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GLOBALISATION AND THE LABOUR MARKET: INSIGHTS FROM SRI LANKA'S EXPERIENCE*

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Introduction

The latter part of the 20th century has been a period of increasing integration of national economies within a single, vast, global web. By undermining the constraints imposed by geographical separation and through promotion of closer integration of economic, political and social activity across national frontiers, globalisation plays an important role in shaping the competitive environment of today. The process has facilitated quick dissemination of technological change, provided consumers/producers with a wider market base to draw from and sell in, and, for the global economy, a framework to reap production gains on the principle of comparative advantage.

Ever since European sea-faring nations established a stronghold in the Indian Ocean, exposure to global forces has been a major influence in shaping the fortunes of the Sri Lankan economy. While its broad socio-economic impact has been probed in some depth, the labour market dimensions of the phenomenon have not been addressed with the same fervour. This paper focuses on the impact of such global exposure and integration on the sphere of work in Sri Lanka and how the domestic market has responded to the challenges.

Global integration: some clarifications

Two clarifications become necessary at the outset. The performance record of the globalising economy is a mixed outcome, reflecting the interplay of several concurrent influences. These include the stabilisation/structural adjustment programmes (undertaken in

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consultation with the IMF-IBRD)[1]; the adverse developments on the security front: (the civil conflict from 1983), weather disturbances (e.g. droughts of 1982, 1992, 1996 etc.) and developments on the political front. Isolating the pure impact attributable to globalisation is difficult.

The second clarification is in respect of temporal coverage. For Sri Lanka, integration with the global economy has a history dating back to the colonial past when the imperial rulers transformed the economy into a supplier of primary commodities (primarily tea and rubber) to the overseas market and as a market for their own products (largely manufactured goods). The regime was one of free trade and free flow of capital between the centre and the periphery. The bulk of the paid workforce was Indian immigrant labour brought to work on the plantations. The basic export-import character continued throughout the country's modern history. The exposure to global forces through colonial links also brought the country under many foreign influences cultural, social and economic, which were to shape her outlook and approach for many decades to come. The economic fortunes of the ex-colony were heavily governed by world price trends in tea, rubber and coconut.

Under a constellation of domestic and external forces, such an open economy approach gave way to a regime of regulatory controls and inward orientation in the '60s and '70s. Subsequently, with the launching of the economic policy reforms of the late '70s, the pattern was reversed and the economy entered a second phase of global integration. The focus of the present study is on the latter phase of globalisation (the period from 1977 to 2000), albeit with references back and forth to the earlier phase where relevant to the discussion.

The new approach: some highlights

The policy turnaround of the late '70s under the new government cut across a spectrum of activities, increasing the exposure/integration of the economy into the global market framework. Among its globalisation thrusts are: liberalisation of external trade and payments, a new approach to exchange rates (unification, devaluation and floating);

opening the economy to foreign investment with the offer of a variety of concessions to potential investors; mobilisation of an unprecedented volume of concessional foreign aid for financing a large public investment programme, and opening of the share market to foreign participation. Growth, under the new approach, was to be 'export-led', 'market-led' and 'private sector-led'. The reforms entailed removal of restrictions and controls, which were inhibiting the private sector. A substantial Public Investment Programme (PIP) in infrastructure development also went hand in hand with the reforms.

The severity of unemployment led to the active promotion of foreign participation in direct and portfolio investment. The Greater Colombo Economic Commission (GCEC) was established to further the process. The liberalisation of overseas travel formalities was subsequently to lead to a position where overseas employment developed into a major unemployment relieving and foreign exchange earning medium for the economy.

Along with these measures, the package also contained reforms on the domestic front, featuring elimination of state subsidies and price controls, fiscal policy reforms to contain the budget deficit (including downsizing of the public sector) and reforms on the monetary front including deregulation of interest rates.

Performance of the globalising economy

The combination of structural reform, Public Investment Programme (PIP) and globalisation led to a tangible improvement in the economy's output performance raising it from a recorded average of 3 per cent per annum for the preceding 7 year period (1970-77) to over 8 per cent per annum forthwith and subsequently settling down at a sustained 5 per cent per annum over the next 2 1/2 decades. The per capita income increased five-fold from US $ 159 in late 1977 to US $ 856 by 2000. In Purchasing Power Parity (PPP) Dollar terms, the level in the mid-'90s was estimated at around US $ 3000. The national savings ratio rose above 20 per cent of the Gross Domestic Product (GDP) by the late '90s (from 13 per cent in 1976), with a third of it coming from workers' remittances. The Investment-to-GDP ratio was stepped up to around 30 per cent in the early '80s (from around 15 per cent in the mid '70s) with as much as a half of it coming from foreign sources in some years. Average annual flows of Foreign Direct Investment (FDI) increased several-fold. (In the half-decade preceding the reforms, FDI performance had been negative).

Economic growth was accompanied by substantial structural change: a decline in the share of agriculture (from 31 per cent of the GDP in 1977 to 20 per cent by 1999) and a corresponding rise in the share of manufacturing (14 per cent in 1977 to 16 per cent by 1999) and services (from 41 per cent in 1977 to 53 per cent by 1999).

Industrialisation responded with real Manufacturing Value-addition registering an average 9 per cent annual growth through the '90s. The import substitution strategy of the preceding phase gave way to export-oriented industrialisation. Much of the manufacturing sector growth was concentrated in garment industries (which responded favourably to quotas and foreign investment). Traditional activities such as food processing declined in importance.

Free Trade Zones (FTZs) currently employ almost 100,000 workers in 167 factories. The concessions to investors were subsequently extended on an all-island basis when for purposes of foreign investment the entire island was effectively declared an Investment Promotion Zone (IPZ) in November 1992. The expanded sector (commonly referred to as the Board of Investment or BOI sector) had a reported direct employment of 327,000 workers as the decade closed.

Liberalisation was accompanied by a rapid growth in external trade. Exports grew by 9.9 per cent per annum and imports by 12.4 per cent per annum between 1977 and 1996. Industrial exports relegated traditional agricultural exports to a secondary position. Export growth was skewed in favour of garments in particular.

Another outstanding development of the globalising economy is migration for overseas employment. The numbers currently amount to

reducing unemployment from its high rates of over 20 per cent reported in the early '70s to below 10 per cent by 1998. The major alleviation came from exogenous impulses (primarily opportunities in the Middle-east), domestic Investment Promotion Zone (IPZ) activity, and from defence-related recruitment associated with the civil war. The first two sources are directly related and have a heavy female bias. The male unemployment rate has dropped over the years to single-digit levels. The corresponding rate for females declined from its peak levels of over 30 per cent reported in the early '70s to reach 12 1/2 per cent by 1999.

The employment benefit trickling down to school-leavers aspiring for white-collar jobs has, however, been limited. The growth pattern in the globalising economy has not been able to absorb their numbers into the labour market in an effective manner. Unemployment is still highly concentrated among the young and the educated (Table 1.1).

Table 1.1
A: Percentage Distribution of the Unemployed by Level of Education, 1st Quarter, 2000

No Schooling	1-5 Years	6-10 Years	GCE "O" Level	GCE "A" Level & +	Total
0.5	2.8	45.6	25.8	25.3	100

B: Percentage Distribution of the Unemployed by Age, 1st Quarter, 2000

15-19yrs	20-24yrs	25-29yrs	30-39yrs	40-49 yrs	50 & +	Total
16.6	45.8	20.7	12.3	2.8	1.9	100

Source: Department of Census and Statistics: Quarterly Labour Force Survey, 1st Quarter, 2000

Structural change in the economy ushered in by globalisation/ structural adjustment was accompanied by a move away from traditional livelihoods in agriculture (or land-based livelihoods). The share of agriculture declined in both employment and output. The labour force in plantation work had been declining over a longer period reflecting the adverse price-cost trends in the market. Reduction in agricultural prices due to cheaper imports was among the factors prompting a shift in labour away from subsistence agriculture. Under low returns/ declining profitability, paddy cultivation was losing its attraction, notwithstanding the government's large agricultural infrastructure and land settlement programmes, which were launched during the last decades. The data in Table 1.2 suggests that 170,000 persons had moved away from agriculture during the period 1985 to 1994 in the seven provinces covered. These developments have implications for income distribution. They also have several social implications. Meanwhile, the sectors recording employment expansion were the manufacturing and services sectors (Table 1.2). In manufacturing employment, the push came primarily from foreign investment.

Table 1.2: Employment by Sector of Activity (selected years, 1981-94)

Sector	Census 1981 (9 provinces)	*LFSES, 1985/86 (7 provinces)	Demographic Survey 1994 (7 provinces)
Agriculture, Hunting, Forestry & Fishing	1,875,828 (45.5%)	2,204,745 (48.4%)	2,035,184 (40.6%)
Manufacturing	408,721 (9.9%)	570,474 (12.5%)	769,897 (15.4%)
Services	1,282,659 (31.1%)	1,314,900 (28.8%)	1,693,663 (33.6%)
Total Employed	4,119,265 (100%)	4,553,123 (100%)	5,017,194 (100%)

Note: Data available after 1st quarter 1990 exclude the Northern and Eastern Provinces.
Source: Department of Census & Statistics: *Census of Population, 1981;*Labour Force & Socio-Economic Survey 1985/86; Demographic Survey, 1994*

In the globalising economy, nearly 100,000 persons had found direct employment in the Free Trade Zones (FTZs) by the end of the '90s. FTZ employment is dominated by young female workers (over 80%) and the dropout rate after marriage is high. However, the overwhelming bulk of the positions are repetitive jobs at the low-skill and low-wage end of the spectrum.

Following the liberalisation of migration procedures, a batch of 710,000 Sri Lankan contract workers was estimated to be in overseas employment in 1997, with around 645,000 of them concentrated in the Middle-East. (CBAR, 1997). The figure averages to one expatriate per 5 households, or as much as 11 per cent of the domestic workforce. At over 170, 000, the gross labour outflow in a year currently exceeds the annual increment to the domestic workforce. As with FTZ employment, the profile is dominated by females (75 per cent or more, or around 125,000 a year), and, within this figure, over 85 per cent go for household employment as housekeepers, child minders, cleaners, and cooks. Their working conditions are typically unregulated. Over two-thirds of the migrating females are married (67 per cent in 1985; 79 per cent in 1994), with the majority of them having one or more children whom they leave behind in the custody of the spouse or the extended family of parents, elderly relations or elder children. Overseas employment has helped to raise the income position of the migrants' households, some temporarily and others on a sustained long-term basis.

A significant feature in the pattern of employment is that the globalisation phase has seen more jobs generated for women than for men. The gender composition of employment has changed over the post-1977 period from 1 female worker per 3.7 males at the dawn of the '80s to 1 female per 2.1 male units by the close of the '90s (Table 1.3).

Under the new policy approach, the onus of employment generation has fallen on the private sector. The public sector featured downsizing, 'golden handshakes', privatisation and recruitment freezes. Its share in total paid employment which stood at 49 per cent in the early '80s (Census 1981) had been reduced to 25 per cent by the end of the '90s. Although the phenomenon was not related as such, the developments throw light on the complex issues, which the labour market partners were called upon to handle during the globalisation phase. The phenomenon has raised important issues in the labour market relating to security of employment, fringe benefits and social security coverage.

Table 1.3: Profile of Employment by Gender (Post-reform phase)

Year/ Survey	Ratio of male to female (All Employed)
1981 (Census of Population)	3.7: 1
1994 (Demographic Survey)	2.5: 1
1999 (Quarterly Labour Force Surveys)	2.1: 1

Source: Department of Census and Statistics, *Census 1981, Demographic Survey 1994, Quarterly Labour Force Surveys 1999*

The status of employment too has undergone many changes during the globalisation phase. As elsewhere, global exposure has been accompanied by greater recourse to labour utilisation practices of the cost-reducing type in order to protect/enhance competitiveness. The trend is seen for both males and females.

In Sri Lankan law, the normal employment relationship is reflected as a monthly contract of employment, that is automatically renewed unless either party terminates it. Such a contract may be verbal or written. In the emerging new order, deviation from this typical relationship is universally becoming a widespread phenomenon. "Atypical" employment relationships appear in many forms: part-time work, fixed-term appointments, seasonal contracts and casual and temporary employment relationships.

For Sri Lanka, evidence of change in this direction is visible in the tabulations of the Central Bank's Consumer Finance Survey of '96/'97, according to which 57 per cent of all employees (or a third of all employed) are at present in casual forms of employment. This is an

Table 1.4: Status of Employment 1986/87 and 1996/97:

(Relevent categories as % of the total employed)

Survey year	Regular Employees %	Casual Employees %	Contractual Employess %	Self Employed %	Unpaid family workers %	Employers %	All
1986/87	29.7	28.6	Not estimated	29.9	10.2	1.6	100
1996/97	22.8	33.3	1.9	30.0	10.6	1.4	100

Source: Central Bank *CF & SES*, 1996/97 increase over the figure of 49 per cent reported in the corresponding survey carried out during the period 1986/87 (Table 1.4).

In addition to casual employment emerging as the major form of employment, it is also to be noted from the tabulation that such change has taken place with no corresponding variation in the proportion of self-employment and unpaid family work (of which, the shares remain at 30% and 10% respectively). Thus, the recorded shift seems to be from regular to casual employment.

The high and growing incidence of casual employment is a major development for concern. Recruitment on non-standard, peripheral forms of employment opens the way for exploitative practices. Non-standard contracts are being utilised by employers to evade employer obligations to the workers. Typically, these positions carry lower levels of social security coverage and employees' rights compared to regular jobs. Informal sector employment is also associated with lower job security. Workers entering into informal arrangements are beyond government inspection and also do not come under the protective umbrella of trade unions.

The drive for greater flexibility and cost-cutting on the part of the management has also increased the incidence of sub-contracting practices in the market. Long hours of work and poor piece rates are conspicuous features of the exploitative relationship in the home-based mode of employment. However, precise estimates are not available on this dimension.

Wages and Earnings

At the macro level, wage and salary earners comprise around 60 per cent of Sri Lanka's employed workforce and share between them 45-50 per cent of the national income (Table 1.5). One inference from the available evidence is that the globalisation phase has not featured a rise in the income share of labour over the long term (Table 1.5).

Table 1.5: Share of Wages and Salaries of the National Income (selected years)

Year	Share %	Year	Share %	Year	Share %
1970	46.6	1980	46.4	1990	45.4
1975	58.2	1985	45.8	1995	45.1
1978	48.6	1988	46.2	1997	45.9

Source: Department of Census & Statistics: *Statistical Abstracts* (various issues) & *National Accounts of Sri Lanka*, 1998.

The trends in the wage variable brought together in Table 1.6 point to a significant acceleration in the rate of nominal wage growth during the era of global integration. However, in real terms the gains have been marginal for the majority of the workforce. As highlighted earlier, the globalisation phase had been by and large a period of double-digit inflation, which eroded away the large part of the nominal wage gain. In the oil price hike years of 1980 and 1990 the annual inflation rate exceeded 20 per cent a year. Liberalisation of internal and external trade and the sharp depreciation of the currency in a context of worsening external imbalance were behind the escalation of prices. However, the implicit real wage stagnation was in a context of a GDP growth of around 5 per cent per annum.

While the general picture was one of stagnation, in certain higher level and technical occupations in the expanding sectors (i.e. commerce, industry, telecommunication, health services etc.) substantial earnings gain is on record. Market-led development has led to a widening of the wage differentials between the bottom and upper occupational ends of the market.

The developments are also intensifying dualism within the market with one segment (the 'protected' segment) offering higher wages, good working conditions and attractive fringe benefits and a parallel sub market (informal sector) offering paltry wages, sub-standard working conditions and poor social security arrangements.

The trickling down of the benefits of globalisation to the population has likewise been markedly uneven. Although money wage gains in the globalisation era were significant relative to the preceding decades[2], this was outpaced by the much higher earnings of the business/ entrepreneur class and of certain self-employed groups at the upper occupational end for whom the liberalisation policies had opened up a wide range of new opportunities. The upper income deciles accordingly increased in the early years. As Table 1.7 indicates, the poorest 40 per cent of spending units share between them only 14 to 20 percent of the total income compared to the richest 20 per cent who have around 50 per cent of the economy's income accruing to them. The average income level of the highest decile of income receivers stood at 33 times that of the average income of the lowest decile in the late '70s (rising to 38 times over the next decade).

Table 1.6: Trends in Wages and Prices 1978-95*

Private Sector (Statutory Minimum Wage)	Growth rate	(% per annum)
All Wages Boards		12.7%
Agriculture	13.5	
Industry & Commerce	11.6	
Services	8.6	
Government Sector (Commencing wage)		
All Central Government Employees		12.9%
Minor Employees	13.3	
Executive Grades	12.5	
Prices (Colombo Consumer's Price Index)		12.1

Source: Computed from wage and price data of the Department of Labour: *Labour Gazettes* and the Central Bank of Ceylon: *Annual Reports*.

*Growth rates are calculated on the ordinary least square (OLS) method.

In the closed economy phase, which preceded globalisation (i.e. the 1960s to the early '70s), the indications were of a shift in income

Table 1.7: Sri Lanka Income Distribution Indicators (1953-1997)

Percentage of income received by Spending Units[a]

Income	1953	1963	1973	1978/79	1981/82	1986/87	1996/97
Poorest 40%	14.50	14.66	19.29	16.06	15.25	14.14	15.7
Middle 40%	31.70	33.03	37.76	34.07	32.79	33.56	34.8
Richest 20%	53.80	52.31	42.95	49.87	51.96	52.30	49.49
Gini ratio	0.46	0.45	0.35	0.43	0.45	0.46	0.43

Note: [a] A Spending Unit (SU) consists of individuals who act as a unit in making major decisions about spending. A household may include one or more SUs. In 1963 there was an average 1.08 SUs in a household. In the 1978/79 and 1996/97 surveys the corresponding value was 1.1

Source: Central Bank of Sri Lanka (1998): *Economic Progress of Independent Sri Lanka & CF, 1996/97.*

distribution towards lesser inequality, but somewhere in the mid/late '70s a reversal was indicated. The Gini coefficient increased from 0.35 to 0.43 in the course of the '70s and continued its upward trend into the '80s.

To be noted, however, is the reversal suggested by the CFS 1996/97 of the earlier trend of worsening income inequality. In the tabulation, the Gini ratio has reverted to the level reported in the early years of liberalisation. Underlying the phenomena, impressionistic evidence points to some related leverage operating from below, namely the international mobility facilitated by the opening of the economy, which provided opportunities for the lower income categories to obtain employment abroad and remit substantial sums of savings to their households. The annual gross out-migration from Sri Lanka for employment is as high as the incremental addition to the labour force in a year. The large majority of the foreign employment seekers are from low-income households (Rodrigo & Jayatissa, 1989).

The World of Work in the Globalisation Setting: Challenges and Dilemmas

Challenges to workers

The impact of globalisation on the workforce has its positive and negative dimensions; different groups have been differently affected.

Among the vulnerable groups are workers in formerly protected industries such as textile manufacture where subsequent exposure to global competition had led to the closure of most establishments. A further group adversely affected are from enterprises at the small-scale end of the market, which have been dislodged by increasing competition from their bigger counterparts. Although precise figures are not available, the incidence is reportedly high. Apart from the number of jobs actually lost in the process, the threat of job loss weakens the bargaining position of workers, making it easier for non-standard forms of employment or exploitative practices to be introduced.

Among the working poor who are adversely affected by related developments are sections of the small farmer community dependent on the production of food crops (potatoes, onions, chillies, pulses, poultry products etc.) for the domestic market. Liberalizing the import of these items has deprived them of the protected market and reduced their incomes. Their vulnerability has been aggravated by the rise in cost of production following the exchange rate reforms and world-wide rise in fertilizer prices.

Most outlets that opened in the last two decades catering, mainly to female workers, including the Free Trade Zone (FTZ) enterprises, have focussed on workers at the low-skill/low-pay end of the spectrum who have limited career development opportunities. FTZ employment and overseas employment are off-shoots of the globalisation phenomenon. Both segments of workers are female-dominated and the majority are secondary school leavers engaged in occupational pursuits not directly related to their educational attainments.[3] Thus, in both sectors, the picture is one of mismatch of openings and expectations. Both are transitory jobs, not 'careers'.

For both groups, money wages are higher than could be earned in comparable jobs within the economy, but workers are subjected to disadvantages such as substandard living conditions in the FTZ and abusive/exploitative relationships in Middle East employment. Neither group enjoys trade union protection. In both segments, the bargaining capacity of the workers *vis a vis* their expatriate employers is manifestly weak. In the FTZ segment, workers are confronted with employers very much exposed to competition and unfamiliar with local conditions or bargaining traditions. On the part of workers too, they are themselves part of the transient labour force — not part of a stable industrial workforce. "The imposition of company rules and regulations prevailing in their own country irrespective of the resistance of Employees' Councils" is among factors highlighted by Wansapura (1998) as causing attitudes of alienation between labour and the management. Expatriate workers also face the problem of a language barrier that prevents them from engaging in frank discussions with their employers.

Limited employment tenure and the transient nature of employment affect the eligibility of workers to the retirement gratuity, which legally prescribes a 5-year qualifying period.

A study in the Free Trade Zones conducted in 1994 (AFFLI-ACCTUF:1995) revealed that over 40 per cent of the workers were unaware of their terms and conditions of employment including wages, allowances, leave, working hours, shift systems etc. when they commenced employment. Out of the respondents 72% had expressed an interest in joining a union.

Given the large numbers involved (e.g. over 700,000 in contract employment overseas), the welfare and protection of migrant workers and their families is an area for strong concern. The Iraqi invasion of Kuwait in 1990 saw over 80,000 Sri Lankan workers (mainly women) being deprived of their employment and having to be repatriated at state expense. Migrant workers are among the 14 groups of women who have been identified as vulnerable at the Nairobi Forum of 1985. Household employment is not a protected trade. New dimensions for policy intervention have been created owing to the large number of migrant female workers. On the societal front, family disruptions, neglected children and problems of reintegration upon their return have posed significant problems. (Rodrigo & Jayatissa, 1989; Department of National Planning 1996).

Globalisation, and the rapid pace of technological change that has gone hand in hand with it, have also posed challenges to the workforce in general. Old skills are fast becoming obsolete and new skills are coming to the forefront. Pressure is being brought to bear on the workforce to develop adaptability to changing technology, whether in the office or the factory, but facilities for such enhancement have not expanded commensurately. Furthermore, vocational training is outside the free education system, affecting mainly those in the low income range.

Labour market stress has resulted in a large number of workers seeking legal redress *via* the Labour Department. The number of disputes received at the Department of Labour over the last two decades has varied between 11 to 14 thousand a year. The number of cases instituted before the Labour Tribunals in the second half of the '90s averages over eight thousand a year.

On the industrial relations front, the globalisation push also appears to have been accompanied by a toning down of union activity compared to the preceding decades. With the enhanced role assigned to the private sector and to foreign investment promotion, the environment was not receptive to the confrontational approaches adopted in the past. Both the number of unions and union membership reported a decline. The '80s was also a period of subdued activity with regard to industrial disputes. Urban work stoppages declined from over 30 strikes a year in the immediate pre-reform years to below 20 during most years of the next decade and half (10 or less a year in the latter half of the '80s). Part of the reversal can be explained by the setback of the abortive public servants' strike of July 1980.[4] The unions seemed to have grasped the tacit message in the government's repression of the July 1980 strike that labour unrest which can have an impact on economic policies and growth, would be treated under a new set of rules. Also implicit in the government's approach was the recognition that a climate of industrial peace and some flexibility with legislation is necessary to attract foreign investment. The Prime Minister's statement in introducing the second reading of the GCEC Bill in Parliament brings out the stand of the Government. *viz*:

"... we have demarcated a certain area. In that area, I want to say quite frankly, let the people of the world including our own capitalists come and make it a 'robber baron's area', like the American system, the Japanese system and the British system before the Industrial Revolution ...

... if you are going to make this area an area where capitalists – foreign capitalists and local capitalists – invest, certain laws have to be non-operable in that region. We, therefore, drafted the Bill with great care. It is, if I may say so, an area within an area. The laws that apply to this area will not apply to other parts of Sri Lanka... Far better not to have it at all rather than have an emasculated and strangled Free Trade Zone ..." (Hansard, 19-1-78)

This was a radical change in the approach to issues.

Another illustration of the government's new approach was visible in the Industrial Policy Statement of 1987, which proposed new measures to address certain problems arising from prevailing labour practices and legislation. It contemplated, among other things, an amendment to the Terminations Act (TEWA) enabling retrenchment with compensation on a pre-agreed formula, and a codification of existing labour legislation "with a view also of seeking trade-offs between fringe benefits (including public holidays) and growth in productivity and real wages".

Here, for the first time, a publicly articulated approach to labour relations based on productivity and efficiency was being announced. However, in the context of civil unrest and other subsequent developments, the proposals were not followed up.

Overall, the climate in the '80s was not congenial to the brand of militant trade unionism that was practised in the '50s and '60s. The absence of significant trade union protests since 1980 needs to be noted. Until the flare up in 1994, the industrial relations scene had been relatively calm. The upsurge of strikes since then is a sign of the resurgence of resentment to capitalist growth promoted by liberalisation /globalisation. The previous government had kept industrial conflict at bay through autocratic means (Lakshman,1996).

Globalisation Setting: Challenges to Employers

Globalisation has not been without its challenges to the employers. While globalisation entailed a broadening of opportunity, (markets expanding under free trade and investment avenues widening across national frontiers), the ones operating on lower scales of operation and lower levels of efficiency were confronted with the threat of being displaced by their more competitive counterparts. Corporate restructuring, downsizing, cost pruning and business closure have been among the responses on record, especially from small and medium scale industries.

As competitive pressures intensify with global market integration, a search for greater flexibility in hiring and firing is visible across the board. Stiffening competition and instability, inherent in tight competition, are pushing producers more and more to the informal labour market. Continuous pressure from the investor/employer community for less rigorous employment termination procedures is also on record. Flexibility in the organisation of work (e.g. for flexibility in the demarcation of jobs) and clarity on the position with respect to part-time work, and on the principal employer's obligations and responsibility in respect of persons hired by subcontractors are among the concerns currently being canvassed. Labour market deregulation is being urged including a reduction in holidays and leave privileges. Labour market rigidities are among the features repeatedly highlighted by the IMF-IBRD policy missions as inhibiting economic growth.

The Employers' Federation of Ceylon (EFC) has also urged for productivity considerations in wage bargaining as against the cost-of-living based approach pursued over the last 5 decades. (Amarasinghe, 1998). The traditional approach to wage fixing throughout the country's post-Independence history has been based on principles such as the cost of living and the comparability (or wage relativities) criterion[5].

Within bi-partite bargaining there is some evidence of a shift from collectivist to individualistic approaches. While membership of the EFC has increased, the coverage of firms in the successive EFC-CMU collective agreements also seems to have declined over the years (58 firms in the 1961 agreement, 51 in the 1987 agreement and 36 in the 1996 agreement). Individual company agreements are on the increase.

Plant and enterprise level bargaining enables productivity and other company-specific considerations to be built into the bargaining process, but from the workers' perspective it entails a weakening of the bargaining unit.

Role of the Government

In Sri Lanka, the government has a long tradition of intervention in labour affairs – a tradition going back to the days of colonial rule and heavily conditioned by considerations of social equity and justice.

The inflationary years of the early and mid-'70s saw the government using legislative means to initiate labour related changes in respect of terms and conditions, thus entrenching government intervention in the labour market. The most conspicuous intervention was wage adjustments extended to the private sector by a direct government decree invoking emergency powers. (Rodrigo, 1991; 1994). This approach is related to the wage strategy, which the government pursued towards its own employees during the inflationary years of the early '70s. The stance was one of periodically enhancing, by Cabinet decision, the living allowance component of the public employees' pay packet[6]. The adjustments were in most cases announced during the Annual Budget (1972, 1973, 1977, 1979 and 1980) along with other fiscal measures, and typically as part of a broader package involving prices and welfare expenditure measures.

What is important to note here is that in a number of instances in the 1970s these *ad hoc* living allowance adjustments were also extended to the private sector. In a few occasions, their adoption in the private sector was on a voluntary basis in response to requests (i.e. moral suasion) from the Minister to the employers, but in most instances such as in 1972, 1973, 1974, 1975 and 1976, under Emergency regulations, the extensions were statutorily imposed on the employers.

As the economy got firmly established on the globalisation path, a marked change was visible in the government's approach to private sector pay determination. The new stance featured withdrawal from the earlier interventionist policy of imposing wage adjustments from above, thereby leaving wage outcomes to be decided by bargaining mechanisms including Wages Boards. Although the behind-the-scene influence of the government is still visible, the direct interventionist policy has been done away with. In this change of approach, one discerns an attempt to infuse market criteria into wage determination.

Since the government's retreat from the earlier policy of extending allowances, the pattern that emerged in the '80s was for workers' representatives to place wage motions before the respective Wages Boards citing precedents in the government sector.

The government's changing strategy in the new setting is also demonstrated by action taken during the Public Servants' strike of July 1980 when the government invoked Emergency powers to deal with the strike and treated all strikers who failed to report to work by a stipulated deadline as having vacated their posts. With the launch of the free market strategy a disciplinarian stand was adopted to maintain industrial peace. In the late '70s and early '80s, the government was exploring legislative mechanisms to contain union militancy. Private sector employers were also permitted to treat participants of the July 1980 strike who defied orders and deadlines as having vacated their posts. For their part, the unions sought ILO mediation and recourse to constitutional provisions to get certain legislative provisions modified.

Recognizing the need for a climate of industrial peace in order to attract foreign investment, the government's strategy featured both legislative initiatives and compromises with unions. Action contemplated on the legislative front for exempting the FTZs from certain labour laws and for enhancing the powers of the executive under Emergency regulations has already been highlighted. Meanwhile the ruling party also sought to establish its own union support base - the *Jathika Sevaka Sangamaya* (JSS)- by organising workers under its banner. Simultaneously, allegiance of the leading estate sector union was secured through a political compromise of inviting its President to the Cabinet. The Government also attempted to bring the two industrial relations parties together through the promotion of bi-partite machinery such as Employees' Councils and Joint Consultation Councils although with very marginal success.

Following the government's disciplinarian approach, one observes a hardening of the managements' stance towards unions and a declining trend in trade union power.

The aftermath of the 1994 elections, however, saw some softening of attitudes and an upsurge in manifested industrial action.

Concluding remarks

The investigation has been able to shed light on some major directions of change in the Sri Lankan labour market following exposure to the forces of globalisation. On the positive side, the phenomenon has contributed to the reduction of unemployment through the enhancement of a market for sale of goods and services and the facilitation of mobility of labour and capital across national frontiers. Technology diffusion, which accompanied global integration, has provided opportunities for skill and capacity enrichment of the workforce, thereby opening up new opportunities in the changing global order.

Adverse effects of global exposure include job loss in the formerly protected industries now exposed to global competition. Its social repercussions have been stressful, but newly generated positions have outpaced the jobs 'destroyed'.

New employment generated through globalisation displays a gender (female) bias and the beneficiaries in most cases have been supplementary earners in the family (daughters and wives). Globalisation-generated openings have had a distinct concentration in unskilled/semi-skilled positions. Many are of a short-term duration, and fit into the description of 'job' rather than 'career'. To educated school leavers aspiring for white-collar jobs, the benefits so far have been limited.

Money wages have increased significantly, but the real improvement coming from such nominal gain has been marginal. At two US Dollars a day, globalisation did not entail an impressive gain in real wages for the vast majority. However, in certain professional/

managerial and technical categories the material gains have been substantial and some widening of the occupational earnings structure is indicated. Thus it can be seen that globalisation has made its contribution to labour market polarisation.

New forms of employment, which deviate from the standard employment contract (viz. sub-contracting, job contracts, fixed contracts etc.) are emerging on an unprecedented scale. For the working class these have deep implications in terms of income stability, worker protection and social security. In the aggressive competition, which liberalisation/globalisation has fostered, enterprise mortality has been on the increase. The threat of job loss weakens the bargaining position of workers, making it easier for non-standard forms of employment or exploitative practices to get entrenched.

While globalisation has opened up enormous opportunities for economies to progress, the problems and challenges that need to be addressed on the human resource sphere, require a well-conceived approach in policy-making circles.

Abreviations

CMU - Ceylon Mercantile Union
JSS - *Jathika Sevaka Sangamaya* (A Trade Union)
TEWA - Termination of Employment of Workers Act

Notes

1 Fiscal discipline through subsidy cuts, privatisation of public enterprises, pruning of government cadres, removal of price controls etc. advocated by the International Monetary Fund/ International Bank for Reconstruction and Development.

2 Compared, for example, with an average 2.7% growth per annum in the All-Wages Board statutory minima and 3.2% per annum in the government minor employees' commencing wage in 1960-70. (Rodrigo, 1994:87-88).

3 *Viz*. Household employment in the Middle-East and operatives' jobs in the FTZ.

4 (e.g. membership of public sector unions declined from 338,000 in 1979 to 124,000 in 1984).

5 See Rodrigo, 1991 & 1994.

6 The pay packet typically had two components: a basic wage and a cost-of-living supplement.

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