Summary

Commencing in 2002, the ILO supported a change process within the then Ministry of Employment and Labour, (formerly the Ministry of Labour, and later to become the Ministry of Labour Relations and Foreign Employment), based on an ILO report titled *Future Directions for the Ministry of Employment and Labour: Balancing Growth and Equity in a Changing Society*. This report established the need for Sri Lanka’s labour administration to ‘catch up’ with the country’s transition to an economy based increasingly on market forces as the means of resource allocation, and recognized the need for the national labour administration system to adjust, adapt, restructure and reorganize to accommodate the new policy initiatives outlined in *Regaining Sri Lanka*, the *National Employment Policy*, and the *National Productivity Policy (Parts 1 and 2)*.

The ILO support enabled the Ministry to rethink its role in national development and succeeded in the Ministry embracing a range of development initiatives in addition to adopting new approaches to its traditional role in labour protection and industrial relations.

ILO assistance resulted in a number of significant outputs, some of which have resulted in specific activities and benefits to the clients of the labour administration system, and some of which require further action before the benefits are widely felt.

Apart from the preparation of *Balancing Growth and Equity in a Changing Society* that established a new vision and mission for the Ministry and its Department of Labour, ILO assistance has generated the following outputs.

- A comprehensive **Human Resource Audit** has been completed and a computerized data-base containing a profile of all Ministry/Department staff is now available within the Ministry to support its human resource management functions.
- **A Performance Improvement and Reporting System** report has been prepared to guide the Department of Labour in improving its staff productivity and overall performance, particularly at district level.
- The employment services system has been totally reorganized in the form of **JOBSNET**, an innovative public-private sector partnership that includes a computerized placement service.
- A report has been prepared for the strengthening and development of the **National Productivity Secretariat**.
- Hundreds of Ministry/Department staff have been trained in computer and English language skills.
- A **Computer Training Centre** has been established within the Department of Labour and is fully operational.
Operational plans have been prepared for all the Divisions within the Ministry/Department to guide their activities over the next 2-3 years, and implementation has now commenced.

Many labour officers have received training in technical areas of labour administration including new approaches to dispute resolution under the 4-3-2 System, social dialogue and collective bargaining, and the extension of labour administration services to persons engaged in informal economy activities.

A report on **Strengthening the Procedural and Operational Aspects of the Labour Inspection System** has been prepared and implementation commenced through the introduction of a new inspection report form, based on an integrated inspection system. The preparation of a master register of all establishments liable to inspection has also commenced.

A report on the computerization of the Ministry/Department’s administrative and information systems has been prepared.

Various project proposals have been prepared to enable the Ministry to approach the donor community with projects that are compatible with the new balance between protection and development the Ministry seeks.

Advice has been provided on the nature and purpose of the National Institute of Occupational Safety and Health and comments made on the draft bill to create the institute.

Advice has been given on the nature and purpose of the proposed Institute for Labour Studies.

A culture of performance improvement has been accepted and embraced by the majority of staff within the Ministry/Department, and obstacles to performance improvement identified.

The ILO has succeeded in transforming the Ministry/Department ‘on paper’, but much remains to be done to ensure that specific action is taken to implement the new vision and plans, not for the benefit of the Ministry itself but for its clients, namely, workers and employers.

The ILO assistance has identified a number of factors that need to be present if positive change is to result from technical assistance activities. Such success factors provide valuable lessons for other countries seeking to reform their labour administrations and provide the basis for a ‘change agenda’ that might be applied more widely.

This report also outlines a number of matters Sri Lanka’s labour administration needs to consider and act upon if it is to achieve its ultimate objective of contributing to both social and economic progress of the nation, based on a culture of service to clients.


Introduction

In 2001, Sri Lanka’s labour administration with the then Ministry of Labour as its focal point operated on traditional lines with a strong emphasis on labour protection through the enforcement of a detailed, complex and somewhat out-dated Labour Code. The Ministry’s contribution to national development was predominantly the same as it had been for the last 50 years and more, namely, protecting workers’ interests through the enforcement of labour laws.

The Ministry, comprised of a large Department of Labour under the responsibility of a Commissioner General of Labour, and a small cadre of Ministry staff providing complementary and support services, was seen to be reasonably effective in administering the laws within its jurisdiction, and its staff at all levels was comfortable with this role. Although some changes in procedure and process had taken place during the last 50 years or so, essentially, the Ministry’s role and purpose remained unchanged. This was a traditional Ministry of Labour, doing traditional things, and in a largely traditional way.

Things began to change in 2002. In December 2001, the Ministry of Labour was renamed the Ministry of Employment and Labour and a new Minister appointed. The Minister was strongly committed to reform and initiated policy development with a particular emphasis on employment and productivity. Meanwhile, work began on preparing the strategy paper *Regaining Sri Lanka* that spelled out the Government’s poverty reduction strategy. *Regaining Sri Lanka* identified a number of shortcomings in governance including enormous overstaffing in the public administration, an excessive number of institutions, excessive reliance on administrative procedures, weak institutional control mechanisms, and politicisation.

It is clear that the perception of public sector institutions was one of resistance to change, highly bureaucratic, operating without clear visions and plans, and with little interest in staff training and development. The government expressed its intention to transform the public service and achieve good governance through a number of initiatives including the revival of the independent Public Service Commission, new recruitment schemes, incentive schemes related to work performance, reduction in duplication between government departments, devolution of authority to local authorities, and the introduction of modern management practices.

As well as taking a strong position on improved governance, the government indicated its commitment to a thriving private sector as evidenced by the preparation during 2002 of three policy documents, namely, the National Employment Policy, the National Productivity Policy – Private Sector Component, and the National Productivity Policy – Public sector Component. These policies were

The nation was faced with unacceptably high levels of national debt, unacceptably high levels of unemployment, limited growth in per capita incomes, low productivity growth rates relative to other countries in Asia, and unacceptable inflation rates. The preparation of the three key policy documents was an important step to improving the country’s overall economic performance by increasing employment opportunities, raising productivity, and increasing its international competitiveness.
The functions of productivity and employment were assigned to the Ministry of Employment and Labour, thereby creating the need for the Ministry to reconsider its purpose and functions in response to the changing political and economic environment. Clearly, in such an environment a concentration on the traditional approach to labour administration was no longer sufficient. With the change of government in 2004, the Ministry of Employment and Labour became the Ministry of Labour Relations and Foreign Employment. A new minister was appointed but the restructuring and revitalization exercise that had commenced in 2002 was endorsed and continued largely as originally envisaged.

ILO assistance to the Ministry clearly recognized the importance of economic expansion and employment growth but, at the same time, the Ministry, with its new mandate in employment and productivity, was advised that economic growth should not erode the core values of social justice and decency in the world of work. Economic growth and social equity must be in balance and this was a recurring theme in the ILO Future Directions document, *Balancing Growth and Equity in a Changing Society.*

The World Bank Group was also a strong advocate for reform of the public service. In its Country Assistance Strategy 2003-2006, three core themes of peace, growth and equity build on the poverty reduction strategy contained in *Regaining Sri Lanka.* The World Bank Strategy further supported the need for Sri Lanka’s institutions to adjust and adapt to changing circumstances.

Political processes were driving the need for change, the poor economic environment was an equally important factor, and external agencies were willing partners to help facilitate the change process. With the Ministry of Employment and Labour expected to play a leading role in the nation’s development efforts the need for its renovation, revitalization and restructuring was important and urgent.

The ILO agreed to assist the Ministry in its pursuit of a new direction with an emphasis on employment creation, productivity enhancement and human resource development but, at the same time, ensuring that labour protection standards are such that the international community, including the buyers of Sri Lanka’s goods and services, could be confident that Sri Lanka’s quest for competitiveness was not at the expense of fair and reasonable working conditions. Indeed, the adherence to acceptable labour standards was seen as an integral part of Sri Lanka’s competitive advantage, and must not be comprised.

During 2002, the ILO proceeded to assist in the preparation of a Future Directions document for the Ministry and Department of Labour, starting with a clear vision and mission, identifying the functional responsibilities both new and old required to enable the Ministry’s purpose and objectives to be achieved, and creating an organizational structure that could meet the dual requirements of efficiency and effectiveness.

The preparation of a new direction for the country’s labour administration system was guided by ILO Convention 150 (Labour Administration), and its related Recommendation. These instruments establish a framework for a modern and
comprehensive labour administration system, encompassing both the protectionist and developmental features, and provided important guidelines to support the restructuring and revitalization process.

This current report follows a simple change cycle model that commences with an assessment of the current labour administration system (a process of ‘stock taking’ in which strengths and weaknesses, achievements and shortcomings are identified), and then proceeds to the preparation of a new vision and operational strategies. Once the vision and strategies have general endorsement, it is necessary to decide on the priorities for implementation, and then take steps to actually implement the agreed plans, and monitor and report on the implementation process. The final step in the change cycle requires an assessment of what was achieved as a result of executing the planned change, and an identification of the lessons learned in the process.

This report is divided into six chapters as follows.

**Chapter 1, Functions structure and organization of the Ministry of Labour in 2001** outlines the status of labour administration as it was before the changes commenced, identifies a number of functional and operational gaps in the labour administration system, and gives an overview of the Ministry’s performance in relation to the standards set out in ILO Convention 150 and its related Recommendation.

**Chapter 2, The need for change** outlines the key factors driving the change process including a range of political and economic factors, and the allocation of employment and productivity responsibilities by the Prime Minister to the Ministry of Employment and Labour (replacing the Ministry of Labour.)

**Chapter 3, A new direction** provides an overview of the vision and operational strategies required for the Ministry to undertake new initiatives, and also to improve its performance in existing functional responsibilities. It provides an outline of *Balancing Growth and Equity in a Changing Society*, and indicates the nature and significance of the *Human Resource Audit* and the resultant computerized data-base as important tools to be used during the change process.

**Chapter 4, Priorities achievements and progress** outlines the main changes introduced from 2003 onwards including the introduction of JOBSNET; the preparation of a concept and strategy paper to guide the work of the national productivity secretariat; strategies for employment creation, human resource development, the gender bureau, and labour market information system; as well as improving the performance of the Department of Labour concerning labour inspection, dispute resolution, workplace industrial relations, and the introduction of a labour extension service to address the needs of persons engaged in the informal economy. A distinction is made between the outputs produced under the change process, and the need to ensure that such outputs are transformed into positive outcomes for the benefit of workers, employers and the nation as a whole.

**Chapter 5, The tools of change** indicates the main processes of change including dialogue through formal and informal discussions, the importance of detailed
documentation to underpin desired changes, and the importance of an information system that reaches all persons affected or likely to be affected by proposed changes.

Chapter 6, Lessons learned and follow-up, provides an indication of some of the issues to be addressed if the change process is to proceed smoothly and for planned outcomes to become actual outcomes. It also briefly outlines further action required on the part of the labour administration if it is to better serve its clients and contribute more to economic and social progress of the nation.
Chapter 1 Functions, structure and organization of the Ministry of Labour in 2001

In 2001, the Ministry of Labour focused almost exclusively on labour protection activities. The Ministry consisted of the Department of Labour under the direction of the Commissioner General of Labour, on the one hand, and the Ministry itself under the responsibility of the Secretary, on the other. Although the Commissioner General of Labour reports to the Secretary, the position carries a number of responsibilities expressly stipulated by law. This has led to the Ministry and Department being seen as separate entities, albeit within the same Ministry, under the responsibility of the same Minister.

Ministry

In 2001, the Ministry under the direction and guidance of the Secretary, had functional responsibilities that clearly emphasized its role in policy formulation, liaison, and support activities, as distinct from the technical functions typical of a labour administration. The technical responsibilities typically associated with labour administration were vested in the Department of Labour. The Ministry’s functions were as follows.

- Various statutory responsibilities relating to the Sri Lanka Foreign Employment Bureau, Employees’ Trust Fund, Workers’ Compensation, and other statutory and corporate bodies.
- Public relations for the Ministry as a whole.
- Coordination of policy development and planning.
- Financial and human resource administration.
- Secretariat and administrative duties relating to the work of the National Labour Advisory Committee.
- Liaison with the Department of Labour
- Liaison with regional and international agencies, including relations with the ILO

Department of Labour

The Department of Labour under the direction and guidance of the Commissioner-General of Labour had functional responsibilities in most areas of labour administration involving the enforcement of a wide range of laws and regulations. Its functions included the following.

- Labour protection including all aspects of labour standards and labour inspection, including special investigations, relating to working conditions and the working environment (including occupational safety and health), with specific attention to child labour, young persons, and women.
- Industrial Relations including trade union affairs, dispute resolution, and liaison with the Labour Tribunals under the Ministry of Justice.
• Worker education activities.

• Statistics and Surveys, involving the collection, collation and distribution of statistical information collected from both primary sources and administrative records.

• Training and publications involving the design and implementation of training activities for Department staff, and the preparation and distribution of Departmental publications.

• Social security activities including responsibility for the EPF, which currently operates as a Division within the Department.

• Human Resource Placement Services involving the registration of job vacancies and job seekers, and their matching leading to eventual placement in employment.

• Administration and finance including personnel, and supervision of the Department’s library.

• Field services including labour protection, labour relations, workers education, and EPF responsibilities in various Zone, District and sub-District offices. Zone offices were in the early stage of development but the 31 District offices and 23 Sub-District Offices were fully operational.

In 2001, the Ministry and Department’s activities focused almost exclusively on labour protection, labour relations and other activities for the benefit of workers and employers engaged in the formal economy, including the plantation agriculture sector. Although the proportion of Sri Lanka’s working population covered by the labour administration was considerably larger than in many other developing countries, the large number of workers engaged in the nation’s informal economy in both urban and rural areas (perhaps as high as 60-70% of the working population) fell outside the scope of the Ministry/Department activities.

This emphasis on ‘protection’ as distinct from ‘development’ saw a strong reliance on law enforcement as distinct from other approaches to gaining compliance with laws and regulations, an emphasis on dispute resolution rather than dispute prevention, and a concentration on formal economy enterprises as distinct from all forms of economic activity in all sectors and locations.

Under a ‘culture of enforcement’ limited attention was given to the idea of ‘service to clients’, namely, workers and employers, with the result that legal issues tended to dominate the operation of the labour administration system.
In addition to a number of ‘functional gaps’ in the Ministry/Department operations, it was clear that a number of operational factors were affecting performance. These included

- limited skills of officers and support staff, including a lack of English language skills for labour officers, a lack of computer skills for virtually all staff, and a lack of specific skills for selected technical staff in such areas as alternative dispute resolution, integrated inspection, labour extension, and workplace cooperation,
- insufficient training of staff at all levels,
- out-dated information systems,
- administrative processes dominated by excessive paper work and an almost total absence of computerized processes and systems,
- inefficient bureaucratic procedures,
- low staff motivation, partly related to salary levels and conditions of service, including a lack of opportunities for career advancement,
- insufficient decentralization and delegation of both authority and responsibility to zone and district offices,
- poor logistic support, including a lack of office space, office equipment, and transport,
- a lack of career and succession planning resulting in a high level of vacant management positions in the Department.

**Ministry and Department Capacity**

In 2001, the Ministry and Department were ‘locked in’ to an approach to labour administration that was traditional, narrow, bureaucratic, and inward looking, and generally lacked the capacity to make the transition to a modern, innovative, and service-oriented labour administration, driven by the need to contribute to the social and economic development of the nation. Capacity was lacking in four main fields.

**Technical capacity**

The Ministry and Department, with some 2600 positions, had no overall shortage of staff, but staff with the required technical qualifications and skills were in short supply. The Ministry and Department did not have officers with the ability to critically analyse important economic and social development issues, draft good quality policy documents, and ensure that policy papers prepared in other ministries took full account of labour and employment issues. Officers were sufficiently skilled to perform their existing functions, but were ill prepared to assume wider responsibilities.

**Management Capacity**

The Department, in particular, suffered from a major shortage of officers in management positions due, in the main, to the nature of Sri Lanka’s Civil Service system and its various cadres of officials, coupled with a promotion system based largely on years of service. Many management level positions remained substantively unfilled and occupied on a temporary basis by lower level officers on a ‘seat
warming’ basis. This situation, together with the limited technical capacity of officials, resulted in a management system that elevated the importance of the status quo, offering little or no incentive for managers to innovate and extend their thinking to doing different things, as well as doing existing things differently.

**Information Capacity**

The Ministry and Department had a limited information base to support the decision making process, within a system that relied heavily on manual records rather than computerized systems. Information generated from manual systems was drawn largely from administrative records relating to inspection, labour disputes, and employment services, but there was no comprehensive labour market information system in place that brought together statistical and narrative information related to the needs of users.

**Logistics Capacity**

The Ministry and Department lacked the logistic support required for the operation of an efficient system, with a heavy reliance on paper work generated by handwriting or manual typewriters. The few computers in headquarters were used largely for word processing and there was no plan in place for the widespread introduction of computers, or a transition to electronic forms of communication. The Department, in particular, suffered from a lack of transport to support its field activities thereby requiring its officers to rely on inadequate public transport, or the use of private vehicles under an inadequate and unfair mileage allowance scheme,

**Performance in relation to ILO Convention 150**

Although Sri Lanka has not ratified ILO Convention 150 on Labour Administration, the Convention, together with its accompanying Recommendation (Recommendation 158), provides an appropriate benchmark to assess the nature and scope of the Ministry/Department’s labour administration in 2001. The Convention defines labour administration as ‘public administration activities in the field of national labour policy’ and identifies some four key ‘fields’ of focus for a nation’s labour administration system. These are as follows:

- employment and human resource development, including employment services and aspects of manpower planning,
- labour protection encompassing labour inspection, work safety and health, and social security,
- labour relations, including dispute prevention and dispute resolution,
- information and research, encompassing information derived from administrative records as well as from surveys and applied research activities.

In addition to these technical fields, the Convention refers to the importance of regular dialogue between government, workers’ representatives, and employers’ representatives on matters relating to national labour policies.
In 2001, how did Sri Lanka’s labour administration measure up against Convention 150?

**Employment**

The Department of Labour operated a basic human resource placement service that was successful in registering job seekers, and reasonably successful in registering job vacancies. It had limited success, however, in actual placement because of the mismatch between the skills and expectations of job seekers, and the requirements of employers.

In 2001, the unemployment issue was dominated by discussions on the supply side of the labour market, particularly concerning improving the quality of the nation’s human resources. Insufficient attention was devoted to the demand side of the market, including how jobs would be created, what types of jobs, and where. In short, the labour administration and, indeed, the work of other Ministries and agencies, focused on employment promotion rather than employment creation, and no attention was given to human resource forecasting and related issues.

**Labour Protection**

In 2001, Sri Lanka had a reasonable labour inspection system, and separate inspection systems relating to work safety and health, and social security. These systems were driven by the objective of enforcement of the law and focused exclusively on workers and enterprises engaged in the formal economy in which a contract of employment was required. Contrary to the provisions of Convention 150, there was no attempt to extend labour protection services to workers engaged under non-traditional arrangements in the informal economy. This was based on the view that there are no laws regulating the employment of such people, and thus they fall outside the scope of labour administration.

**Industrial Relations**

In 2001, Sri Lanka focused on the settlement of labour disputes in a system dominated by legal procedures and lawyers. The three-tiered system was subject to considerable delays in reaching settlement and relied on out-dated procedures and inadequate logistic and resource support. Few resources were devoted to dispute prevention and assisting employers and workers to resolve their own problems through dialogue, negotiation, and the inclusion of dispute settlement procedures in collective agreements.

**Information and Research**

Information generated by the labour administration system was largely derived from administrative records resulting in information that was not always relevant for decision making, that was not always accurate, and was often outdated before it reached potential users. Research on labour matters was limited and survey work was not focused on priority issues. There was no comprehensive labour market information system in place that brought together the users and producers of
information, and the limited system that was in use was dominated by information producers rather than responding to the needs of users.

**Social Dialogue**

A National Labour Advisory Committee, chaired by the Minister of Labour, was in place but in 2001 did not meet regularly and was not regarded by employers and workers as a vigorous forum for exchanging information and ideas with a view to influencing the shape of labour policies. There were no sector, provincial or district level tripartite forums in place,

**Overall**

Overall, Sri Lanka’s labour administration system as compared with the system envisaged in Convention 150 was limited in depth and breadth, lacked a wider vision, and appeared to serve the system itself rather than the economic and social development needs of the nation.

Increasingly, however, the need for change was being voiced both from within and external to the Ministry/Department. The need to revitalize and restructure the Ministry and Department was recognized and some new initiatives from within the Department were in progress. A consolidated Labour Code was in preparation, the Safety and Health Division was preparing for the commencement of the National Institute of Occupational Safety and Health, and the Workers’ Education Division was preparing for the creation of a National Institute for Labour Studies.

These initiatives provided every indication of a willingness on the part of the Department to consider new and broader approaches to its work, but still within its relatively narrow approach to labour administration. Clearly, however, the Department was willing to embrace change initiatives but without moving too far from its traditional functions.
Chapter 2 The need for change

Change is a process designed to ensure that things will be different in future, whether within days, months, or years. Change can be both positive and negative and thus it is necessary to adopt a managed approach to the change process to ensure that the positive aspects of change are maximized and the negative impacts minimized.

A managed approach to change requires an understanding of the current situation, followed by a realization that existing deficiencies and weaknesses, assessed in relation to an acceptable or ‘good’ standard of performance, need to be addressed. In some circumstances the need for change comes from self-realization that performance is unacceptable and things need to change. In the case of the Ministry of Labour, self realization, or the drive for change from within, had resulted in various changes over time, but these were more in the nature of doing existing things differently rather than seeking a new direction leading to major rather than marginal change.

This is expected in a traditional and conservative labour administration that sees its purpose attached to the past. For major change to occur in such an environment usually requires a strong external influence. Such was the case in Sri Lanka with a number of factors external to the Ministry itself identifying and driving the need for change.

Role of Government

The strategy paper titled Regaining Sri Lanka stresses the need for public sector reform to improve its overall performance, streamline its procedures, and make it more service-oriented and proactive in outlook. The public service is significantly over-staffed, there is an excessive number of government institutions, an excessive reliance on administrative procedures, and weak institutional control mechanisms. The public service is also seen to be highly politicised.

Public sector institutions are perceived as resistant to change, operating without clear visions and plans, and lacking modern management approaches as evident, for example, by the lack of information technology. Modern concepts of human resource management are not applied in the public service, resulting in low levels of motivation, low productivity, and limited attention to staff training and development.

In 2002, the Government stressed its commitment to transform the public service to achieve high standards of good governance. Some of the key initiatives proposed were as follows.

- The revival of the independent Public Service Commission to ensure that admission to and promotion within the public service is based purely on criteria of need and professional merit.
• Pilot-testing of a new recruitment scheme for designated special senior management and technical posts within Government, based on an open competition and offering training opportunities to new entrants

• Introducing incentive systems based on job-related work performance with transparent screening criteria and promotion process

• Consolidating Government departments to reduce duplication at all levels and to ensure devolution of functions to local authorities.

• Introducing modern management practices through, among others, regular consultations with stakeholders, business plan development, public scrutiny of progress in achieving reform goals

In addition to the above pronouncements on the modernization of its central functions, the Government made it clear that a vibrant private sector was a vital component of national development. The importance of the private sector was recognized by the preparation of three key policy documents, namely, the National Employment Policy, National Productivity Policy: Private Sector Component, and National Productivity Policy: Public Sector Component.

The Prime Minister assigned the subject of productivity to the Ministry of Employment and Labour and it established a special Advisory Committee with tripartite representation to undertake the task of formulating the National Productivity Policy documents. The National Employment Policy, drafted earlier in 2002, provided an important source of input to the work on productivity issues.

The Minister of Employment and Labour expressed an intention to be in the forefront of the modernization of the public service and this, together with the Ministry’s new responsibilities in employment and productivity, led to a request from the Ministry to the ILO for technical assistance to restructure and revitalize the Ministry to enable it to implement its new mandate and, at the same time, become a performance oriented Ministry other Ministries would be able to emulate. The ILO’s immediate response to this request was to provide technical assistance to help introduce the JOBSNET system, and for the preparation of a document to give the Ministry the new direction and transformation it sought.

Thus, the driving force behind the need to change was a recognition of the poor performance of Sri Lanka’s economy, combined with the political will to address the problem.

The World Bank Group was also a strong advocate for reform of the public service. In its Country Assistance Strategy 2003-2006, three core themes of peace, growth and equity were stressed, to build on the poverty reduction strategy contained in Regaining Sri Lanka. The World Bank Strategy further supported the need for Sri Lanka’s institutions to adjust and adapt to changing circumstances and financial resources were made available to government to facilitate public service reform.
In 2003, the Bank commenced a program focused on the reform of public sector employment systems and structures, and the related structure of public expenditure, including the issues of decentralization of decision-making and revenue sharing. The restructuring program includes retraining for redeployed staff and general capacity building activities. The need for staff development activities for public servants is also stressed in Initiative 6 of the National Employment Policy, which indicates the need for officers to be “…..reoriented to enhance their mobility in addition to servicing and satisfying the needs of the private sector and reducing the bureaucracy in public service.”

The change in the nation’s labour administration system was initiated by government, as part of its wider economic reform program. The Government recognized the need for a strong and dynamic private sector and for its public institutions to ‘catch up’ and serve the real needs of private sector development. At the same time, it was necessary to ensure that economic growth did not erode the core values of social justice and decency in the world of work as these factors are an integral component of securing a competitive advantage.

**International financial institutions**

Although the Government was the key factor in initiating and highlighting the need for change, other factors were also important. The international financial institutions, particularly World Bank and the Asian Development Bank, and the donor community, were keen to support the country’s economic transformation and improved governance. Although this interest and support was not focused specifically on the nation’s labour administration system, the new emphasis on employment and related issues highlighted the importance of the Ministry of Employment and Labour as a key institution in the transformation.

**International Labour Organization**

The International Labour Organization was of particular importance in supporting and facilitating the development of the ‘new’ Ministry and a reorientation of the labour administration system. The strengthening and development of Ministries responsible for employment and labour matters is an important part of the ILO’s mandate, and the ILO Office in Colombo responded positively and quickly to the Ministry’s request for technical assistance. The ILO mobilized its own technical and financial resources and was instrumental in enlisting the support of bi-lateral donors and ADB to fund particular components of labour administration reform.

**Barriers to change**

In spite of high-level Government support and donor willingness to assist in the transformation of the nation’s labour administration, obstacles to change were inevitable. These included the following.
**Technical barriers**

Although the need for change was recognized and supported, a wide range of technical issues had to be addressed to transform intentions into action. This required access to technical expertise not available in the Ministry of Employment and Labour and not necessarily available in Sri Lanka, to prepare detailed proposals, monitor implementation, train staff, and generally assist in the overall management of the change process.

**Resource barriers**

Apart from technical expertise, financial resources were required to support new projects and activities. This required the preparation of proposals, submission to government financing and donor agencies, discussions and negotiations with donors, and the preparation of detailed budgets and implementation arrangements. Resources were required to support this preparation and planning phase but even greater resource support is required for successful implementation to meet operational costs, purchase equipment, and employ staff.

**Psychological or people barriers**

The best of intentions and plans for improvement can be frustrated by people who, for various reasons, oppose the proposed changes. These reasons include lack of knowledge and understanding of the change, uncertainty as to what the change really means, fear for loss of employment or a reduction in status or benefits, the possibility of reduced power and influence under the new arrangements, and sheer laziness. In many respects the psychological barrier is the most formidable of all obstacles, and requires different response strategies for different individuals and groups, including improved communication to clarify the intention and nature of the proposed change, negotiation with those who feel their power is threatened, education for the ignorant, and more generous time frames for those who are wavering.

**Time barriers**

Once change has been planned and commitments made, action is required within an agreed time frame. ‘Lack of time’ is often cited as a reason for failing to implement change, or for delays in achieving targets and objectives. Time is the most fixed of all resources and although it is popular to speak of ‘time management’, this really amounts to self-management to ensure that the available time is utilized to the best advantage. This can be particularly difficult in circumstances where it is necessary to implement new things but, at the same time, continue to do the old.

The Ministry of Employment and Labour had to address these obstacles to ensure that the actual outcomes of the change process matched those that were planned. The shortcomings in actual outcomes involved a combination of the above barriers, with the people or psychological barrier often proving to be the most difficult to manage.
Chapter 3  A new direction

Once the general need for change had been articulated and the need for a new approach to labour administration endorsed, it was necessary to identify in detail the performance gaps in the existing system, as outlined in Chapter 1. Knowing ‘where we are at’ and comparing that with ‘where we want to be’ enabled various gaps to be identified. Some of these represented things that had not been done before, others things that were currently being done but needed revision, extension or adjustment in some way. This process led to the preparation of a ‘new direction’ for labour administration in Sri Lanka under the title Balancing growth and equity in a changing society.

This Future Directions Document provided the Ministry with a new vision, a new missions and new functions, as well as new approaches to existing functions and operations. It was considered necessary, however, to give particular attention to a ‘new direction’ for the officers and staff of the Ministry. This was done by conducting a Human Resource Audit that went considerably further than taking stock of the existing staffing situation, by making a series of key recommendations for staff development and human resource management if the Ministry was to successfully implement its new mission and vision.

Accordingly, the new direction as outlined below is based on two key documents, namely, Future Directions for the Ministry of Employment and Labour: Balancing Growth and Equity in a Changing Society (2002) and Human Resource Audit (2003).

Balancing Growth and Equity in Changing Society

The following paragraphs, extracted from the Future Directions document, outline a new vision, mission and functional responsibilities for the Ministry.

Introduction

Sri Lanka must improve its overall economic performance by increasing employment opportunities, raising productivity, and increasing international competitiveness. At the same time, it must ensure that economic growth does not erode the core values of social justice and decency in the world of work. Economic growth and social equity must be in balance and proceed on the same path rather than in separation from each other.

The transformation of the economy must start with the formulation of innovative economic and social policies and supporting laws and regulations, as necessary. But new policies and laws are not enough. The country’s institutions must adapt and change if they are to lead and support the transformation process. Crucial in this regard is the Ministry of Employment and Labour. Its renovation, revitalization and restructuring are vital to the country’s economic and social progress.

The Ministry must pursue a new direction with emphasis on employment creation, productivity enhancement and human resource development and, at the same time,
ensure that labour protection standards are such that the international community, including the buyers of Sri Lanka’s goods and services, can be confident that Sri Lanka’s quest for competitiveness has not been at the expense of fair and reasonable working conditions. Indeed, the adherence to acceptable labour standards is an integral part of Sri Lanka’s competitive advantage, and must not be comprised.

The Ministry of Employment and Labour has both a development and protectionist role in Sri Lanka’s drive for economic and social progress. Its development role focuses on employment, human resource development, and productivity enhancement, with a view to increasing the nation’s international competitiveness and generating benefits for all Sri Lankans.

Its protectionist role focuses on securing compliance with laws and regulations and strengthening the capacity of employers and workers to assume greater responsibility for the nature and outcomes of their interactions, particularly at enterprise level.

The Ministry’s policies and operations are guided by social dialogue, partnerships and linkages with the private sector, gender equality, and service extension, all of which underpin its reputation as an institution driven by fairness, efficiency, effectiveness, transparency and accountability and, above all, by the provision of quality services for the benefit of all engaged in the world of work.

**Vision**

The Ministry’s vision stresses the balance between growth and equity and is expressed in the following terms:

Achieving higher living standards and better quality of life for all Sri Lankans through striking a suitable balance between considerations of economic growth and social equity.

**Mission**

The Ministry of Employment and Labour is dedicated to the promotion of economic and social development through the formulation and implementation of relevant and innovative employment, human resource development, productivity, and labour protection policies, and the provision of quality services for the benefit of all engaged in the world of work whether employer, employee, or self-employed, in both formal and non-formal sectors, in all parts of the country.

**Functional Responsibilities**

Thirteen areas are identified in which development is required to enable the Ministry to achieve its stated objectives. Some of these are new, involving major changes,
others represent a modification of existing functions focusing more on doing existing things differently.

1. **Employment and Human Resource Development including**

   - Employment growth through shaping and encouraging macro-economic policies and programs that support job creation.
   - Coordinating the implementation of the National Employment Policy for Sri Lanka.
   - Employment growth through self-employment.
   - Human resource planning including manpower demand and supply forecasts for particular sectors, industries and occupations.
   - Active human resource development policies and programs to minimize supply-demand imbalances.
   - Skill development in relation to specific labour market shortages.

2. **Employment Promotion including**

   - Cooperating in the operation of the JOBSNET system.
   - Providing registration, matching and referral services for job seekers and enterprises through human resource placement centers to complement the services provided through JOBSNET.
   - Providing information and advice on self-employment opportunities and the availability of assistance.
   - Providing career guidance and counselling services to complement those provided through the JOBSNET system.
   - Administering special programs to promote employment for particular groups including graduates, retrenched workers, workers returning from overseas, disabled persons, youth, women and rural workers.
   - Supervising the registration and monitoring the operations of private employment agencies operating in domestic, as distinct from overseas, labour markets.
3. **Productivity Improvement in both Private and Public Sectors including**

- Supporting the National Productivity Secretariat.
- Coordinating the implementation of Productivity for a Prosperous Nation.
- Preparing Productivity Impact Assessments of government policies and decisions, and their implementation (e.g. Board of Investment decisions)
- Coordinating productivity initiatives in all sectors.
- Advising on the collection of labour market and employment data on productivity related matters.
- Encouraging a ‘culture of productivity’ throughout the nation.
- Encouraging productivity improvement throughout the Ministry itself to serve as a model for other ministries and government agencies to emulate.

4. **Foreign Employment Services including**

- Cooperating with and supporting the activities of the Sri Lanka Foreign Employment Board.
- Promoting the demand for Sri Lankan workers in overseas markets.
- Encouraging the supply of high quality, skilled, well prepared workers to meet overseas demand.
- Regulating the activities of foreign employment agencies.
- Cooperating with JOBSNET centers in which Foreign Employment Board officers will be located.
- Establishing minimum standards for contracts of employment for overseas workers.

5. **Labour Protection Services including**

- Ensuring compliance with labour laws and regulations concerning working conditions and the working environment.
- Operating a system of accredited agents and authorized person to undertake particular aspects of inspection work.
• Operating an integrated labour inspection system.

• Encouraging compliance through self-reporting on the part of selected enterprises.

• Facilitating Wages Boards and encouraging new approaches to the determination and adjustment of wages and working conditions.

• Extending labour protection services to workers and enterprises not covered by typical employer-employee arrangements.

6. **Labour Relations Services including**

• Facilitating the registration and reporting arrangements for trade unions and employers’ organizations.

• Arranging for the conciliation of labour disputes.

• Arranging for the arbitration of labour disputes.

• Cooperating with Labour Tribunals in the process of labour dispute adjudication.

• Encouraging the development of labor-management cooperation and social dialogue in workplaces.

• Encouraging collective bargaining processes and the formulation of collective bargaining agreements.

7. **Social Security Services including**

• Ensuring the effective operation of existing social security arrangements through the collection of EPF contributions.

• Encouraging the extension of social security and social insurance arrangements to all Sri Lankans.

• Advising on new initiatives in social security and social insurance, particularly concerning unemployment insurance and health insurance.

• Promoting public awareness on all aspects of social security and social insurance.
8. **Training, Research and Information Services including**

- Operating an effective system for the collection, collation and distribution of statistical information derived from the Ministry’s administrative records.

- Conducting labour force, enterprise and other surveys as appropriate, as part of the national labour market information system.

- Preparing and distributing labour market information bulletins on a regular basis.

- Designing, conducting, and evaluating training activities for the benefit of Ministry officials.

- Designing, conducting, and evaluating training activities for the benefit of employers, managers, workers, and trade union officials.

- Preparing training materials in support of training activities.

- Arranging for the accreditation of trainers in all employment and labour related fields.

- Conducting applied research on employment and labour matters in support of policy formulation processes and to assist planners and managers in decision-making.

- Facilitating the conduct of research by institutions and agencies outside the Ministry.

- Operating a library and resource center for Ministry officials and accredited users.

- Publishing an annual report on all aspects of the Ministry’s operations.

9. **Gender Equality Issues including**

- Promoting awareness of gender and equality issues throughout the Ministry, other government ministries and agencies, employers and workers organizations, and the community at large.

- Ensuring that new policy initiatives and their related laws and regulations conform to national and international standards and practice concerning gender equality.

- Ensuring that government programs and projects take proper account of gender equality issues.
10. **The Extension of Labour and Employment Services including**

- Ensuring that employment and labour services are available to all who seek them throughout the country.
- Facilitating the extension of employment and labour advisory services to groups not covered by formal employment arrangements, including self-employed persons, members of cooperatives, domestic workers, farmers, and others working under non-formal sector arrangements.
- Cooperating with government and non-government agencies to provide information and advice on labour protection matters to non-formal sector operators.

11. **Consultation, Coordination and Social Dialogue including**

- Facilitating the operation of the National Labour Advisory Committee by the provision of secretariat services.
- Encouraging the establishment of a NLAC sub-committee on poverty reduction, and other issues as appropriate.
- Facilitating the exchange of information between the Ministry and other institutions and agencies concerned with employment and labour matters.
- Encouraging social dialogue at provincial, sector and industry levels.

12. **International and Regional Liaison including**

- Facilitating the attendance of Sri Lanka’s representatives at international and regional forums on employment and labour related matters.
- Arranging for the selection of participants on international and regional training courses on employment and labour matters.
- Advising on the adoption of international standards concerning labour and employment matters.
- Arranging for the reporting on the implementation of international standards under existing conventions and agreements.
• Responding to requests for information and assistance from regional and international bodies concerned with employment and labour matters.

13. **Public Relations including**

• Maintaining regular relations with the national and international media on the Ministry’s successes and achievements.

• Preparing press releases on a regular basis on all aspects of the Ministry’s work.

• Maintaining regular contact with all divisions in the Ministry, including its offices in provinces and districts.

The Future Directions document outlined the structural and organizational arrangements required for the effective implementation of the stated functional responsibilities, including arrangements for vertical and horizontal communication and coordination.

Once the Future Directions document received general endorsement, an operational strategy was prepared for each of the Divisions and Units within the Ministry/Department structure to guide the implementation of its responsibilities. The strategy for each Division/Unit indicated

• the mission for the Division,
• the objectives to be pursued by the various units within each division,
• the activities to be implemented in order to achieve the stated objectives,
• the specific action required to ensure that planned activities produce the required outcomes,
• the resource requirements including staff, office space, and office equipment,
• job descriptions, in those cases where new positions were a key component of the strategy.

The Future Directions document also identified and examined a number of key issues expected to impact on the Ministry/Department’s future operations, as follows.

• **Staff effectiveness** and individual productivity needs to be improved. A Human Resource Audit should be undertaken to take stock of both the quality and quantity of existing staff, identify gaps that need to be filled, identify staff who can be retrained, and indicate staff who might be replaced.

• New **job descriptions** will need to be prepared for all staff at all levels. These need to extend beyond generic statements to embrace the details of each individual job. Such descriptions will be the starting point for the Ministry’s training interventions, and its staff performance and appraisal system.
There is a need for the **computerization** of various routine processes, correspondence, and reporting systems. This may take some time but is essential if the Ministry is to boast a modern and effective labour administration. This is not merely a matter of acquiring the necessary hardware, and supporting software programs. It will also require a major training effort to ensure that all technical and support staff are computer literate.

**Staff training** should be addressed in an on-going and systematic manner, related to the real needs of target groups. Needs-related staff training begins with the preparation of detailed job descriptions, and then assessing staff capacities against the specific job tasks as stated in the job description. Even without such detailed descriptions it is possible, however, to identify a number of key areas where the need for training is unchallenged. It is very clear that operational performance would be improved by the following training activities.

- Computer skills for all technical and support staff.
- Language training, particularly English, for key officials including inspectors, industrial relations officers, and human resource placement officers. This might be done partly on a self-learning approach, making use of information technology.
- Management training for all staff, irrespective of title, who are responsible for the work of others as well as for their own work. Priority areas include performance management, work planning, leadership and motivation, communication, reporting, and project proposal preparation.
- Particular target groups will require training and up-grading in particular technical areas including officers responsible for social dialogue and workplace cooperation, and inspectors under the integrated scheme. This training should await the preparation of detailed job descriptions.

**Career planning** is essential to the longer-term development of the Ministry if it is to avoid disruptions to service and performance caused by retirement, resignations and transfers. This requires a commitment to staff planning and staff training, and a clear indication of what is required to enable an officer to proceed through the system in such a way that meets his/her career aspirations and ensures that the Ministry always has the right person, in the right job, at the right time.

**The mobility** of Ministry/Department staff has two main dimensions. Firstly, staff must be willing to move to locations where they are most needed in relation to the Ministry’s mandate and services. This may involve a consideration of the incentives required to encourage staff mobility to and within the field, and it also requires that job descriptions and position profiles
include mobility as a job requirement. Secondly, employment and labour officials require transport to enable them to perform their jobs on a day-to-day basis. Access to vehicles is not a luxury for labour administrators, it is a necessity.

- **Innovation** is an essential component of a labour administration seeking to improve its overall performance. The proposed integrated inspection system is an innovation and offers good prospects for better service to clients. The proposed labour extension service is an innovation that offers the prospect of service to a client group previously ignored. The emphasis on social dialogue and workplace cooperation is another innovation that offers prospects for significant improvements in enterprises. These innovations should be encouraged and monitored with a view to making improvements and changes, if necessary, as they are implemented.

- **Dedicated Responsibilities** within the labour administration contributes to improved performance. Labour administration systems sometimes opt for an approach to their work that combines incompatible functions. In some countries, for example, labour inspection and labour relations functions are sometimes combined and placed under the responsibility of one officer. This may result in some staff efficiencies but is of questionable effectiveness. Labour inspection and labour relations are different functions. Although there may be some marginal overlaps, their separation at all levels in the system is strongly supported. Labour inspection is about legal compliance and enforcement, labour relations is about positive interactions between worker and employers. Their separation will result in improved performance in both fields.

- **Information**, as with staff, finance, equipment, and materials, is a resource that has to be managed if it is to produce results. Information is a resource for decision-making and the Ministry must take steps to ensure that its information system generates the information to assist its own decision-making processes, as well as those of its clients. Information must be relevant, recent and reliable if it is to serve its purpose, and must be produced in a form that users can readily understand. Designing and implementing a quality information system is a major challenge for the Ministry, but one that must be addressed. Computerization will assist, but the design of the system is the key to success – what information do users need, in what form, and how can we deliver such information accurately and quickly?

- The Ministry’s overall performance, to a large extent, will depend on the quality of its overall management systems. Systems and procedures must be in place not with the objective of exercising control, but with the purpose of attaining objectives and improving performance. Setting objectives and targets, maintaining standards, preparing work plans, monitoring progress, and evaluating outcomes are the responsibility of every manager. This should not be left to chance. Systems must be in place to ensure that resources are used to achieve objectives and targets, and that managers do not abdicate from their
responsibilities. This requires a disciplined approach to time management in particular but, above all, a management system that both managers and staff respect and work to.

- **Position Titles** Although not an issue affecting the overall performance of the Ministry, the revitalization and restructuring exercise appeals as an appropriate time to reconsider the position titles used in the Department of Labour. With a Commissioner-General, an Additional Commissioners General, various Commissioners of Labour, Deputy Commissioners of Labour, and Assistant Commissioners of Labour, the impression is given that every position aspires to have the term commissioner adjoined in some way. ‘Commissioner’ is not normally associated with a modern labour administration system, and consideration might be given to different position titles, particularly given the introduction of new divisions and sections concerning employment, productivity and related issues.

The final chapter of the Future Directions document indicates a number of technical issues and challenges the Ministry/Department needs to address to improve its performance and provides brief project outlines in each of these areas with a view to enabling the Ministry to mobilize support for technical assistance projects. These are

- Integrated labour inspection
- Workplace cooperation and social dialogue
- Labour law reform
- Labour extension services
- Wage determination reform

**Human Resource Audit**

The Human Resource Audit was conducted in mid-2003 and was designed to

- assess the current human resource capacity of the Ministry in terms of quantity and quality of staff,
- provide information to assist in the preparation of generic job descriptions and staff requirements in relation to the Ministry’s future purpose, objectives and functions,
- identify the training needs of the existing staff to perform the future functions of the Ministry to the required standard
The process

The collection of information involved the completion of a questionnaire by all staff, consultations with a sample of officers, and interviews with key informants.

The questionnaire used for data collection was drafted in close consultation with a ‘Human Resource Audit’ Task Force in the Ministry. The Task Force was responsible for translating the questionnaire to Sinhala and Tamil, and for mailing the questionnaire to every employee. The questionnaire was accompanied by an official explanatory note explaining the purpose of the audit and its importance to the future development of the Ministry.

Out of a total of 2200 questionnaires, 2147 were completed and returned by mid-July, 2003. More than 1400 persons indicated on the form that they would like to speak directly to the ILO-team conducting the survey. These staff members were contacted by a multilingual research team via telephone to find out whether they wanted to complement information provided in the questionnaire. In addition, every questionnaire that showed data inconsistencies was followed up by telephone interview. The main result of the telephone interviews is encouraging for the modernization process of the Ministry, as the overwhelming majority stated that they wanted to speak to the research team simply to indicate their general willingness to provide any further assistance.

It was subsequently decided to hold consultations with a sample of labour officers, field officers, and other technical officers across the country. These consultations took place mid-August, 2003. Additionally, the Task Force suggested a number of key informants. Consultations with these senior officials from different technical areas and different regions of the country were meant to complement research into training needs. The individual consultations with key informants took place in the first half of August. A national conference of the Ministry on 15 August provided the framework for a focus group discussion with senior officers.

Parallel to the data collection, a software company developed a management information system that reflects the questionnaire results and can be used for human resource planning purposes of the Ministry. The software was presented to the Ministry and installed in its computers. Ministry staff were trained in data entry to ensure easy future updates of the database.

While the Task Force made sure that questionnaires were translated and posted in time, the replies from remote offices took longer than expected. All subsequent working steps were accordingly delayed. Also, data entry took longer than expected due to the amount of time needed to translate the open-ended questions in the questionnaire regarding training and working experience.

Information collected

By the end of the exercise the Ministry had available the following information.

(a) A summary of its existing total human resource stock disaggregated by age, sex, position (senior management, middle management,
technical/professional, clerical, support staff), highest education attained, location, and employment status (fixed term contract, without time limit).

(b) A human resource profile for each employee based on existing records and interviews, under the following headings.

- **General information** (including name, gender, age, current position, place of residence, place of origin (district/province), employment status, years of service).

- **Qualifications** including education levels (certificate, diploma, degrees, higher degrees, including year of completion and main fields of study) and training completed (name of training course, year, duration, and skills acquired.)

- **Employment history** including current position, and all previous positions with reference to name of employer, dates and key tasks performed in each position.

- **Skills profile** including a self-rating (10-point rating scale) by each employee and by his/her immediate superior with reference to
  
  - Leadership
  - Verbal communication
  - Written communication
  - Interpersonal relations
  - Problem solving
  - Computer
  - Languages (indicate specific languages)
  - Other (e.g. driving licenses)

- **Appraisal assessment** by reference to the latest assessment by the Ministry.

- **Future plans including** reference to career aspirations, plans for higher study, willingness to move to a different location, willingness to undertake further training.

**Conclusions**

The broad conclusions drawn from the exercise indicated the following.

- The total number of staff was more than sufficient to meet the Ministry’s requirements but the skill profile did not meet the needs of a modern labour administration.
- The existing staff lack the knowledge and skills to undertake proposed new functional responsibilities in such areas as employment creation, human
resource planning, productivity, labour market information, labour extension services, and social dialogue and workplace cooperation.

- The ratio of support staff to technical staff is very high.
- There is a need for training at all levels in computer skills and English language skills in particular.
- Officers are comfortable with their enforcement role, and generally lack a service orientation in their work.
- The lack of promotion opportunities is a source of frustration for some staff.
- Few women occupy management positions.
- Officers in the Ministry prefer to be stationed close to their home. Once they have achieved this, they try to stay at that duty station for as long as possible with the result that there is little regional rotation among officers within the country.
- Management is aware of and familiar with modern management tools such as performance appraisals. At present, however, annual appraisals are largely a paper exercise resulting in automatic salary increments for virtually all staff.
- Staff at all levels lack a ‘performance orientation’ in their work.

**Recommendations**

The Human Resource Audit Report contains a number of recommendations directly related to human resources that might be considered to assist in the Ministry’s future development.

- Communication, both horizontal and vertical, needs to be improved
- The organizational culture of the Ministry needs to be shaped to embrace the development role outlined in the *Future Directions Document*
- Creativity and innovative thinking needs to be encouraged
- High performers need to be identified and encouraged through challenging assignments and accelerated promotion systems
- Self-learning needs to be encouraged
- Work plans of labour officers and field officers need to be adapted to provide for new functions
- The computerization of the Ministry and computer skill training for staff is a high priority.
- Once computerized, the Ministry should consider establishing an Intranet as a state-of-the-art tool to achieve improved communications.
- Once an Intranet is operational the Ministry might consider establishing virtual working groups comprised of Ministry officers (Island-wide), and resource persons from the private sector, employers’
organizations, trade unions, universities and research organizations. (The idea is to use non-hierarchical teams of professionals from across the country to solve particular technical problems. These teams will work together temporarily until their objective is achieved. Members will change according to technical qualification needed. There can also be several working groups at the same time as well.)

- Set clear training priorities for specific target groups including senior managers, middle managers, professionals, clerical staff, and support staff, in both the short and medium term.

- Move towards the development of a comprehensive staff training program to ensure that training is provided on an on-going and systematic basis to replace the existing ad hoc and one-off approach. This applies to training on all levels with the intention to combine self-study including virtual learning over the Internet, in-house training, on-the-job assistance using in-house trainers, and external courses.

- Start an internal productivity improvement program directed to both professional and clerical staff.

- Design and implement a gender equality program.

- Design and implement a career progression plan to ensure second and third line managers are properly prepared for higher-level positions.
Chapter 4  Priorities achievements and progress

The Future Directions document and the Human Resource Audit identified many areas where improvements were required. The suggestions in these documents, as well as discussions with senior Ministry/Department officials, resulted in attention being focused on the ‘development aspects’ of labour administration, particularly employment promotion, employment creation, productivity improvement, and labour market information. The ‘protectionist aspects’ were not ignored, but focused on doing existing things differently rather than taking on a large number of new responsibilities.

Priorities

The main priorities identified for action were as follows.

**Employment services**, with particular emphasis on the JOBSNET system, involving the preparation of project proposals, establishing the public-private sector partnership, negotiations with donors, the acquisition of a suitable site for each centre, and the actual implementation and management of the JOBSNET project.

**Productivity enhancement**, involving the preparation of a concept and strategy paper for the strengthening and development of the National Productivity Secretariat, including a series of modules aimed to secure financial support for the short to medium term development of the secretariat.

**Employment creation and human resource planning**, involving the preparation of operational strategies for a new division within the Ministry, job descriptions for new positions, terms of reference for national consultants, and project proposals for submission to both national and international agencies for financial support.

**Gender issues**, involving the preparation of an operational strategy for the Gender Bureau, job descriptions for new staff positions, training on gender issues and the preparation of a project outline directed to assisting in the establishment of the Bureau.

**Labour market information**, involving the preparation of an operation strategy for a new labour market information unit, job descriptions, and project proposals for the development of a labour market information system aimed to attract donor support.

**Industrial relations**, with particular emphasis on social dialogue and collective bargaining, involving the preparation of an operational strategy for the new unit within the Department of Labour, training for Department staff, and the preparation of survey instruments to assess the current status of social dialogue in a sample of enterprises.
**Dispute resolution** focused on ensuring that labour officers, arbitrators and labour tribunal presidents were familiar with the 4-3-2 system for resolving disputes. The system sets specific time limits for each stage in the resolution process with a view to eliminating the excessive delays that had become part of the system.

**Integrated labour inspection** involving the preparation of terms of reference for a national consultant to assess and report on the existing system of labour inspection, the preparation of the report, the design of a new inspection form, training of inspectors, the design of a survey instrument for the coming census to assist in developing a master register of establishments liable to inspection, and the preparation of a project proposal for the strengthening and development of the integrated system.

**Monitoring and compliance** in relation to the requirements of international buyers, involving training of labour officers on buyer requirements to determine how these might be better satisfied by the Department of Labour and its labour inspectors, and the preparation of an operational strategy for a new unit in the Department to coordinate liaison with buyers and third party auditors.

**Labour extension services** involving the training of labour officers on the decent work deficits prevailing in Sri Lanka’s informal economy, identifying what the Department of Labour could do to extend a range of labour administration services to persons engaged in informal economy activities, the preparation of an operational strategy for a ‘labour extension unit’ to be established in the Department, and the preparation of a project proposal to build the capacity of the Department to extend its services to the informal economy.

**Training and information** involving the training of officers and support staff in computer operations and English language, the preparation of training materials, the preparation of an operational strategy for the training and publications division in the Department of Labour, and the preparation of a project outline for strengthening and improving the Training and Publications Division.

**Career development** involving the preparation of a detailed report assessing the existing promotion and career path system, analysing problem areas and providing recommendations, and discussing possible changes with the various staff unions within the Department.

### Achievements and progress

**Key documents**

The preparation of *Future Directions for the Ministry of Employment and Labour: Balancing Growth and Equity in a Changing Society* and the completion of the *Human Resource Audit* and creating the human resource data-base were major achievements. These document and the discussions surrounding their preparation succeeded in establishing a climate for change, and provided a firm foundation for the restructuring and revitalization exercise. The content of these documents is summarized in Chapter 3.
Productivity improvement

The preparation of a proposal for the strengthening and development of the National Productivity Secretariat, initially as a division in the Ministry, was an important achievement.

A document titled *National Productivity Secretariat: Concept and Strategy* was prepared for submission to the Ministry of Economic Reform for funding support under a World Bank loan. This was an innovative proposal for the development and strengthening of the National Productivity Secretariat as the unit within the Ministry’s structure responsible for the coordination of the implementation of the nation’s productivity policy.

The proposal included five modules, to be implemented over 3 years, with each successive module being planned to accommodate the experience gained and lessons learned during the implementation of the previous module. This ‘implement and design approach’ was adopted to provide the flexibility to ensure the project maintained its focus and that each new phase was able to accommodate the experience gained during the implementation of each previous phase. This was an important aspect of the overall approach to change – in some cases it is almost impossible to determine the shape and substance of the next change component until ‘things start to happen.’

**Module 1** included the preparation of a corporate plan for the National Productivity Secretariat, the preparation of job descriptions and a staff training plan, planning of a productivity awareness program, mapping existing bodies and agencies concerned with productivity improvement, and procuring the equipment and support resources required to enable the Secretariat to function efficiently. The planning of a productivity awareness program will also be done during this module.

Module 1 aimed to establish the mission, objectives, functions, structures, and operational arrangements for the Secretariat, as well as the preparation of a revenue model for the medium to longer-term sustainability of the Secretariat.

In **Module 2**, depending on the achievements and experiences gained during Module 1, it was expected the Secretariat would begin working on the creation of an enabling environment for productivity improvement. This would include a program to review and reform laws, regulations and procedures, as well as applied research on productivity issues. The Secretariat would retain consultants, consulting firms and universities to undertake the actual research. **Module 2** was also expected to include the preparation of Productivity Impact Assessment studies (as indicated in *Productivity for a Prosperous Nation*) to examine the productivity implications of government policy initiatives. The revenue model for the Secretariat was to be further developed and further staff training provided for productivity officers.
This module was also expected to focus on Initiative 7 of the private sector component of *Productivity for a Prosperous Nation*, concerning the ‘development of a culture of quality and productivity.’ Building on the planning work undertaken in module 1, it was expected that a number of activities would be implemented including a comprehensive awareness campaign through the media, schools, tertiary-level education and training institutions, and community groups.

For the public sector, it was expected that Module 2 will focus on increasing the productivity of individual employees, units, and divisions through the mobilization of specialists able to provide consultancy and training services including such areas as work-study, job analysis, the introduction of new work processes, and computerization.

Module 2 was also expected to see provincial and district level productivity improvement institutions in place and operational.

**Module 3** was expected to support the continuation of programs that commenced in Module 2 and was expected to focus on the issues of labour-management relations in workplaces in both public and private sectors, and on a range of work safety and health issues known to affect productivity. In cooperation with employers’ and workers’ organizations and the Department of Labour in the Ministry of Employment and Labour, productivity improvement was to be encouraged through new approaches to workplace interactions that emphasize improved communication, dispute prevention, grievance handling, gain sharing arrangements, and improving the working environment.

It was also is expected that consultants would be engaged to plan programs for productivity improvement for micro, small and medium enterprises, such programs to be implemented through private sector agencies.

**Module 4** was expected to focus on program implementation in both public and private sectors, with particular emphasis on the small and medium enterprise program, and industry-specific productivity improvement programs. During Module 4 it was expected discussions would be finalized on the preferred institutional arrangements for the future development of the National Productivity Secretariat.

**Module 5** was expected to support a range of activities that would see the Secretariat in full operation including coordinating, supporting, and facilitating a wide range of programs and activities. During this module it was expected that final agreement would be reached on the future development of the Secretariat, including the drafting of legislation if the corporate entity approach was considered the most suitable.
Operational Strategies for each division within the new structure

Each division within the new structure was provided with a strategy to guide its activities over the next few years. The strategies were to be discussed with staff within each division before final presentation to the task force, and endorsement by the Ministry Secretary and the Department’s Commissioner General. The dialogue within some divisions was less than planned due to delays in appointing or transferring key staff to new divisions. The result in some cases was the preparation of a detailed strategy, but with a significant time-lag in its implementation.

In spite of the delays, each division at least had a clear indication of its mission, specific objectives, the activities it should pursue, and its resource requirements to ensure efficient and effective operations. This was particularly important for the units within the Ministry engaging in new areas of responsibility (e.g. employment and human resource planning, gender bureau, labour market information), and for the units in the Department of Labour extending their existing responsibilities (e.g. social dialogue and collective bargaining, labour administration and the informal economy, monitoring and social compliance.)

Performance improvement strategy

The ILO recruited a national consultant to undertake a performance review of various administrative and reporting processes within the Department of Labour. This focused particularly on the Department’s District offices and identified many areas where individual and group performance could be improved.

The report titled Performance Management and Reporting Systems made more than 70 specific recommendations for performance improvement and provided a detailed agenda for administrative reform directed to increased productivity and improved services. This document proved a useful companion to the operational strategies prepared for each division, by highlighting operational deficiencies and outlining the action required to address them.

Labour inspection system

As indicated in the Future Directions document and the report on Performance Management and Reporting Systems, the labour inspection system needs to be strengthened and improved, with the ultimate objective of reorganising and restructuring to create an integrated system based on the principle of ‘one enterprise, one inspector’. The ILO appointed a national consultant to study earlier ILO reports on improving the system and advise on four key issues, namely, identifying what needs to be done to compile and maintain an accurate and up-to-date register, on a district-by-district basis, of all establishments legally subject to inspection; indicate the specific role of headquarters, zones and districts in setting inspection priorities and in preparing the monthly inspection work plans/ circuit programs; advise on the preparation of technical inspection reports and the action taken on those reports; and advise on a better system for the completion of inspectors’ monthly diaries and travel claims.
The output of this consultancy was a report titled **Strengthening the Procedural and Operational Aspects of the Labour Inspection System** that provides specific recommendations on the improvements that could be made during 3-6 months.

A key recommendation of the report was the introduction of an integrated system. This is a significant initiative and once implemented will constitute a major achievement in the modernization of the inspection system. Stakeholder consultations on the new system have taken place and a new inspection form designed. On-going training of inspectors will be required and the operation of the system will need to be closely monitored to determine whether, in fact, it generates increased efficiency and effectiveness in the system and brings greater benefits to both workers and employers.

**Combing Census**

An important component of a revitalized and restructured inspection system is an accurate register of all establishments liable to be inspected under the law. To date, an accurate and up-to-date master register of all establishments has not been available. This matter is now being addressed by initiating a combing census in each district and will result in a complete master establishment register for the country as a whole. This is a major achievement and will contribute to a wider coverage of the inspection system by ensuring those enterprises that by law must be inspected are identified and included in inspection work plans.

**Computerization strategy**

The Ministry and Department’s administrative and information processes have relied heavily on manual procedures, resulting in a massive flow of paper. The Future Directions document, the Human Resource Audit, and the Performance and Reporting Systems report have all recognized that the manual and paper-intensive system is low in productivity, inefficient, and not consistent with a modern approach to labour administration. There is no Intranet and e-mail system in place, and information is exchanged largely in printed form or by telephone. Of particular concern are the Department of Labour’s district and sub-district labour offices that continue to rely on the use of typewriters and written (including hand written) and telephone communication.

The ILO appointed a national consultant to undertake a systematic assessment of the current status of information technology in the Ministry and Department, and propose specific changes to enable them to take advantage of available technology and information systems to improve their current performance. The consultant’s report is a major step forward in establishing a foundation for the introduction of an integrated information technology system. This will take time to become operational but an important start has been made, including the training of large numbers of both professional support staff in basic computer skills. Within a period of 3 years it is expected the Ministry and department will be fully computerized and operating a country-wide Intranet system.
Career and succession planning

Although career and succession planning issues were not seen as crucial in the initial stages of ILO support and assistance, it soon became apparent that proposed changes would be frustrated by the lack of management capacity within the Ministry/Department. This problem relates to the very nature of Sri Lanka’s public administration system, particularly concerning promotions, and the allocation of staff positions in the Department of Labour as between officers of the Sri Lanka Administrative Service and labour officers from within the Department itself.

A career and succession planning proposal was prepared as an internal document, directed to solving two immediate problems, namely, the large number of vacancies at management level in the Department, and the limited career prospects for labour officers many of whom do not gain promotion throughout their entire career.

The proposal recommends that the current system of progression based on years of service be replaced by one that combines experience, performance, in-service training, and formal qualifications, and also proposes new approaches to recruitment, in-service training, and performance appraisal. The preparation of this proposal is a major achievement but the implementation of its detailed recommendations has implications that extend beyond the Ministry and Department to include the entire public administration. Accordingly, it may take some time for the Department of Labour to fully resolve its staffing problems.

One issue of particular importance is whether the labour administration system should be closed, with the result that only officers from within the Department would be eligible for senior positions, and SLAS officers excluded. The report on career and succession planning recommends that the system should remain open, and thus not be staffed exclusively by persons who commenced their careers as labour officers. The nature of modern labour administration is such that new functions emerge (e.g. new approaches to wage policy and wage determination, the introduction of third party auditing and compliance systems, the extension of services to the informal economy, new approaches to training and staff development) requiring the services of people with different qualifications and backgrounds. A modern labour administration is enlivened by a degree of diversity in its senior levels, including the appointment of persons from the private sector.

Apart from endorsing an open system, the report recommends that the career and promotion system within the Department of Labour should have the following features.

- Entry should be competitive and demanding.
- Progression should be based partly on years of experience but also on additional qualifications and training.
- Bars should exist throughout the system requiring examinations and interviews in place of seniority.
- Job descriptions should be detailed and revised from time to time.
• Performance should be the basis for progression from one salary level to another within a particular grade, thereby placing considerable emphasis on a fair and impartial performance appraisal system.
• Training and staff development activities become a vital component of the system.

The preparation of project proposals

As well as preparing documents of a more general nature to guide the change process, a number of specific project proposals were prepared to provide the Ministry/Department with sufficient justification to support requests for technical assistance from international donors. In addition to the five proposals included in the Future Directions document, the ILO prepared specific project proposals for the following.

- JOBSNET
  Youth Employment Network.
  Labour Market Information
  Employment Creation and Employment Promotion
  Gender Bureau
  National Productivity Secretariat

These proposals provided the Ministry/Department with technical information and ideas that indicate ‘what is possible’ under a modern labour administration. In so doing, they established a platform for future changes as and when resources became available. In the case of JOBSNET and Youth Employment Network (YEN) the ILO was instrumental not only in preparing detailed proposals but also for securing donor funds to support the implementation process.

The details of each of these projects are available through the ILO Office in Colombo and are not reproduced here. It is appropriate, however, to make special mention of JOBSNET not only because of the content and substance of the changes it involved, but also for the actual process by which change was made.

The JOBSNET project constituted a major innovation in the nation’s labour administration system, with the change process involving the Ministry/Department in a public-private sector dialogue of a type not previously experienced in Sri Lanka’s labour administration system. Sri Lanka has operated an employment service since 1966 through a system of placement offices located throughout the country. It was generally conceded, however, that the centres were poorly located, poorly equipped, and operated under outdated procedures without the benefit of a labour market information system and without computer support.
The system was reasonably successful in registering job vacancies and job seekers, and provided career guidance information to job seekers as well as registering persons interested in self-employment. Its impact in facilitating the operation of the nation’s labour markets, however, remains largely unknown due to the lack of information on the actual number of job placements. The National Employment Policy 2003 indicated that the number of placements made over a 3-year period was of the order of 5000, which, if correct, was indicative of an institution that needed to adapt and change. And change there was.

Under Initiative 7 of the National Employment Policy 2003 the Government decided to reorganize and restructure the nation’s employment services in accordance with the guidelines provided in the policy document. This change was based on a system of linkages and out-sourcing to the private sector, with the overall management of the new system, to be known as JOBSNET, the responsibility of the Ceylon Chamber of Commerce. The Chamber was to establish a computerized job matching system to facilitate the smooth matching of job seekers and job vacancies through 11 centres in the first instance, but extending to 19 as soon as possible. The original intention was to have the JOBSNET centres staffed by the human resource placement officers, all graduates, from the Department of Labour, under managers appointed and employed by the Chamber of Commerce. This was an innovative linkage between public and private sectors but was not without its challenges, including the need to formally clarify the roles of the various parties involved – Ministry, Chamber, managers, human resource placement officers union, and individual officers – particularly concerning the terms and conditions and general arrangements for the employment of Department of Labour officials now required to work in a private sector environment.

At its inception, the JOBSNET system aimed to provide productive employment for unemployed Sri Lankans and envisaged a database of some 30,000 unemployed persons in the first year of its operations. It proposed to place over 5000 persons in the first year of operations, 6000 in the second year, and 12000 in the third year.

The introduction of the JOBSNET system marked a major change in Sri Lanka’s labour administration system and represented the start of a new approach to the provision of services previously dominated by government. The key aspects of the nature of the new system, and the dialogue its creation required, are outlined below.

- JOBSNET began as a technical cooperation project designed by the ILO, funded by an external donor (NORAD), with contributions from the Chamber of Commerce, and in-kind contributions from government.

- The project was implemented and managed by the Ceylon Chamber of Commerce, signalling an intention on the part of government that aspects of government employment policy should be implemented by the private sector.

- The project was planned for implementation over a three-year period after which it should operate as a private business, thereby indicating that the privatisation of employment services was acceptable to government.
• The JOBSNET system was to operate on a fee-for-service basis, with enterprises paying a fee for each placement. The services were without charge to job seekers.

• The Chamber of Commerce agreed to develop a national computer network for the registration of job seekers and job vacancies. Self-matching facilities were to be made available, but in such cases enterprises would still pay for the use of the computerized data-base.

• The government agreed to provide the space for each centre.

• The government agreed to provide the employment officers, designated as Customer Service Officers, to operate each centre.

• The Chamber of Commerce appointed managers to run each centre supported by administrative, financial and ICT staff from the Chamber’s headquarters.

• The Centres were to provide overseas placement services.

• The regional chambers of commerce would play a role in soliciting job vacancies from enterprises and receive a fee for this service.

Once the JOBSNET centres established their role in matching and placement, progressively services would be provided in training, career guidance, counselling, and self-employment promotion.

A review of the JOBSNET system in 2004 identified a number of areas for the improved operation of the system. These included the need to provide services to job seekers in rural areas and to increase the number of persons actually placed in employment. The introduction of JOBSNET was a major achievement, particularly given the very traditional approach to employment services that had operated in the past. The system has some shortcomings but these are being addressed to ensure that JOBSNET plays the leading role in the nation’s employment promotion efforts and the focal point of the nation’s labour market information system.

The various project proposals and outlines prepared for the Ministry and Department are important outputs. They require, however, that the Ministry take the initiative in seeking external technical and financial assistance to ensure that what exists on paper is transformed into specific activities. As project outlines, these documents will require further development and elaboration to meet any specific requirements of the donor.

In general, the Ministry and Department lack the technical knowledge required for thorough project preparation. Although some staff received basic training in preparing project proposals there is a need for a small, dedicated unit to handle such matters. In a Ministry/Department with some 2500 staff, this should be both possible and manageable.
Projects represents the real cutting edge of change and offer the Ministry/Department real opportunities for implementing the new initiatives proposed in the Future Directions document and, at the same time, supporting new approaches in the traditional fields of labour inspection and labour relations.

Clearly, the project outlines prepared are but a first step on the road to change but their acceptance in general by the Ministry/Department is a significant achievement in an institution that has been dominated by tradition and a culture of law enforcement, as distinct from one of service to clients and economic and social development.

**Staff Training**

Staff training is an integral component of the change strategy and the numbers trained during the transformation is a major achievement. Based on the advice of the ILO, the Department of Labour established and equipped a computer-training centre and approximately 1000 officers and support staff have received basic computer training. The ILO also assisted in planning and implementing a program of English language training and this is now being extended to field offices. This training was a result of the human resource audit that identified the lack of computer and language skills as a major impediment to performance improvement.

In addition to general skills training, the ILO planned and supported a series of training workshops in a range of technical areas, as follows.

**Labour administration and the informal economy** that aimed to provide labour officers with an understanding of the decent work deficits that prevail in the informal economy, and introduce them to what the labour administration can do to address these deficits.

**Social dialogue and collective bargaining** that aimed to discuss the purpose, functions and operations of the Social Dialogue and Collective Bargaining Unit in the Industrial Relations Division and outline what, specifically, the Unit and division should do over the next year or so to promote increased social dialogue and collective bargaining, particularly at enterprise level.

The workshop distinguished between tripartite and bipartite social dialogue, outlined the various forms of dialogue and interaction that can contribute to improved enterprise level industrial relations, and outlined what needs to be done by whom to gain the cooperation of employers and workers to promote social dialogue and collective bargaining.

**Termination of employment** A series of workshops were conducted for arbitrators, labour officers, and presidents of the labour tribunal, respectively, to provide them with an overview of the 4-3-2 System – a system designed to ensure speedier resolution of termination of employment cases. The workshops explained the content of the legal amendments supporting the new system, identified the obstacles that impede the efficiency of existing termination processes, and propose solutions in procedure and process that will ensure compliance with the time limits set under the 4-3-2 system.
Particular emphasis was placed on improving the conciliation process to ensure that cases were resolved by the parties themselves, thereby reducing the number of termination cases coming before the labour tribunals.

**Preparing project proposals** that aimed to provide selected officials with an overview of the phases of the project cycle including needs identification, feasibility studies, preparing a project outline, appraisal, preparing a detailed project proposal, approval, project implementation (including monitoring and reporting) and project evaluation. The workshop also provided participants with the basic skills required to prepare a detailed project document.

**Overall**

The technical assistance provided by the ILO, and supported by the donor community, generated a range of outputs and achievements. It is too early to determine whether these outputs will result in sustained performance improvement for the Ministry and Department but, clearly, a firm foundation for change has been established and a change in organization culture has begun to emerge. New outputs are relatively easy to produce but their transformation into positive outcomes is more challenging. This is the responsibility of the Ministry/Department’s senior management – to ensure that the change momentum is sustained and that outputs generate benefits for the clients of the labour administration system.
Chapter 5  The tools of change

The process and methodologies of change have a major influence in determining whether actual outcomes of the change process are the same as those planned or intended. Change that is imposed through telling and directing may be appropriate in some situations but, generally, is less preferable than a process involving close consultation with all parties likely to be affected by the change. Every effort was made to encourage a participative approach to change, with varying degrees of success.

Task Forces

A task force was appointed to guide the overall restructuring and revitalization exercise, and another to advise on the planning and conduct of the Human Resource Audit. The ‘Future Directions’ task force was comprised of senior Ministry/Department officials with a Ministry Assistant Secretary as chairperson. The nature of the changes being proposed and discussed were beyond the immediate experience of task force members, and its main role became one of reacting to proposals and ideas advanced by consultants. The Task Force was not as successful as originally hoped due to a number of factors.

- It was comprised of very senior officers who had many other duties to perform, resulting in fewer task force meetings than required.
- The transfer to another Ministry of the task force chairperson during the exercise resulted in some loss of momentum.
- The composition of the task force was top-heavy and would have benefited from the presence of some middle level officers. (It is doubtful, however, whether lower level officers would have actively participated due to the nature of Government hierarchical structures in which junior officers always defer to their seniors.)
- There was no representation of the labour administration clients, namely, employers and workers, on the task force. The Ministry/Department considered this was not necessary as there were other arrangements, both formal and informal, available to solicit the views of employers and workers.

Overall, the ‘Future Directions’ Task Force was moderately successful. Its shortcomings highlighted the fact that the Ministry/Department senior managers were involved in so many things concerning the day-to-day operations of labour administration that they had limited time to devote to the restructuring and revitalization process. This is common to many change situations – the need to ensure that existing things continue to operate as they should but, at the same time, striving to make things better for the future. It is something like undertaking major renovations to a department store, but also trying to see that despite the disruptions and inconvenience for customers, that sales figures are maintained. Planning for the new is sometimes subordinate to the need to continue with the old.
A second task force was appointed to guide the Human Resource Audit. This had the same chairperson as the Future Directions task force but had considerable more success for a variety of reasons.

- Its work was quite focused and time bound.
- Its composition included officers in middle management positions, and with time to devote to the task.
- The nature of the work, particularly the preparation of the survey questionnaire was well suited to interaction and discussion.
- The task force was engaged in various administrative tasks associated with the exercise, which generated some sense of ownership.
- The final outcome of a comprehensive human resource data basis was identified as something very useful for the Ministry/Department.

This task force was very successful. Together with the work of consultants, it managed to achieve its objective within a reasonable time period, and saw the data base installed and available as a tool for human resource planning and development within the Ministry/Department. The regular up-dating of the data base and its actual use as a management tool are operational issues for the Ministry/Department to accommodate in future years.

**Key documents and action plans**

The restructuring and revitalization process relied heavily on the preparation of various documents and proposals. Such documentation does not guarantee successful change, but without it, the change process lacks direction, lacks good practices to emulate, and lacks acceptable standards of performance to strive for. Change by documentation alone will never work, but where the documentation provides a realistic platform for medium to long-term improvement in overall performance, the time and energy devoted to preparing detailed and step-by-step change strategies is not only desirable, but absolutely essential.

The various documents referred to in Chapter 4 guided the change process and were an essential management tool to help monitor performance improvement, a theme expressed in all documents.

**Meetings and discussions with Minister, Secretary, Commissioner General, and senior officials**

Various formal and informal meetings were held with senior Ministry officials to discuss progress and to help overcome obstacles. These were important learning experiences for all parties and built on-going commitment to the changes proposed. Such meetings were valuable in identifying the change priorities from the ‘what is possible’ agenda, and ensured that the change effort was focused and realistic.

A number of meetings with the Minister were of particular significance and ensured that the reform agenda was responsive to political sensitivities and, at the same time, secured the on-going support of the Minister to the changes envisaged.
The nature of these high-level meetings was such that the change process was subjected to regular fine-tuning, but without the need to change direction. High-level discussions as, for example, concerning the need to review the Department’s promotion and career planning system, took place not as new items in themselves but, rather, as additional things to be addressed if the changes outlined in the master plan were to be achieved.

**ILO influence**

The ILO played a crucial role in these meetings. The Colombo Director, staff and consultants were ever-present to ensure that ILO-supported changes were in keeping with ILO standards but, at the same time, responsive to the needs of the Ministry and its clients. The ILO’s role was always facilitative rather than prescriptive and always stressed a partnership approach to change. Indeed, without the ILO’s presence and interventions at such high level meetings, it is doubtful whether the Ministry and Department would have embraced such a formidable change agenda. Accordingly, the ILO’s on-going presence was a major factor in ensuring that planned changes were sound and realistic, and that proposed changes were of benefit to workers and employers.

The ILO also developed and maintained close relations with the Minister’s office to ensure that the Minister, personally, was fully and regularly informed of the ILO’s position on the changes taking place, to offer advice as appropriate, and to enlist donor support wherever possible. This high-level partnership played an important role in the restructuring and rejuvenation process.

**The work of international and national consultants**

The terms of reference for all consultants were carefully drafted to ensure that their efforts related closely to the new vision for the Ministry. All consultants adopted a facilitative approach that focused on the actual process of change, as well as the outputs resulting from that process. This ‘process approach’ was adopted by both national and international consultants and succeeded in gaining the confidence of staff at all levels. National consultants worked in both English and Sinhala languages and this further assisted in developing rapport between the consultants and staff.

The international consultant spent several months in the Ministry/Department and this was important in providing advice on an on-going basis, building staff confidence, and helped promote the idea that change was coming from within as well as being supported by external agencies.

**Discussions with staff associations**

The international consultant spent many hours discussing change proposals with representatives of the various staff unions within the Department of Labour. In hindsight, these discussions although very useful, particularly concerning career and succession planning, commenced too late. Ideally, representatives of staff unions should have been included in the task force to ensure they were fully informed on proposed changes at the earliest possible stage.
Training activities

A series of training activities, as outlined in Chapter 4, were planned and implemented to help prepare officers and support staff for new responsibilities and provide the knowledge and skills necessary for improved performance. These activities stressed that training is not an end in itself but a means to providing better services to the clients of the labour administration system.

Training activities in the technical fields stressed that although training was important and essential in facilitating change, in itself was not enough. The acquisition of new knowledge and skills must be accompanied by opportunities to actually apply the learning acquired. This sometimes requires a change of attitude on the part of senior officers, and requires the existence of logistic support to ensure that new plans are actually implemented. For example, the preparation of a new reporting form for labour inspection visits that relies on the use of information technology, will mean little unless officers have access to computers.

Consultations with key informants

The international consultant made considerable effort to contact ‘key informants’ particularly from employers and trade unions to solicit reaction to various change proposals. Although done informally, this was extremely useful in assessing the climate for change amongst the clients of the labour administration system. This was particularly important, given the fact that employers and workers representatives were not included on the Future Directions task force.
Chapter 6 Lessons learned and follow up

The restructuring and revitalization exercise, although far from complete, has highlighted a number of necessary conditions if the change process is to have a reasonable chance of producing actual and sustainable improvements. The lessons learned concerning the transformation of Sri Lanka’s labour administration are outlined below.

Lessons

Ministerial Commitment

The creation of the Ministry of Employment and Labour in December 2001, and the appointment of a new minister, was a vital step in the transformation process. The accession of a visionary minister was a driving force, and ensured that the Ministry’s senior administrators would devote their energies to the new vision and direction, as directed. The essential lesson is that a change initiative without the Minister’s endorsement and support is likely to be marginal and cosmetic. In the case of Sri Lanka, Ministerial involvement was initial and on-going, as well as enthusiastic and sincere.

Commitment of Civil Servants

Commitment at ministerial level is necessary but not sufficient. It is also essential that civil servants responsible for implementing change and, indeed, affected by its processes and outputs, also commit themselves. This was secured at senior levels within the Ministry and Department but the commitment of middle level officers, particularly those located in the field, was less certain. Many of these officers have worked for many years under the same conditions and bureaucratic arrangements and view changes of the type proposed with a degree of uncertainty or, in some cases, disbelief. This highlights the need for better communication with those affected by change and the need to secure early ‘buy-in’ to ensure that psychological barriers are overcome.

External support

The importance of an external agency supporting the change process both technically and financially cannot be underestimated. The ILO provided such support and made it clear form the very outset that it was a committed partner, willing to marshal the technical resources at its disposal to help plan and implement the change process. The ILO, however, has limited financial resources and relies on funding support from multi-bilateral donors or international financial institutions. The funding support required to implement the entire change strategy as one very large scale project was not available. This is the reality of international development assistance – good ideas for change cannot always gain the degree of financial support they deserve.
**Documentation**

The change process begins with observation, thinking, introspection, discussion, and, often, informal consultation. As the process proceeds further the consultations and discussions become more formal, requiring the production of proposals, reports and other forms of documentation to guide the process. This was a strength of the process in Sri Lanka – good quality documentation was available to guide the process and establish performance standards to strive for. Documentation has to be clear and unambiguous, and in a form readily understood by all affected persons. Key documents could have been more widely distributed within the Ministry and Department thereby securing greater interest in and support for the proposed changes.

**Performance standards and job descriptions**

A change strategy of the type supported by the Ministry and Department requires new responsibilities and procedures for virtually all staff. Very few officers and support staff remain unaffected. This requires that all staff know precisely what they are expected to do under the new arrangements. This includes the specific tasks and duties they are required to perform and the standards of performance necessary to meet appraisal and promotion requirements. Much remains to be done in this area to ensure that detailed job descriptions are made available to all staff, and that performance standards become an integral component of Ministry/Department culture. The Ministry/Department is yet to embrace a modern approach to human resource management but a start has been made by creating the staff data-base as a result of the human resource audit.

**Dialogue**

A participative change process requires that appropriate arrangements be made for consultations with all parties engaged in, and affected by, the change process. The Ministry task forces provided such a forum but wider representation in such bodies, including representatives of staff associations, may have helped shape the process and build commitment. The Ministry did not consider it necessary to involve representatives or employers and workers in the new directions task force, indicating that existing institutional arrangements were adequate to ensure their involvement. The change process may have been improved by more direct involvement from employers and worker representatives, in their capacity as clients of the system. Greater involvement of employers and workers in formulating some aspects of the change strategy may also have been useful as a way of mobilizing additional resources to support various change initiatives.

**Resource support**

The change process cannot rely solely on external resource support. Internal resources must be mobilized to ensure that endorsed changes are transformed from paper to reality (e.g. integrated inspection, labour extension). The Ministry/Department showed strong commitment in this regard by establishing
and equipping the computer training centre and purchasing computer workstations for general use. Additional funds will be required from national budgetary sources to support computer and language training on an on-going basis, and to provide adequate transport facilities for inspection and industrial relations work. Ministry/Department budgets for future years need to be prepared in anticipation of the changes taking place now.

**Monitoring and reporting systems**

Change strategies require on-going monitoring, and the development of reporting systems to determine whether planned changes become a reality and that actual performance meets planned performance standards. Overall monitoring could be undertaken by a small task force but, ultimately, monitoring and performance standards are the task of line managers, particularly officers at district and zone level. Management capacity at these levels is not strong, and a concerted and on-going training effort is required if line managers are to perform to the required standard. This will require additional resources and an on-going commitment to management development.

**Consultants**

The change process illustrated the benefits of having consultants in-house on an on-going basis to enable them to provide on the spot technical advice, but also to operate as ‘process consultants’ to guide not only the content of change but also its process and methods. The full-time presence of consultants had an important demonstration effect and conveyed a message of commitment and involvement. There is a danger, however, that a committed consultant, present on a day-to-day basis, will be requested to become involved in all sorts of marginal pursuits that might detract from the main purpose of the assignment. It is important that consultant’s engage in consulting, not line management.

**Time**

Making changes in a large, bureaucratic and conservative government ministry normally takes considerably longer than implementing a change strategy in a private sector enterprise. Time deadlines are not met, persons responsible for implementing change complain ‘not enough time’, and time-bound action plans are put aside. There may not be enough time, but everyone has all there is, and every one has the same amount. The Ministry experience shows that what were thought to be reasonably attainable time deadlines, in fact, were not. This is an issue to consider in preparing action plans to ensure that the time lines are reasonable. It is also an issue of time management or, more correctly, those responsible for implementing changes being able to manage themselves to make best use of the time available. Time management in the Ministry/Department is not only relevant to the change process, but is also important for daily operations.
Suggested areas for future assistance.

The Ministry/Department has made considerable progress during the last three years but it continues to face many challenges and much remains to be done. External technical and financial assistance will be required if the labour administration is to further contribute to the economic and social progress of the nation, but there is much that can be done through the efficient use of internal financial resources.

Revising the nation’s labour laws

The Department of Labour has taken steps to consolidate the nation’s labour laws but there is an urgent need for revision and amendment to ensure that laws respond to rather than dominate the nation’s development needs. Labour law revision is a major and challenging task and will require external advice to ensure that laws and regulations are consistent with national needs, respect relevant international labour standards, and meet the requirements of a modern labour administration.

Integrated labour inspection

A start has been made on the transformation of the nation’s labour inspection system. This must continue to ensure that the system operates smoothly in practice. This will involve the re-training of all inspectors, the preparation of inspection manuals, educating employers and workers to the nature and operations of the new system, and monitoring its overall impact. The introduction and operation of such a system could be used as the vehicle for the introduction of new approaches to inspection and compliance, including the introduction of ‘self-inspection’ and self-reporting initiatives, as well as the introduction of systems inspection in which inspectors no longer concern themselves with the identification of specific problems and the details of law enforcement but, rather, focus on examining systems and advising on their improvement with a view to preventing problems from arising.

Social dialogue and workplace cooperation

A start has also been made to move the Department form a culture of labour dispute resolution to one of labour dispute prevention. This is an important development and deserves adequate resource support to ensure that officers are trained in dispute prevention initiatives, that employers and workers are informed, and that collective bargaining is encouraged. External technical and financial assistance would be beneficial but there in much the Ministry, working in close cooperation with employers’ and workers’ organizations, can do.

Social dialogue and workplace cooperation need to be promoted not only as a means of dispute prevention but also as a means of productivity enhancement and improved competitiveness. There is also a need to address and allay the suspicions of trade unions that workplace cooperation is a backdoor means of reducing union power and influence in individual workplaces.
Labour extension services.

The need to extend labour protection to persons engaged in the informal economy has been accepted in principle, but now must be implemented. More information is required on the decent work deficits in Sri Lanka’s informal economy, and more thinking and dialogue is required as to how these can be addressed. The pursuit of this initiative as well as benefiting millions of Sri Lankans would elevate Sri Lanka’s labour administration to a leadership position in the region, and serve as a model for others to emulate.

National Institute of Occupational Safety and Health

The establishment of this Institute has been initiated but technical and financial resources will be required to ensure that it operates as an independent institution meeting the needs of a range of clients. The Institute would benefit from external financial and technical assistance but appropriately marketed could draw assistance from Sri Lanka’s employers. The key to its success as an independent institution is the preparation and implementation of a viable revenue plan.

National Institute for Labour Studies

The establishment of this institute has also been initiated but its final organization and structure is yet to be determined. The existence of such an institute could play an important research and training role in various aspects of industrial relations and related fields. As with the OSH Institute, it would benefit from external assistance and from the preparation of a viable revenue model. It, too, could attract support from Sri Lanka’s.

Decentralization

The Department of Labour operates through a system of zone, district and sub-district offices as a basis for the provision of island-wide services. District and sub-district offices in particular represent the front-line of labour administration in Sri Lanka but, generally, lack the capacity to perform to the required standard. Staff lack training, logistic support is poor, and office space is sub-standard. The strengthening of the decentralized system of offices will require a significant investment but every effort should be made to establish at least a few offices as models to be emulated as resources become available. Once a Department of Employment is established, consideration will need to be given to the decentralization of the services it offers.

Career progression for labour officers

The problem of poor career prospects for labour officers is well known. Various recommendations have been made to address this problem. The Department of Labour should not become a ‘closed’ department but short of that there is much that can be done to improve the career prospects for labour officers. Many of these matters can be addressed within the Ministry and this should be done as a matter of urgency.
Department of Employment

Issues of unemployment, under-employment, employment creation, productivity, human resource forecasting, labour market information and a host of employment related issues can be expected to dominate national development discussions over the next few years. These issues are of such magnitude and importance that they should not be left to a division in a Ministry. The government should consider establishing a fully-fledged Department of Employment within the Ministry thereby making it a two-department Ministry, staffed and resourced accordingly. Such a department would be expected to play a leading role in revising national employment policies, ensuring their effective implementation, and supporting the development of a comprehensive labour market information system.