6

Decent Work in Agriculture in Sri Lanka

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1. INTRODUCTION

The International Labour Organisation recognises that decent work means “productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities. It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers’ rights and social standards. Tripartism and social dialogue are both objectives in their own right, guaranteeing participation and democratic process, and a means of achieving all the other strategic objectives of the International Labour Organisation” (International Labour Office, 1999). Economic and social development therefore must coincide: rights at work provide a road map to economic development; employment and income security link production and output with demand for production and a better quality of life; social protection ensures that a minimum quality of life is assured to every member of society. Only then does economic reform become relevant and meaningful to society at large.

Sri Lanka has recognised the fundamental concept of decent work for all in the Constitution enacted in 1978. Article 27 of that Constitution spells out the ‘Directive Principles of State Policy’: “27

- The Directive Principles of State Policy herein contained shall guide Parliament, the President and the Cabinet of Ministers in the enactment of laws and the governance of Sri Lanka for the establishment of a just and free society.

- The State is pledged to establish in Sri Lanka a democratic socialist society, the objectives of which include -

  - the full realization of the fundamental rights and freedoms of all persons;
  - the promotion of the welfare of the People by securing and protecting as effectively as it may, a social order in which justice (social, economic and political) shall guide all the institutions of national life;

- the realization by all citizens of an adequate standard of living for themselves and their families, including adequate food, clothing and housing, the continuous improvement of living conditions and the full enjoyment of leisure and social and cultural opportunities;

- The State shall ensure social security and welfare.”

The State has recognised that Social Justice shall guide the enactment of all laws and governance, and all institutions of national life, and that they must ensure a society based on the four pillars of decent work. While these principles do not establish justiciable rights and freedoms, they serve as a reminder of the ideal status that the State should strive for, and should attempt in all its policies and strategies.

In addition, the concept of rights at work has been entrenched in the present Constitution, as fundamental human rights that are enforceable against the State and other citizens. These rights
include the freedom of speech and expression including publication, the freedom to form and join a trade union, and the freedom to engage by himself or in association with others in any lawful occupation, profession, trade, business or enterprise. Thus, Sri Lanka has in principle recognised the concept of decent work.

I. 1. Decent Work in Agriculture

The International Labour Organisation recognises that decent work is a right not only of those in the formal labour market, but also of those in vulnerable occupations in the informal, unregulated sector, such as homeworkers, temporary workers and the self-employed. There is special concern globally for the rights of workers engaged in agriculture, and especially in Asia, where employment is increasingly becoming characterised by informal and unregulated work arrangements. This has serious implications for workers in the informal sector, because it is difficult to ensure their rights and freedoms within uncertain and unstructured parameters, they face chronic under-employment, low wages, and little or no social protection. For these workers, who are in many ways marginalized from the larger society, social dialogue and social participation have little practical relevance (International Labour Organisation, 1999).

In Sri Lanka, it is increasingly a cause for concern that the agricultural sector, comprising of plantation and non–plantation agriculture, livestock-based production, inland and marine fisheries, and forestry, is located in the informal economy. While the informal economy as a whole has increased in scale after the liberalization of the economic policies, this is particularly true of the agriculture sector (Sandaratne, 2001). Sri Lanka has had many programmes and policies aimed at developing agriculture in the past, and indeed there are many such programmes under implementation even in the present. It is useful to examine whether the policy makers who create and implement these policies in promoting numerical objectives, to improve yield and output, focus on the need to improve the circumstances of the rural worker.

At present, the estimated population of the country is approximately 19 million, composed ethnically of Sinhalese (81.9 per cent), Sri Lankan Moor (8.0 per cent), Indian Tamil (5.1 per cent), Sri Lankan Tamil (4.3 per cent), with other minority groups making up the balance population.¹ The overall budget deficit is 8.9 per cent of GDP, and GDP (nominal) per capita has risen to US$ 872. An overall literacy rate of 90.1 per cent (Male 92.5% and Female 87.9%) is one of the highest in developing countries, but within this is hidden unacceptably low levels of literacy among underprivileged sectors, especially among females in the plantation sector. Unemployment is approximately 9 per cent of the labour force, but the income of a large number of the employed are inadequate to sustain an acceptable physical quality of life, despite their classification as employed persons.

In 2001, 14.6 per cent of the population was resident in urban areas, fully 80.0 per cent was considered rural and 5.3 per cent was resident on estates (Department of Census and Statistics, 2001). There was a significant increased in the female population, and the population of the country is ageing rapidly, which have a profound impact on employment and the labour force.

Thus, despite an apparently stable and satisfactory economic and social environment, considering the classification as a developing country, there are glaring inequities and anomalies within that
structure. Therefore, a closer look at the composition of some of these indicators is required to ascertain the realities of modern Sri Lanka, especially in relation to agriculture and agricultural workers.

II. AGRICULTURE IN SRI LANKA

II. 1. Agriculture In The Context of National Economic Development In Sri Lanka

Sri Lanka was predominantly an agricultural economy at the time of independence from British rule in 1948. Consisting of an export agricultural sector and a subsistence agricultural sector, agriculture provided employment to more than half the labourforce at that time (Central Bank, 1998). There were few, if any, linkages, between the two sectors, with the export agricultural sector receiving preferential treatment by the British to the detriment of the domestic agriculture sector due to the higher earning potential of the former.

Agriculture for export depended mainly on perennial crops such as tea, rubber, and coconut and together with minor export crops such as cinnamon, pepper, cocoa and coffee, provided more than a third of gross national income. The subsistence sector produced mainly field crops such as paddy, kurakkan, sweet potato and maize for domestic consumption, but was unable to supply the food needs of the population, and the country was extensively dependent on imports. The State was a minor player in the domestic agricultural sector at that time, but with Government intervention after independence to develop agriculture infrastructure, irrigation facilities, credit and other inputs, it directly influenced price setting, purchasing and marketing of agricultural produce. Subsequently, after land acquisition policies of 1972, the State became directly involved in the production of export agriculture. By that time the nature of domestic agriculture had made the transition from subsistence based to a more commercially oriented output.

These land reform policies did little to broadbase land ownership, and were detrimental to the growth of agriculture. Increased fragmentation of agricultural land has also made it beyond the means of the small holder to rise beyond subsistence agriculture, and made productivity increases by mechanisation and introduction of technology unrealistic, despite so-called intervention programs by various Governments. At present, fully 45% of agricultural holdings are less than or equal to 40 perches (¼ acre) of land with agricultural produce mainly for home consumption, and the balance 55% are in excess of 40 perches (mostly large plantations) with production being commercially oriented. In addition to small holders, the domestic agriculture sector is characterised by unauthorized settler farmers on government owned land, share croppers, and a considerable population of farmers who have become landless labor over the years (available information indicate that 27 % of rural households are landless).

Sri Lanka has a seasonal variation in rainfall, and being an agricultural economy, it is necessary to provide irrigation facilities to cultivate the staple food crop of rice, which requires the extensive use of water. While the North East Monsoon brings rainfall during December-February to most parts of the island, including the Dry Zone, the South West Monsoon from May-September provides water only to the Wet Zone. Due to the need to provide water to the Dry Zone in the latter period, Sri Lanka developed a sophisticated system of irrigation over 2000 years ago. While
small village reservoirs, known as “tanks”, with simple channel systems initially provided the needs of the early settlers of the Dry Zone, more sophisticated reservoirs were constructed by building dams across rivers. Water was diverted from these via extensive irrigation systems, mainly in the North Central Province and the Southern Province of the country, and thus the cultivation of paddy and other crops was facilitated. These systems were neglected after the shifting of the centre of power to the Wet Zone, and although in the late 19th century the British commenced restoring some of these abandoned tanks and waterways, they remained largely neglected at the time of independence.

In post-independent Sri Lanka, the main aim of the political leadership was to achieve self sufficiency in food, mainly rice. This was due to the realisation that the lack of interest shown by the British towards developing the domestic agricultural sector had reasons other than the focus on the export sector alone. Since the strain on scarce foreign reserves necessitated by the expenditure on food could only be curtailed by an aggressive agricultural development policy, successive governments in independence introduced new irrigation schemes and gave priority to the rehabilitation of existing schemes.

The original goal of the major Development Scheme in the country was to grant land to 1.5 million landless people over a period of 30 years and to provide agricultural employment. However, as seen above, this period was accelerated to 5 years in 1981. One objective of this land allocation programme was to create a large group of small holder farmers in order to end poverty and landlessness of small farmers. A farmer family received 2 1/2 acres of paddy land and 0.5 acre homestead. All excess land in the areas of the Irrigation/Development Scheme – the Accelerated Mahaweli Development Programme – was acquired and they were distributed among the landless and marginal rural farmers. (Siriwardena, 1984).

Under the Mahaweli Development Programme, to date, approximately 98,310 families have been settled in Mahaweli Systems H,C,B,G, and L, with a third of these being settled in System H. However, it is incorrect to consider these schemes as having broadbased land-ownership as these families have been granted what can only be considered “leasehold” rights, which cannot be transferred or transacted outside the family. Although the objective is stated to be to prevent further fragmentation of the land allocated to each family in the settlement, it has also meant that many settlers have been unable to access credit as financial institutions do not consider the rights they have been granted as acceptable collateral.3

The settlement rights granted to families is even more inequitable in the case of women. The Land Development Ordinance No. 19 of 1935 stipulates that title to land should be passed onto the eldest son in preference to an older daughter,4 violating constitutionally entrenched principles of equality. However, in many cases men have migrated away from these areas in search of better economic prospects, leaving women as de facto heads of households and providers to tend fields over which they have no legal title, and thus denying them the enjoyment of the legitimate fruit of their labour.

Nevertheless, despite, or as a result of, these restrictions has been circumvented in practice by farmers who are unable to make a living out of their small-holdings where they unofficially “transfer” such land allotments to richer farmers, and become paid agricultural workers on land...
that has been allocated to them (Kuruppu, Christian Worker, 2002). As this practice is not recorded, and as the more affluent farmer is not interested in disposing of the land, it is not possible to enforce the legal limitations to outlaw such practices.

II. 1. (i). Impact of Economic Liberalization on Agriculture

In 1977 the import-substitution and inward-looking economic policies that had been followed since 1972 were abandoned with the change of government and the economy was liberalized. The government followed an export-led development strategy, encouraging foreign and local investment in the export sector, and controls on exchange and trade were removed. While subsidies and rationing introduced under the previous regime were abolished, new welfare schemes for education, housing and rural credit were introduced.

Since 1972, domestic agriculture has grown faster than the plantation sector, which has slowed due to the inefficiencies created by State involvement. However, growth in the agriculture sector as a whole has been below that of the overall economy, resulting in the contribution of the sector to Gross Domestic Production (GDP) declining from 38 per cent in 1950 to about 20.1 per cent in 2002 (Central Bank, 2002). Some of the policies adopted after liberalization were:

• The food subsidy system was removed and replaced by a system of issuing food stamps for a selected group of the poor. This was replaced in the late 1980’s by the “Janasaviya” targeted poverty alleviation program which eliminated food subsidies and the policy of price controls of essential food. The Janasaviya program was replaced by the “Samurdhi Assistance Program” in 1996. The actual grant compared to the earlier social safety nets is much lower. Further reductions in income transfer and welfare programs are due to be implemented shortly under the Poverty Reduction Strategy Program.

• Import restrictions on food commodities were removed, including rice, other food crops such as onion, potato, chilli and other domestically produced crops. Although this has resulted in the lowering of “farm-gate” prices to farmers, the price to consumers has not been lowered. For instance, the cost of Food items, as measured by the Colombo Consumers’ Price Index (Base 1952=100), doubled from 1977 levels (203.3) by 1981 and had increased more than twenty-fold by 1997 (Central Bank, 1998).

• There has been a continuous process of withdrawal of all services provided by the State to agriculture, with little or no regard for ensuring that private-sector mechanisms had evolved to replace such services. Withdrawal of marketing interventions, cessation of liberal credit policies, discontinuation of development and distribution of quality seeds and privatization of seed production, import and distribution of seeds has led to not only higher prices and shortage of seeds, but has also adversely affected the quality of agricultural produce. The absence of any quality control mechanism has deprived farmers of the assurance of seeds of acceptable quality, especially in relation to vegetable, onion, chili and potato.

• For instance, current data reveals that, although the total quantity of certified seed paddy produced by the public sector and the private sector increased by 13 per cent, the certified
seed paddy produced by the public sector, which accounted for 13 per cent of the total certified seed paddy produced, declined by 12 per cent. The public sector certified seed production programme is stated to have been hampered by a lack of funds, which resulted in a decline in certified seed paddy produced (Central Bank, Annual Report, 2002). Similarly, the hasty dismantling of the Paddy Marketing Board is also a striking example of the effect of these ill-conceived policies.

- Removal of subsidies to farmers was affected as a result of policies to “level the playing field” espoused by international lending institutions, to which Sri Lanka turned for financial assistance to support its ambitious spending programme in the post-1977 period. However, despite period and ever-changing partial-assistance schemes, it is clear that the removal of subsidies is still affecting agricultural production. For instance, the removal of the subsidy provided to urea imports is given as the decline in fertiliser application in the tea industry in the last two months of 2002 (Central Bank, Annual Report, 2002). Instead of the subsidy, a new “Farm Input Support Scheme” to small farmers by way of coupons to be used to purchase agrochemicals, fertiliser, planting material or farm implements at subsidised rates was proposed. This Scheme was one identified in the “Poverty Reduction Strategy Programme” of the Government of Sri Lanka, under which the international lending institutions had pledged financial assistance for the Government’s spending program. However, that coupon system has not been implemented and a new subsidy scheme has been introduced from October 2002.

The decline in the contribution of agriculture to the national economy, as a result of the combined effect of these and other policies followed in recent times, has had an adverse knock-on effect on the strength of the agricultural workforce, also encouraging the rural-urban migration of labour, especially in relation to males. This exodus has created labour shortages during the peak seasons of land preparation, planting and harvesting, hampering efforts to promote and develop agricultural activity in recent times.

### Table 1 - Employment By Economic Activity (as a percentage of total employment): Selected years

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*Source: Department of Census and Statistics, Sri Lanka (2002), Colombo*

#### II. 1. (ii). Agricultural Productivity

The decrease in the share of employment of the agriculture sector is also a factor of the contraction in demand due to the reduction overall in the extents cultivated in all crops. However, the productivity of labour in this sector lags behind that of industry and services (Central Bank Annual
Report, 2001, p.65), diverting investment away from agriculture, contributing to the decline of the contribution made by agriculture in recent years.

Within the agriculture sector the decline was shared by both export crops and paddy. Agriculture suffered a reversal from two bad droughts (1992 and 1996) but the reasons for the poor performance run deeper. Productivity is low, and export crops have faced erratic fluctuations in the international market. Regionally, Sri Lanka now has the lowest rate of growth in Agriculture in South Asia (South Asia and Development Cooperation Report, 2001/02).

The agriculture sector thus adjusted poorly to economic liberalisation, due mainly to the inability of the sector to adapt to the sudden removal of the heavy protection enjoyed for a long period of time. Production and yield for most crops, except paddy, declined in the post-1977 period. For instance, a comparison of yields of selected crops with India, which is similar in geographical and agricultural circumstances, clearly indicates that productivity is only better than India in relation to paddy which has seen a better intervention, whilst those for export and other crops is much lower (Central Bank, 2001).

II. 2. Agricultural Activity in Sri Lanka by Sector

Based on the diverse agro-ecological systems in the country, Sri Lanka supports an extensive variety of agricultural activity. These can be categorised as Plantation and non-plantation agriculture, with the latter consisting primarily of paddy, with other food crops such as kurukkan, maize, vegetables, chili, etc. Each sector has its own unique characteristics and issues, which are considered below.

II. 2. (i). The Plantation Sector

The expansion of plantation agriculture in Sri Lanka is generally associated with the British gaining control of the whole island in 1815. This was characterized by large scale agriculture projects involving large sized holdings, heavy use of capital and labour and production for export, and a plantation economy was created. The development of roads, railways, postal and telegraph facilities and the construction of the port of Colombo, were driven by the need to service the plantation economy. More importantly, the enactment of the Crown Lands Encroachment Ordinance in 1840 paved the way for the rapid expansion of the area under plantations (Jogaratnam, 2001).5

Tea Plantations are concentrated mainly in seven geographical areas of the country, namely Galle, Ratnapura, Badulla, Kegalle, Kandy, Hatton and Nuwara-Eliya. Rubber Plantations are concentrated in the Wet Zone in the mid to low elevations, and Coconut is concentrated in the coastal and low-lying areas with Kurunegala, Puttlam, and Gampaha having the largest plantations.

II. 2. (i). a. Tea

Tea became the main plantation crop in 1867, after the destruction of coffee plantations by leaf blight, and rubber was cultivated as a plantation crop only after the turn of the 20th century. Both
crops depended on a migrant labour force of nearly 150,000 persons from South India, imported initially to sustain the coffee plantations. The Sinhalese population in plantation areas were not considered amenable or willing to adapt to plantation conditions, and thus cheap labour was imported from South India, lured by promises of steady wages and accommodation. However, the large majority of this population did not return to their homeland, thus leaving successive governments in independence to seek a solution.

Statelessness and deprivation of citizenship and franchise rights were the result of the Citizenship Act of 1948 and the Parliamentary Elections (Amendment) Act of 1949. After years of negotiation and allegations, repatriation, really expatriation, of Indian plantation workers and their families followed the Sirima-Shastri Agreement of 1964 and the Sirima-Indira Agreement of 1974. According to the Sirima-Shastri Pact of October 1964 out of the then estimated 975,000 of the total Tamil population of Indian Origin in Sri Lanka – 300,000 citizenship rights were confirmed by the Government of Sri Lanka while 525,000 would be sent back to India. The 150,000 persons remaining were to have been equally divided between the two countries. Repatriation came to a halt in 1983 with the onset of the civil unrest which was in the North-Eastern part of the island, when the ferry service between Talaimannar in Sri Lanka and Rameswaran in India had to be discontinued.

At the time of independence, the plantation sector provided employment to 29 per cent of the labour force; in 1996 this proportion had remained relatively steady at 20 per cent, and second only to the share engaged in paddy cultivation (Central Bank, 1998). However, the contribution of the plantation sector to the Gross National Product (GNP) had declined from 37 per cent in the 1940’s to 4 per cent in 1996 and 2.5 per cent in 2001. (Central Bank, Annual Report, 2001).
industry. Productivity in the tea sector has also increased. The average yield has increased from about 650 Kilograms per hectare in the early 1950s to about 1,500 Kilograms per hectare in 1996, although it has declined thereafter due mainly to adverse weather conditions.

At present, Sri Lanka is the leading tea supplier to the world with an approximate market share of 21%. Most of the tea production of the country is exported, nearly 96 per cent in 1996, and 94 per cent in 2002 (Central Bank, 2002). Until about twenty years ago, Sri Lanka exported tea in bulk, but since then production has diversified to include tea bags, speciality and blended teas, value added teas such as flavoured teas, etc.

II. 2. (i). b. Rubber

Rubber was introduced to Sri Lanka in the late 19th century, but its potential was not realised until the development of the automobile industry in Europe and North America. From a paltry 900 ha. in 1890 Rubber cultivation increased to 60,000 ha. by 1907, and for many years thereafter was the second largest foreign exchange earner, after tea. With the development of synthetic rubber after World War II both the price and export markets for Sri Lankan rubber declined, but rose again during the Korean War in 1951. Thereafter, the Rubber-Rice Pact with China which was effective from 1952 – 1977 guaranteed the export of 50,000 MT of sheet rubber per annum to China in return for the import of rice to the value of such rubber in the international market. During the 1960’s, with the United States of America imposing a trade embargo in retaliation for the nationalisation of American interests in Sri Lanka by the then Government, rubber exports suffered a further decline, which was offset largely as result of this guaranteed export volume to China. This agreement was allowed to lapse with the liberalisation of the market, in order to enable free trade in rubber as in other commodities.

The greater proportion of production of rubber too was initially exported, but since the rapid industrialization which occurred after 1977, nearly 35 per cent of production is now utilised locally, especially in the manufacture of latex gloves, of which Sri Lanka is now the largest supplier in the world. In addition, Sri Lanka has also increased the export of crepe rubber which commands a premium price in world markets.

II. 2. (i). c. Coconut

Unlike tea and rubber, the coconut palm was the all-purpose tree in the village economy of Sri Lanka, long before colonialisation. From the palm fronds (thatching, baskets, etc.), to the nuts (food, oil, toddy, vinegar) to the wood (rafters) and husks (coir, rope, fertiliser), the entire tree featured in the everyday life of the people. Its’ cultivation beyond home gardens was encouraged initially by the Dutch and then the British, due to the expansion of markets for desiccated coconut, oil for soap, etc. Large plantations were established in the coconut triangle comprising the Districts of Kurunegala, Gampaha and Puttalam in the North-Western part of the island.

Unlike the other two major export crops, 70 per cent of coconut production is domestically consumed as it is an important part of the dietary requirements of the Sri Lankan household. The remainder is converted into major kernel products such as copra, coconut oil, desicated coconut, with other novel and value added products being introduced in recent times utilising parts of the
II. 2. (i). d. Other Export Crops

This sector, which consists of spices and other agricultural commodities such as unmanufactured tobacco, arecanut, cashew kernels, essential oils, foliage, and cut flowers, has recorded impressive gains both in export volume and earnings. However, most exports are still in raw and bulk form, and measures need to be taken to develop and export value added forms of these produce. Better awareness of new products and the availability of the technology to produce such value added products would greatly enhance the earning capacity of this sector.

II. 2. (ii). Domestic Agriculture

II. 2. (ii). a. Paddy

The keystone of the rural economy for centuries before European occupation of the country was paddy cultivation. Rice and rice-based food products supplied a large component of the nutrition needs of the population, but with colonialisation the domestic agriculture sector was neglected. Successive governments in independence have attempted to boost paddy production in order to reduce the heavy reliance on imports.

Paddy cultivation is essentially small-scale with hardly any large farming enterprises engaged in cultivation. Sri Lanka generally cultivates paddy during two seasons, Maha and Yala, coinciding with the monsoon systems on which the country is dependent for rainfall. About a third of the cultivated areas is entirely rain-fed, and the balance depends on various irrigation systems (Central Bank, 1998). Approximately half of the extent cultivated is in the Dry Zone with the balance in the Wet Zone. Thus, since cultivation is mainly dependent on rainfall, as even the irrigation systems are dependent on the monsoons, paddy production fluctuates in relation to weather conditions. This is clearly seen in the period 1992/93 and 1996/97 where rainfall was drastically reduced due to drought.

The Guaranteed Price Scheme (GPS) was introduced in 1948 with the objective of raising farmer incomes by offering them an assured price to protect them from being exploited by middlemen acting in collusion to keep farm-gate prices artificially low. Initially fixed at Rs.8.00 per bushel in 1948, there were several revisions thereafter until 1978, when the GPS was higher than the imported price of rice due to the protection afforded to domestic production by tariff barriers. After the liberalisation of the economy when the market price for paddy exceeded the GPS price, the Paddy Marketing Board which administered the GPS became a price stabiliser in a times of abundant production. However, with the ill-advised dismantling of the Paddy Marketing Board and the consequent lapsing of the GPS, farmers are facing the exploitative conditions which the GPS was intended to prevent.

The Paddy Marketing Board was eventually dismantled on the basis that the prices being higher than the GPS in the market made the PMB redundant, it is now being seen as a short sighted policy. Although market forces were intended to take the place of the PMB, the paddy purchase
prices offered by the private sector to the farmer has been below the cost of production, and there is some evidence of collusion amongst private traders in maintaining artificially low purchase prices.

Although the retail price of paddy and processed rice in the open market is high, farmers are unable to market directly or to process the paddy themselves due to resource constraints. At present, the state has to provide subsidies to both private traders and to farmers to store paddy, and whether that is preferable to the PMB acting as a price stabiliser is questionable. It would now appear that the dissolution of the PMB without first ensuring a climate in which market forces would operate smoothly was a misconceived strategy.

II. 2. (ii). b. Sugar

Sugar cane has been grown in Sri Lanka for more than a century as a small scale industry, but its potential for large scale production was examined only after independence. Two state-owned factory-plantation systems were set up, at Kanatale (in the North-Eastern part of the country) in 1957, and at Hingurana (in the South-East) in the late 1950’s. Although the objective in establishing large-scale production units was to achieve self-sufficiency in sugar, this has not been possible due to various reasons. Several new production units have been established in the 1980’s and although sugar cane cultivation has increased from 3,422 ha. in 1968 to 7,213 ha. in 2002, the sector has been beset with many problems. Targeted for privatisation in the early 1990’s of the five factory/plantations privatised, two (Kantale and Hingurana) have been taken over by the Government as they did not succeed under private management.

II. 2. (ii). c. Other Food Crops

Most other domestic cultivation is in kurakkan, maize, chillies, onion, vegetables, and tobacco. In the North Central regions of the country, the Dry Zone, these generally follow the “chena” or ‘slash-and-burn’ cultivation pattern. Other crops, mainly vegetables, can also be seen in the central hill country. However, in the Jaffna peninsula, prior to the outbreak of civil war two decades ago, chillies, onions, potatoes and tobacco was grown successfully under irrigated conditions.

Except in relation to onions and potatoes, which now feature prominently in the diet of the population, the production of other subsidiary food crops has declined steadily. There is no reference in current published data to other crops such as manioc and sweet potato, which in the past provided an easily grown source of nutrition for the rural population. At a time when a large part of the population is affected by malnutrition, the failure to encourage the cultivation of these crops raises serious issues in relation to the viability of current agricultural policy (Kelegama, 2002).
Table 2 - Production of other Field Crops: 1991-2001 ('000 MT)

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</tr>
<tr>
<td>Potatoes</td>
<td>41.5</td>
<td>101.6</td>
<td>57.8</td>
<td>39.3</td>
</tr>
<tr>
<td>Red Onions</td>
<td>76.9</td>
<td>67.7</td>
<td>36.0</td>
<td>-53.2</td>
</tr>
<tr>
<td>Soyabean</td>
<td>3.6</td>
<td>4.2</td>
<td>0.6</td>
<td>-83.3</td>
</tr>
</tbody>
</table>

Source: Central Bank of Sri Lanka, Annual Report, various years

II. 2. (iii). Livestock Development

The livestock sector is an important aspect of Sri Lanka’s agricultural economy, given its impact on the nutrition of the population. Consisting mainly of the poultry and milk production, and to a lesser extent, the production of cattle, goat and buffalo, the sector contributes about 8 per cent to the gross value of agricultural production (Central Bank of Sri Lanka, 1998). Although this sector has seen many interventions intended to boost output, these have not succeeded in reducing the country’s reliance on imports. For instance, only about 42 percent of the national requirements in milk and milk products are locally produced (Central Bank, 2002). In addition other difficulties such as the interruptions to electricity supplies in the years 1999 and 2000, had adverse consequences for the storage and distribution of products such as poultry and milk.

II. 2. (iii). a. Milk Production

The difficulties faced by the industry are evident in that the Central Bank acknowledges the reduction in profit margins of dairy farmers due to the inability of a marginal increase in the purchase price of milk, to offset considerable increases in cattle feed (Central Bank, 2002). It also states that “there is an urgent need to uplift the livestock industry to make available an adequate supply of liquid milk, especially among rural children, to curb malnutrition.” However, the contradiction in policies promoted to achieve that are questionable: “As the dairy sector has a tremendous potential to increase its contribution to economic growth, particularly the development of the rural economy, it is necessary to encourage private sector participation to invest in the livestock industry.” Whether private-sector investment, in this case clearly large-scale private sector investment will succeed in achieving the laudable objectives of reducing malnutrition and rejuvenating the rural economy are debatable, given the previous experiences in this sector.
II. 2. (iii). b. Poultry Production

The poultry industry has made considerable progress in recent years, and is now being encouraged to expand its export markets by rebates for chicken exports. This is intended to encourage exports to the Gulf region and to the Maldives, and there is some indication that these policies are taking effect.

II. 2. (iii). c. Other Livestock

However, growth in the population of other livestock has not been satisfactory.

Table 3 - Livestock Population (Numbers): Selected years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>1,772,700</td>
<td>1,704,100</td>
<td>1,557,000</td>
</tr>
<tr>
<td>Buffaloe</td>
<td>958,100</td>
<td>763,900</td>
<td>693,600</td>
</tr>
<tr>
<td>Sheep</td>
<td>26,000</td>
<td>19,000</td>
<td>11,200</td>
</tr>
<tr>
<td>Goat</td>
<td>521,700</td>
<td>591,100</td>
<td>495,200</td>
</tr>
<tr>
<td>Pig (swine)</td>
<td>85,000</td>
<td>86,900</td>
<td>70,800</td>
</tr>
</tbody>
</table>

Source: Department of Census and Statistics of Sri Lanka (2002), Colombo

In all sectors, the livestock population has decreased, despite increased market intervention by the State.

II. 2. (iv). Fisheries

Sri Lanka has a coastline of nearly 1,700 km. and traditionally, fishery activities have been concentrated in that area. However, inland fisheries mainly consisting of ornamental fish and prawn culture, was encouraged by state intervention under various programmes and at present contributes significantly to both production and exports.

Table 4 - Fish Production (1999-2001): ‘000 MT

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine (deep sea and coastal)</td>
<td>276</td>
<td>257</td>
<td>255</td>
<td>273</td>
</tr>
<tr>
<td>Aquaculture (inland)</td>
<td>31</td>
<td>37</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>


The lack of infrastructure facilities to process and store large quantities of fish, and especially the absence of canning facilities has clearly hampered the growth and development of this sector, which undoubtedly has a vast potential both as an export income earner and a source of nutrition for the population.
II. 2. (v). Forestry

Total forest cover (including closed canopy rain forest, sparse forest and mangrove) was 2,119,000 hectares in 2000. Whilst forestry and timber generation has been mainly a state sector activity, in the last decade years several private sector forest plantation schemes have been initiated. Devoted to high value timber species (teak, mahogany) and with guaranteed high yield rates, public confidence and investment in these projects have increased significantly. In addition, private sector plantation companies are also diversifying abandoned and unproductive traditional plantations to forestry based plantations. However, illegal deforestation for timber has increased and much of this remains undetected. As a result, total forest cover has decreased in 2002 to an estimated 1,943,000 hectares.

II. 2. (vi). Food Security

Except in relation to paddy, Sri Lanka has resorted increasingly towards imports to bridge the gap between production and demand in the food needs of the population is concerned. The expenditure on food imports has been about 10 per cent of the value of all imports. Of particular concern is the increasing expenditure on milk and milk products. In most categories, expenditure on imports has increased by more than 100 per cent over 1990 levels (Central Bank of Sri Lanka, 1998). In the context of a budget deficit of about 10 per cent of GDP and an ever widening trade deficit, the need to reduce reliance on external sources for food, and to reduce the expenditure on these categories of imports by improving domestic production must be the critical objective of any agricultural policy.

Table 5 - Food Imports (1998-2001)

<table>
<thead>
<tr>
<th>Category</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>2,621</td>
<td>3,290</td>
<td>288</td>
<td>959</td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>785</td>
<td>446</td>
<td>561</td>
<td>122</td>
</tr>
<tr>
<td>Sugar</td>
<td>8,384</td>
<td>7,448</td>
<td>1,777</td>
<td>10,289</td>
</tr>
<tr>
<td>Milk &amp; Milk Products</td>
<td>7,517</td>
<td>7,542</td>
<td>8,946</td>
<td>10,223</td>
</tr>
<tr>
<td>i. Fish (Dried)</td>
<td>2,603</td>
<td>2,491</td>
<td>3,456</td>
<td>4,419</td>
</tr>
<tr>
<td>ii Fish (Other)</td>
<td>1,463</td>
<td>1,256</td>
<td>1,704</td>
<td>1,941</td>
</tr>
<tr>
<td>Food (Other)</td>
<td>15,038</td>
<td>15,258</td>
<td>17,228</td>
<td>20,720</td>
</tr>
</tbody>
</table>

Source: Central Bank of Sri Lanka, Annual Report, 2001

The inability of the domestic agricultural production to meet the nutritive needs of the population and the consequent reliance on imports, which has tended to increase prices of all food commodities for a variety of reasons, has also had an impact on the nutrition levels of the population. At the time of independence the nutritional status of the population was not satisfactory due to poverty, poor dietary habits and limited availability of food items. Thereafter, Governments used various measures such as food subsidies and rationing of food items to ensure equitable distribution of limited resources, to improve nutrition levels. However, although overall
nutrition levels improved considerably, vulnerable segments of the population, particularly pregnant and lactating women and pre-school children, continue to show marked levels of malnutrition.8

III. LABOUR MARKET AND EMPLOYMENT: CHARACTERISTICS AND CONSTRAINTS

Issues of employment, employee rights, working conditions, resolution of employment-related disputes and industrial relations in Sri Lanka are governed by a body of law comprising about 45 statutes. Much of this legislation was enacted during the period immediately preceding and after independence, and since that time various administrations have “tinkered” with that legislation. The law governing employment that exists today is thus not the outcome of a broad-based strategy to achieve economic objectives, but rather a result of political expediency and ad hoc problem-solving strategies.

The macro economic indicators relating to the labour market appear to be favourable over time, as indicated in Table 2.1. The growth in population in Sri Lanka is now amongst the lowest globally, whilst the growth in the labour force and employment appear to be gaining parity. Productivity has improved, and the overall growth remains robust, with the exceptions noted in relation to the period 2000-2001.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>4.0</td>
<td>4.4</td>
<td>4.5</td>
<td>3.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Population</td>
<td>2.7</td>
<td>2.2</td>
<td>1.7</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Labour Force</td>
<td>1.8</td>
<td>3.4</td>
<td>3.5</td>
<td>2.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Employment</td>
<td>0.6</td>
<td>1.7</td>
<td>2.9</td>
<td>2.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Productivity</td>
<td>3.4</td>
<td>2.7</td>
<td>1.5</td>
<td>1.5</td>
<td>3.0</td>
</tr>
</tbody>
</table>


Note: Labour Force/employment data for 1990-99 is for seven provinces only, hence productivity estimates are inflated.

However, a more detailed scrutiny reveals distortions and imbalances within these indicators, and which affect the functioning of the labour market.

Unemployment continued to decline from about 18 per cent of the labour force in 1981 (Census, 1981) to 14.7 per cent in 1991 (QLFS, 1991), and to 7.7 per cent in 2001 (Census, 2001). The rate of unemployment of women has continuously been about twice that of males, and in 2001 was 11.6 per cent and 5.9 per cent respectively (Central Bank, 2001).
III. 1. Domestic Agriculture

III. 1. (i) Nature of Employment

Outside the plantation sector, the domestic agricultural production pattern is seasonal and time-bound, and the employment opportunities for agricultural workers are confined to a few months of the year. In paddy production, the bulk of work arises in the Maha season, and in all work is available during 5-6 months of the year. In the interim period, the workers remain largely unemployed as non-agricultural employment opportunities are extremely limited. Employment, while available, is largely casual in nature and thus in periods of unemployment, the agricultural worker has few if any alternative sources of income.

Where vegetable cultivation is possible there is more employment opportunities in the year, but the chena type of cultivation and agricultural smallholdings create low labour demand. In recent years, due to the low labour turnout in the plantations, labour outside the plantations have been able to find employment during peak seasons on estates.

The distribution between agricultural and non-agricultural activity outside the public sector is also noteworthy. The high concentration of unpaid family workers and self-employed means that over half of those engaged in agriculture do not draw a regular income, and are dependent on the disposal of their produce for survival. This factor is at the root of the subsistence nature of this economic activity. The third of all agricultural workers who are employees are mainly those working in the plantation or estate sector.

Table 7 - Employment Category (2001)

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Share in Total Employment</th>
<th>Agricultural</th>
<th>Non-Agricultural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Employees</td>
<td>59.1</td>
<td>31.5</td>
<td>72.7</td>
</tr>
<tr>
<td>Employers</td>
<td>2.4</td>
<td>1.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Self-Employed (Own account worker)</td>
<td>28.6</td>
<td>44.5</td>
<td>20.7</td>
</tr>
<tr>
<td>Unpaid family workers</td>
<td>10.0</td>
<td>22.7</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: Department of Census and Statistics, Quarterly Labour Force Survey (2001)

III. 1. (ii) Type of Employment

Employment has been increasingly shifting from permanent employment to casual, and other informal work arrangements in all sectors. In the private sector a permanent or regular employee works under a specific contract of employment, enjoys benefits such as paid leave, a fixed monthly wage and other allowances, bonus and incentive schemes, statutory contributions to various superannuation schemes (Employees’ Provident Fund (EPF) and Employees’ Trust Fund (ETF), and an expectation of continuing in employment unless terminated for disciplinary reasons.
or retrenched in exceptional circumstances. In the state sector, in addition to all these benefits, employees are also entitled to a state pension upon retirement from service.

Casual employees do not have a contract of employment with their employer, and generally are hired on a daily basis. While some work for one employer over a long period of time (continuously over several years or over a number of seasons), that does not entitle them to any expectation of continuing in employment for any length of time. Casual workers are recruited on different terms: for a day’s work, on a piece-work basis, or by the job. Most agricultural work may be performed under each of these arrangements. Seasonal casual workers are also employed through agents, or ‘labour contractors’, which makes the employment relationship even more tenuous or uncertain.

The principle is that they are not entitled to expect employment on a particular day, and have no relief where an employer refuses them employment. They are paid on a daily wage rate, are not entitled to paid leave, and have no other benefits such as bonus or incentive payments. Although the employer is legally required to contribute to the EPF and ETF on behalf of a worker who is employed even on a single day, in a large proportion of cases this is not complied with. However many casual agricultural workers especially outside the plantation sector, can expect to be given their midday meal, tea, and tobacco (Wesumperuma, 1993), or in the alternative, an additional component would be added to their wages. Migrant workers may enjoy temporary accommodation, evening meal and travelling expenses. These additional benefits which are essentially of a non-permanent nature, have become necessary due to the difficulty in attracting labour for labour intensive agricultural activities such as paddy harvesting.

The shift from permanent to casual labour has become clearly evident in the entire workforce, and not only in the agricultural sector.

III. 1. (iii). Tenurial Aspects of Domestic Agriculture

The practice of tenure is predominantly a feature of the paddy sector, due to the widely practiced system of share-cropping. The available data is neither clear nor precise, firstly, because the Agrarian Services Department which implements tenancy reform legislation registers paddy holdings on the basis of paddy parcels which has a tendency to over estimate the actual number of share croppers and other types of operators, and secondly, because a sizeable proportion of share cropping transactions are not registered (Gunawardena, 1995). According to available data in 1977, share-croppers constituted 28 per cent of tenurial operators, while owner-cultivators made up nearly 65 per cent, and owner-cum-share-cropper cultivation was 6 per cent (Weerawdene, 1977). However, the prevalence of share-cropping can be assumed to have declined, due to the decline in agricultural activity.

III. 1. (iv). Wages in the Non-Plantation Agricultural Sector

A peculiarity in the informal sector in Agriculture is the higher momentum of earnings gain (between 11-14 per cent per annum) compared with the formal sector. The reported increase at the unskilled level is around 12 per cent per annum in paddy-related operations, and 13-14 per cent in coconut. The rate was higher at 13–14 per cent per annum for physically exhausting operations
such as coconut picking, pit digging, ploughing etc. or in activities which require specific skills/experience. By comparison, in the routine operations of tea picking and rubber tapping which are done by both males and females, wages remain depressed. Nevertheless, in both these operations the reported casual daily wage is higher than the legal minimum. By 1999 unskilled casual rates outside the plantations sector were in the region of Rs.175 to 200 a day for males (compared to the legal minimum for estate labour which stood at around Rs.100), and this has added to the chronic shortage of labour in plantations. Female earnings are lower at around Rs.160 in rural agriculture (paddy) and Rs.100-125 in export (small holdings) cultivation.

Table 8 - Average Daily Wage Rates in Informal Sector Employment (1990-99)

<table>
<thead>
<tr>
<th>Sector</th>
<th>1990 (Rs.)</th>
<th>1999 (Rs.)</th>
<th>1999 as Multiple of 1990 level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>PADDY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ploughing with plough</td>
<td>88</td>
<td>-</td>
<td>221</td>
</tr>
<tr>
<td>Transplanting</td>
<td>73</td>
<td>56</td>
<td>195</td>
</tr>
<tr>
<td>Harvesting</td>
<td>70</td>
<td>55</td>
<td>194</td>
</tr>
<tr>
<td>COCONUT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digging pits</td>
<td>72</td>
<td>-</td>
<td>235</td>
</tr>
<tr>
<td>Picking</td>
<td>90</td>
<td>-</td>
<td>324</td>
</tr>
<tr>
<td>Collecting nuts</td>
<td>60</td>
<td>47</td>
<td>n.a.</td>
</tr>
<tr>
<td>TEA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Preparation</td>
<td>56</td>
<td>-</td>
<td>173</td>
</tr>
<tr>
<td>Picking</td>
<td>52</td>
<td>44</td>
<td>n.a.</td>
</tr>
<tr>
<td>RUBBER</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planting</td>
<td>67</td>
<td>-</td>
<td>199</td>
</tr>
<tr>
<td>Tapping</td>
<td>54</td>
<td>46</td>
<td>115</td>
</tr>
</tbody>
</table>

Source: Based on Department of Labour, Administrative Reports (various years)

The figures reported here are casual rates for workers hired by the day. It is rational for casual rates to incorporate a premium over monthly wages to compensate for non-entitlement to the benefits of regular employment (continuity of employment, social security benefits, legislative protection, etc.). While this would explain part of the observed disparity, demand-supply influences also play an important role. The growing shortage of agricultural labour, particularly during the peak demand phases of paddy cultivation, operates as a strong upward leverage factor on casual farm wages (Rodrigo, 2001).
III. 2. **Plantation Sector**

### III. 2. (i). **Nature of Employment**

Women comprise 65% of the labour force on tea estates and about 50% of the labour force on all estates. On tea estates women carry out 90% of plucking activities, and also work in factories on day and night shifts. The plantation sector, especially tea and rubber estates, is also characterised by between 99% and 50% of the workers being resident on the estate (Sinnathamby and Vijesandaran, 2002). However, this has also led to the creation of a ‘dependent-resident’ labour situation, because due to the housing, schooling, health facilities, juvenile care, etc., provided by the employer the employee develops dependencies which ties him or her to that particular estate. Notwithstanding the frequently sub-standard nature of the facilities provided, due to this dependency the labour-mobility is not observed to any great extent between or from plantations, thus limiting the capacity of workers to obtain better paid employment.

Although paid a wage calculated at a daily rate, plantation workers have traditionally enjoyed all the benefits attached to permanent employment. However, due to the higher rates of pay in off-plantation occupations, the reduction in the labour out-turn on plantations has shifted the nature of employment towards casual, informal arrangements. While practically necessary, due to the lower cost of employing such labour, in the long-term there is a possibility that the employment security enjoyed by permanent employees may be eroded.

#### Table 9 - Permanent and Casual Plantation Workers by Sex (1999)

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Employed</th>
<th>Permanent Workers</th>
<th>Casual Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Galle</td>
<td>31,413</td>
<td>12,811</td>
<td>7,117</td>
</tr>
<tr>
<td>Ratnapura</td>
<td>39,803</td>
<td>22,119</td>
<td>12,365</td>
</tr>
<tr>
<td>Badulla</td>
<td>56,519</td>
<td>39,868</td>
<td>22,701</td>
</tr>
<tr>
<td>Kegalle</td>
<td>22,135</td>
<td>9,629</td>
<td>5,440</td>
</tr>
<tr>
<td>Kandy</td>
<td>36,356</td>
<td>29,631</td>
<td>16,547</td>
</tr>
<tr>
<td>Hatton</td>
<td>62,234</td>
<td>53,972</td>
<td>30,123</td>
</tr>
<tr>
<td>Nuwaraeliya</td>
<td>57,976</td>
<td>50,636</td>
<td>28,672</td>
</tr>
<tr>
<td>Total</td>
<td>307,436</td>
<td>218,663</td>
<td>95,998</td>
</tr>
</tbody>
</table>

*Source: Plantation Housing Social Welfare Trust, 1999*

### III. 2. (ii). **Wage Structure in the Plantations**

Low-cost labour has been a feature of plantations worldwide, and Sri Lanka is no exception. Wages remained stagnant until the enactment of the Minimum Wages Ordinance of 1927 and the Wages Boards Ordinance of 1941 whereby a minimum wage is prescribed and revised periodically for various categories of workers engaged in plantation work and in other types of
agriculture. However, plantation wages still remain comparatively lower than those prevailing in other occupational categories.

Plantation sector wages have also been revised as a result of trade union activity and collective agreements with employer organisations. The most significant change in wage composition was the result of a ten-day strike by plantation workers in May 1984. As a result, the wage-composition was amended to consist of the following: Basic wage, the Cost of Living Allowance (COLA), and the Price-Share Supplement. The COLA was considered a major victory for trade unions representing plantation workers, as it was based on the actual fluctuation in the cost of living indicator. However this component was removed in 1996 over a demand by unions that workers be paid a budgetary allowance, on the basis that it was not a legal entitlement and therefore could be removed at any time. Nevertheless, its removal deprived plantation workers of at least a partial protection against inflation, and has been viewed by many as the most significant adverse factor affecting the income of plantation workers.

Wages in the tea and rubber plantations have been determined in the recent past by collective agreements between the Employers’ Federation of Ceylon (EFC) and several plantation trade unions. The Collective Agreement entered into with effect from 5 September 2002 between the EFC and the Ceylon Workers’ Congress, the Lanka Jathika Estate Workers’ Union, and the Joint Plantation Trade Union Centre revised the Wage Agreement entered into in 2001 as follows.

<table>
<thead>
<tr>
<th>Attendance at Work as a Percentage of Work Offered</th>
<th>Basic Wage</th>
<th>Price Share Supplement</th>
<th>Attendance Incentive Payment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>75% or more</td>
<td>101.00</td>
<td>15.00</td>
<td>5.00</td>
<td>121.00</td>
</tr>
<tr>
<td>Below 75%</td>
<td>101.00</td>
<td>15.00</td>
<td>-</td>
<td>116.00</td>
</tr>
</tbody>
</table>

These wages are still well below daily wages outside the plantations but the plantation companies contend that the cost of production in Sri Lanka makes it unviable to offer a higher wage. They also contend that other benefits offered to resident employees such as free housing, must be considered part of the non-monetary earnings from employment. However, trade unions and workers have steadfastly resisted this position, and have in turn pointed out that employers do not pay EPF and ETF contributions on the Price Share Supplement and the Attendance Incentive Payment, which is clearly against the provisions of the relevant statutes.
IV. LABOUR STANDARDS

IV. 1. Freedom of Association in Sri Lanka

In 1931, Ceylon was granted universal suffrage - the first colony to be granted the franchise - which was explicitly intended to enhance the responsiveness of the government of the day to the needs of labour. The Commission’s recommendation was made specifically to remedy what it considered the backward character of social and industrial legislation in Ceylon. The franchise elevated the statues of workers as a group with the potential to obtain considerable political power, and served as an incentive for aspiring politicians to enter the trade union field (Kearney, 1971).

It is noteworthy that the Ceylonese worker gained the political right to vote before his/her trade union and industrial rights were legislatively recognised, and it became inevitable that the right to vote should be used to obtain the right to organise. Similarly, since the workers themselves had demonstrated their willingness by then to band together to achieve their demands, socialist political leaders turned to trade unionism as the main machinery to develop mass support for their political parties. Thus, unionisation led by the employees themselves did also come about, but the major trade unions were organised by leaders of political parties.

The significance of this nexus between politician and trade unionist in the evolution of the labour laws which shaped the labour market became evident during the coalition Government formed in 1956. The Minister of Labour in that Government was T.B. Ilangaratne, the former leader of the Government Clerical Service Union, and he was instrumental in granting Corporation status to the nationalised omnibus transport services and the port services, making the State a key player in employment creation for the first time.

The political significance of organised labour and the support of worker based political parties was clearly felt at the election in 1970 when the Sri Lanka Freedom Party (“SLFP”) the Lanka Samasamaja Party (a Trotskyite party espousing marxist ideology), and the Communist Party of Sri Lanka formed the United Front Government, with Mrs. Sirimavo Bandaranaike as its Prime Minister (Kearney, 1971). With Colvin R. de Silva, the leader of the Communist Party as Minister of Plantations, the Government proceeded to nationalise the (mainly British) Company-owned plantations. Other changes were the establishment of Employee Councils in State Corporations to encourage worker-participation in management, and the amendment of the Trade Union Ordinance to permit trade unions of public servants to join unions common to all public servants. The influence of the trade unions is indicated by the huge expansion in the number of trade unions in existence, which by 1970 had ballooned to 1964, an almost twenty-fold increase over the level after independence.

The United National Party (“UNP”), which had formed governments alternatively with the SLFP since independence, won 142 seats out of 168 in the Legislature at the general elections in 1977. Sweeping legislative changes were initiated, the foremost being the second Republican Constitution. Key fundamental rights and freedoms important to labour, such as the fundamental right to form associations (Article 14(1)(c)), the freedom to form and join a trade union (Article 14(1)(d)) were recognised. These rights were also extended to hitherto ‘stateless’ persons (mainly immigrant Indian workers on plantations) on the basis of residence for ten years in the country.
Because of the close-relationship between political parties and trade unions outlined above, Sri Lanka has a strong and politically influential trade union culture. However, the rate of unionization has varied in the recent past, with a gradual decrease being the feature in the latter half of the 1990s. This decrease can be attributed to the employment growth in recent years taking place mainly in the EPZ/BOI sector, where trade unions are virtually non-existent (especially within the zones), the shift in employment from the formal to the informal economy, where it is difficult for unions to establish themselves, and the outward-bound migration of workers for employment. The increase in the armed forces, which has absorbed young, male entrants to the labour force who are potential trade union members, has also had an impact on the rate of unionization as the members of the armed forces cannot form or join trade unions. In addition, employers in the EPZs have tended to discourage the formation of trade unions, encouraging instead a system of labour-management consultation, through Employee Councils, or Joint Consultative Committees.

At the end of the year 2001, although there were 1557 registered trade unions, only 398 had submitted annual returns as required under the Trade Unions Ordinance. It is interesting to note that fully 72 per cent of the totality of registered trade unions were in the State Sector (Central Government or Government Corporations), and only twenty per cent in the private sector. According to the annual returns filed by a quarter of all unions registered they could be classified as follows:

Table 11 - Classification of Trade Unions (that have filed annual returns) by Occupation (as at 31.12.2001)

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Unions</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vocational Technical and affiliated employees</td>
<td>62</td>
<td>14,251</td>
</tr>
<tr>
<td>Administrative and Managerial employees</td>
<td>43</td>
<td>15,617</td>
</tr>
<tr>
<td>Clerical and allied employees</td>
<td>45</td>
<td>81,494</td>
</tr>
<tr>
<td>Sales employees</td>
<td>04</td>
<td>935</td>
</tr>
<tr>
<td>Service employees</td>
<td>55</td>
<td>96,751</td>
</tr>
<tr>
<td>Agricultural, animal husbandry, forestry, fishing, butchery and hunting employees</td>
<td>09</td>
<td>14,177</td>
</tr>
<tr>
<td>Manufacturing and allied employees, transport workers, machine operators and labourers</td>
<td>45</td>
<td>126,490</td>
</tr>
<tr>
<td>Other</td>
<td>135</td>
<td>83,447</td>
</tr>
<tr>
<td>Total</td>
<td>398</td>
<td>433,162</td>
</tr>
</tbody>
</table>

Source: Administration Report, Department of Labour, 2001

Although no definite conclusions are possible due to the failure to comply with the requirement to submit annual data, it would appear that the levels of unionisation is very low in the agricultural sector. An exception to this is of course the plantation sector, where unionisation is highest in addition, the biggest unions in terms of membership are also in the estates sector. However, outside the plantation sector, there is a clear absence of trade union activity.
IV. 1. (i). **Multiplicity of Unions**

A phenomenon which has become more pronounced in recent times is the multiplicity of Unions. Although membership tends to be concentrated in a few big unions and federations, the number of unions has increased, as has the those with lesser membership. At the end of 1991, 23 unions with an individual membership of over 5,000 accounted for 92.5 per cent of reported membership\textsuperscript{12} (in relation only to those unions that have filed annual returns), but by the end of 2001 there were only 14 trade unions in that category, and their share of the reported membership had been reduced to 66 per cent.\textsuperscript{13}

**Table 12** - Classification of Trade Unions (that have filed annual returns) by Membership (as at 31.12.2001)

<table>
<thead>
<tr>
<th>No. of Members</th>
<th>No. of Unions</th>
<th>Membership</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50</td>
<td>127</td>
<td>3,460</td>
<td>0.7</td>
</tr>
<tr>
<td>51 – 250</td>
<td>155</td>
<td>10,240</td>
<td>2.4</td>
</tr>
<tr>
<td>251-1000</td>
<td>62</td>
<td>40,100</td>
<td>9.3</td>
</tr>
<tr>
<td>1001-5000</td>
<td>40</td>
<td>86,816</td>
<td>20.0</td>
</tr>
<tr>
<td>More than 5001</td>
<td>14</td>
<td>284,546</td>
<td>65.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>398</strong></td>
<td><strong>433,162</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Administration Report, Department of Labour, 2001*

Despite the paucity of information in relation to all unions, it would appear that there has been a trend towards the formation of smaller unions, as against the tendency to join large, traditionally dominant unions.

IV. 2. **Trade Unions in the Plantation Sector**

The current trade union structure in the plantation sector commenced after World War II with the formation of the Ceylon Indian Congress (CIC) which was patronized by the All India Congress (AIC) with its nationalist leaders Gandhi, Nehru, and Chandra Bose. Subsequently, the CIC was renamed as Ceylon Democratic Congress and the labour union of the CIC was called the Ceylon Workers' Congress. Two important personalities of the CWC were A.Aziz and S.Thondaman and both were in a continuous power struggle to capture the leadership of the CWC. At the end, this awful dispute ended in a split in the CWC where S. Thondaman ousted A. Aziz and led to the formation of the Democratic Workers Congress (DWC) (Jayatilleke, et.al., 2003).

Plantation workers of Indian origin were forced to take political measures to attain its labour rights from the inception of the trade union movement in the plantation sector. It is a natural development within a community totally isolated from the labour movement in the South, which was predominantly nationalistic, and under the influence of Sinhala, Buddhist, leadership. The outcome of this political necessity is that trade unions in the plantation sector have been registered as political parties. Thus, the CWC, and DWC have been the mainstay, politically, economically and socially, for plantation workers.
However, many analysts have questioned the political strategy adopted by the those trade unions, which has been to negotiate with the successive governments not on the civil, political, economic and human Rights of the Tamil plantation workers, but for Ministerial Posts. In exchange for the support of its considerable voter-base in the plantations, the trade union and political leadership of these unions have lent their support to various alliances of political parties to form governments in recent times. However, even with powerful cabinet ministers of the caliber of the late Mr. Thondaman, no meaningful gains have been made in the working and living conditions of the union membership.

In addition to the CWC, and following the pattern of forming trade unions allied with political parties, the Lanka Jathika Estate Workers’ Union (“LJEUW”) was formed in 1961 as an adjunct of the United National Party (“UNP”), one of two main political parties which had formed governments after independence. The Sri Lanka Freedom Party (“SLFP”) the other major political grouping formed the Sri Lanka Nidahas Sevaka Sangamaya also in 1961 with the same objective in mind (Amerasinghe, 1998).

The modern trade union structure in the plantations has been characterised by the fragmentation of the plantation unions due mainly to political differences and inadequate power-sharing amongst the leadership. For instance, in 1993 over 30 trade unions were reported in the estate sector. This has weakened the ability of the trade unions to espouse the cause of the ordinary plantation workers, with the result that the issues of landlessness, homelessness and relative deprivation of upcountry Tamil plantation community has to date not seen satisfactory resolution.

IV. 3. Trade Unions/Worker Organisations in the Non-Plantation Agriculture Sector

In considering agricultural worker organisations in the non-plantation domestic agricultural economy in Sri Lanka, it is necessary to consider the phenomenon of the small holder who is also wage-labourer. Given that 1,484,462 (45 per cent) of the 3.3 million agricultural holdings in the country are holdings of an extent less than 40 perches with agricultural produce mainly for home consumption (Census of Agriculture, Department of Census and Statistics, 2002), and an indeterminate proportion of those cultivating allotments marginally in excess of 40 perches would also be subsistence farmers-cum-wage labourers, these persons come within the definition of employee’s in one context.

Wesumperuma (1993) asserts that “the concern about rural agricultural worker has not so far been reflected in the manner of formulating policies specific to rural labour.” Many of the policies that have been implemented for the development of the rural agricultural economy and for the betterment of the rural population have originated with policymakers far removed from those areas, and have not arisen as a result of the expression of their needs and wants by the people themselves. One reason for this lack of an effective “voice” for these peoples is the absence of any structured or cohesive organisational mechanism to represent their interests, in contrast to the role of trade unions in the plantation sector. Especially in post-1978 rural areas, which saw the nexus between elected member of parliament and the electorate diluted if not destroyed by the adoption of a proportional representation based electoral system, the rural people are not adequately represented at policy making levels, nor are they able to make themselves heard.
The reasons for the non-emergence of broad-based worker representative organisations in the rural agriculture are many. Of these, low population density and relative isolation of villages and hamlets, absence of adequate infrastructure facilities such as communication and media services, and the lack of knowledge and skills on the part of the average rural worker are noteworthy. In addition, there is one fundamental difference which hampers the formation of any worker organisations similar to trade unions in these areas: it is difficult to apply the definitions of “employee”, “employer” and “wage-earning employment” as present in the relevant legislation, to the rural agricultural worker. The difficulty in determining these issues make the emergence of formal trade unions unlikely.

This is not to say that there are no organisations representing the rural worker in Sri Lanka. On the contrary there are several and very vibrant organisations which operate effectively in these areas, in relation to the objectives of such organisations. Amongst these are:

- Small Farmer Organisations numbering about 9,000 registered under the Agrarian Services Act No.58 of 1979
- Rural Development Societies numbering about 11,000 set up under the Rural Development Societies Ordinance and registered with the Rural Development Department
- Rural Co-operative Societies established under the Co-operative Societies Law
- Field Organisations of Farmers set up under the Irrigation Department
- “Sanasa” Thrift Societies and Rural Banks
- “Samurdhi” Societies and Samurdhi Banks formed under the current Poverty Alleviation Programme
- Organisations formed under programmes conducted by various Non-Governmental Organisations such as the Sarvodaya Movement in South-Western rural areas, The Agromart Foundation in the Mahaweli Sector, the Vehilihini Foundation in Monaragala in the Sabaragamuwa region, etc.

Village level informal organisations such as Welfare Societies, Funeral Assistance Societies and Women’s Societies

Although these informal organisations operate effectively in their limited field of interest, the lack of advocacy skills and dynamic leadership have meant that these organisations have not ventured beyond the stated objectives. For instance, even though all the members of a village welfare society are smallholders facing similar difficulties, it is unlikely that this organisation would lobby local politicians for better access to water for irrigation or other agricultural need. Nor has there been any indication that these diverse organisations, a number of which may very often exist within a small geographical area, could form themselves into one umbrella organisation to address common needs.

However, there are other informal sector organisations which have emerged in rural agricultural areas which have been successful in achieving their objectives in agriculture in a structured and systematic manner.
IV. 3. (i). Elimination of All Forms of Forced or Compulsory Labour

Sri Lanka has little reported instances of forced labour. However, issues have been raised in relation to the use of prison labour, and the increasing incidence of abductions of women and girls for trafficking in the sex trade. In the agricultural sector, due possibly to the high levels of unemployment, forced or compulsory labour has not been a feature, as the principle of for-wage labour is reasonably entrenched, even though the actual wage may be considered inadequate. In the early years of the plantation sector, there was a form of labour arising from indebtedness of the worker, as the creditor would demand that the employer deduct loan repayments directly from the wages of the worker. This practice is now illegal, and deductions permissible from wages have been stipulated by law.

IV. 3. (ii). Effective Abolition of Child Labour

In comparison with most of its South Asian neighbours Sri Lanka has a satisfactory record in the apparently low incidence of child labour, and impressive gains made in child health and education. However recent information indicates that the incidence of child labour in the sectors of agriculture and employment as domestic servants is much more serious than previously thought. For instance, although 97 per cent of all children in the age-group 5-14 years were found to be engaged in education, over 90 per cent of those children were also found to be engaging in housekeeping and/or economic activities. Over 70 per cent were found to be engaged in agricultural activity, both paid and unpaid. Almost 95 per cent of children engaged in some form of economic activity were also resident in the rural (including plantation) areas.

The proportion of those not attending school in this age group who were paid employees was as high as 60 per cent, and as much as 44 per cent of them were resident away from their families, raising issues of their welfare and development. Therefore, it is clear that there is much to be done to enforce the rights of the child to be free from economic burdens in childhood.

IV. 3. (iii). Elimination of Discrimination in Respect of Employment And Occupation

Article 13 of the Constitution of Sri Lanka guarantees the fundamental right to equality for all persons. However, in many instances, there is both overt and covert discrimination against women in relation to employment. For instance, the female unemployment rate has remained double that of males, despite a reduction from 23.6 percent in 1990 to 11.6 percent in 2001 (during the same period male unemployment rate change was from 11.4 percent to 5.9. percent). Unemployment continues to be largely a problem of youth (2.17), who are first-time-job seekers and who have to wait an inordinately long time to find a place i.e. 62 percent of males and 73 percent of females waited more than 12 months in 1995. The highest unemployment rates in 1999 were experienced by the 15-24 age group for both males and females but while rates were quite low for males in the 25-27 age group, for females they were still high (Department of Labour, 1999).

In addition to the high rates of unemployment for women, there is also the issue of lesser pay for women for work similar to those done by men. Although wages have been equalised in the plantation sector, in the non-plantation agricultural sector, wages for women are 20 – 25 per cent
lower than those of their male counterparts. Gunawardena (1995) states that “the main reason for this disparity of wage rates between men and women farmers is due to the lower status of women in society within the milieu of the prevailing patriarchal norms”. One reason for the “invisibility” of women in their contribution to peasant agriculture is stated in this study as being the faulty system of data collection adopted internationally which defines “gainful” employment as occupation directly or indirectly remunerated in cash or in kind. By this definition, work carried out by women in the household as well as in the family cultivation activity is not reflected in formal records.

Although about 65 per cent of women on plantations are economically active, which is significantly higher than that of their urban and rural sisters, the large part of this is in ill-paid, low-status occupations. In the tea plantations women are traditionally employed aspluckers, and in rubber plantations as latex “tappers” who collect the latex that drips from the tree when the bark is cut; males have been employed in weeding, fertilizing, uprooting old trees, pruning, rubber milling and rubber production. In recent times, these gender divisions have become somewhat less rigid, but the type of work generally considered women’s work has remained virtually unchanged.

Women work longer hours than men in labour intensive repetitive tasks on tea plantations. They work eight hours beginning at 7.30 a.m., excluding the time spent weighting their baskets twice a day, and in peak seasons work may continue till 5.30 p.m. Men in tea plantations and both men and women in rubber plantations work only till about 1.00 p.m., but there is less security in rubber ‘tapping’ due to the inability to collect latex during wet weather (Jayaweera, 1991). In upcountry tea plantations, women workers also have to work on hilly terrain in adverse weather conditions without adequate protection.

The structure of the management and labour control system through male supervisors (kanganys) continues to constrain women within a rigid hierarchy with few safeguards to prevent oppression and discrimination. Although a few female supervisors have been appointed, the concept is not widespread, and women therefore are dominated by a male supervisory system.

Jayaweera (1991) records previous studies where men in the plantation sector tend to collect the wages of their wives in 35 – 50 per cent of women workers, thereby controlling the income and deciding on its expenditure. This practice is in breach of legal provisions which require wages to be paid to the person who earns such wages, but continues due to the perception of estate management of women as contributory labour rather than independent workers, and due to the inability of women workers to obtain their rights. These women are therefore denied the right to utilise their own earnings, and have no control on its expenditure.
V. EMPLOYMENT, INCOME DISTRIBUTION AND DECENT WORKING CONDITIONS

V. 1. Determination of Wages

Wages are determined in Sri Lanka under an assortment of mechanisms. In the government sector remuneration levels are determined/reviewed periodically on the recommendations of Pay Commissions appointed by the government from time to time for the purpose. For private sector employees the wage setting machinery consists of several mechanisms:

- Tripartite determination under provisions of the minimum wage legislation and the Shop and Office Employees Act, i.e. Wages Boards and Remuneration Tribunals

Minimum Wages are determined as stated before by Wages Boards set up under the Wages Boards Ordinance for specific industries. However, workers covered by the decision of a Wages Board are free to resort to other mechanisms (eg. collective bargaining) to obtain wages above the stated minimum.

In the agriculture sector, the plantation sector is covered by Wages Boards for the Tea Rubber and Coconut growing and manufacturing trades, and Paddy, Cinnamon, Cocoa, and Pepper growing trades. However, these provisions are not adequately enforced due to the high rate of non-compliance and the lack of capacity of the labour administration system. Therefore, a large extent of the agricultural workforce is not sufficiently covered by minimum wage legislation.

- Collective Bargaining

This is a wage setting mechanism followed in a few unionized private sector establishments. For state sector employees wage determination/review has typically been within the guidelines laid down by the Treasury and the parent ministry.

- Awards under the Industrial Disputes Legislation

These awards are made in wage related industrial disputes which have been referred to voluntary or compulsory arbitration under the Industrial Disputes Act. The awards are binding on the parties for a period of time, but can be rejected thereafter subject to the process set out in the Act.

- Individual Bargaining, and Managerial Decisions.

These mechanisms constitute the primary wage determining mechanism in the informal sector. Individual bargaining prevails strongly in the higher professional and administrative categories as well. Little information is available on the agreements reached.
Collective bargaining and awards by industrial tribunals are seldom found in the agricultural sector outside the plantations. The wage setting mechanism is generally individual bargaining, with supply and demand for labour also playing a large part.

V. 2. Employment Generation in Agriculture

The need to work for another person, especially as hired labour in the agricultural sector, arises from the lack of economic and financial capacity to earn a livelihood in any other way. The ownership of land in rural Sri Lanka is still very uneven and most persons engaged in agriculture in rural areas do not have own sufficient land to cultivate. One of the factors inhibiting rural income growth is the lack of clear private property rights in land. Most poor farmers operate land parcels for which they do not have clear title. As a result of this insecurity and of government restrictions on land use, the poor are not empowered to make choices in land use and land allocation, and hence cannot use their lands to their most productive potential. Furthermore, under the Land Development Ordinance, women are not ensured the right to land in settlement areas, and thus expend their labour in cultivating land over which they have no title.

Low labour productivity in agriculture is a major contributor to persistent rural poverty. Crop yields have either stagnated or declined during the 1990s. The single most important impediment to agricultural prosperity is an overly restrictive policy regime. State ownership of some 80 percent of lands, restrictions on technology imports and land use, pervasive input and credit subsidies, and frequent changes in agricultural trade policies combine to hamper the efficient functioning of the agriculture sector.

The many state intervention strategies since independence, outlined at Chapter 8 below, were intended to generate growth in agriculture and to stimulate employment in the agricultural sector. However, the reverse has clearly been the case, with the share of agriculture in the economy declining, and a growth rate slower than that of other sectors, which has led to the migration of labour away from the agricultural sectors. Another contributory factor has been the industrialisation policy of the state, which has seen rapid increases in the manufacturing and services sectors.

Employment generation outside the traditional sphere in the plantation sector has been even more unsatisfactory. In 1980 the total number of persons employed on estates was 541,971 which at the time of privatisation in June 1992 stood at 374,142 (Sinnathamby et al., 2002). By the millenium the number had reduced to 278,357 (Fontgalland, 2003). Clearly therefore, the employment available to the plantation sector worker has been reduced. But the plantation worker, in most cases, is resident on the plantation, thus limiting his options for obtaining alternate employment, due to poor accessibility to sources of employment and income-generating opportunities. Sinnathamby and Wijesandaran (2002) argue that this fall in employment within estates has been the cause of the reduction in income receivers in the estate sector in comparison with urban and rural sectors, and that as a consequence the number of dependents in the estate sector have increased.
Table 13 - Income Receivers and Dependents per household (1981-2001)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average No. of Income Receivers per Household</th>
<th>Average No. of Dependents per Household</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>1981/82</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>1986/87</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>1996/97</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>2001/02</td>
<td>2.0</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: Consumer Finance and Socio Economic Survey (1981/82, 1986/87, 1996/97) and Household Income and Expenditure Survey (2001/02)

Unemployment amongst youth in the plantation sector has also been found to be much higher, with 50 per cent of those in the age group of 15-29 years being unemployed (Sinnathamby and Vigesandaran, 2002). This group was found to be unwilling to seek employment as plantation workers due to insufficient daily wages, lack of incentive schemes, the low-status and low-promotional prospects of plantation work, and the lack of income security in old age. Thus, the urgent need to provide non-traditional forms of employment to these youth is only too clear.

V. 3. Income Distribution in the Agricultural Sector

A fundamental aspect of the concept of decent work is the ability to earn an income sufficient to supply the needs of the worker and his dependents. The inability to earn a sufficient income results in poverty. In Sri Lanka, whilst income-expenditure disparities exist in every sector, it is pronounced in the rural and estate sector, which has a high incidence of agricultural workers.

Table 14 - Per Capita income per Month and per Capita Expenditure Per Month (Rs.): 2002

<table>
<thead>
<tr>
<th></th>
<th>Per capita income per month</th>
<th>Per capita expenditure per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>3,141</td>
<td>3,308</td>
</tr>
<tr>
<td>Urban</td>
<td>5,023</td>
<td>5,276</td>
</tr>
<tr>
<td>Rural</td>
<td>2,885</td>
<td>3,023</td>
</tr>
<tr>
<td>Estate</td>
<td>1,763</td>
<td>2,178</td>
</tr>
</tbody>
</table>

Source: Household Income and Expenditure Survey, 2002, Department of Census & Statistics, Colombo

Whilst all Sri Lankans show an income imbalance, this is more marked especially in the estate sector. However, poverty in Sri Lanka is predominantly a rural phenomenon. Over 50 percent of the poor are reported to live in rural and plantation areas (Department of Census and Statistics, 2002). In terms of social indicators, such as housing facilities, access to education and health services, access to safe drinking water, safe sanitation and electricity, infant mortality rate, and malnutrition, the estate sector may be worse off than the rural sector (Poverty Reduction Strategy Paper, June 2002).
Households in which the main income receiver is a ‘casual and contractual employee’ are most likely to be poor (48% of the total numbers of the poor). The next most likely households to be poor are those whose main income receiver is self-employed (29%). Only 22% of the households in which the main income receiver is unemployed are poor. As in other developing nations, unemployment is a luxury that the poor can ill afford (Poverty Reduction Strategy Paper, June 2002). As casual and contractual labour, and self-employment are characteristics of the agricultural sector, the tendency to poverty in this sector is self-evident.

About 42 percent of the poor are small farmers (Poverty Reduction Strategy Paper, June 2002). Since close to 65 percent of all farmers cultivate plots of land smaller than 1 acre, those small farmers who have no other source of off-farm income are frequently classified as poor.

Using the expenditure of food as a measure of poverty, where more than 50 per cent of the total expenditure is spent on food, the plantation sector has the highest proportion of consumption poverty with 67 per cent, with the rural sector recording 50 per cent (Household income and Expenditure Survey, 1995/96). Only the urban sector with its expenditure at 37.5 per cent escapes from this aspect of poverty. In addition, low expenditure on consumer durables and marginal savings characterised these sectors, and indicated that these sectors do not receive and adequate wage.

V. 4. Working Conditions

V. 4. (i). Leave and Holiday Provisions in Sri Lanka

Sri Lanka has without doubt one of the most generous public holiday structure in the world, in addition to statutorily imposed paid leave for various categories of employees. However, in the domestic agricultural sector (outside the plantation sector) which is not covered by the Wages Boards Ordinance, there are no legal provisions whatsoever, and the concept of paid holidays, and paid leave is not in existence. Thus, for a large section of the workforce, leave and holiday provisions applicable to the rest of the country are not relevant.

V. 4. (ii). Occupational Safety and Health

It is a matter for great concern that the main occupational safety legislation in Sri Lanka is not extended to the larger proportion of agricultural workers, given the increased use of agrochemicals (pesticides, weedicides, etc.). (EFC, 1998). Despite these hazards, during the period 1981 to 1995 the use of pesticides increased by nearly 50 per cent, and consequently, Sri Lanka ranks third in the world in incidence of pesticide poisoning (Fernando, 1991). Lack of awareness amongst farmers, inadequacy and non-availability of safety equipment, are the chief causes of such poisoning. In addition, the easy access to dangerous agrochemicals has been identified as one cause of the extremely high rate of suicides in Sri Lanka, which in the agricultural community is as high as 73% of all deaths from chemical poisoning (Wijeratne, 1993).

In addition to the direct deaths and injuries from agrochemicals, the excessive use of pesticides also results in soil degradation, and long term health hazards from the seepage into the water-table.
The principal Legislation in Sri Lanka relating to safety of workers is embodied in the Factories Ordinance Act No. 45 of 1942 and subsequent amendments. However, there are other pieces of Legislation that includes sections on welfare of employees, sanitation, safety and accident prevention to a certain extent. The payment of compensation to injured workers is defined in the Workmen’s Compensation Ordinance Act No 19 of 1934 and its subsequent amendments.

However, the Factories Ordinance does not cover safety of field workers, such as farmers in the Agricultural Sector, in which 38.9% of the working population of Sri Lanka are employed at present. Only industrial hazards are covered by the Ordinance.

VI. SOCIAL SECURITY: PROTECTION AGAINST VULNERABILITY AND CONTINGENCY

Sri Lanka has provided a standard of basic healthcare far superior to that provided in most developing countries. Especially in relation to maternal and child health care, the performance has been extremely positive in relation to immunization campaigns, educating the public regarding safe childbirth and appropriate treatment for infectious disease. Infant, child, and maternal mortality rates are low, and life expectancy is nearing the levels reached in developed countries.

However, a considerable proportion of the population suffers from wasting, stunting, low-weight, iron deficiency anemia and other micronutrient deficiencies. Recent research studies from the Medical Research Institute suggest that about one-third of small (under five years of age) children are underweight, nearly one-fifth were stunted or had inadequate height for age and about 14% of children were wasted or had inadequate weight for height. The proportion of children undernourished in rural areas is far higher than in urban areas. Moreover, more than half (53%) of the estate children fell into the category of low height-for-age as compared to 20% for Colombo.17

VI. 1. Plantation Sector

Healthcare in the plantation sector has a long history commencing with the Medical Wants Ordinance of 1880. The plantation Dispensary Scheme was introduced in 1893 and by 1906 the number of dispensaries had increased to 143 (Wesumperuma, 1986). Subsequently institutional healthcare facilities on estates was provided, although the quality of staffing and facilities remained questionable. The approach was mainly curative, and thus did not have a noteworthy impact on long term health benefits, as health indicators in the estate sector have remained continuously below the national levels. Fontgalland (2003), indicates that a recent study by the Marga Institute (1998) identified poor caring and feeding practices, high mobility and poverty related factors such as lack of access to adequate food, housing clean water and sanitation, and maternal under-nutrition, as key factors affecting high child malnutrition in the plantations.

In the profit-driven privatised plantation sector, health and welfare services would be prime targets for cost-cutting measures unless provision is made to ensure a minimum standard of healthcare for plantation workers. Two attempts to provide a legislative basis for health in the plantation sector in the form of an ‘Estate Health Law’ have fallen by the wayside in its draft form (Vidyasagara, 2000). The present situation therefore makes the support and closer involvement of the
state/provincial health authorities with plantation companies essential. However, a political decision to takeover 54 estate hospitals commencing in 1994, raises issues of sustainability and funding within the cash-strapped state health system.

VI. 1. (i). Housing

The quality of the estimated 1.5 million housing units in newly independent Sri Lanka was poor, with about half being constructed out of temporary materials. Government efforts at Housing development gained momentum after independence, and expanded rapidly in the 1980’s. Countrywide housing programmes were introduced after 1977,18 to cater mainly to the lower and middle-income groups (Central Bank, 1998). However, at present the Central Bank estimates that there is a shortage of 400,000 housing units in the country, and that in addition a large number of housing units are of substandard quality (Central Bank, 2002). Although the liberalisation of the construction industry and extensive concessions granted to private sector investors under the Board of Investment, the latter have focused largely on providing housing for the middle and high-income sectors. The state has had to continue to engage in housing provision for the lower-income sector, and has had to continue to provide direct assistance to this sector to acquire or upgrade housing facilities. This is a result of the failure of private sector lending institutions to accept many of the instruments on which land has been allocated to settlers, especially in rural areas.

However, housing in rural areas has been relatively better provisioned especially with settlers in the Mahaweli settlement areas being provided with assistance to establish housing of a better quality than which existed in the rural areas. The improvement in the quality of housing in these areas is indicated by the dramatic reduction in wattle-and-daub or “mud” houses, as did the number of houses roofed with temporary roofing materials (Central Bank, 1998).

VI. 1. (ii). Plantation Housing

The residential aspect of plantation labour came about with the initial importation by the British of South Indian labour to work the plantations. Due to the lack of knowledge of the language and ways of the new country it was not possible for immigrant labour to live in the rural communities outside the plantation itself, and therefore, the plantation companies constructed housing units in “line-room” pattern to house those workers. This also served the interests of the plantation company as it tended to create a dependent, captive source of cheap labour, as the workers were unable to access any facilities other than those provided by the employer.

Nearly two centuries after their arrival in Sri Lanka, housing available to the plantation workers is substandard, with minimum facilities. As stated by an activist in social development in the plantation sector states that “Although successive governments have implemented a range of programmes geared to improving plantation workers’ welfare, their social status has not changed much in relative terms. The majority of plantation workers continue to live in dilapidated barrack-type line rooms in highly over-crowded and unhygienic conditions. Although some improvement in health care, water, supply and sanitation have been realized, the poor housing situation has imposed limits to further improvements in social welfare” (Fontgalland, 2003). As stated in a recent survey, in the estate sector, overcrowded housing, unsanitary cooking and living conditions have been identified as being the norm (Sinnathamby and Vigesandran, 2002).
The large majority of plantation workers, 83 per cent, live in attached or “line-type” houses (Department of Census and Statistics, 1997), with several generations of one family sharing a single house. Ownership is also a serious issue with 85 per cent of urban and 95 per cent of rural population owning their houses, as against only 10 per cent of the estate population. Despite numerous donor assisted state intervention schemes designed to improve the quantity and quality of housing for plantation workers, ownership of the houses is still vested in the plantation companies or the state. Case study No. 4, Appendix 4, indicates the issues faced by plantation sector workers even with regard to improvement in their housing facilities at their own cost.

Since home ownership is also a factor which determines levels of poverty, the quality of life and income levels of plantation sector workers cannot be improved until a solution is formulated to enable them to own land and housing, which opens new avenues for self-employment and income-enhancement.

VI. 2. Access to Basic Infrastructure Services

Despite being a low income, developing country since independence, the state has intervened directly throughout to provide a high quality of life to its people, especially in relation to nutrition, health, education, housing, sanitation, water supply and electricity. Free public healthcare, both curative and preventive, and free education up to tertiary education has seen impressive gains in these areas.

However, the momentum has not been maintained, especially in the rural and plantation sector, due to progressively low investment, and the inability to ensure the quality of public services available. The great disparities that exist between sectors is a symptom of poor targeting and chronic underinvestment in some sectors.

VI. 2. (i). Education

The availability of non fee-levying education to all communities at the time of independence and the expansion of free educational services up to tertiary level saw Sri Lanka gaining literacy levels comparable with most developed countries. Compulsory school attendance up to 14 years, free meals, text books and uniforms to needy children, establishment of central schools in rural areas to provide better access to higher education, establishment of teacher training institutions by the state were some measures introduced to broad-based access to education. The teacher-student ratio, school enrolment ratio, the ratio of those with secondary education increased impressively due to these measures.

However, poor targeting and the failure to focus on quality as well as quantity have resulted in a number of deficiencies in the education system (Central Bank, 1998). These deficiencies have brought about clear disparities in educational attainment between sectors.
Table 15 - Access to Safe Drinking Water Sanitation, Cooking facilities and Electricity (as a percentage of total population in each sector or group)

<table>
<thead>
<tr>
<th></th>
<th>Safe Drinking Water</th>
<th>Latrine</th>
<th>Safe Sanitation</th>
<th>Safe Cooking Fuel *</th>
<th>Electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>By Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>97</td>
<td>94</td>
<td>91</td>
<td>51</td>
<td>84</td>
</tr>
<tr>
<td>Rural</td>
<td>74</td>
<td>88</td>
<td>72</td>
<td>14</td>
<td>57</td>
</tr>
<tr>
<td>Estate</td>
<td>72</td>
<td>76</td>
<td>60</td>
<td>3</td>
<td>43</td>
</tr>
<tr>
<td><strong>By Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sinhala</td>
<td>76</td>
<td>92</td>
<td>75</td>
<td>19</td>
<td>61</td>
</tr>
<tr>
<td>Tamil</td>
<td>75</td>
<td>69</td>
<td>63</td>
<td>11</td>
<td>45</td>
</tr>
<tr>
<td>Estate</td>
<td>76</td>
<td>81</td>
<td>73</td>
<td>4</td>
<td>43</td>
</tr>
<tr>
<td>Tamil</td>
<td>91</td>
<td>81</td>
<td>79</td>
<td>23</td>
<td>78</td>
</tr>
<tr>
<td>Moor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note  
Safe Drinking Water – Water from protected well, public tap, tube well, tap within unit, and tap outside unit.
Safe Sanitation – latrine is either water seal or flush type
Safe Cooking Fuel – gas or electricity


Table 16 - Educational Attainment by Sector (1996/97)

<table>
<thead>
<tr>
<th></th>
<th>Primary and above</th>
<th>Secondary and above</th>
<th>Post Secondary</th>
<th>Literacy Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td><strong>Educational Level Sector</strong></td>
<td></td>
<td></td>
<td>87.3</td>
<td>67.3</td>
</tr>
<tr>
<td>Estate</td>
<td>76.1</td>
<td>20.2</td>
<td>2.1</td>
<td>94.5</td>
</tr>
<tr>
<td>Rural</td>
<td>92.1</td>
<td>56.9</td>
<td>20.5</td>
<td>96.1</td>
</tr>
<tr>
<td>Urban</td>
<td>94.2</td>
<td>66.7</td>
<td>29.6</td>
<td>94.3</td>
</tr>
<tr>
<td>All Sectors</td>
<td>91.4</td>
<td>56.2</td>
<td>20.7</td>
<td></td>
</tr>
</tbody>
</table>

Source: Socio-Economic Survey, Central Bank, 1996/97

The plantation sector clearly lags behind the rural and urban sectors in each area. Given the nexus between education and poverty, in that the principal income earner in 90 per cent of households considered poor has no secondary educational qualifications (Department of Census and Statistics, 1997), it is clear that low educational attainment hampers the way out of consumption poverty.

Although vocational training and technical education has been actively pursued since the 1980’s in an effort to build a pool of marketable skills in entrants to the labour market, and to assist individuals to increase earnings and exit poverty, shortages of well-qualified and capable instructors, and relevant, up-to-date equipment and material, have detracted from the quality of
these courses. The geographical distribution of vocational training institutions, which are concentrated in urban areas, often precludes the rural and plantation sectors from accessing training opportunities. Plantation sectors are also hampered by language barriers as most vocational and technical education providers are unable to work in Tamil which is the language of the majority of plantation communities.

VI. 3. Social Protection

Sri Lanka has a long tradition of providing income support and economic advancement assistance to poor groups. Nearly one-fifth of the Government’s current expenditures are used for transfers to households - a share of public spending normally witnessed only in upper-income OECD nations. A wide range of government agencies operate transfer schemes. The Department of Social Services provides assistance to orphans, poor widows, the disabled, poor elderly and disaster victims. The Samurdhi programme provides cash grants to some 2.1 million families and separate cash grants to 82,000 families under the infant nutrition programme. It also operates a range of compulsory savings scheme, a Samurdhi bank society, and national youth job creation and village development efforts. Government sponsored micro-credit programs aim to expand access to capital to a large number of poor households. There are donor-supported integrated rural development programmes aim to strengthen local planning, augment social and economic infrastructure, while promoting entrepreneurial development in poor communities. A range of agriculture programmes provide subsidies, especially in relation to fertiliser, and low-cost credit to farm groups to encourage agricultural modernization. Several organizations provide relief and rehabilitation assistance to those displaced by the ethnic conflict in the North and Northeast.

Despite a wide range of programs and interventions, many of the poverty alleviation programmes do not adequately protect the poorest of the poor. The Samurdhi programme has been criticised for the twin evils of leakage of benefits to those who are not poor and the exclusion from the program of those genuinely in need. A recent survey found that more than 50 per cent of current beneficiaries are categorised as non-poor households. Most poor households are therefore still heavily dependent on informal or traditional social protection mechanisms. But as society evolves, these mechanisms have tended to erode. Due to a range of targeting and coordination problems, the cost of social protection services is higher than it need be, while many of the most vulnerable groups are not adequately protected.

VI. 3. (i). Social Security in the Plantation Sector

Welfare of plantation workers was a low priority during the era of British plantation ownership. Even in the post-nationalisation era state-intervention towards improving welfare increased mainly due to the efforts of international donor agencies in targeting this sector. After the privatisation of plantations commencing in June 1992, the Plantation Housing and Social Welfare Trust (“PHSWT”) was established as a central coordinating and regulating authority for welfare programmes in the plantation sector. Legally incorporated as a Company in 1992, the PHSWT became operational in 1993, based in Colombo with seven regional offices.

The PHSWT has a tri-partite structure with a twelve-member Board comprised of six directors representing plantation companies, four officers from the Ministries of Finance, Health, Housing
and Plantation Industries, and two representatives of trade unions. The operating cost of the PHSWT are met by the Regional Plantation Companies through their managing agents, on the basis of an estate population-based contribution. Being an independent organisation the PHSWT does not have any direct administrative authority over the implementation of health and welfare on the plantations, unlike the previous entities, which were part of state plantation corporations. It’s ability to implement welfare programmes is thus limited and dependent on the agreement of each plantation company.

However it has been found that the contribution of the plantation companies, which was the 8 per cent of the cost of production of each estate has been reduced to less than 4 per cent. This is inadequate even to meet the operating cost of the PHSWT, and donor funding has been utilised to finance its budget (Fontgalland, 2003). The ability of the staff to implement programmes effectively due to language barriers has also been identified as a shortcoming.

Despite these welfare programmes, it is clear that the plantation sector has inadequate mechanisms for income transfers available even to other sectors. For instance, for the first time a national direct income transfer program, the *Samurdhi* program, has been extended to the plantation sector, but due to language and administrative constraints, very few plantation workers are able to access these benefits. Absence of documentation and records such as birth and marriage records, has hampered efforts to obtain such assistance.

Another factor which is of great concern to the plantation sector is the non-availability of old-age pension or income-assurance schemes. Employees on plantations are entitled to the general superannuation provisions applicable to all employees, that is the Employees’ Trust Fund and Employees’ Provident Fund benefits and Gratuity payments upon retirement from employment. However, as these are lump-sum payments, there is no income security for old age to the retiring employees, as these receipts are utilised for immediate consumption and repayment of debts, etc. The lack of guidance and information on sources of investment also prevents proper utilisation of these benefits. Therefore, the plantation worker at the end of his working life, faces gradual pauperisation, with no source of income to sustain himself in old age.

The absence of insurance schemes, and lack of awareness of the benefits of insurance and private-sector pension plans also prevents workers from being able to provide any income security for themselves.

**VI. 3. (ii). Non-Plantation Agricultural Sector**

The rural agricultural sector has seen many income transfer and assistance programs. Amongst these, microfinance schemes which were initially intended as non-conventional credit delivery mechanisms are now widely recognised as a form of total finance and an effective empowerment of poor and low-income families (Central Bank, 2002). Small-scale financial services include savings, credit and other financial services such as insurance, which cannot normally be provided by commercial institutions due to the high administrative costs and lack of collateral, are effectively provided by Community Based Organisations and self-help groups. A major area which requires state intervention in terms of technical expertise is the assuring of sustainability of
these programs, and building capacity in good governance, regulatory and reporting systems, and accounting practices.

Two mechanisms introduced to provide income security to the agricultural sector without direct transfers by the state are the Forward Sales Contract System and Crop Insurance systems. Under the former scheme with World Bank assistance farmers have been encouraged to formulate new and efficient market assuring agreements. In the year 2002, over 25,000 such forward sales contracts were entered into between small-scale producers and large-scale buyers for crops such as Paddy, Maize, Big Onions, Soya, Green Gram and other crops (Central Bank, 2002). With the assuring of a market for their produce at a reasonable price, producers were motivated to increase production, thus ensuring a continuous supply of goods to the market place.

The Agricultural and Agrarian Insurance Board has introduced insurance schemes to protect against loss of income, depending on premia paid by farmers. It covers 14 major crops and livestock, and post-harvest losses in these areas. One of the major private sector insurance providers has also now entered this field, and awareness of the concept is growing. However, the inability of the most vulnerable sectors of the rural agricultural poor to access these services due to the inability to meet premia requirements makes its application to small-producers uncertain. However, it is heartening to note the development of these new mechanisms is to stimulate market growth.

In addition to these schemes, there are also sector specific social security benefits. For instance, a Fisherman’s Pension And Social Security Benefits Scheme was introduced in 1991, to provide compensation to fisherfolk in the event of accidents and an old-age pension. Other schemes have been introduced for farmers, and are based on a self-contributory system. Self-employed persons may also voluntarily contribute to the ETF.

However, the vast majority of agricultural workers, like plantation workers, have no income source in times of unemployment or retirement. Unlike plantation workers who are entitled to EPF and ETF benefits, rural agricultural workers do not receive such benefits, firstly, as they are not considered employees who are entitled to these benefits, and secondly, as much of the labour in this sector comprises unpaid family labour, or own-account workers, who do not have “earnings” as required under these schemes.

Therefore, given the ageing patterns of the population, and increased life expectancy due to better healthcare, old-age income for agricultural workers is an issue which needs to be addressed urgently. In the absence of an unemployment benefit or “safety-net” scheme for the labour force, agricultural workers whose livelihood is dependent on a vast number of factors outside their control, are even more vulnerable to want and deprivation in times of economic difficulty.

VII. PROMOTING SOCIAL DIALOGUE

Despite a long history of trade union activism, the Sri Lankan industrial relations environment has traditionally been volatile and antagonistic due to a variety of historical and socio-political reasons, outlines more fully in Chapter 4 above. One factor is the over-reliance of the industrial
relations system on state-intervention rather than on collective bargaining or other employer-
employee focused mechanisms (Gunatilake, 1999). Initially, legislation was introduced to correct
the unequal bargaining power between unions and management, but unions were unable to
develop their capacity to bargain and negotiate effectively due mainly to fragmentation and
multiplicity, and thus continued to rely on legislation and also sought direct state-intervention in
contentious situations.

VII. 1. Dispute Resolution under the Industrial Disputes Act

The Industrial Disputes Act (“IDA”) provides for several mechanisms for dispute resolution:

- arbitration (both voluntary and compulsory where parties are required to restore the status
  quo pending a decision);
- conciliation (by the Commissioner of Labour between parties to an industrial dispute);
- adjudication by Labour Tribunals (in matters relating to termination of employment).
  The IDA empowers the Labour Tribunal to make an order in an application challenging
  termination notwithstanding any provision in the contract of employment between the
  employer and employee20; and
- by entering into collective agreements without the intervention of the Commissioner of
  Labour (especially in relation to wages and terms of employment). The collective
  agreements are however registered by the Commissioner of Labour to give legal effect
to the terms of such agreement.

These mechanisms are intended to be operate efficiently and expeditiously, in order to minimise
the dysfunction caused to the labour market, but that is no longer a reality due to the deficiencies
built-up within these systems. For instance, although the IDA contains a provision which
indicates that an application made by a workman against the termination of his services to the
Labour Tribunal should be decided within six months, the average duration of such an inquiry at
present is about three years. Similar delays and inefficiencies plague the systems of arbitration,
conciliation, and inquiries conducted by the Commissioner of Labour preventing the early
resolution of disputes, and continuing the imbalance created by such disputes in the Labour
markets.

However, a new dimension of alternative dispute resolution has been recently introduced by the
enactment, in May 2003, of the Industrial Disputes (Special Determination) Act, whereby parties
to a dispute before a Labour Tribunal can opt for mediation instead of lengthy litigation. It is
intended that the implementation of this alternative system of dispute resolution would foster
better employer-employee relations, preventing the complete breakdown that is likely to occur
where litigation is resorted to.
VII. 1. (i). Lack of Bargaining Power of Non-Plantation Agricultural Workers

Agricultural workers as a group are clearly at a disadvantage in relation to the nature of employment, adequacy of income, and quality of life in comparison with their counterparts in the formal non-agricultural sector. To a great extent, many of the gains made by plantation workers in working and living conditions have been the result of forming representative organisations, whether trade unions, associations, cooperatives or the like. Accessing the dispute resolution procedures set out above, and to bargain collectively to obtain their rights can only be effectively achieved where workers are willing to do so in conjunction with each other and not in isolation.

In the past, such associations of rural workers have not been numerous due to factors such as the lack of opportunity to meet together in large enough numbers, lack of leadership, rural hierarchy and caste systems which hamper such associations, and the all pervasive political divisions which prevents unity at village or local level, and inadequate access to knowledge and resources (Wesumperuma, 1993).

In a study conducted to reconcile the difficulty of creating organisations with the formal structure required for effectiveness in the informal unorganised sector, it was found that given the right circumstances such organisations can emerge and thrive (Marga, 2002). The study found that small scale subsistence agricultural organisations formed organisations to gain assured markets for their produce, to achieve stable prices without seasonal fluctuations, improvement in quality and better profitability members. Commercial scale agricultural producers organised themselves to obtain better access to credit and logistical support, obtaining knowledge on meeting international quality standards and fulfilling market demand. Such organisations were able to disseminate valuable information to their members on matters such as tariffs and taxation.

In 1989 a National Advisory Council was set up with the objective of having a permanent consultative mechanism within the Ministry of Labour. The objectives were to consult the workers and employee representatives in policy matters, changes in labour law, and implementation. However, the Council was not particularly active or effective until it’s revival as the National Labour Advisory Council in 2001. Although initially providing a tri-partite forum which provided a reasonably effective means of communication, the failure of the Minister of Labour to implement assurances given to employee representatives in legislative changes placed before Parliament in October 2002 caused a major setback to the effectiveness of the Council. Since reconstituted, worker representatives state that they no longer have faith in the Council as a tri-partite consultative mechanism.

An effective tri-partite system also exists for the determination of minimum wages for trades in respect of which Wages Boards have been established. These Wages Boards consist of officials of the Labour Department, representatives of employers and trade unions in the trade, and have to function effectively to determine and revise minimum wages in a cooperative and harmonious way. However, those Wages Boards have not extended their consultation beyond wage determination and are therefore limited in operation.
XIII. NATIONAL POLICY FORMULATION AND IMPLEMENTATION

Since gaining independence successive Governments have instituted several plans for socio-economic development. Although this has increased the scope and involvement of the Government, making it the single largest spender and employer in the economy, the efficacy of those plans are debatable. In recent years, although the stated policy of the Government has been to withdraw from direct involvement in economic activities, in practical implementation the reverse is clearly the case. However, targeting of state-intervention programmes, lack of representation for those intended to benefit from the programmes either before or during the implementation state, and the lack of meaningful follow-up or accountability by policy-makers and administrators has seen many of the potential benefits being under-utilized.

XIII. 1. National Policy on Agriculture

Raising agricultural productivity and promoting commercialization requires a stable and predictable agricultural trade policy regime. The dismal situation of agriculture in Sri Lanka today is partly a result of the lack of a long term national agriculture policy. Due to the multiplicity of departments and institutions engaged in policy planning and development in the Agriculture sector, there have been many contradictory and ill-conceived policies, which have been abandoned with changes in administration.

The Agriculture and Livestock Ministry in April 2003 announced the introduction of a National Agriculture Policy and Strategy (NAPS) for a duration of seven years with effect from 2003. The Policy states its goal to be “to present a series of measures aimed at harnessing and energizing growth potentials in the food crop and livestock sectors to maximize its contribution to economic development”. It set out strategies aimed at the paddy cultivation, other field crop cultivation, floriculture, spices and allied products, livestock development, but does not include strategies for forestry and fishery development as these come under the purview of other line ministries.

A feature of this policy, which is visible in all previous policies implemented in the agriculture sector, is that it is mainly a production oriented strategy. It assumes that if the inputs are enhanced, production will increase, and that market forces will operate to ensure the proper distribution of production. However, these strategies have not been effective in the past due to market distortions, and due to collusive and manipulatory practices adopted by market players against producers in order to maximise profit taking of the former. This production oriented approach is also clear as the entire policy does not contain any strategies with regard to the well-being of the producer, such as wages, working conditions, socio-economic development or poverty alleviation.
The International Monetary Fund (“IMF”) in September 1999, broadened the objectives of its concessional lending policies to include an explicit focus on poverty reduction in the context of a growth oriented strategy. The IMF supported, along with the World Bank, strategies elaborated by the borrowing country in a Poverty Reduction Strategy Program (“PRSP”). Reflecting the new objectives and procedures, the IMF established the Poverty Reduction and Growth Facility (“PRGF”), which was to be based on the PRSP of each country, to replace the Enhanced Structural Adjustment Facility (ESAF). In April 2003, the donor agencies accepted the PRSP for Sri Lanka and committed funding for its objectives.

Thus to all intents and purposes, as Sri Lanka has committed itself to the policies outlined in the PRSP in order to obtain the donor-funding for the development objectives during the effective period of the PRSP. The strategies and policies set out in the PRSP in relation to the direction of national agriculture policy in the next three years are as follows:

- Transforming plantations into engines for pro-poor growth and regional development
- Upgrading localised Agricultural Marketing Systems
- Revitalizing Agriculture by broadbasing access to land and other resources, introducing lower cost, better managed land and tenure registration, (improving technology in agriculture and encouraging private sector investment in providing resources for agriculture)
- Water Resource Management
- Improving the productivity of water resources
- Developing opportunities for off-farm rural employment by expanding access to rural electrification, improving rural roads and water supply, increasing access and relevance of rural vocational training, providing support to community-based micro-finance initiatives and fostering eco-tourism development.
- Improving coastal resource management to prevent coastal erosion and to reclamation of the coastline
- Improving Forestry Management with the involvement of poor communities in these areas by providing funding to replant degraded forest areas, manage buffer zones, and develop timber farms while simultaneously adopting conservation-oriented farming practices (using stone dams, gully control measures and terracing).

The two policy documents, the NAPS and the PRSP, set out broad policies but are clearly not in harmony with each other. While the latter is based on minimizing state involvement, the former appears to place the state squarely at the centre of resource provision, project management, research and development, etc. Therefore, once again the confusion that has been a feature in the past has been recreated, with two competing and equally authoritative policies being produced simultaneously.
XIII. 1. (ii). The Justifiability of PRSP Strategies

The entirety of the PRSP provisions with regard to the agricultural sector is based on the withdrawal of state intervention strategies to enable market conditions and forces to determine supply-demand parameters. But how justifiable, and indeed, advisable for a developing economy are these policies? What are the underlying principles that are expected to make this theory a reality, and have they succeeded in developing and developed economies elsewhere? These are issues which merit further consideration given that similar policies in the past, have manifestly failed to improve the lives and livelihood of the population, especially those engaged in agriculture.

In November 2002, Nicholas Stern, the Senior Vice President for Development Economics and Chief Economist of the World Bank criticised decisions to delay the reform of Europe’s Common Agricultural Policy and decisions to increase agricultural subsidies in the United States as deplorable examples of rich countries protecting the status quo rather than adopt fair trading conditions. Speaking in Munich at a ceremony felicitating his own achievements, he stated that “….it is hypocritical to preach the advantages of trade and markets and then erect obstacles in precisely those markets in which developing countries have a comparative advantage….. That hypocrisy does not go unnoticed in developing countries.”

He stated that World Bank research has shown that agricultural subsidies in rich countries of about $300 billion a year suppress world prices, undermining developing country exports. The subsidies are roughly six times total development aid. A new World Bank study found that full elimination of agricultural protection and production subsidies in the rich countries would increase global trade in agriculture by 17 percent, with agricultural and food exports from low and middle-income countries rising by 24 percent. As a result, total annual rural income in these countries would rise by about $60 billion, or roughly 6 percent.

Similar views have been expressed by Prof. Joseph Stiglitz regarding the ‘one-size-fits-all’ approach to economic reforms. These views support the sentiments expressed by many civic society organisations in Sri Lanka regarding the supposed consultative process through which the policies set out in the PRSP have been formulated. The claim by international funding agencies that each country’s PRSP is nationally owned has been disputed rigourously by the parties identified as stakeholders in the PRSP itself. In a letter addressed to the Sri Lankan President, Premier, and officials of international funding agencies, the Alliance for the Protection of National Resources and Human Rights expressed their concern as follows:

“We note that the World Bank and the IMF have stated that the PRSP should be developed in a participatory manner; that it be nationally owned, and that it lays out a policy framework and agenda for tackling poverty. However, they also expect it to be no different from the programmes previously developed on their initiative. The (even though nominal) insistence on public participation has arisen from their experience that unpopular programmes cannot be carried through unless there is at least a minimal sense of ownership by the people. We categorically state that the Government of Sri Lanka has failed to carry out even this minimal consultation with the people, and that the proposals have been worked out in total isolation. It would mean that they
cannot be implemented, except through a process of violent suppression of public protest. We, acting on behalf of the people, totally reject the proposals contained in the PRSP.

The proposals for the privatisation of State owned enterprises (banks, insurance, etc.) including services (postal, electricity supply, transport, health, education, water-supply, etc.) and the proposed reforms in labour laws, land titling, land use policies, and the utilisation of natural resources including forests, fisheries, minerals, etc., will lead to increased incidence of poverty, not its reduction. We are particularly concerned about the effects of mass migration of people from the rural to the urban sector. This will lead not only to a vast increase in suffering and misery, but also to increased crime and lawlessness.

Infrastructure development projects such as super highways, ports, air ports, and road networks, etc., should be debated as to whether and how they would reduce poverty, whether the huge borrowing made for such investments can or should be done without a definite assurance that they would bring the desired or projected benefits to the poor…”.

The views expressed by this organisation is of particular relevance to this debate as amongst its signatories are the General Secretaries of three major trade unions in the country. Although not unions of agricultural workers in the absence of any other meaningful representation or consultation with any trade unions or agricultural workers, the views expressed by them must be heeded under the very principles of participation on which the PRSP is supposedly based.

XIII. 2. Role of the International Labour Organisation

This discussion has examined the extent to which the concept of decent work is visible in the lives of the agricultural sector in Sri Lanka, and the mechanisms by which national policy has been influenced by external forces. In considering the control mechanisms exerted on the implementation of these policies and strategies, it is useful to consider the role played by international agencies, and primarily the ILO, to the extent that they impact on labour.

One of the fundamental ways in which the ILO achieves its aims and objectives is by the adoption by its tri-partite legislative body, the General Conference, of Conventions and Recommendations relating to rights of labour, working conditions, and quality of life. The ILO has up to now adopted 187 international Conventions that are considered as international treaties. However, they do not automatically bind all member states of the ILO but must be ratified by each member state to become applicable to that country. Recommendations, while not binding treaties, supplement Conventions by providing guidelines in implementation and enforcement of such Conventions.

Once ratified, the provisions of a Convention must be embodied in the national law and practice of a country in some way. Member states must also submit reports every two years, to the Committee of Experts on the Application of Conventions and Ratifications, on the progress made in respect of Conventions ratified by it. These reports are available to trade unions and they are entitled to submit reports directly to the ILO regarding the application of such Conventions. There are other tri-partite committees which also consider application of key aspects of the rights of workers.
The ILO also provides a grievance procedure to the social partners, mainly trade unions, in addition to the supervisory role in relation to labour standards. Trade unions can submit complaints regarding the implementation of a ratified Convention, and that complaint is forwarded to the Government for comment. If that response is unsatisfactory, the Governing Body of the ILO has the right to publish both complaint and response, and to appoint a Commission of Inquiry into the matter. The Commission of Inquiry prepares and submits a report with its findings and recommendations as to remedial measures, if any. However, the ILO can only exert moral pressure on member states to rectify shortcomings and has no power to impose sanctions or penalties against errant member states.

In addition, the ILO provides research and advisory services, technical co-operation, training, and dissemination of information to the social partners.

The ILO has by various mechanisms served to focus global attention on critical aspects of rights at work, and on gender and child labour issues. This is done by mainstreaming these issues at national level and assistance programs directed at these groups.

Sri Lanka joined the ILO shortly after independence and a permanent ILO office was established in Sri Lanka in 1984. To date, Sri Lanka has ratified 39 Conventions, and is considering ratifying others.

XIII. 2. (i). International Conventions

There are many ILO Conventions which relate directly to the rights of agricultural workers, in addition to the eight core conventions relating to fundamental rights and principles at work. Although the Conventions are not all ratified by member states, they serve to define a body of law and principle which a member state can use to develop its own national legislation and policies. Only a few of these have been ratified by Sri Lanka, but some of these principles are incorporated in applicable legislation.

XIII. 2. (ii). Other Non-Governmental Organisations

In addition to the ILO, many non-governmental organisations (NGO) have been active in the Sri Lankan agricultural sector for many years after independence. These range from organisations engaged in research, such as the Marga Institute, to advocacy training providers (Centre for Women’s Research), skills development for self-employment (Agromart Foundation), micro-finance (Sarvodaya SEEDS program), activist groups (Vehilihini Foundation), and many other groups which act as pressure groups. These organisations, in addition to providing specialised inputs, also serve as catalysts for societal and attitudinal change. They also reach sectors of the population not served by the state or the private sector, providing much needed out-reach programs in rural and plantation areas.
XI CONCLUSIONS AND RECOMMENDATIONS

Despite half a century of state-intervention and special programs focused on agriculture, the foregoing discussion indicates clearly that the status, income, working conditions, quality of life, and rights at work of agricultural workers leave much to be desired. On the one hand, labour market imbalances and historical factors operate to the detriment of the terms of employment available to these workers; on the other, distortions in market forces prevent them from enjoying the fruits of their labour by equitable disposal of their production. Throughout, agricultural work, both in plantation and domestic agriculture sectors, does not recognise the application of the decent work principle.

It is also clear that current policies are unable to address these imbalances, and in fact, perpetuates the deprivations and hardships suffered by agricultural workers.

What are the issues that need to be addressed?

XI. 1. Employment Generation

It is clear that there is a progressive erosion of employment opportunities in the agricultural sector. Yet, agriculture can serve as a policy for economic growth, given the global and national demand for agricultural produce. Rather than encourage migration away from rural and plantation areas, thereby also reducing the impetus to provide socio-economic development, a policy to progressively develop employment opportunities in agriculture is a viable alternative. For instance, consider the following issues:

- There is a shortage of rural labour for paddy cultivation despite above-average increases in wages in this sector;
- The rate of unemployment in the same segment of the rural labour force is higher than the national average

The question that arises is, would not Sri Lanka be better off by devising means to make agricultural employment more attractive, especially to rural educated youth, who find it difficult to obtain urban, industrial employment? Would not the strain on its scant foreign reserves be eased if domestic production was able to supply the needs of at least a larger part of domestic demand? Would not raising awareness of new and more efficient forms of agriculture, such as hydroponics, floriculture, organic farming, etc., serve to re-energize the agriculture sector?

Other issues which need to be addressed are landlessness and lack of ownership of land of agricultural producers, perhaps by the stimulation of outsourcing of agricultural production for large organisations to small scale producers, as has happened successfully in the tea small holding sector, the sugar cane industry, and in the tobacco growing industry.

XI. 2. Working Conditions

While Sri Lanka has stringent legal provisions in relation to terms of employment and working conditions of workers in some sectors, this is clearly not the case in relation to agricultural
workers. The formulation of new legislation and expansion of existing legislation to apply to the agricultural sector, the development of labour administration and enforcement systems to effectively ensure the application of legislation are priorities to ensure acceptable working conditions for agricultural workers.

This is an urgent necessity in relation to occupational safety and health, given the high levels of threats posed by the use of pesticides and agro-chemicals. The expansion of the minimum wage setting machinery to the agriculture sector, and the development of a realistic measurement of the cost of production in relation to different crops are also long-term issues that need to be dealt with.

The development of a system of social insurance and unemployment benefits is a need that has been identified across all sectors of labour. However, due to the informal and non-permanent forms of employment arrangements which prevail in this sector, such schemes are urgent necessities in the agricultural sector.

XI. 3. *Promoting Workers’ Organisations*

The agriculture sector shows a marked polarisation in relation to the formation of workers’ organisations. The plantation sector has seen over a century of trade union activism, whilst the domestic agricultural sector shows little or no evidence of the presence of trade unions. Yet both sectors show remarkably similar indications of deprivation and marginalisation. The effectiveness of the brand of representation available is thus clearly highlighted.

Although the state cannot intervene to provide alternatives to the formation of trade unions, NGOs can play a critical role in providing assistance to this sector to form advocacy and activist groups. Capacity and skills-building, especially for women, would serve the dual purpose of equipping marginalized groups to advocate for their rights, as well as increasing the capability of women to participate meaningfully in formal trade union structures.

Trade unions also need to develop their capacity for giving effect to gender and non-traditional issues, and to actively encourage participation by women in trade union activity. For instance, a peculiarity of Sri Lankan maternity provisions is that under the Shop and Office Employees’ Act, women working in shops and offices are entitled to 84 (or 42 after the second child) working days as maternity leave; however, under the Maternity Benefits Ordinance applicable to industries and to plantations, women are only entitled to 84 (or 42) days. This results in the former category receiving an additional number of days of maternity leave, as the system of calculation for that category excludes all paid holidays to which the employee is entitled. This overt discrimination has not been rectified, probably as no trade union or workers have raised the issue, demonstrating the failure of issues relating to women to be satisfactorily dealt with.

The formation of organisations in the domestic agricultural sector, whether trade unions or self-help, voluntary, charitable, etc., will also stimulate the tendency towards collective action. The creation of such a culture will have salutary effects for obtaining other rights such as welfare and housing.
XI. 4. Gender Issues

The Gender Empowerment Index (GEM) of the United Nations Development Programme measures the relative empowerment of women vis-à-vis men in economic and political spheres.\textsuperscript{26} The GEM for Sri Lanka is only 31\%, which is lower than the average for all developing countries (37\%) as well as the World average (42\%). The low empowerment measure is a reflection of the limited participation of women in politics and in the senior ranks of government and the private sector. There is also a substantial disparity in the GEM amongst different parts of the country.

The failure to collect accurate data on the contribution made by women to agriculture, simply due to the absence of any economic return from such activity needs to be corrected. If all women (wives of farmers) and children who work in the field remain invisible in official statistics as they do at present, policy makers would not know about their living conditions, the extent of their poverty, their health status or the need for technology to increase productivity which would be the other means of improving their economic well being.

For instance, despite women having followed traditional plucking methods on tea plantations for a century or more, it is only in the last few years that research has been carried out into developing light-weight, ergonomically designed baskets for carrying the plucked leaves. Women were, and still are, required to walk long distances from the fields carrying heavy wicker baskets to the place where leaf is weighed, which is unduly tiring and reduces the time available for them to work, thereby reducing their production and earnings. However, in recent times a few estates have introduced mobile weighing systems which visit each field where the women work, which has shown a dramatic increase in both productivity and the physical well-being of women workers. These issues have not been raised for so long due to the failure of the system to focus on women, and because much of labour administration etc., was dominated by males. It is time now for a shift in focus.

XI. 5. Social Dialogue and Tri-partite Consultation in Policy Development

As has been found in relation to the current PRSP of the Government, even in the past policy formulation and implementation has been a prerogative of the state, with little or no opportunity for the recipients and intended beneficiaries of such policies to express their opinions. This, to a large extent, has contributed to the failure of most agricultural and poverty alleviation policies, as what has been implemented is not what the agricultural worker and producer wish to see implemented or the poor need to have implemented, but what the policy-makers feel they should want and need. This patriarchal attitude has been made worse in the post 1977 period because the electoral reforms which were implemented removed the direct nexus between the electorate and its elected representative.

Thus, not only were the recipients not consulted, they had little means of making themselves heard. It is therefore imperative that measures be implemented to enable the active participation of interest groups in policy formulation, through the dissemination of information in a timely and transparent manner regarding development initiatives, donor funding receipts and disbursements, and project evaluation and implementation.
Especially in relation to labour, the tri-partite machinery needs to be strengthened to broadbase worker representation, and to include the perspectives of civic organisations and non-trade union formations of workers.

In agriculture, as in other areas, Sri Lanka needs to strike a balance, to achieve sustainable development of its people and its resources. Sustainable development has a number of definitions but one which is appropriate to agriculture is that it is “the process of integrating the economic demands of a community with the ability of its people, its resources and its environment, to sustain that community both today and for future generations.”27 To that concept, if the principles of decent work are added, we need also to ensure an equitable process of integrating demands of the community with the ability of its people.

That must be the guiding principle of development policies in agriculture, that it must look not to provide immediate gains for a privileged few, but that it must ensure that the benefits obtained by the efforts of the community and its resources are be shared with the entire community, today and always.
Notes

3  The Land Development Ordinance (LDO) No.19 of 1935 provides for limited rights to a “permit holder” or “owner” to mortgage such land to state banking institutions but prevents alienation of such land in any other form. However, even these banks are reluctant to accept such land as collateral due to the complex procedure in enforcing such a mortgage in the event of default.
4  Table
   
   (i)  Sons  (ii)  Daughters  
   (iii)  Grandsons  (iv)  Granddaughters  
   (v)  Father  (vi)  Mother  
   (vii)  Brother  (viii)  Sisters  
   (ix)  Uncles  (x)  Aunts  
   (xi)  Nephews  (xii)  Nieces  

5  The lands suitable for plantation crops, initially coffee, were situated at that time in the jungles of the Kandyan Kingdom. Under traditional usage jungle land could be periodically cultivated under the chena system by the population. After the annexure of the Kandyan Kingdom in 1814 the British Government was quick to see the consequences of such claims to jungle land and brought in legislation requiring legal title to chena lands. The Crown Lands Encroachment Ordinance in 1840 provided that “all forest, waste, unoccupied or cultivated land was the property of the crown unless the contrary thereof was proved.” The presumption in favour of the crown enshrined in this ordinance enabled the Colonial government to gain control of vast tracts of land which were then sold cheaply to those investing in export crops, principally coffee at that time. At the same time the ordinance deprived the peasantry of their needs of forestlands for chena cultivation and pasturing cattle and deprived them also of a legitimate source of income. It was not to be expected that the vast majority of the people could provide the required proof of ownership.

6  Maha season generally extends from July August to February March and coincides with the north-east monsoon, and the Yala season extends from April-May to August and coincides with the south-west monsoon.

7  1 Bushel = 46 lbs. = 20.87 kgs.

8  Types of malnutrition prevalent in Sri Lanka include:  
   Protein energy deficiencies
Micro nutrient deficiencies (nutritional anaemia due to iron and calcium deficiencies, vitamin A and iodine deficiencies.

9 Shifting or “slash-and-burn” cultivation.

10 In 1990 the Wages Board legal minimum was Rs 41 a day in Tea growing and Rs 39 in Rubber growing. In 1999 the floor rate was Rs 95.


14 Ranging from 99 per cent of the plantation workers in the Hatton region in the central hill country to 47 per cent in the southern Galle region (Sinnathamby et al., 2002).

15 The following discussion is based on the report of the EFC, 1998.

16 Based on Jayathillake et al., (2002).

17 Per capita consumption of alcohol and tobacco is much higher in the estate sector, suggesting that the share of household income allocated for basic child-rearing requirements may be somewhat less than in other (non-estate) low-income households.

18 Hundred Thousand Housing Programme (1977-83), One Million Housing Programme (1984-89) m and 1.5 Million Housing Programme (1990-94).

19 Including some 403,000 Janasaviya families transferred to the Samurdhi programme.

20 Section 31B(5) of the IDA

21 Christian Worker, 4th Quarter 2002/1st Quarter 2003, page 73.

22 The IMF’s Poverty Reduction and Growth Facility (PRGF): A Fact Sheet (March 2001), IMF.

23 Single Economic Model Does Not Suit Whole World, Times Online, July 24, 2002
24  Christian Worker, op.cit., Comment/Review (pp. XLII)

25  See Appendix 2 for the full list of Conventions ratified by Sri Lanka.

26  For definition of GEM using earned income share, participation in parliament, administrators and managers, professional and technical workers. For the formula weighting, see National Human Development Report, UNDP, 1998: 47.

27  Munaweera, Lionel (2003), Has Sustainable Development been Hijacked, in Quarterly Newsletter of ETC Lanka (Pvt.) Ltd., Colombo.
REFERENCES


2. Central Bank of Sri Lanka. *Annual Report(s) of the Monetary Board to the Ministry of Finance*. (CBAR)


32. Research and Information System for the Non-Aligned and Other Developing Countries (RIS), *South Asia and Development Cooperation Report*, 2001/02, New Delhi.


APPENDIX 1

Legislative Provisions Applicable to Agricultural Sector

1. Service Contracts Ordinance, No. 11 of 1865 and amendments
2. Estate Labour (Indian) Ordinance, No. 13 of 1889 and amendments
3. Medical Wants Ordinance, No. 09 of 1912, and amendments
4. Diseases (Labour) Ordinance No. 10 of 1912 and amendments
5. Tunda Prohibition Ordinance, No. 43 of 1921
6. Indian Immigrant Labour Ordinance, No. 01 of 1923 and amendments
7. Minimum Wages (Indian Labour) Ordinance No. 27 of 1927 and amendments
8. Trade Unions Ordinance No. 14 of 1935 and amendments
9. Maternity Benefits Ordinance No. 32 of 1939 and amendments
10. Wages Board Ordinance No. 27 of 1941 and amendments
11. Factories Ordinance No. 45 of 1942 and amendments
12. Industrial Disputes Act No. 43 of 1950 and amendments
15. Employees’ Holiday Act. No. 06 of 1959
17. Estate Quarters (Special Provisions) Act., No. 02 of 1971
19. Payment of Gratuities and other monetary Benefits to Indian Repatriates Law(special provisions) Law, No. 34 of 1978
22. Children and Young Persons Ordinance No. 48 of 1939
## APPENDIX 2

### Conventions Ratified by Sri Lanka

<table>
<thead>
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<th>No.</th>
<th>Convention</th>
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<td>Forced Labour Convention, 1930</td>
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