past.

The trade union and the workers' council both had access to the senior management team, comprising of managing director, human resources manager, and production manager. Both union and the workers' council had separate meetings once every two months with the management team. The issues to be taken up at these meetings are earlier discussed with the respective office bearers. At a typical meeting, issues raised would be resolved through discussion, although not all demands or requests are accepted.

Common issues are:

- Production related issues
- Problems/defects in food and transport
- Personal issues that affect work performance such as family issues or illness
- Discrepancies in salary and incentives
- Salary increments

In addition, the trade union would also raise matters such as duty leave for committee members to attend parent union meetings, registration of new members for the check-off facility, etc.

However, day-to-day issues, or urgent matters relevant to workers are resolved immediately as the president and secretary of the union and Workers' Council have access to the senior managers on an open-door policy. They are able to meet the three key managers at any time and have resolved disputes or issues needing immediate attention without waiting for the monthly meeting.

The trade union and the workers' council co-exist without apparent conflict and stated that they cooperated on common issues. Although there was no unique or significant mechanism for active participation by the workers as in the workplace in Case Study 1, the open-door policy adopted by the management, which gave workers access without limit or restraint to senior managers, had served to provide for an effective mechanism to address workplace issues and disputes. The somewhat unique methods adopted to ensure employee's wellbeing, such as the radio talent programme, the thrift shop, the medical facilities, also demonstrated to the employees the commitment of the company in ensuring their well-being.

Case study 4. Small groups on Plantations belonging to Kahawatte Plantations, Nawalapitiya and Rathnapura

Brief introduction to plantation agriculture

Sri Lanka produces tea throughout the year and the growing areas are mainly concentrated in the central highlands and southern inland areas of the island and are divided into three main tea growing regions in Sri Lanka -- Low grown, Mid grown and High grown teas. Under British rule, due to the reluctance of Sinhalese labour to work on the plantations the Government attracted cheap worker migrants from South India whose poverty and destitution was easily exploited by promises of land and jobs. By 1900, there were 300,000 Indian (mainly Tamil) workers and by the time of independence in 1948, there was unrestricted entry for workers from India to Sri Lanka. In the 1970s the workforce had increased to 450,000 Tamils of Indian origin and a further 100,000 Sri Lankans.

During the period 1970-1975 about 200,000 Indian workers were repatriated to India under a bi-lateral agreement (referred to as the Sirima-Shastri pact after the two Prime Ministers who were signatories to the agreement); the rest, about 250,000 Indians obtained citizenship in Sri Lanka, and they and their descendants continued to live and work on the plantations.

In the early 1970s the government in power nationalized all European and foreign owned commercial enterprises, including plantation companies. Thus the entire plantation agricultural sector came under state control, and was from then on managed and operated by the Janatha Estates Development Board (JEDB) and the Sri Lanka State Plantations Corporation (SLSPC). However, inefficient management practices, lack of investment in technical expertise and technological improvement, and bureaucratic constraints in developing export markets caused a gradual decline in this sector, and in 1992 the majority of the plantations vested with the state were handed over to private sector management. The regional plantation companies (RPCS) that were created were given the plantations on long-term lease agreements and currently 23 such companies are in existence.

Since privatization the area cultivated with tea has reduced, due to diversification of the low yield and productivity areas by the management companies into cultivation of other commercial crops such as timber wood plantations like Eucalyptus, and vegetables, fruits, and for horticulture and floriculture, which are deemed more profitable than growing tea in unsuitable soil conditions.

However, the harvest and yield of the lesser area has increased, due to the introduction of high yielding VP cloned teas, but so have the cost of production due to the rapidly rising cost of labour and other inputs such as fertilizer and the removal of subsidies on such inputs.

The number of workers on tea plantations has been reducing steadily, declining at the rate of 3-6 per cent a year. Average manpower per estate in RPCs has declined from 654 to 547 since 2001, although the acreage under cultivation has increased. This reduction in the workforce is due to many reasons -- on plantations close to urban centres, plantation workers can command higher daily wages than that paid on plantations, at least in some seasons, and therefore opt to find work outside the plantations. Further, youth whose parents have been employed on plantations are not as interested in working in the plantations and have been migrating away. The plantations are thus faced with the lack of workers to carry out the basic agricultural functions of tea cultivation and the rising cost of manufacturing tea. The case studies which follow focus on two mechanisms used in two different locations to find effective responses to these issues.

Main agricultural activities on a tea plantation

In order to contextualize the following case study, a brief introduction to the primary agricultural activities and the organization of work on plantations is included.

To make the best quality teas it is necessary to harvest green tea leaves from tea bushes before it matures. The most suitable tea leaves for plucking are the two leaves and a bud or tender young leaves. For this operation they have to follow proper plucking rounds, which is to continue harvesting from each bush without missing any at regular intervals. This is the highest labour intensive operation on a tea plantation, and is mainly done by female workers. Females account for 55-60 per cent of the average workforce in an estate. Tea harvesters who collect green tea leaves from the bushes are called “pluckers”. The harvesting (plucking) operation is a selective process, and the output of tea plantation females has always been higher than their male counterparts. Here, pluckers have to manually break the tea stem from the bush with two leaves and a bud for the best quality teas and transport it up to the processing area without damaging the harvest. Damaged, bruised tea leaves destroy the quality of tea and gives a bad end product and also causes heavy wastage and loss. General maintenance, weeding, pruning etc are generally carried out by male workers. A plucker harvests between 17.5kg – 20 kg of green leaf per day on an average.

There are five to six divisions in each estate and each division consists of many fields. Each division is under the supervision and control of an assistant manager who is also responsible for all the functions and operations in that division. Each division has a field officer and supervisors who are responsible for the agricultural and worker issues of the division.

‘Kangany’ is the term used for an overseer of a set of workers called a gang, usually in charge of a specific function such as plucking. Generally there are about 40-60 workers under a supervisor and a Kangany in a plucking gang, where they are responsible for harvesting the crop in one section of a division. In an average size division (about 100ha) there can be up to three plucking gangs.

Organizational profile: Kahawatte Plantations Ltd.

Kahawatte Plantations PLC (KWPL), formerly Kahawatte Plantations Limited is a plantation company listed on the Colombo Stock Exchange. The principal activities of the company are the cultivation, manufacture and marketing of tea, rubber, forestry products and other crops, mainly cinnamon. It is a part of the Dilmah Group of Companies, a well known Sri Lankan company with activities in every aspect of tea cultivation, processing, marketing and export. The company has nine plantations in the low-country region, of which all but one are mixed tea and rubber plantations, and seven plantations in the up-country regions which are all tea plantations.

The company has adopted several innovative and pragmatic policies designed to maximize the operational efficiency and personal development, including improvement in the quality of life of its employees. In doing so it has moved to the opposite end of the spectrum from the organization culture inherited from colonial plantation managers, which prevailed until recently, of considering each estate a virtual kingdom under a plantation manager, with the agricultural workers considered as being the least important of the stakeholders. Foremost amongst these changes is that in the human resource policy which declares that:

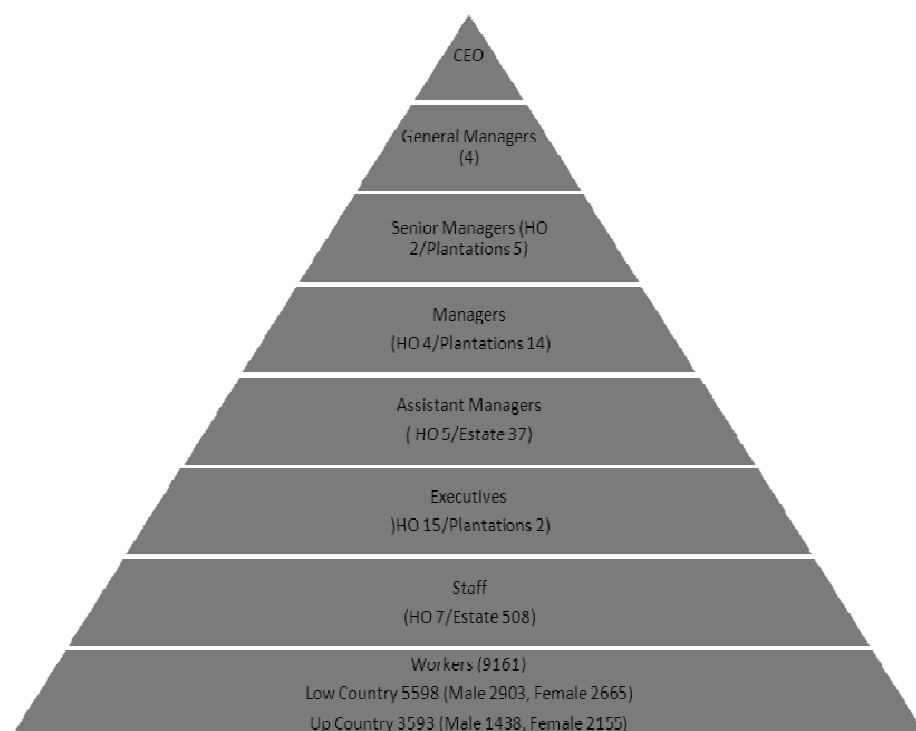
We believe that our people are the most valuable asset in driving the Company towards creating the best value agribusiness enterprise and that our people should be given opportunities to thrive in a Learning Organization.

We hold ourselves to the highest standards of honesty and integrity and expect our leaders to be living examples.

We will be leading the way in setting Global best practices in Human Resource Management and Development for continuous improvement. We shall demonstrate our passion for excellence in empowering people in a Learning Organization in order to be “An Employer of Choice.”²⁵

Much of the focus is on the management of estate workers, now considered as being the primary stakeholder within the organization, and there are other human resources management policies which are classified as “non-negotiable” and must be implemented by all managers and staff. These include a Personal Code of Conduct for all employees, Policy on cultivating a ‘Conducive Environment’ at work, Policy on occupational health and safety at work, an Environment Policy based on sustainable use of resources, including preservation of endemic species and natural forest cover areas in plantations.

Figure 13.
Kahawatte Plantations – organizational structure
and employee numbers



Source: Internal documents of Kahawatte Plantations

The company has a full-fledged human resources department, under a general manager and comprising of the company doctor, human resources executives. A variety of HR activities and programmes are implemented by the human development executives, plantation medical assistants, welfare officers, mid-wives, and child development officers.

A unique development has been the appointment of a Human Resources Manager for the benefit of agricultural workers on Plantations in early 2011, under the direct supervision of the Chief Executive Officer (CEO), whose responsibility is to provide for the development, training, welfare and well-being of the agricultural workers. This has been a probable first in the industry, as all Human Resources Management Team members are usually based in the Head Officers of the Plantation Companies, and usually deal only with human resources management aspects of Staff Grade or Executive Level employees. This Human Resources Manager, who has been intentionally recruited without any previous service or experience in the plantation industry, but with a background in community-based development projects, is authorized to visit any workplace, plantation,

²⁵ Annual Report of KWPL, 2010.

factory or premises of the Company where employees are at work, without prior permission or authority from any manager or any other officer. The HR manager is required to provide a daily report of the functions carried out by him to the CEO, and liaises directly with the workers engaged in field work on the plantations.

According to workers and managers, the step had borne positive results. This is elaborated upon in the following discussion on the participatory management mechanisms that have been introduced on these plantations.

Salary and benefits provided to workers on plantations

All 23 regional plantation companies are members of the Employers' Federation of Ceylon (EFC) and are signatories to the Collective Agreement entered into in June 2011 with the three main plantation sector trade unions, the Ceylon Workers' Congress (CWC), the Lanka Jathika Estate Workers Union (LJEWU) and the Joint Plantation Trade Union Centre (JPTUC). Under the Collective Agreement, workers on tea plantations receive a daily wage of Rs. 515 (approximately US \$5), which is paid on a monthly basis depending on the number of days worked by each worker.

The culture and practices inherited from the colonial era is such that the larger proportion of agricultural workers on plantations, especially in the up-country region, are resident on plantations and do not lose the right of residence even after they retire or cease to be employed; their spouses and dependents continue to live and work on the plantations, often by choice, but cannot be compelled to report to work on the estate. The benefits provided, therefore, are often related to attendance at work or are intended to encourage them to report to work. The comprehensive nature of these benefits make plantations a truly 'life-time' employer, with benefits from 'birth to death' being provided to workers, unlike in other industries and occupations where benefits accrue or are enjoyed during the period of employment.

Table 7.
Benefits provided to workers on plantations under KWPL management

Maternal and anti-natal care	Maternal clinics Dietary supplement to pregnant women and mothers Iron supplements Worm treatment Free transport facilities to hospital at time of confinement Fully paid pre and post confinement leave in accordance with Maternity Benefits Ordinance
Post natal care	'Thripasha' dietary supplement to children Iron supplement Home visits by mid-wife Can report ½ hour later and leave ½ hour earlier after maternity leave to nurse infant
Infant and child health	Screening of new born/Infants for health and well-being Immunization Growth monitoring (including feeding practices and nutritional education for mothers)
Child care	Screening of children for malnutrition Early childhood development education Awareness of child abuse and avoidance Providing Child Development Centres (Day-care/crèche facilities to children of working mothers on Plantations) Pre-school education Providing mid-day meal to preschoolers
Family planning	Education, counseling, access to all modern methods
Health facilities	Cataract operations, dental clinic, eye clinic, iron supplements, free testing for common ailments (blood and urine), mobile health clinics within Plantations at Division level, First Aid facilities, Well-woman clinics
Housing	Free housing, free water supply, provision of toilet facilities and sanitation to each house, free re-roofing of houses

Education of children	Free school bags and stationary through MJF Charitable Foundation Educational assistance/scholarships
Other facilities	Assistance for cattle farming, home gardening, free sterilization and vaccination of dogs Providing vocational training to youth Sports and welfare activities to youth and workers
Funeral assistance	Assistance to buy coffin Four workers paid by Company to assist at funeral

Source: Internal documents provided by KWPL

Participatory management at KWPL

In January 2009, KWPL formally recognized the creation of a system of workplace cooperation as a company-wide operational policy. Termed as Divisional Review Meetings (DMT) in the up-country region and as Participatory Management Meetings (PMT) in the low-country region, this mechanism had been in operation on an ad hoc basis in some plantations for some time. Having evaluated its impact and effectiveness, all estate managers and assistant managers in the company were informed that these meetings would be the key human resource and productivity management tool in future.

Under this mechanism, each estate has created five to eight small groups of pluckers (majority of whom are women workers) in each Division, consisting of about five workers in each group; the workers select a group leader who maintains records of the performance of the group. Earlier, each worker would be given an individual ‘plucking’ target for the day, or the Kangany or Field Officer for each field would be given the target for each field, which would then have to be achieved by the workers; there was seldom any feedback on performance of individual or ‘gangs’ of workers (as they were known previously) as the system of human resources management on plantations was essentially autocratic, with a low priority for information sharing or communication with workers.

Under the new system, while there were no individual plucking ‘targets,’ a scheme of incentives was devised for achieving increased volumes as follows:

- Each small group in each division is given a collective target of 400 kg of green leaf a week, over a period of five weeks or one month to achieve a monthly target of 2000 kg;
- If this target is achieved, the entire group is paid Rs.1,000.00 to be shared among the members;
- If the group collectively exceeds 2000 kg a month, each additional kilogram is paid at a higher rate;
- Each worker who achieves a target of 20 kg per day, would be paid at a higher rate for each kilogram over that volume.

These incentive payments are in addition to the normal daily wage earned by a worker on the plantations.

High achievers are recognized by the award of the incentives in the field by the estate manager, both for individual and group plucking achievements, which provides tangible benefits and recognition for the effort put in. There are no punitive measures against those failing to achieve the targets. There is also a process of allocating colour-coded cards to workers to record their plucking averages on a daily basis which identify their prowess as pluckers: Gold for high-achievers, Yellow for average pluckers, Purple for those who are below average, and Pink for those needing assistance and care due to ill-health or special conditions.

These small groups then become the basic unit in the DMT/PMT system. Each division on an estate is under the supervision of an Assistant Estate Manager (AEM), who is required to conduct the DMT/PMT meeting at each Division prior to the 10th of every month; the AEM, field officer, all divisional field staff, creche attendants, family welfare

supervisor, division field watcher, 'kanganies', group leaders and women pluckers must participate at this meeting.

The matters that are addressed or usually arise for discussion are:

- Review and discussion of past months' performance, based on individual estate performance indicators;
- Comparison with previous months', other divisions of the estate, other Plantations in the region, percentage increases, costs, etc.;
- Strategies and workplans for the current month
- Suggestions and ideas by all present, with participation being encouraged;
- Welfare and other issues raised by workers or other members of the TeaMs

The meetings typically last one hour or longer, and attendance and brief minutes are noted, signed by the AEM and forwarded to the Estate Manager (EM) for action/signature; the minutes of the meetings of all DMT/PMT on each estate must thereafter be forwarded to the Director, Plantations, prior to the 20th of each month, at the head office of the company.

These minutes are commented on by the CEO, and Director, Plantations, and returned to the EMs for communication with other staff.

Participatory management in action

For the purpose of this study, two plantations were selected (Ketaboola Estate in Nawalapitiya in the up-country region, and Endana Estate in Ratnapura in the low-country region) after discussion with the management of KWPL. Discussions were held with the estate manager, assistant managers, field officers, welfare officers at each estate. Views of small group leaders and workers were taken to ascertain the working and the effectiveness of the mechanism.

Performance Enhancement Team (PET)

A further development of the PMT system has taken place on Endana estate, where the small group teams work together on a daily basis with the AEM, the field officer (plucking supervisor), the plucking 'kanganies', the human resources officer, the mid-wife, the Estate Medical Assistant (EMA) and the child development officer on a divisional basis, and this group has been termed the Performance Enhancement Team (PET). This scheme has been recognized as being an innovative one, and is now being adapted and implemented across the company. The attendance at work, the absentees, the poor performers, and the sick/ill workers are identified at this meeting, and the workers themselves are met and issues are discussed; absent workers are visited, and the reason for such absence is ascertained, recorded and addressed; any welfare, child-care, geriatric care issues are also resolved, to enable absentee workers to report to work.

Low performers are given a health examination, as the reasons for lower productivity are very often related to the physical and mental condition of the worker, with malnutrition, bad nutritional habits, chewing of betel leaves, chronic conditions such as arthritis, depression, anxiety, etc. If any such condition is present, the worker is issued with a special pink plucking record card, and the EMA and the welfare team, together with the input of the company doctor, devise a course of nutritional supplement, or treatment to overcome/control the identified condition. Any mental condition or ailment is also dealt with to the extent by moral support, home visits, etc., although there are plans to train some of the welfare officers in counselling techniques to assist such workers. What is unique is that, even where some issues or employee problem is not directly work-related (for instance, domestic violence against a woman worker due to addiction to alcohol of the spouse), the worker is assisted to overcome such problem to the extent possible, sometimes with the assistance of the wider community. This type of intervention has made the

workers feel a stronger bond with the estate and the management, and even the commitment and productivity of other workers who witness this assistance, has strengthened and improved.

The objective has been to increase the number of workers reporting to work ('labour out-turn'), as one of the main issues has been the low level of motivation of workers to do so; however, with the introduction of the small groups, and the PET scheme, out-turn has improved considerably, as it is not easy to provide consistent, daily, reasons for absenteeism. Workers themselves stated that they now felt more in touch with the estate, the managers and supervisors, and because they are aware of their performance on a daily basis, were motivated to report to work and to achieve the target.

Significant issues

The small groups established in these plantations, while not being groups elected by the employees themselves, are significant for the degree of direct participation in the functioning of the plantation it has afforded the workers. For historical and cultural reasons, a rigid hierarchical system prevails on some plantations even today, and there is very little scope for labour management dialogue (Sivananthiran, A., 2005). Although trade unions have existed for a long period on plantations, workers were generally discouraged from having a dialogue with the plantation managers even by the trade union representatives, instead having to channel all communications through trade union representatives. On occasions such trade union representatives have not been open to change in plantation practices that would create more autonomy for workers (Sivananthiran, A. 2005, p.87), highlighting the need for direct communication between management and workers.

A feature of particular significance in the system of participatory management established in the two plantations detailed above, is the ability of the leaders of the small groups to raise issues of concern to themselves, such as directly with the plantation manager and other officials; hitherto, this would not have been possible as workers lacked the confidence to access the plantation manager on such issues. The workers also stated that they had direct access to the EM and the AEM, which was unthinkable in the past, as they had to approach these managers through the trade union representative on the estate, and often the issues were not communicated adequately, or not addressed appropriately. Although the trade union representatives were still active and were often part of the discussion/dialogue, the workers were aware and were able and willing to approach the management with their suggestions, difficulties, and other issues.

Therefore, even though the primary objective of the small groups was to improve productivity through a system of incentives and motivation of workers, the platform enables direct participation by workers in some aspects of plantation management, and is capable of supplementing, and overcoming the weaknesses in the traditional system of employee participation prevailing at plantation level.

For a further adaptation of the system of participatory management to include a cooperative society mechanism, please see Annex 2 to this document. While not a mechanism of employee participation as recognized in the ILO definition cited in Chapter 3, it is of significance in changing the management culture on plantations, which could lead to the establishment of effective employee participation mechanisms in the future.

Table 8.
Summary of employee participation mechanisms in the enterprises studied

Organization	Type of employee participation mechanism	Whether elected by employees	Purpose	Period of office	Collective agreement	Basis of representation of Office bearers	Frequency of meetings	
							With team/union	With management
Omega Line Ltd.	Social Dialogue Team	No	Maintaining harmony, goodwill and industrial peace in the workplace	One year	No	Based on production departments	Once a month and as needed in specific cases	Open door policy
Trelleborg Wheel Systems LTd.	2 trade unions	Yes	Representation of workers and Supervisors in all matters	One year	Yes	Based on production departments	Continuous	Bi-monthly and open door policy
Agio Tobacco Processing Co.	Trade union and Workers' Council	Yes	Representation of workers in all matters	One year	No	Based on production departments	As needed prior to meeting with management	Bi-monthly and open door policy
Kahawatta Plantations Ltd.	Small group	No	Productivity improvement, all matters relating to employee welfare	Not specified	No	Each work gang	Ongoing during work days	Once a month

4.5 Conclusion

While the experiences of the enterprises in the different employee participation mechanisms studied for this report are not sufficient to arrive at clear conclusions on what the emerging trends in employee participation are in Sri Lanka, combining the information from the case studies with the views of employers and trade unions, makes it possible to identify some significant features:

- A sound relationship with a trade union is a prerequisite towards achieving meaningful employee participation and in going beyond traditional boundaries in collective bargaining as is evident in the case study of Trelleborg Lanka. Such a relationship needs a considerable investment in developing human resource management personnel and practices as demonstrated by the management at Agio Tobacco Processing Co. and Trelleborg Lanka Ltd.
- Development of employees' skills in dispute resolution, participatory management and other soft skills creates a better climate for employee participation (employee training programme at Omega Line and team building activities at Trelleborg Lanka). Training also plays an important part in helping employees to make the best use of the collective bargaining process involving the trade union (office bearers of the branch union at Trelleborg Lanka.)
- The trade union and Employees' Council may co-exist amicably where the management deals with both without undermining either and on an equal footing (Agio Tobacco Processing Co.)
- Greater access to information at enterprise level, and access to decision makers within the organization, was a feature in each of these successful experiences in employee participation.
- Cultural and historical factors which determine management-employee relationships in the plantation sector must first be overcome before an effective employee participation system can emerge. The impact of employee motivation schemes in improving productivity, and the possibility of using participatory management schemes to develop more sophisticated worker participation and representation mechanisms merits further study, especially in the plantation sector.
- Employers operating in the Export Processing Zones appear to prefer to encourage employee participation through Employee Councils or a similar non-trade union mechanism, rather than encouraging main-stream trade unions to unionize their workforce; however, in the two organizations where there were established trade unions, the management at both enterprises (Trelleborg Lanka and Agio Tobacco Processing Co.) had no difficulty in maintaining a healthy relationship with the trade union and in achieving common goals through dialogue.

4. Policy implications for improving employee participation in Sri Lanka

The general lack of trust between employers and trade unions emerges as the key challenge to be overcome in establishing a meaningful system of employee participation, based on the discussions with both groups and on the positions taken by them in available literature. Employers, especially those in the EPZs, appear to prefer to communicate directly with employees, rather than through an intermediary such as a trade union. The trade union structure in Sri Lanka allows for a national level parent union to establish branch unions within enterprises (as in the cases of Trelleborg Lanka and Agio Tobacco Processing Co.). It is also pointed out by some employers that it would be disadvantageous for the

enterprise if a trade union representing its' workers is affiliated with a large national level trade union because of the possibility that the branch union may also be forced to support the political agenda of the parent union; this is cited by employers as a disincentive to working with such branch unions, and as being a reason to prefer 'in-house', or 'stand-alone' trade unions, which represent only the workers in that particular enterprise.

While employers felt that it was more productive to interact directly with workers in achieving common goals, trade unions contend that employees by themselves cannot bargain effectively or participate meaningfully in enterprise management without the support and input of a trade union, and even an 'in-house' trade union cannot have the capacity to adequately represent workers without such external support. Trade unions state further that, if the employers do not intend to gain an unfair advantage by talking directly to employees there should be no objection to dealing with a trade union representing such employees.

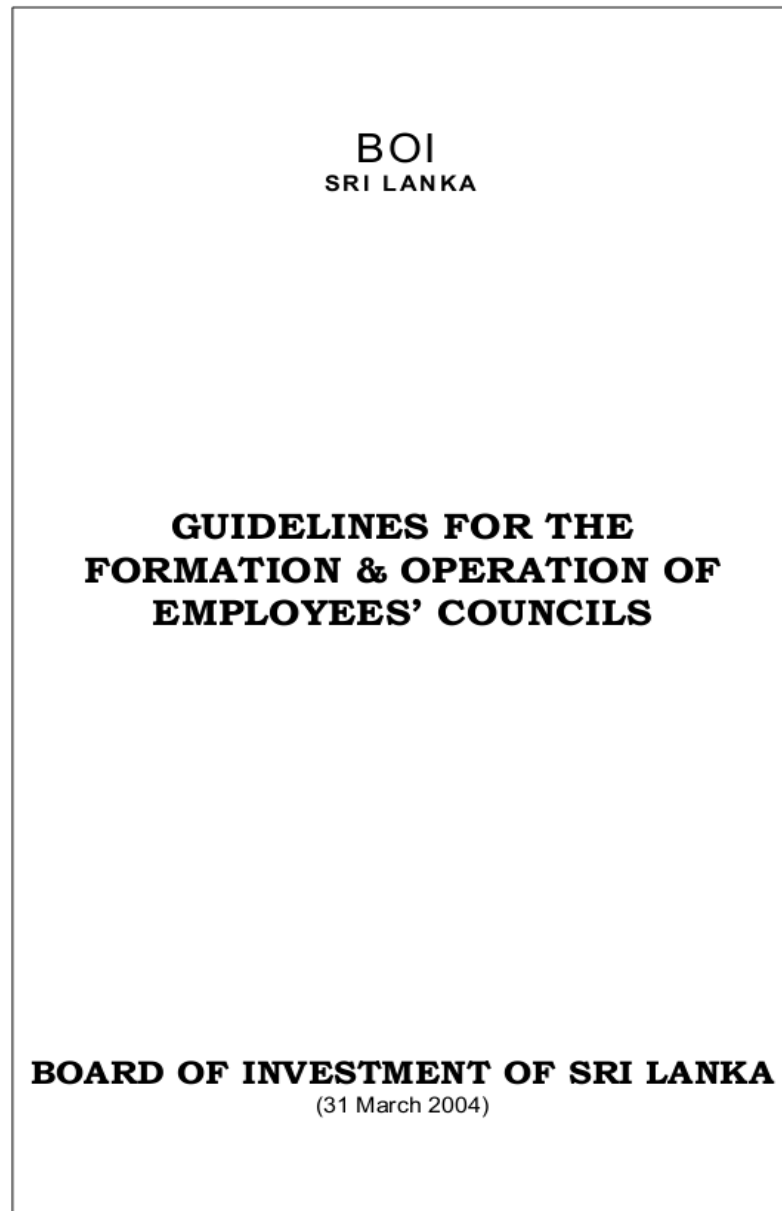
These diametrically opposed points of view regarding the means of employee participation will ultimately work to the disadvantage of employees: if employers prefer to work with workers' organizations other than trade unions, the trade unions will not accept their effectiveness or validity as such organizations undermine the rationale for the need for trade unions; employers will continue to cite factors such as the political affiliations of trade unions in Sri Lanka which gives rise to doubts as to the bona fides of some trade unions in positions taken during collective bargaining endeavours, in order to justify continuing to bargain with other types of workers' organizations. The resulting mistrust ultimately works against the interests of all employees whether members of the trade union, workers' organization or otherwise.

The failure of the labour administration and enforcement system to enforce existing legislation in an even-handed manner, and to ensure compliance with legal standards, has exacerbated this lack of trust (Gunathilake, 2001). Employers assert that the Department of Labour does not take action against trade unions that violate terms of collective agreements, etc., which serves as a disincentive to recognize and bargain with trade unions; trade unions in turn allege that the Department of Labour does not prosecute employers for engaging in unfair labour practices.

Therefore, the key challenges that emerge in promoting employee participation can be identified as:

- Improving the skill and knowledge of employees in participatory management techniques, including workers' rights at enterprise level;
- Improving the enforcement of existing legal provisions, to ensure that all violations of the law whether by employer, employee, workers' organization or trade union should result in legal or dispute settlement proceedings;
- Capacity building of trade union members and office bearers to enable them to bargain effectively at enterprise level without the need for intervention of 'parent' union officials; and
- Recognizing the need for and legitimacy of different types of direct and indirect employee participation mechanisms in various types of enterprises.

Annex 1. BOI Guidelines on Employee Councils



Contents

	<i>Page</i>
(1) Introduction	1
(2) Objects and Functions of Employees' Council	1
(3) Composition of the Council	1 - 2
(4) Eligible Employees	2
(5) Election to the Council	2 - 3
(6) Term of Office of the Council	3
(7) Registration of the Council	3
(8) Conduct of Business of the Council	3 - 4
(9) Duties of the Council	4
(10) Right of Representation in Collective Bargaining and Disputes Settlement	4 – 6
(11) Procedure for Resolution of Matters taken up by the Council	6 - 7
(12) Meeting of Employer and the Council	7
(13) Relationship between the Council and the Employer	7
(14) Interpretation of Guidelines	7
(15) Amendments to the Guidelines	8
(16) Date of Commencement	8
(17) APPENDIX – A	9 – 10
(18) APPENDIX – B	11

<i>Date of Commencement : 31st March 2004</i>

GUIDELINES ON EMPLOYEES' COUNCILS

(1) Introduction

As a measure of promoting employees' participation in decision-making on matters affecting them and labour-management consultation and co-operation on matters of mutual concern at the enterprise level, the Board of Investment (BOI) of Sri Lanka facilitates the establishment of Employees' Councils consisting of elected representatives of employees in the BOI enterprises.

(2) Objects and Functions of Employees' Council

2.1 The objects and functions of the Council shall be –

- (a) the regulation of relations between the employees and the management of the enterprise.
- (b) the promotion and maintenance of effective participation of employees in the affairs of the enterprise through consultation and co-operation between the employees and the management of the enterprise on matters of mutual concern to both parties.
- (c) the representation of employees in collective bargaining and settlement of industrial disputes.
- (d) the contribution to the promotion and maintenance of industrial peace and improvement of efficiency and productivity in the enterprise.
- (e) the promotion of the interests, welfare and well-being of the employees in the enterprise generally.

(3) Composition of the Council

- (i) A council shall consist of not less than five (5) members but not more than ten (10) members, representing the different departments of the enterprise and the different categories of employees employed therein. This does not, however, preclude the possibility of the number being increased to more than 10 members in exceptional cases where the size of the workforce warrant such an increase.
- (ii) The Council shall, while providing for proportional representation to the different categories of employees in the enterprise, encourage and promote the active participation of female employees in the affairs of the Council.

- (iii) Every member of the Council shall be elected by secret ballot by the eligible employees of the enterprise.

(4) Eligible Employees

- (i) Every employee employed in the enterprise other than employees in managerial grades shall be eligible to be elected and to vote at elections for membership of the Council.
- (ii) An employee who resigns from employment, vacates his post or whose employment has been terminated by the employer will, *ipso facto*, cease to be an eligible employee.
- (iii) List of eligible employees of an enterprise shall be prepared from the nominal roll and the current wages records of the enterprise.

(5) Election to the Council

- (i) Election to the Council shall be through secret ballot of eligible employees in the enterprise in case the number of nominations received exceeds the number of members to be elected.
- (ii) First election for the creation of the Council shall be organized by the Director of the BOI Industrial Relations Department or his representative, in close consultation with all parties concerned, and carried out by a three member Electoral Board constituted by the eligible employees of the enterprise..
- (iii) Subsequent elections to the Council shall be carried out by a three-member Electoral Board which shall be constituted by the Council.
- (iv) A representative of the Commissioner General of Labour may be present at the elections as an observer only when both parties request him to be present.
- (v) When the term of office of the Council expires, the Electoral Board constituted by the Council shall hold elections to fill the positions in the Council within a period of one month from the date of expiry of the term of office of the Council.
- (vi) Where the Electoral Board of a Council fails to hold the election within one month of the date of expiry of the term of office of the Council, the Director of the Industrial Relations Department of the BOI or his representative may, in close consultation with the Council, facilitate the carrying out of the election by the Electoral Board of the Council.

- (vii) The Electoral Board shall :
 - (a) call for and receive nominations
 - (b) arrange, hold and supervise elections to the Council
 - (c) declare the results of the election
 - (d) convene first meeting of Council presided by one of the members of the Board for the Election of President, Vice President and Secretary of the Council.
- (viii) Banners, posters or hand bills are not to be exhibited or distributed or meetings held in the premises in the process of canvassing votes in connection with the election.

(6) Term of Office of the Council

- (i) The term of office of the Council shall be 02 years from the date of election.
- (ii) The Electoral Board shall take suitable steps to fill any vacancy arising in the Council as a result of the resignation of a member or a member ceasing to be an employee in the enterprise.

(7) Registration of the Council

- (i) Upon the establishment of an Employees' Council, the President of the Council shall register the Council with the Department of Industrial Relations (BOI) together with the names of members of the Council, within a period of one month of its establishment.
- (ii) Every subsequent change in the membership of the Council shall be notified by the President of the Council to the Department of Industrial Relations of the BOI, within two weeks of such change.

(8) Conduct of Business of the Council

- (i) The Council shall elect a President, Vice President and a Secretary at the first meeting convened by the Electoral Board.
- (ii) The Council shall meet as often as is necessary and at least once a month. The date, time and venue of the meeting shall be arranged by the President of the Council.

- (iii) The Council will discuss any matters affecting the interests of the employees of the enterprise and decide on matters to be taken up for discussion with the employer. Decisions of the Council will be by majority vote.
- (iv) Minutes of all proceedings, including names of those present, matters discussed, decisions taken and voting shall be maintained by the Secretary. Minutes will be signed by the President, Secretary and at least one other member of the Council.
- (v) The employer shall allow up to two (02) hours duty leave every month for a meeting of the council and provide the necessary premises and facilities for the conduct of the meetings of the Council.

(9) Duties of the Council

The general duties of the Council will include the following:-

- (a) making recommendations to the employer on matters benefiting the enterprise and the employees;
- (b) ensuring that effect is given to any written law affecting employees
- (c) making recommendations to the employer on measures to be taken to prevent industrial accidents and eliminate health hazards.
- (d) promoting and ensuring the efficient operation and functioning of the Council.
- (e) such other duties as the members of the Council may, by a majority vote, deem necessary and desirable.

(10) Right of Representation in Collective Bargaining and Disputes Settlement

- 10.1 (a) The members of an Employees' Council established in an enterprise shall have the right to represent any one or more of the employees in such enterprise in any proceedings under the provisions of the Industrial Disputes Act, provided -

- (i) No less than the prescribed *percentum* of the eligible employees of the enterprise authorize the members of the Council, in writing, to represent them as their duly elected representatives in collective bargaining and industrial disputes concerning terms and conditions of employment.
 - (ii) an individual employee, who has a dispute with the enterprise authorises any one of the members of the Council to represent him/her as his/her duly elected representative in such proceedings.
- (b) For the purposes of sub-paragraph (a) (i), “ prescribed *percentum* “ means the minimum percentage union membership required for a trade union to bargain collectively with the employer of the employees in the enterprise on whose behalf it seeks to bargain in accordance with the provisions of Industrial Disputes Act, Chapter 131.
- (c) For purposes of nominating the members of the Council for representation functions referred to in sub-paragraph (a), the employees of the enterprise shall follow the format provided for such nomination in APPENDIX – A or APPENDIX – B, as appropriate
- (d) A copy of such nomination shall, where appropriate be -
 - (i) deposited with the Director, Department of Industrial Relations of the BOI for representation purposes.
 - (ii) delivered to the Human Resources / Personnel Manager of the enterprise for recognition purposes.
 - (iii) attached to every collective agreement and Memorandum of Settlement, as evidence of the right of representation. and
 - (iv) produced before the Commissioner of Labour, a Labour Tribunal, an Arbitrator or Industrial Court, as proof of the right of representation.

- 10.2 The number of members of an Employees' Council who are entitled to represent the employees of an enterprise, for the purposes of the Industrial Disputes Act, shall be not more than the number determined in the manner set out hereunder:

	<u>Number of Employees</u>	<u>Number of Representatives</u>
(a)	1 – 25	1
(b)	26 – 100	2
(c)	101 – 400	3
(d)	401 – 750	4
(e)	More than 750	5

(As per Regulation 38(2) of the Industrial Disputes Regulations 1958).

- 10.3 Where both a trade union which has been recognised for collective bargaining purposes and an Employees' Council exist in an enterprise the Employees' Council shall not represent the employees in collective bargaining and settlement of industrial disputes concerning terms and conditions of employment.

(11) Procedure for Resolution of Matters taken up by the Council

- (i) The Council to submit to the employer a statement containing matters to be taken up for discussion with him with a view to settlement.
- (ii) Employer to respond to the statement of matters submitted by the Council within two weeks.
- (iii) A meeting between the parties to take place within two weeks thereafter and negotiations to continue with a view to reaching a settlement of such matters as expeditiously as possible.
- (iv) The employer may nominate not more than five (05) representatives to discuss matters with the Council.

- (v) Any matters discussed between the Council and the employer but not resolved will be taken up by the Council with a view to settlement with –
 - a) the appropriate disputes settlement authority in accordance with the Disputes Settlement Procedure outlined in Labour Standards and Employment Relations Manual, where the disputed matters relate to bargainable issues.
 - b) the IR Department of BOI where the disputed matters relate to non-bargainable issues.

(12) Meeting of Employer and the Council

- 12.1 The employer and the Council shall meet as often as is necessary and, at least, once in every three months to –
 - (a) discuss matters of mutual concern to both parties, and
 - (b) review the employment relations situation at the enterprise with a view to ensuring the maintenance of industrial peace and improving efficiency and productivity.
- 12.2 The meetings for the purposes referred to in the preceding sub-paragraph shall be convened by the employer only in common agreement with the Council.
- 12.3 The procedure for the conduct of such meetings shall be determined by mutual agreement between the employer and the Council.

(13) Relationship between the Council and the Employer

- (i) It shall be the duty of the employer and the Council to work together in a spirit of mutual trust for the good of the enterprise and its employees.
- (ii) The employer and the Council shall work together to improve the efficiency and productivity of the enterprise and the well-being of the employees.

(14) Interpretation of Guidelines

Any matters of interpretation of the guidelines will be decided by the BOI and its decision will be final and conclusive.

(15) Amendments to the Guidelines

The guidelines contained herein may be amended from time to time as deemed necessary by the BOI, and the amendments so effected will be read and construed as part of the guidelines superceding the amended provisions.

(16) Date of Commencement

These guidelines shall come into effect from 31st March 2004 and shall supersede the previous guidelines that were in operation until 30th March 2004.

APPENDIX –A

NOMINATION OF EMPLOYEES' COUNCIL
MEMBERS FOR REPRESENTATION
FUNCTIONS

INDUSTRIAL DISPUTES ACT, CHAPTER 131

We, the employees of (...state name and address of company here ...) whose names and signatures appear in the attached Schedule, hereby nominate for the purposes of the Industrial Disputes Act, Chapter 131, the following members of our Employees' Council, namely,

	Name	Status
1.		President
2.		Vice President
3.		Secretary
4.		Member
5.		Member

to act on our behalf as our duly nominated representatives, in collective bargaining / in settling the industrial dispute between the abovementioned employees and the company.

THE SCHEDULE

(State the Name of Company here)

No.	NAME OF EMPLOYEE	SIGNATURE
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		

APPENDIX –B**NOMINATION OF EMPLOYEES' COUNCIL
MEMBERS FOR REPRESENTATION
FUNCTIONS****INDUSTRIAL DISPUTES ACT, CHAPTER 131**

I, (.....state the name of the employee) the undersigned employee of (... *state name and address of company here* ...) hereby nominate, for the purposes of the Industrial Disputes Act, Chapter 131, the following member of the Employees' Council, namely Mr/Ms.....
to act on my behalf as my duly nominated representative in settling the industrial dispute between the undersigned and the abovementioned company.

Date:

Signature
(State the Name of Employee)

Annex 2.

Estate Workers' Housing Cooperative Society (EWHCS) as a tool for participatory management

Estate Workers' Housing Cooperative Societies (EWHCS) were set up under the guidance of the Plantations Human Development Trust (PHDT) in the mid-1980s as grass root community based organizations (CBOs), for identification of priorities in social development efforts on the Plantations, ensuring the quality and cost-effectiveness of intended constructions for the benefit of workers, maintenance of these facilities and as a means of empowering the workers.

The EWHCS of each estate has certain common features as follows:

- Registered as a Cooperative with the Commissioner General of Cooperative Development
- The objectives of the EWHCS is to develop the capacity for economic, social, cultural and welfare development of the membership, to improve the housing of workers as means to improving their quality of life, to improve the knowledge of workers on thrift, mutual assistance, spiritual development, co-existence with others and human kindness, and the development of entrepreneurship skills and the creation of a cooperative society through these objectives.
- Every worker over the age of 18 registered on the relevant estate as a worker, or who has been a worker on such estate and is now lawfully resident on that estate qualifies for membership; upon acceptance as a member, the person must purchase at least one share (valued at Rs.250) in the cooperative society.
- Additional funds may be collected through the deposits made to any value by members, deposits accepted from any non-member individuals or institutions, income from any commercial activity of the EWHCS, donations or any similar funds in keeping with the objectives of the Society.
- There are stringent regulations providing for biennial elections, and the Estate Manager is the ex-officio Chairman of the EWHCS; the number of office-bearers is proportionate to the membership and there is provision for compulsory female and youth office bearers, the election of office bearers, keeping of minutes, accounts, management of funds, etc. The audited annual accounts must be filed with the Commissioner General of Cooperative Development.
- The payment of benefits, determination of interest rates payable on deposits of members, the dissolution of the society, entering into contracts and other legal matters are also dealt with adequately.

The conditions on Pelmadulla Estate which shaped the participatory management system

The EM of the Pelmadulla Estate stated that a SWOT analysis had been made of the estate as follows, in order to assess the best management practice to be utilized in human resource management on the estate:

SWOT analysis of the human resources on Pelmadulla estate

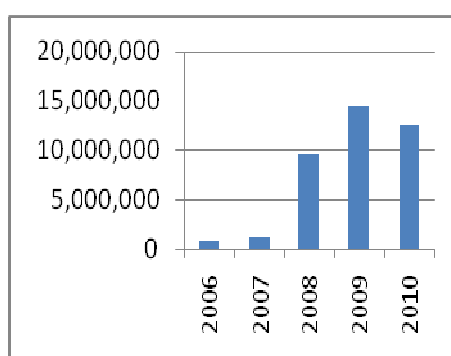
Strengths - Management committed to its HR policies - Estate located in an area with easy access - Motivated and Committed staff - EWHCS	Weaknesses - Large non-working population resident on the estate (including youth) - Too close to the towns of Kahawatte/Pelmadulla/Opanayake - Too many access points to the estate - Aging workforce
Opportunities - Potential for the use of infrastructure development as a tool for improving productivity and human resource management is high - Workers possess a great deal of untapped potential in many aspects	Threats Many other potential employers in the area offering higher daily wages (gem mining/industrial factories/daily paid labour)

Source: Powerpoint presentation, EM, Pelmadulla Estate.

The biggest challenge was to ensure that there was a sufficient supply of labour for work on the estate; as identified above, there was little or no limitation on workers residing on the estate in estate-provided housing but working elsewhere, thus compelling the management to hire non-resident labour (which also had its own complications).

Since about 800 present workers (both staff and labour grades), and also a further 700 retired workers were members of the EWHCS, it had been decided to channel many of the development activities taking place on the estate through the EWHCS, in order to ensure that priority was given to members who worked on the estate.

The EWHCS meets once a month and all proceedings are recorded; issues raised by the workers are not necessarily related to the EWHCS, and as only the EM is present as a member of the management team of the estate, it serves as a tool for direct communication with workers and staff. Therefore, many issues relating to the management of the estate, including productivity, wastage, unlawful activity (such as gemming), forest depletion, illegal logging by outsiders, are brought to the notice of the EM at these meetings in an open and productive manner. Matters needing resolution are recorded with the suggestions of the office bearers and members, and the EM uses this opportunity to communicate to the workers other information he considers important from a management perspective.



Since 2008, many activities had been carried out through the EWHCS with KWPL funds, and funds provided by the MJF Charitable Foundation, other Non-governmental organizations (NGO) and International NGOs (INGOs), and Government organizations such as the Department of Labour and the vocational training authorities. Renovation of staff quarters, upgrading of the factory, re-roofing of 20 housing units, building of 30 toilets, building worker rest rooms in the fields, concreting of some roads were undertaken in the initial phase. A further 200 toilets and re-roofing of 30 houses was undertaken in

2009, and 2010 saw an increase in the outlay on projects, with a pipe-borne water scheme for two divisions, electrification of one remote Division where the workers had suffered extreme hardship, and the construction of 20 houses.

As it is the practice to give priority to EWHCS members and active workers in allocation of resources for benefits such as housing, sanitation, re-roofing, etc., there is now a subtle pressure on workers to continue to report for work on the estate, rather than to resort to temporary but higher paid work in nearby towns.

Other strategies adopted to attract and retain workers:

- Incentive payments for high achievers in the PMTs is made in cash
- Workers are provided uniform tee-shirts at a concessionary rate which are purchased through the EWHCS
- Funeral assistance for workers (Rs.50,000), and the spouse or dependent of a worker (Rs.45,000) is paid immediately upon the notification of death and is the highest payout of any EWHCS.
- Performance Award Ceremonies organized annually for the estate workers to recognize and motivate best workers
- Priority card with photograph issued and best worker gets paid in an envelope
- Female workers salary only paid to her (not to husbands, or father's as was the practice in colonial days when women were not permitted to handle money). In situ, or mobile weighing of plucked leaf is done to minimize the distances walked by pluckers.
- Short-term, interest-free loans up to Rs.50,000 are provided to members for improving living standards, redeeming pawned articles, additional income generation projects, or other urgent needs of cash; no security is required, other than two fellow employees as guarantors, and recovery is made from the salary over a period of two years; it should be noted that it would not be possible to obtain such an amount from any banking institution or micro credit organization. Since it is the EM who ultimately decides whether to approve the loan, it is understood that only workers who have been regularly reporting to work on the estate would be able to avail themselves of this benefit.
- Training for pluckers and tappers on the estate by the National Apprenticeship and Industrial Training Authority, where modern methods, improving yield and productivity, etc., are introduced; moreover, the trainees are paid Rs.1000 per month by the Authority, which is an attraction in itself.

Special project for youth employment

Special income generation projects have been established under a project funded by the International Labour Organization (ILO) for the employment of educated youth on the estate who are reluctant to engage in the manual labour activities performed by their elders. A baseline survey was carried out to identify the potential trainees, and thereafter a human resource development assessment was carried out by a technical expert of the ILO to understand the needs and aspirations of estate youth. As a result, several interventions have commenced to provide alternate employment to such youth:

- A one-month training of 25 young persons to be cinnamon peelers²⁶ with the assistance of the Export Development Board, and currently 15 such youth are working as cinnamon peelers. Uniforms and other equipment have been provided with the assistance of the ILO.

²⁶ Cinnamon is the other major agricultural crop of the organization, in addition to tea and rubber.

- A salon, cooperative café, sewing centre to sew uniforms for workers, etc. are some of these income generating projects; the ILO has provided three sewing machines for the training of some 20 youth who are assigned to sew such uniforms or other clothing for estate needs as required; they carry on their own sewing/tailoring business at other times.
- Training in Business English for estate youth, and acquisition of a computer for the Youth Information Center at the EWHCS also provide for employable skills not easily accessible on plantations.
- A Job Bazaar was held at a nearby village temple where about 40 unemployed youth from the estate and the neighbourhood obtained employment at participating companies.

These initiatives on behalf of youth who do not wish to work in the traditional employment in plantations have an indirect benefit in that the parents have an incentive to continue to reside and work on the estate, without having to deal with the problem of unemployment of their children.

EWHCS operated grocery store on Ketaboola Estate

The EWHCS has been used in a different way to benefit workers in the up-country region. Given the remoteness of some of the divisions on up-country Plantations, workers find it difficult to obtain their daily necessities, and often have to purchase sub-standard goods at higher prices from small grocery shops. Recognizing that this prevents proper income management and disrupts the household economy, the EWHCS established Cooperative Stores on three Divisions at Ketaboola Estate, Nawalapitiya. The well-stocked grocery store has all reputed brands of goods in sufficient quantities, and the workers purchase goods and the dues are recovered from the monthly earnings. The AEMs too purchase goods from these Stores, and even the populations outside the Plantations in villages have started to patronize these Stores due to their convenience, service and quality of stock. The turnover has exceeded one million rupees regularly, and has necessitated the appointment of a manager to run all the Cooperative Stores on the estate.

The Cooperative has also commenced a micro-credit scheme, with seed money from an INGO, for workers intending to commence additional income-generating schemes such as animal husbandry or tailoring. The worker must make an application for the loan which is evaluated by the officers of the Cooperative Society, and even after approval the income-generating scheme is monitored by these officers. Recovery is through the pay-roll at a below market interest rate, and the level of success has been so noteworthy, that the INGO has agreed to increase the seed money within a year of the commencement of the scheme.

Impact of participatory management mechanisms on plantations of KWPL

Management perspective: The impact of the PMT schemes on the Pelmadulla Estate is such that, although the estate was ranked 8th out of 10 company plantations in the region on profitability at the end of 2007, it was ranked 2nd among all 17 KWPL Plantations in profitability by 2010 end. The EM attributes the increase in productivity leading to higher profitability to a combination of the PMT system, and the activities of the EWHCS.

Workers perspective: The workers stated that they were better motivated to come to work and to work harder and smarter, because they felt that they were consulted on their work and working conditions, and they were now aware of the daily impact of their work; previously, they used to work without being informed of how the estate was performing but now, they were regularly updated on performance and other details. The incentive

scheme was also attractive, as the extra money was drawn by each small group member in turn, and was used to purchase extra items for household use or to meet needs which would otherwise not be filled as the regular wage was apportioned for household use to a large extent.

Bibliography

- Asian Development Bank (ADB). 2011. *Economic Outlook, 2011* (Sri Lanka, ADB)
- Amerasinghe, F. 2008. *The current status and evolution of industrial relations in Sri Lanka* (India, ILO Regional Office)
- Arrigo, G.; Casale, G. 2010. "A comparative overview of terms and notions on employee participation" (Geneva, International Labour Organization)
- Central Bank of Sri Lanka (CBSL). *Annual Report of the Central Bank of Sri Lanka* (2010 and other years) (Colombo).
- . 2011. *Economic and Social Statistics of Sri Lanka* (Sri Lanka).
- Department of Census and Statistics. 2009. *Annual Labour Force Survey* (Colombo).
- . 2010 *Bulletin of the Annual Labour Force Survey* (Colombo)
- Gunathilaka, R. 2001 (unpublished). "Freedom of association and collective bargaining in Sri Lanka: Progress and prospects" (Colombo, International Labour Organization)
- Holzmann, R. et al. 2011. *Severance pay programs around the world: History, rationale, status, and reforms* (Washington DC, World Bank)
- Kelegama; Saman. 2009. *Labour issues in development* (Colombo, National Association for Trade Union Research and Education)
- Peiris, S.; Ranaraja, S. 2001. "Promoting social dialogue and freedom of expression in EPZs in Sri Lanka", in A.S. Oberai et al.(eds): *Labour issues in export processing zones in South Asia: Role of social dialogue*.
- Perera, M. 2002. "Organising the unorganised in the informal sector in Sri Lanka: Field survey of informal sector organisations" (Colombo, Marga/International Labour Organization)
- Sivananthiran, A.; Venkata Ratnam, C.S. (eds.) 2003. "Best practices in social dialogue" (New Delhi, International Labour Organization and Indian Industrial Relations Association)
- ; ———. (eds.). 2005. "Social dialogue at enterprise level: Successful experiences" (New Delhi, International Labour Organization and Indian Industrial Relations Association)
- World Bank/ADB. 2005. *Investment climate assessment for Sri Lanka* (Washington DC, World Bank)