
Sancroft

NHS Supply Chain Country Profile: Sri Lanka
May 2016

Sri Lanka – Labour Standards and Ethical Trade Profile



Population	22,053,488 ¹
Main Religion	Buddhist (70.2%), Hindu (12.6%), Muslim (9.7%), Roman Catholic (6.1%), Christian (1.3%) other (0.05%) ²
Minimum working age	14 years old*
Minimum wage (per hour per month)	50 Rs Per Hour US\$0.34 Per Hour 10 000 Rs Per Month ³⁴ US\$67.47 Per Month
Maximum working hours	48 hours per week [†] A maximum of 12 hours overtime per week is permitted ⁵
Working week	Monday - Friday ⁶
Main exports	Textiles and apparel (44.3%), tea (14.6%), petroleum products (3.0%) and diamonds and gems (1.8%) ⁷

*The minimum age for employment is 14, although the law permits the employment of younger children by their parents or guardians in limited family agricultural work or technical training. The law prohibits hazardous work for persons under age 18

[†] A limit of 45 hours per week is permitted for some sectors under The Shop and Office Employees Act

Context

Politics

Until 2009, Sri Lanka experienced 26 years of civil war between government forces and the Tamil Tigers, who were fighting to create an independent state in the north and east of the country⁸. Over 100,000 people were killed during this long period of conflict, and the country's development and infrastructure suffered considerably. Tensions remain high today and the political situation is fragile.

Politics of Sri Lanka takes place in a framework of a semi-presidential representative democratic republic. Sri Lanka is now led by Maithripala Sirisena who was declared President in January 2015. His United National Party (UNP) took Presidency following a shock election victory over veteran strongman Mahinda Rajapakse of the Sri Lanka Freedom Party. The January 2015 election was dominated by charges of corruption and growing authoritarianism on the part of Rajapakse, with Sirisena promising sweeping reforms and the transferral of some executive powers to parliament.

The United National Party (UNP) formed a so-called national unity government with the UPFA following the August 2015 parliamentary election. The next elections, both Presidential and Parliamentary, are scheduled for 2020.

Economics

Sri Lanka has experienced continued economic growth since the termination of the civil war, growing at an average 6.4 percent between 2010 and 2015⁹. The government is pursuing large-scale reconstruction and development projects in the areas worst affected by the civil war, particularly encouraging small and medium-sized enterprises and increasing agricultural productivity.

Sri Lanka's economy has transitioned from a predominantly rural-based agricultural economy towards a more urbanized economy driven by services. In 2015, the service sector accounted for 62.4 percent of Gross Domestic Product (GDP), followed by manufacturing (28.9 percent), and agriculture (8.7 percent). As Sri Lanka aspires to become a higher middle-income country, it will need to adjust its development model. Growth in the last five years is in substantial part due to a "peace dividend". Going forward, economic growth will likely require continued structural changes towards greater diversification and productivity increases and a reduction in the role of agricultural employment from its present share of a third of the population.

Currently, the country has a large trade deficit and has one of the largest debts (80% of GDP) in emerging market countries.¹⁰ Remittances from Sri Lankan workers help offset the trade deficit and in the beginning of 2012, Sri Lanka floated its national currency, the Sri Lankan Rupee. This caused a sharp depreciation, and consequently the country implemented measures to curb imports.

Demographics

Sri Lanka is presently considered to be in the middle stage of a demographic transition. It is further advanced than many of its South Asian neighbours, but less so than countries in South East Asia. Sri Lanka is currently enjoying the fruits of a large working age population and a below average dependency ratio of 51.3%.¹¹ However, the workforce is expected to start declining after 2026 and the ageing of its current large population of working-age will need to be carefully managed.¹² It is estimated that around 30% of Sri Lanka's population will be elderly by 2030¹³.

Unlike many Asian pacific countries experiencing rapid urbanization, it is predicted that Sri Lanka will likely remain at less than 40 percent urban in 2050¹⁴.

Labour Market Profile

In Sri Lanka, the working age population is considered to be all people aged 15 and above. According to the 2013 Sri Lankan Labour Force Survey, the labour force in Sri Lanka is an estimated 8.8 million people, out of the 16.4 million working age population, giving a relatively low labour force participation rate of 53.8%.¹⁵ There is also a substantial gender gap; with a female labour force participation rate of 35%¹⁶, compared to 76%¹⁷ for men.

Youth unemployment in Sri Lanka remains a problem, with an estimated 20 percent of young people in the labour force estimated as unemployed in 2013.

Industry Summary:

Labour Force Occupation		
Sector	2012 ¹⁸	2015 ¹⁹
Services	42.4%	45.9%
Agriculture	31.8%	28.4%
Industry	25.8%	25.7%

The country can expect to see a greater shift away from agriculture towards service sector employment in the coming years. Whilst agriculture is still an important source of employment, it generates just 8% of GDP. By far the most important sector in the economy is services, generating approximately 63% of GDP.²⁰

Important industries in Sri Lanka include; processing of rubber, tea, coconuts, tobacco and other agricultural commodities; telecommunications, insurance, banking; tourism, shipping; clothing, textiles; cement, petroleum refining, information technology services and construction.

Medical Device Manufacturing

A major share of Sri Lanka's medical device requirements are met by imports, estimated to be in the region of 95%. Local manufacturing typically occupies low value healthcare consumables such as cotton wool and hospital furniture. Sophisticated technology and equipment is predominantly imported from China, Singapore and Japan²¹. In 2014, it was reported that there were no local manufacturers of high tech medical devices, with healthcare institutions deploying foreign manufactured equipment for surgery, diagnosis and imaging. This in part due to the specificity of demand, and consumer bias towards established global brands. The government has sought to encourage and safeguard local manufacturers of medical devices, for instance by charging higher duties on imports of "selected" devices, however inability on the part of local manufacturers to meet the requirements and prescribed standards of quality, has failed to stimulate local production and has simply resulted in a hike in the price of imports. Further, Sri Lanka's relatively small domestic market has in the past been cited as impacting the perceived feasibility of operating a small scale manufacturing plant.

Key Risk Areas

Companies sourcing from Sri Lanka will need to be aware that there is a risk of labour rights abuse within their supply chain. No global supply chain will be categorically free of issue and buying organisations have a responsibility to ensure that they are doing all they can to mitigate the risk of

occurrence within their realm of business and, where an issue is discovered, take steps towards remediation. The below outlines the key risk areas pertinent to Sri Lanka and the areas in which a company sourcing from the Sri Lanka may want to be particularly vigilant.

Child Labour

The minimum legal age for employment in Sri Lanka is 14. However, according to the US Department of Labour (based upon figures from Sri Lanka's Child Activity Survey 2008–2009), 9.2% of children aged 5 to 14 were found to be working, 67% of whom were employed in the agricultural sector.²² Working both legally and illegal, children within the agricultural sector are found working both in plantations and in non-plantation agriculture during harvest periods. In addition to agriculture, children work as street vendors, domestic helpers, and in the mining, construction, manufacturing, transport, and fishing industries. Children displaced by the war are especially vulnerable to employment in hazardous labour.²³ Moreover, the presence of children forced or bonded into domestic servitude or agricultural work has been widely reported, in particular on tea estates, and in the fireworks and fish-drying industries.²⁴

The Sri Lankan government has established laws and regulations related to child labour and its worst forms, and in 2013 it reactivated its National Steering Committee on child labour. It also created a 'Roadmap 2016 on the Elimination of the Worst Forms of Child Labour' and in doing so, launched a pilot project to ensure a 'child labour free' district, using a technique that can be replicated across the country.^{25,26} In 2014 this project was expanded to two new districts²⁷. The Government also implemented the fully automated Labour Inspection System Application (LISA) that supports onsite inspection processes in five of nine provinces. While the legislation is in place, evidence suggests that there is weak governmental implementation and controls to actually prevent children from working, in particular with regards to protection against hazardous child labour.

The presence of children working within the supply chain is therefore a significant risk for organisations sourcing from Sri Lanka. It would be advisable for such organisations to ensure that requests for evidence of no child labour are met when engaging with Sri Lankan suppliers, and that robust age verification processes are in place at the facilities level.

Working Conditions

Whilst the government in Sri Lanka has set occupational health and safety standards, these are not in accordance with international standards. Though workers have the legal right to remove themselves from dangerous situations, many are unaware of this fact or else fear reprisals, such as losing their job. Occupational health and safety is particularly an issue in the rapidly growing construction sector, including on infrastructure development projects, such as port, airport, and road construction, as well as high-rise buildings. A growing trend, particularly in the construction industry moreover, is for employers to use contract employment, further curtailing worker rights and safeguards²⁸.

Failure to effectively enforce occupational safety and health standards, as well as both minimum wage and hours of work provisions, has been attributed in part to the Labour Ministry's insufficient resources, inspections, and remediation efforts.

Post-conflict legacy and human rights

The lengthy civil war in Sri Lanka has left behind a legacy of destructive and violent culture. Sri Lanka was one of 28 Countries of Concern included in the 2013–2014 FCO Human Rights Report, and a Priority Country²⁹ in the 2015 FCO Human Rights Report. It continues to draw special attention from the UN Human Rights Committee. Although the country has ratified most international human rights treaties and its Constitution guarantees the protection of fundamental freedoms and rights including equal treatment, human rights abuses in the country remain grave and widespread. Examples of such human rights abuse include personal insecurity, restricted freedom of speech, violence, gender-based violence, torture and land grabbing.

Also worthy of note is an absence of media freedom, and attacks on journalists and human rights activists are common, often without prosecution.³⁰ In 2012, the UK charity Freedom from Torture reported it had received 233 referrals of torture survivors from Sri Lanka, some of whom suffered long after the end of the civil war in 2009.³¹ In April 2013, Amnesty International said that Sri Lanka was still violently suppressing dissent and that journalists were among the targets of "government-sanctioned abuse".³²

There is evidence of positive change however. In their World Report 2016, Human Rights Watch commented that the new Sri Lankan government had made progress in addressing some of the country's human rights issues, including seeking to end its pervasive culture of surveillance and censorship and embarking on reforms aimed at undoing years of increasingly authoritarian rule. In December, the government signed the United Nations Convention against Enforced Disappearance, a step toward tackling a massive decades-long problem. Significant challenges remain however, for instance with government yet to fulfill its pledge to abolish the draconian Prevention of Terrorism Act (PTA)³³.

A supplier sourcing from Sri Lanka must therefore take every care and precaution to ensure the companies it is working with has policies and programmes in place to ensure individual rights of their workers are upheld.

Discrimination

The post-conflict legacy is also seen through an on-going culture of discrimination, predominantly against the minority Tamil community (approximately 18% of the population). This is of particular importance for companies sourcing from Sri Lanka as Tamils often encounter difficulty in possessing legal documentation. Some Tamils in the former conflict zone in the North for example may never have had a birth certificate, which in turn means they are unable to apply for the compulsory National Identity Card (NIC). Without the NIC, a Sri Lankan national cannot open a bank account, creating an additional barrier to employment.³⁴

Gender Discrimination

Sri Lanka suffers from low female labour force participation. Sri Lanka's Gender Inequality Index (GII) value is 0.383, which makes it 75th out of 149 countries in the 2013 index.³⁵ In recent decades, the female labour force participation rate has remained stagnant at around 30-35% of women of working age (15 and older).³⁶ The World Bank's 2013 Development Report highlighted improving women's access to employment opportunities and thus reducing their economic inactivity as one of Sri Lanka's most significant challenges.³⁷

Women's lack of participation in the Sri Lankan workforce is often linked to the traditional familial roles they take within the national culture - it has been argued that a culture of gender discrimination resting on cultural norms, and a lack of family-friendly working policies contribute to the challenge for women seeking employment.^{38,39}

Where women are active, it is often in manual, labour roles and in the informal economy where they are disproportionately exposed to labour rights violations.⁴⁰ The main agricultural sectors in Sri Lanka, including tea and coconut farming, as well as the garment sector, employ women to work in the fields and factories with only a very small number reaching management positions.⁴¹

Weak governance

The 2014 UN Human Rights Committee's review of Sri Lanka highlighted disconnect between the Sri Lankan government's promises, both internal and international, to protect its citizens' rights and prevent abuse, and the poor reality of abuse and impunity experienced. Despite official Sri Lankan denial, the UN reported on impunity for human rights violations, enforced disappearances, torture and ill-treatment of detainees, sexual violence against women and unlawful killings. A 2014 Amnesty

International report also found widespread torture and ill-treatment of detainees, which the government did not investigate, nor bring to justice.⁴²

Any organisation operating in or sourcing from Sri Lanka must therefore take into account the consequences of weak governance on business operations. No company can have absolute confidence that no form of corruption has occurred, and should therefore independently ensure appropriate corporate governance is upheld. Companies sourcing from Sri Lanka should take particular care when assessing compliance to labour standards, codes and policies, and ensure strong evidence of compliance.

Governance

National Legislation

In Sri Lanka, the Ministry of Labour and Labour Relations governs labour standards and its relative enforcement, industrial stability and social protection.

The Department of Labour, within the Ministry, carries out inspections on working conditions and the working environment (including occupational health and safety), working hours and wages. Upon carrying out these inspections the Department therefore holds the responsibility to enforce labour laws.⁴³

International Trade Union Confederation (ITUC) Rights Index

The ITUC rights index uses a methodology that considers the standards of fundamental rights at work, in particular the right to freedom of association, the right to collective bargaining and the right to strike⁴⁴. Using this methodology, countries are ranked on a scale of 1-5, with a high score suggesting a government is failing to guarantee these rights. Sri Lanka received a rank of 3.

International Standards

Although Sri Lanka has ratified all eight of the fundamental ILO labour Conventions, the implementation in practice of these conventions is weak.⁴⁵

ILO Ratifications⁴⁶:

- Fundamental Conventions: **8 of 8**
- Governance Conventions (Priority): **2 of 4** *Labour Inspection and Tripartite Consultation (International Labour Standards) ratified, Employment Policy and Labour Inspection (Agriculture) not ratified*
- Out of **41** Conventions ratified by Sri Lanka, of which **31** are in force, **9** Conventions have been denounced; **1** has been ratified in the past 12 months (the employment policy convention).

Other Useful Resource

Further information is available on the following websites:

- ILO Labour Law Database - http://www.ilo.org/dyn/natlex/natlex_browse.country?p_lang=en&p_country=LKA
- Transparency International Corruptions Perception Index <http://www.transparency.org/country/#LKA>

- US State Department Database on Forced and Child Labour per product
<http://www.dol.gov/ilab/reports/child-labor/list-of-goods/>

- ¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/ce.html>
- ² <https://www.cia.gov/library/publications/the-world-factbook/geos/ce.html>
- ³ <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>
- ⁴ <http://www.salary.lk/home/salary/minimum-wage> <http://www.sundaytimes.lk/160124/news/10000-rupee-minimum-wage-180562.html>
- ⁵ <http://www.salary.lk/home/labour-law/leave-and-holidays/working-hours-and-holidays>
- ⁶ <http://www.srilankaembassyrome.org/country.html>
- ⁷ <http://country.eiu.com/article.aspx?articleid=1614169745&Country=Sri%20Lanka&topic=Summary&subtopic=Fact+sheet>
- ⁸ <http://www.bbc.co.uk/news/world-south-asia-11999611>
- ⁹ <http://www.worldbank.org/en/country/srilanka/overview>
- ¹⁰ http://www.indexmundi.com/sri_lanka/economy_profile.html
- ¹¹ http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/04/04/000371432_20140404160520/Rendered/PDF/865320NWPorep000Box385181BooPUBLICo.pdf
- ¹² http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/04/04/000371432_20140404160520/Rendered/PDF/865320NWPorep000Box385181BooPUBLICo.pdf
- ¹³ http://www.internationalondernemen.nl/sites/internationalondernemen.nl/files/marktrapport/Detailed%20report%20on%20healthcare.Final_.pdf
- ¹⁴ <http://www.asia-pacific.undp.org/content/dam/rbap/docs/RHDR2016/RHDR2016-full-report-final-version1.pdf>
- ¹⁵ http://www.statistics.gov.lk/samplesurvey/LFS_Annual%20Report_2013.pdf
- ¹⁶ <http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS/countries/1W?display=default>
- ¹⁷ <http://data.worldbank.org/indicator/SL.TLF.CACT.MA.ZS/countries/1W?display=default>
- ¹⁸ <https://www.cia.gov/library/publications/the-world-factbook/geos/ce.html>
- ¹⁹ <https://www.cia.gov/library/publications/the-world-factbook/geos/ce.html>
- ²⁰ <https://www.cia.gov/library/publications/the-world-factbook/geos/ce.html>
- ²¹ http://www.internationalondernemen.nl/sites/internationalondernemen.nl/files/marktrapport/Detailed%20report%20on%20healthcare.Final_.pdf
- ²² <http://www.dol.gov/ilab/reports/child-labour/findings/2013TDA/srilanka.pdf>
- ²³ <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>
- ²⁴ <http://www.state.gov/documents/organization/192597.pdf>
- ²⁵ <http://www.dol.gov/ilab/reports/child-labour/findings/2013TDA/srilanka.pdf>
- ²⁶ http://www.unicef.org/srilanka/2003_UNICEF_Roadmap_wcms_149650.pdf
- ²⁷ <https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labour/findings/2014TDA/srilanka.pdf>
- ²⁸ <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>
- ²⁹ <http://www.hrdreport.fco.gov.uk/sri-lanka/>
- ³⁰ <https://www.gov.uk/government/publications/sri-lanka-country-of-concern/sri-lanka-country-of-concern>
- ³¹ http://www.freedomfromtorture.org/feature/out_of_the_silence/5979
- ³² <http://www.bbc.co.uk/news/world-south-asia-12000330>
- ³³ <https://www.hrw.org/news/2016/01/27/sri-lanka-new-government-makes-significant-progress-o>
- ³⁴ <http://www.bbc.co.uk/news/world-asia-india-18261375>
- ³⁵ http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/LKA.pdf
- ³⁶ http://www.statistics.gov.lk/samplesurvey/LFS_Annual%20Report_2013.pdf
- ³⁷ <http://documents.worldbank.org/curated/en/2013/01/19344954/low-female-labour-force-participation-sri-lanka-contributory-factors-challenges-policy-implications>
- ³⁸ http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/04/04/000371432_20140404160520/Rendered/PDF/865320NWPorep000Box385181BooPUBLICo.pdf
- ³⁹ http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-colombo/documents/publication/wcms_215445.pdf
- ⁴⁰ <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>
- ⁴¹ <http://www.salary.lk/home/job-and-career/career-tips/women-in-leadership-roles>
- ⁴² <http://www.amnesty.org/en/library/asset/ASA37/014/2014/en/64d89b3a-b684-48cf-9f9b-28b306ceb8f4/asa370142014en.pdf>
- ⁴³ http://www.ilo.org/labadmin/info/WCMS_209369/lang--en/index.htm
- ⁴⁴ http://www.ituc-csi.org/IMG/pdf/survey_ra_2014_eng_v2.pdf
- ⁴⁵ http://www.ituc-csi.org/IMG/pdf/Sri_Lanka_WTO_Report_2010.pdf
- ⁴⁶ http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:103172