

# GOOD PRACTICE

## A Landmark Agreement in the Sri Lanka Garment Industry



GLOBAL DEAL

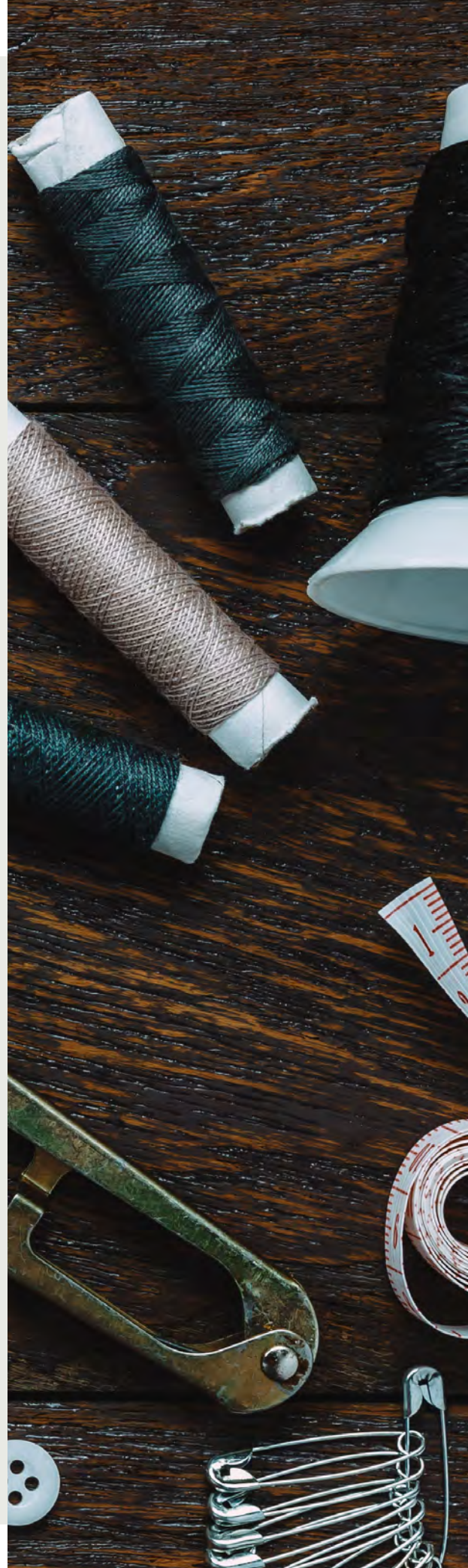


## SOCIAL DIALOGUE DURING THE PERIODS OF LOCKDOWN

The government and social partners in Sri Lanka have been successful in mobilising social dialogue in response to the outbreak of the COVID-19 pandemic. During the first wave in March 2020, the Ministry of Skills Development, Employment and Labour Relations formed a [tripartite task force](#) as a sub-committee of the National Labour Advisory Council. The task force comprised representatives from this ministry, the Employers Federation of Ceylon (EFC), the Joint Apparel Association Forum (JAAF – the organisation of employers from the garment sector) and four trade unions. The discussions of this group, chaired by the Minister of Skills Development, Employment and Labour Relations, resulted in an agreement for employers to pay workers their full salaries in March and April 2020.

In the months that followed, the task force established [additional guidelines](#) to protect workers from the pandemic. In May 2020, they agreed on the key principle that no worker would lose their job because of COVID-19. Moreover, workers who were furloughed and whose services were not required during the pandemic were to be paid 50% of the basic wage, or 14,500 Sri Lankan rupees, whichever amount was higher. Employers were also required to seek authorisation from the Department of Labour before furloughing workers. The latter agreement was extended first to October 2020, and then to March 2021. Additionally, in November 2020 the tripartite task force agreed that factories must establish bipartite Factory Health Committees to monitor the implementation of COVID-19 preventive measures.

[Trade unions](#), however, found the implementation of the measures and guidelines described above to be insufficient. As there was no formal requirement to do so, only [two factories](#) had set up a bipartite health committee by March 2021. When the second COVID-19 wave broke out in October 2020, employment was abruptly reduced, leading to increased friction and numerous disputes between workers and management.



## SOCIAL PARTNERS TAKING MATTERS INTO THEIR OWN HANDS

**Industrial disputes and social turmoil in Sri Lanka pre-date the pandemic, and tensions between management and workers is common. While there exists a dispute resolution mechanism that is enshrined in Sri Lanka's labour law, trade unions [report](#) it as constituting a slow and bureaucratic process that does not benefit either side, as issues are often left unresolved for a long time.**

Social partners in the garment sector in Sri Lanka had already initiated discussions in 2019 on how to settle social conflicts more effectively, but did not reach an agreement at that time. As the pandemic had worsened an already difficult situation in terms of disputes, the JAAF and three trade unions<sup>1</sup> affiliated to Global Deal partner IndustriALL Global Union decided to re-open bipartite social dialogue in May 2021. Discussions were held to address the problems that the pandemic had pushed to the forefront:

- The lack of a well-functioning dispute resolution mechanism to manage conflicts and avoid costly disruptions.
- The need to set up bipartite health and safety committees in all factories so that relevant protocols can be better monitored and implemented.
- The loss of workers' revenue, resulting from the lockdowns and a reduction in orders due to COVID-19.

The process was not easy, nor was it expected to be. However, during the intense dialogue that took place over a period of seven months, both sides showed commitment and a willingness to compromise. For example, employers recognised that attempts to keep workers from organising and bargaining collectively damages the image and reputation of the business and

draws international attention, including from the brands that provide them with orders. [Businesses](#) also have a shared interest in safe and healthy workplaces, as this benefits long-term productivity and avoids costly disruptions. Trade unions, on the other hand, recognised that factories had also suffered revenue losses during the pandemic – estimated at USD 24 million for the period between March and May 2020 – and that not all issues could be resolved at the same time.



In December 2021, parties came to an agreement, signing a [Memorandum of Understanding](#) (MoU) covering both dispute resolution and workplace health management. It should be noted that this is the first time an agreement of this type was reached at the industrial sector level in Sri Lanka.

1- The Free Trade Zones & General Services Employees Union, the National Union of Seafarers and Migrant Workers, and Sri Lanka Nidhas Sevaka Sangamaya.





## DISPUTE RESOLUTION

The JAAF and the trade unions jointly recognise that freedom of association and the right to collective bargaining are enshrined in the constitution of Sri Lanka and are fundamental human rights that have to be respected. To ensure this principle is adhered to in practice, the MoU stipulates that JAAF and the trade unions will set up a Bipartite Dispute Resolution Mechanism that will address alleged violations of these labour rights. Any trade union can introduce a plant-level issue for review by the Executive Committee of the JAAF and the three trade unions. Where the complaint is deemed valid, the JAAF and the complainant will discuss how

to resolve the issue within a period of one month (or longer if both sides agree). This should be done in an amicable way and avoid the need to resort to legal measures. Complaints must not be discussed with any third party, nor made public while the dispute resolution process is ongoing. An investigator may be appointed by mutual consent to determine the facts. If the solution found as a result of this process is not accepted by the business concerned, the trade union has the liberty to resort to legal procedures and conduct campaigns to raise public awareness, including quoting the proposal that was reached between the JAAF and the trade union concerned.

## WORKPLACE HEALTH AND SAFETY

The MoU also stipulates that a bipartite Health Committee should be established in each garment factory. In contrast to the COVID-19 related Factory Health Committees from 2020 (see above), the modalities to set these up are now specified in the MoU. Where a trade

union is present at the factory, it will designate the employee members of the bipartite Health Committee and elections will follow. The aim of the Committee is to ensure that COVID-19 related guidelines issued by the Ministry of Health are implemented in each factory.

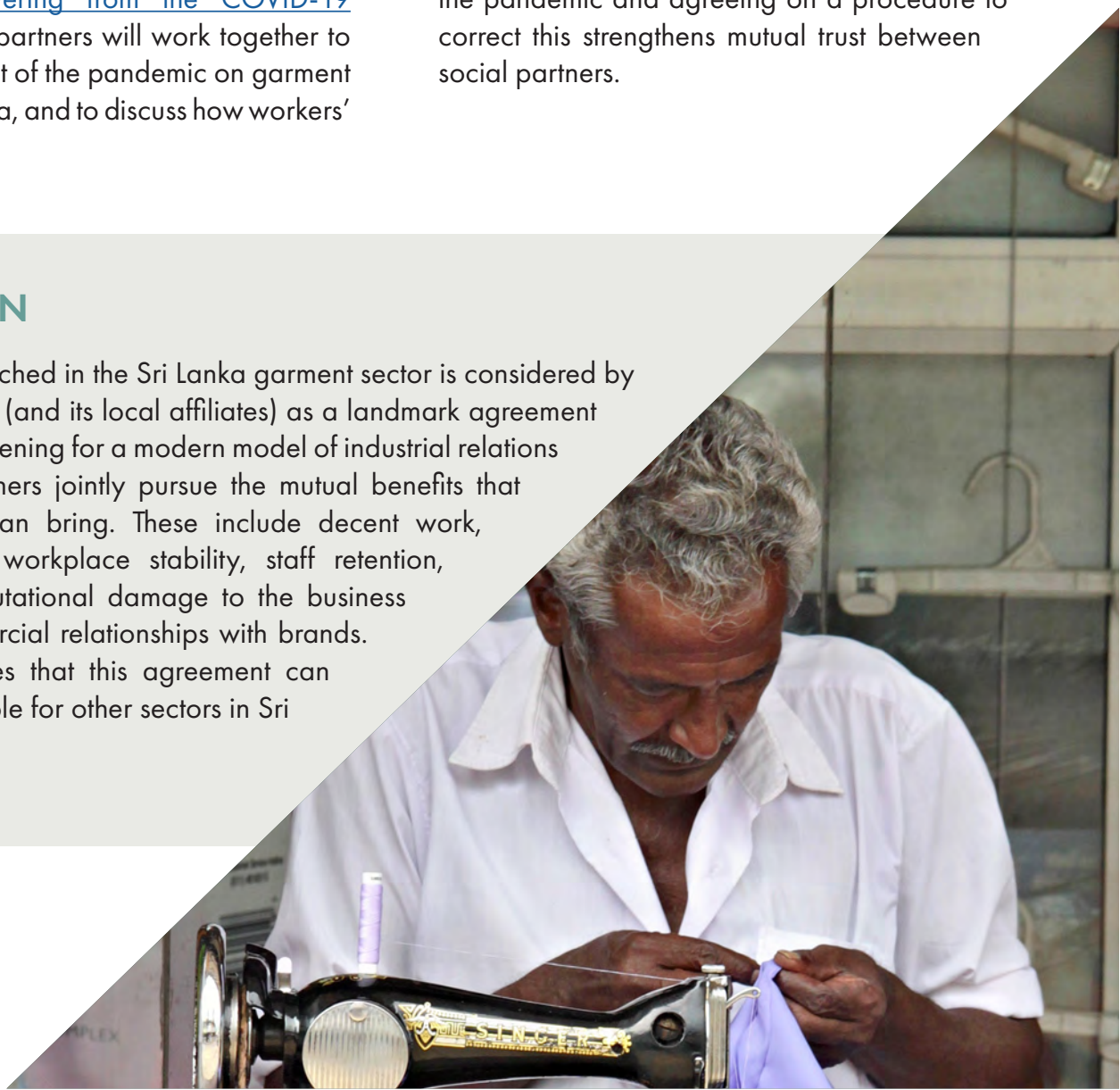
## RECOVERING LOSSES FROM THE COVID-19 PANDEMIC: A JOINT STATEMENT OF INTEREST

Besides the MoU, a joint statement of interest was also signed on the issue of wage losses incurred during the 2020 lockdowns. According to this statement, '[Recovering from the COVID-19 Pandemic](#)', social partners will work together to estimate the impact of the pandemic on garment workers in Sri Lanka, and to discuss how workers'

lost wages can be recovered. While this is not an easy task to achieve, formally recognising workers' loss of wages and bonuses during the pandemic and agreeing on a procedure to correct this strengthens mutual trust between social partners.

## CONCLUSION

The agreement reached in the Sri Lanka garment sector is considered by [IndustriALL Global](#) (and its local affiliates) as a landmark agreement representing an opening for a modern model of industrial relations where social partners jointly pursue the mutual benefits that social dialogue can bring. These include decent work, industrial peace, workplace stability, staff retention, prevention of reputational damage to the business and better commercial relationships with brands. IndustriALL believes that this agreement can serve as an example for other sectors in Sri Lanka.



## THE GLOBAL DEAL FOR DECENT WORK AND INCLUSIVE GROWTH

The Global Deal is a multi-stakeholder partnership that aims to address the challenges in the global labour market to enable all people to benefit from globalisation. It highlights the potential of sound industrial relations and enhanced social dialogue to foster decent work and quality jobs, to increase productivity, and to promote equality and inclusive growth. The Global Deal welcomes governments, businesses, employers' organisations, trade unions, as well as civil society and other organisations to join the partnership.

Check the [full list of partners](#)

## GOOD PRACTICES FROM GLOBAL DEAL PARTNERS

The Global Deal encourages its partners to share examples of effective and innovative experiences in the area of social dialogue. These are published on the website in a repository that enables knowledge sharing and facilitates peer learning, helping Global Deal partners and other actors to improve social dialogue and sound industrial relations. It provides a valuable resource that illustrates different forms of social dialogue from a variety of regions and countries. Partners are welcome to send relevant experiences and working practices to the Global Deal Support Unit.

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