Decent work and productivity in Sri Lanka

Preamble

People, people and people!

This is what it takes to make any society prosper. It is for the people that the society wants and needs to create prosperity. It is only through the people – the human capital of the society – that prosperity can be created. The crucial factor is productivity. To create prosperity through people the private and the public sectors must focus on productivity. This is a search of excellence that must be the core vision of both the private and the public sector of Sri Lanka. In operational terms – as set out in the eight initiatives of the National Productivity Policy – this is a constant search for productivity improvement. Such improvements are fundamental to ensure a sustainable economic growth that has a lasting impact on the standard of living of people. Any economic entity, private, public, formal, informal, has a role and a responsibility in building a society that can bring prosperity to all its citizens.

1. Competitiveness and productivity

The Future: Regaining Sri Lanka outlines a national programme to transform the country into a thriving modern economy. More investment, improved efficiency, and greater productivity are expected to sustain an annual growth rate of 8-10 per cent.

The cornerstone of the growth strategy is reaching global markets through developing competitive, export-oriented enterprises; removing barriers to productivity; and establishing review mechanisms to ensure that new barriers do not arise. Key programme elements include accelerating privatization, reforming the legal foundation of the economy, and improving efficiency in critical government functions.

Aside from tourism earnings and remittances from migrant workers, the Sri Lankan economy currently depends largely on the export of only a few products, including garments and tea. The Sri Lankan competitiveness study (USAID, 1998), which ranked Sri Lanka fifty-third in composite competitiveness, observed that competitiveness is not simply about cheap labour or better incentives. More fundamentally, it is about sustainable growth in productivity. Sri Lanka’s regional and global competitiveness, then, will lie in its ability to add value to its products and services.

But sustainable growth entails more than adding value to products and services. If these goals are to be realized in the longer term, they presuppose “adding value” to the jobs of those workers who will produce the goods and services. In other words, national policy must aim to extend “decent work” to as large a part of the population as possible.

While globalization and liberalization present new opportunities, many countries have been adversely affected. Eroding competitiveness has led to job losses, deteriorating job quality, casualization of labour, and increases in informal work and child labour. Sri Lanka—the more so in view of the high expectations encouraged by current peace talks—expects instead to capitalize on the opportunities by adopting a people-oriented approach, combining economic growth with social responsibility. This is the key to the decent work agenda.

2. What is “decent work”, and why is it important?

The decent work agenda emphasizes the importance of human and social capital

for sustainable growth in productivity. Every person in any country aspires to engage in decent work. Such employment nurtures self-esteem, permits self-fulfillment, and provides for the voice of workers to be heard. These, in turn, are the prerequisites for full worker participation in enhancing productivity.

The decent work agenda applies to all work—public sector and private, formal sector and informal. It aims to raise the social platform of people—including those who are too often disadvantaged, such as women, the young, and the disabled—to ensure that all can benefit from productive activities in an era of increasing globalization and liberalization.

Decent work is about providing access to quality employment. It is also about protecting workers and their rights—an essential goal, if workers are to recognize a personal stake in enhancing competitiveness and productivity. The decent work agenda includes four main pillars: access to productive and remunerative jobs; a safe working environment; social protection and workers’ rights; and social dialogue.

The fundamental premise is that adopting a decent work agenda is the surest way to sustained productivity in a highly competitive world. Specifically, this high road to development requires that (i) employment promotion is integral to economic growth plans; (ii) both quality and quantity of jobs are equally guaranteed; (iii) the enhancing of skills and employability are primary goals; (iv) the rights of workers are protected and their voice is heard; (v) the workforce has access to basic protection.

3. Full employment is the goal

Currently estimated at about 8 per cent, unemployment has been gradually declining. It remains relatively higher, however, among youth, females, and the disabled. Underemployment, at around 20 per cent of the total workforce, is very high. The “employed”, meanwhile, include unpaid family workers and 1.2 million public sector workers, including employees of state-owned enterprises that are often identified as being overstaffed and inefficient. In addition, the manufacturing sector continues to contract. Prospects for employment expansion in both large-scale manufacturing and the public sector have remained limited, with privatization of public enterprises further eroding job opportunities in the public sector.

Productive job creation, however daunting a task, is vital. The challenge is to use all of a country’s human resources, fully realizing the national potential in a bid to be optimally competitive. This means providing employment opportunities and decent work for everyone including displaced workers, youth, women, people affected by conflict, and the disabled.

In response to the challenges, the Government is adopting policies aimed at optimizing the country’s economic growth. Measures include improving the policy and regulatory environment to enable private-sector big business to operate more efficiently; and deliberating on the appropriate choice of new technology. In themselves, however, improved technology and investment capital are not enough. Competitiveness in this age of globalization also demands full development and employment of a nation’s human capital. No country can compete successfully while much of its labour force remains idle or unproductive. Underemployment means human resources are under-utilized.

Economic growth policies must be people oriented and full employment must be the overall goal. This includes the pursuit of labour-based employment, especially in large infrastructure projects as part of the post-conflict reconstruction process. In countries such as Sri Lanka, this also means that development policies cannot focus only on formal sector growth.

Sri Lanka’s National Employment Policy as well as its Productivity Policy are rightly designed to address unemployment and to make productive employment.
available to all. They aim at optimising the countries’ human resources and employing labour more productively. What is critical is that these policies are integral elements of the overall development policies of the country, including the poverty reduction strategy.

4. Quality jobs contribute to productivity

Job creation in small enterprises remains the most promising avenue for expansion of employment opportunities. Entrepreneurship training assumes a vital importance, in this light. Modern and efficient small enterprises can provide the foundation upon which Sri Lanka competes in the world market. Many decent work deficits, including low skills levels and rudimentary technology persist in micro- and small enterprises as they operate in the informal economy. By addressing these deficits, the work environments will become more conducive to productive work and enhance overall competitiveness. This is so both for the formal and the informal economy.

Small enterprises, furthermore, are increasingly required to complement larger enterprises in the latter’s quest for increased competitiveness in world markets. But poor job quality in small enterprises leads to uncertain quality and unreliable delivery of components and services. Poor job quality also results in high costs in terms of inefficiency, wastage, and lost working hours.

Employment creation policies and programmes should take into account both job quantity and job quality. Good job quality benefits workers. It also makes good business sense for employers. Moves to improve working environments and job quality are often considered a burden on enterprises. On the contrary, improved working environment and job quality, with proper attention to health and safety hazards, contribute to both higher income and higher productivity, thereby reversing the vicious cycle of poor job quality leading to low income. Low-cost improvements are within reach of small enterprises.

Improving job quality, finally, entails more than merely improving work methods and conditions. It also involves skills enhancement, social protection and workers’ rights.

5. Enhancing skills and employability

Compared to other developing countries, Sri Lanka enjoys impressive levels of basic education. Estimated adult literacy exceeds 90 per cent, with a high level of gender parity. Such literacy levels, however, have not translated into employable skills, especially among poor and marginalized communities. Tertiary education suffers serious inadequacies, and should be more demand oriented. Skills training institutes suffer from management deficiencies, outdated equipment and curricula, and a shortage of capable trainers.

Government strategy aims to promote the private sector as the main provider of post-secondary skills training. The decent work agenda emphasizes the need for joint involvement of employers and workers in pursuing improved employability. Sustained productivity improvement requires continuous upgrading of worker skills and a policy of encouraging life-long learning. Improved productivity at the firm level means workers must learn efficient production methods and waste reduction. The introduction of new technologies requires human resources capable of maximizing the potential benefits. In the final analysis, it is skilled and knowledgeable workers that make enterprises competitive. Equally important are entrepreneurship training programmes, which are especially beneficial for productivity in the informal economy.


Where people have a participatory voice in their work and the conditions of their work, productivity improves. If
workers feel a sense of personal efficacy, sharing in the decisions that affect their lives, they are far more likely to share enterprise- and country-level goals of increased productivity and competitiveness. Industrial peace, itself a boost to productivity, is also much more surely maintained when all concerned have a voice and feel part of the process.

Employers and workers need to acknowledge and respect each other’s rights and obligations. Among issues needing resolution is that of linking productivity to gainsharing, which needs to be agreed upon by both employers and workers. Also on the agenda: a safety net that incorporates both income and retraining.

More basically, workers’ rights should include freedom of association; freedom from discrimination; freedom from child labour; and freedom from forced labour. Long-term efforts to improve productivity will be all the more successful where these liberties are protected in law and policy. Sri Lanka has ratified seven of the eight core ILO Conventions described in the Declaration of Fundamental Principles and Rights at Work\(^2\), and their implementation can only contribute to national goals of greater productivity. The country already presents an exemplary record with regard to child and forced labour.

7. Providing social protection

National labour legislation is now under review. Reform will necessarily involve, in the modern context, a tripartite dialogue between workers, employers, and the Government. A balance must be struck between labour-market flexibility and the protection of basic rights. Safety nets that incorporate both income and retraining are important elements that will be addressed in the process.

Where workers feel protected, they perform more effectively, and are less inclined to fear change. Productivity thus improves in an environment of worker security and protection, given the common human desire to feel provided for in case of unemployment, sickness, or retirement. One of the pillars of decent work is the availability of social protection for all. Sri Lanka has had a long tradition of providing income support and social protection. Affordability is an issue in many countries. Savings and investment associated with the provision of social protection and insurance has in fact been an important element in the economic growth of some countries. While affordability is an issue in many developing countries—although the savings and investment associated with the provision of social protection and insurance has in fact been an important element in the economic growth of some countries—Sri Lanka has had a long tradition of providing income support and social protection.

8. Conclusions

Imminent national peace presents Sri Lanka with new prospects for social and economic development. A people-oriented approach to improving productivity and expanding exports promises to take full advantage of this opportunity. Comprehensive realization of the country’s human resources, including all national sectors and groups within a sustainable, long-term development plan, can optimize economic competitiveness while fully realizing a rich national potential.

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\(^2\) Ratified Conventions are C29 on forced labour (C105 is currently considered for ratification), C 100 and 111 on equal pay and discrimination, C 138 and 182 on child labour and the worst forms of child labour.