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Emerging Labor Market Issue in the Sri Lankan Garment Industry in WTO Trade Regime

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වර්ෂ 1995 දී බිහි වූ ලෝක වෙළෙඳ සංවිධානයේ ක්‍රියාකාරීත්වය ගෝලීය ඇඟළුම් ක්‍ෂේත්‍රය ආර්ථික තරඟකාරීත්වයක් කරා යොමු කර ඇත. ගෝලීය වශයෙන් සැපයුම් දාමය තුළ සිදුවන ඕනෑම අහිතකර තත්ත්වයක් අදාළ ඇඟළුම් කර්මාන්ත සැපයුම් දාමයේ ස්වරූපය අනුව පහළ මට්ටමේ සිටින කම්කරුවන්ට බලපානු ලබයි. එවැනි පසුබිමක් තුළ මෙම අධ්‍යයනයේ ප්‍රධාන පරමාර්ථය වනුයේ 1995 ඇඟළුම් ක්‍ෂේත්‍රය සම්බන්ධ ලෝක වෙළෙඳ සංවිධානය ගිවිසුම්ගත එළඹුම තුළ ශ්‍රී ලාංකේය ඇඟළුම් කර්මාන්තයේ ශ්‍රම වෙළෙඳපොළ අසමතුලිතතාව ට සිදු කරන ලද බලපෑම අධ්‍යයනය කිරීමයි. අධ්‍යයනයේ ප්‍රතිඵලවලට අනුව ශ්‍රී ලංකාවේ ඇඟළුම් කර්මාන්තය තුළ පවතින වැටුප් ගැටළුව කර්මාන්තයේ තිරසාරත්වයට අහියෝගයක්ව පවතී. කර්මාන්තයේ සැපයුම් දාමයේ ස්වරූපය අනුව ආර්ථික තරඟ කාරීත්වයේ අහිතකර ප්‍රතිඵල සැපයුම් දාමයේ පහළ ස්ථරයේ සේවකයන් වෙත යොමුව ඇත. මූර්ත වැටුපේ අඛණ්ඩ පහළයාම සේවකයන්ගේ මූලික අවශ්‍යතා සපුරා ගැනීමට පවතින අවකාශය අඩුවීමට, සේවක සුභසාධක අයිතීන් කප්පාදුවීමට, වැඩකිරීමට සුදුසු වාතාවරණය අහිමි වීමට, අවිධිමත් වැටුප් භාවිතයට, අතිකාල මත විශාල වශයෙන් යැපීම ආදී තත්ත්වයන් කර්මාන්තය තුළ මතුව ඇත. මේ අනුව රෙදිපිළි හා ඇඟළුම් සම්බන්ධ ලෝක වෙළෙඳ සංවිධානයේ එකඟතාව තුළ ඇතිකරන ලද ජාත්‍යන්තර තරඟකාරීත්වයක මෙරට ඇඟළුම් කර්මාන්තයේ ශ්‍රම වෙළෙඳපොළට හා සේවකයන්ගේ සමාජීය ජීවිතයට ද බහුවිධ අංශ ගණනාවකින් අහිතකරව බලපා ඇති බව නිගමනය කළ හැක.

මූලාස පද: රෙදිපිළි හා ඇඟළුම් සම්බන්ධ එකඟතාව, ඇඟළුම් කර්මාන්තය, ශ්‍රී ලංකාව, ශ්‍රම වෙළෙඳපොළ, ලෝක වෙළෙඳ සංවිධානය

Background

The garment industry in Sri Lanka had a modest beginning in 1960s as the government took measures to promote the industry as an import substitute industry. The garment industry emerged as a leading industry of the country with the introduction of trade liberalization measures in 1977 and a variety of market oriented economic policy reforms. The policy reforms attracted foreign investors, the East Asian garment exporters in particular, during the early stage, and those exporters relocated their well-established garment factories to Sri Lanka (Kelegama, 2005). The secured market condition established by the Multi-Fiber Arrangement (MFA) until 2005 was one of the important factors that attracted foreign investors to the industry in early stage of trade liberalization and later the domestic capital. This agreement made Sri Lankan apparel industry a preferential access in the United States of America (USA), European Union (EU), and Canada markets, until 2005.

During the period of MFA, 80% of exports to the USA were upon the quota system. The establishment of Free Trade Zones (FTZ) in different geographical regions with necessary infrastructure facilities and establishment of institutional facilities such as Board of Investment (BOI) (former Foreign Investment Advisory Council) and banking facilities were among other contributory measures adopted by the government for rapid growth of the industry. One interesting fact of this industry is that all political parties that were in power during the last 50 years considerably and unconditionally supported and facilitated the apparel industry. This is not true for other similar industries. As a result, today, the BOI approved ventures account for almost 90% of Sri Lanka's total garment exports (Board of Investment, 2013).

The growth of Sri Lankan garment industry in the national economy of Sri Lanka has been noteworthy since 1980s in terms of contribution to GDP, export items, foreign exchange earnings, and employment generations (Thilakarathne, 2006). In 2011, the industry accounted respectively for 7% of GDP and 24% of total industrial production (Central Bank of Sri Lanka, 2011). In mid 1980s, the industry became a main sector of the country in terms of export volume, by overtaking other traditional crops, tea, and rubber. In 1992, the garment sector became the main foreign exchange earner of the country (Kelegama, 2005). In 2000, the industry accounted for 38% of total foreign exchange of the country while reaching to over 50% of total merchandized exports (Thilakarathne, 2006). Today, it is the strongest manufacturing sub-sector that generates foreign exchange to the country. In 2011, the share of exports of garment industry reached a 39.6% of country's total export earnings with the value of USD 4,191 million from 3.6% in 1978 (Central Bank of Sri Lanka, 2011). These earnings accounted for 52.4% of total merchandized exports in 2011.

In the first two and half decades of trade liberalization, USA was the main buyer of Sri Lanka's garments. For instance, 63% of total garment exports were exported to the USA market in 2002. This was mainly due to the quota facilities received under the MFA. Since 2005, a significant turn in export destination of Sri Lanka's garment from USA market to

EU market occurred due to the influence of complete phasing out of the MFA and benefits of the GSP+ scheme offered by the EU since 2005. Specifically, Sri Lanka was among the two countries that received preferential access in the EU market under the GSP+ scheme. Until 2007, USA bought over 50% of Sri Lanka's garments.

According to Table 1, 50.6% of Sri Lanka's garments were exported to the EU market in 2011, while exporting 39.5% to the USA and 9.9% to rest of the world. According to country classification of garment exports, top ten countries have bought 90.1% of total exports in 2011 (see Table 1). According to survey findings of Department of Labor and Oxfam (2006), the top ten buyers are Gap, May Department, Nike, Columbia, Sportswear, Wall Mart, Next, Marks & Spencer, Tommy Hilfiger, Kellwood, and Reebok.

Table 1:
Percentage (%) share of Sri Lankan Garment Export in Top 10 Import Countries

Rank	Country	Export Share (%)
1	USA	39.5
2	United Kingdom	23.1
3	Italy	12.1
4	Germany	5.2
5	Belgium	3.2
6	France	2.1
7	Canada	1.8
8	Netherland	1.8
9	Sweden	0.9
10	Australia	0.6
Total		90.1

Source: Central Bank Annual Report, 2011

Problem statement

The industry employment generation to the unskilled, young, migrant, and unmarried from remote areas, and women labor force, is incredibly important. Specifically, it is the main income source of most economically marginalized households in rural areas. Today, the industry provides approximately 283,000 direct employment opportunities (Board of Investment, 2013) and approximately half a million indirect employment opportunities, becoming the largest single employment provider in the industrial sector. The gender basis employment structure reveals that 85% of industry workers are female and over 60% of them are in the age group of 18-25 years (Prasanna, 2009; Prasanna and Kuruppuge, 2013).

This industry basically runs on international capital of Multi National Co-operations (MNCs), which is entirely based on the rate of return on their invested capital. These capital finds places where production is possible at a low cost, specifically in countries where cost of labor is very low. It is obvious that production of these investments continue until they have the labor cost advantage because of labor intensive nature of the industry and competitiveness of the product in the global market. As stated at the outset, the industry underwent through a series of trade arrangements such as MFA, ATC, and GSP+. Such trade arrangements, specifically the MFA, facilitated continues capital inflow to the industry. With the introduction of WTO in 1995, the quota system, enjoyed under MFA by the industry, was phased out under the WTO's Agreement on Textiles and Clothing (ATC). Thus, the industry missed its secured market condition and opened up for international competition. Due to the international competition and nature of the supply chain system in the industry, any adverse shocks in the global market or supply chain system first affect workers in the bottom level of the supply chain. Second, it resulted to an outflow of capital from increasing labor cost countries to low labor cost countries. Thus, it is argued that the ATC places the industry labor market into a vulnerable position, particularly in emerging economies in Asia such as Sri Lanka. It is known that about 30,000 vacancies exist particularly in garment industries, in and around the Free Trade Zones (FTZs) of the country, which indicate that labor market in the industry is in a disequilibrium level. Many studies have pointed out that workers' have a low long-term reliance on this industry.

Objectives of the study

Overall objective of this study is to analyze labor market issue in the apparel industry in Sri Lanka in the context of international market competition and international capital flight. In this connection, this study will elucidate the nature of the labor market issue in the apparel industry and impact of labor problem on workers in the bottom level of the apparel industry supply chain in Sri Lanka.

Methodology

Based on the phenomenon to be studied, data for the study was mainly drawn from three empirical surveys – workers interviews, buyers' survey, and manufacturers' survey, respectively conducted during the period from January to February 2017, in September 2016, and in October 2016. In addition, secondary data gathered from already published research papers, survey reports, Census and Statistical Department reports, and Central Bank annual reports, facilitated making a productive discussion.

The workers survey covered 120 workers in the four garment factories in the Katunayaka Free Trade Zone (FTZ), which is the largest FTZ located in the country after

liberalizing the economy. Table 2 presents details of companies, and the number of sampled workers in each company. Data was collected using the semi-structured questionnaire, designed to elicit data on socioeconomic background of workers, workers' earnings from the industry, working conditions, workers' rights, etc. In addition, four case studies illustrated the nature of the labor issue in the industry, in a qualitative manner.

Table 2:
Characteristics of companies of sampled workers

Company	No. of workers	Sampled workers	Type of capital	Main market
A	760	20	Foreign	USA
B	1200	40	Foreign	USA and UK
C	600	20	Domestic	UK
D	1400	40	Foreign	USA

Source: Workers survey, 2017

Buyers' survey covered 20 buying offices located in the capital city of Sri Lanka; approximately, there are 60 buying offices in the country. Manufacturers' survey covered 15 garment factory owners from the Katunayaka FTZ. A semi-structured questionnaire method was adopted in both surveys to collect data, particularly on experiences in the post MFA era or free market era.

In addition, trade union members in the industry and civil society activities were interviewed to identify the facts behind the changes in the apparel industry labor market.

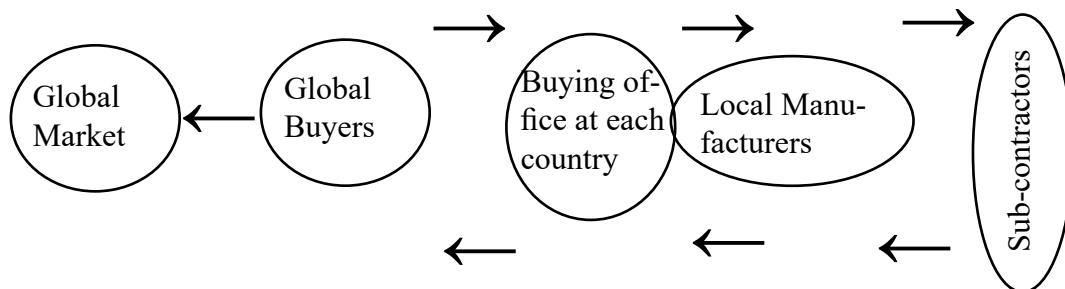
Results

Buyer-driven market structure of the apparel industry and its impact on workers

Figure 1 presents the structure of marketing system of the apparel industry, which is common to all apparel producing countries in Asia. The basic feature of the marketing system is that it is a buyer-driven structure and global buyers make all marketing decisions. Mainly they are large-scale buyers at the global level, mostly the MNCs. These global buyers such as Gap, May Department, Nike, Columbia, Sportswear, Wall Mart, Next, Marks & Spencer, Tommy Hilfiger, and Kellwood and Reebok, operate their buying offices at each garment producing country and order placement is based on the competitive advantages of products of those countries in the global market. Thus, any global level decision such as the MFA phase out led by the WTO has a significant impact on garment producing countries like Sri Lanka, where global level buyers decide on supply side, based on competitive advantages in the global market. According to buyers' survey, price and quality have become the leading factors influencing sourcing strategies (see Table 4). Figure 1 further indicates that buying office

at the country level distribute their orders among manufacturers and part of orders received by manufacturers are distributed among sub-contractors. Finally, these manufacturers and their sub-contractors largely deals with the industry work force.

Figure 1:
Structure of buyer-driven marketing system in the apparel industry



Source: Buyers and Manufacturers survey, 2016

Table 2 provides results of the buyers' survey, particularly their experiences in terms of supplier base. According to survey results, 6 out of 20 buyers stated that there is no change in supplier base. However, almost all these buyers are major buyers and have had long-term business relationships with large-scale manufacturers. The remaining 14 buyers have experienced a gradual decline in the supplier base and they tend more to move to large-scale manufacturers from small and medium manufacturers.

Table 3 presents the nature of adjustment to free market condition by manufactures. Due to the secured market condition and the experienced quota system, manufacturers were able to receive many orders beyond their limits and thereby created the sub-contracting system in the economy. Results of the manufacturers' survey indicate the contracting nature of number of sub-contracts in the period of free market. For instance, small and medium manufacturers have contracted sub-contracting base from 4 to 0 and 12 to 3 by 2016 respectively. A similar trend could be observed in terms of large-scale manufacturers as they too contract sub-contracting base from 63 to 14. According to views of buyers and manufacturers, this contracting nature of supplier base and sub-contracting does not indicate reduction in overall garment production in the country, but industry adjustment to free market condition based on competitive advantages in the global market.

This changing pattern of buyers' and manufacturers' behavior due to WTO's decision on ATC have had adverse implications to industry labor market. First, due to secured market

conditions established by the MFA, the industries were located in rural areas of the country, to address the issue of unemployment in rural areas in late 1980s and early 1990s; for instance, 200 garment factory program and program of industrial parks. Buyers’ decisions to contract their supplier base has resulted closing down most of garment factories established in the rural or remote areas of the country, as was confirmed by national level data. For instance, in 2002, the country had about 730 garment factories in the country, which declined to about 250 by 2013. At the same time, total employment declined from about 330,000 to 283,000 (Board of Investment, 2013). Majority of the closed down companies was located in rural areas. It proves that outflow of investment from rural area due to the WTO Agreement on Textiles and Clothing has resulted in loss of job opportunities at rural regions. Specifically, alternative income opportunities for these workers, particularly to women and young in the rural region is limited; economies in these areas are largely agriculture based and lacks sufficient non-farm and off-farm activities. Following is the statement of the case study carried out in the workers interviews.

“Our village is not a place like an urban area. I have tried to find a suitable job in the village without coming over here. But, there were no proper jobs, only jobs in agricultural field. In the paddy fields, we could only ‘help’. We were not paid for our work even though we worked hard in paddy fields.”

This have had multiplier effects on social life of the workers (please see Case Study 1). Thus, impacts of free market condition created by the WTO for the global apparel marketing have severe adverse impact on labor force in the industry, and thereby in the social life of those worker families.

**Table 3:
Change of supplier base after fully phasing out the MFA under WTO
Agreement on Textiles and Clothing**

Item	No. of buyers interviewed: N = 20	Remarks
Proportion who said no change in supplier base	6	This included all big buyers. They had a relationship with large-scale buyers.
Proportion who said that they have contracted the supplier base	14	Tend to move to large-scale manufacturers.

Source: Buyers survey, 2016

Table 4:
No. of sub-contractors and the share of orders placed on them

Type of manufacturer	ATC (1995-2005)		GSP+ Period (2005-2010)		Post GSP+ Period (2010 on-wards)	
	No. of sub-contractors	Share of orders (%)	No. of sub-contractors	Share of orders (%)	No. of sub-contractors	Share of orders (%)
Small-scale	4	15	0	-	0	-
Medium-scale	12	22	9	8	3	8
Large-scale	63	33	20	20	14	11

Source: Buyers survey, 2016

Note: Buyers survey covered 12 large scale, 6 medium scale, and 2 small scale buyers.

Table 5: Key factors influencing sourcing strategies – buyers’ responses

Factor	MFA phasing out period (ATC)	After MFA Phase out
Price	12	14
Lead time	8	8
Quality	5	11

Source: Buyers survey, 2016

Effects of low wage on workers

a. Higher earning dependency on overtime and target incentives

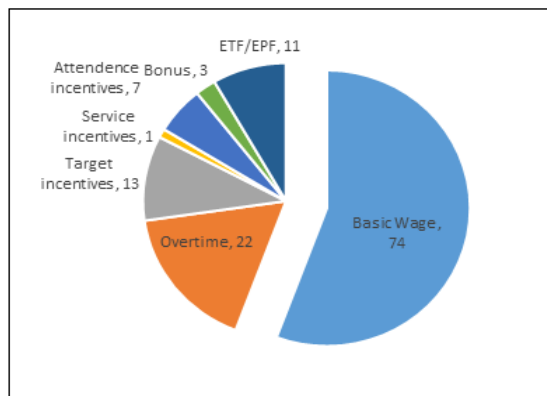
Figure 2 revealed that approximately 56% (USD - 74) of the workers’ earnings are represented by the basic wage and rest by overtime, target incentives, attendance incentives, bonus, and ETF/EPF. Overtime income represents the major earning component other than the basic wage, which is 17% (USD – 22) of the total wage of the workers in the industry. On average, these workers work 1.61 hours of overtime on each working day. This indicate workers’ higher dependency on working in excess of 48 hours per week, considering 6 working days per week.

According to worker interviews, low basic wage is the main reason for working in an excess of 48 hours. According to Spurgeon (2003) as quoted by Prasanna and Kuruppuge (2013), working in excess of 48 hours per week appears to constitute a significant occupational stress, which reduces job satisfaction, increases the effects of other stresses, and significantly

increase the risk of mental health problems. Further, working more than 50 or 60 hours per week would lead to increase the risk of cardiovascular diseases (Spurgeon, 2003 as quoted by Kuruppuge and Prasanna, 2013). It also hinder family relationships. The main reason for involving in excess work in the factory is the existing amount of large orders (high demand) in the industry that cannot be met by employing the prevailing work force within regular working hours. Specifically, restructuring process of the industry due to free market condition has led to contract the number of suppliers (manufacturers) in the country, and thus, manufacturers were in a challenging position to meet buyers' requirements in supply side, because existing workforce in the industry cannot be increased without upgrading industry wage level. This is obviously indicated by the disequilibrium position of the industry labor market, which is mostly associated with low wages. Therefore, these findings indicate the current precarious conditions of workers due to low wages.

Specifically, the industry minimum wage has proven to be increasingly inadequate to maintain an average family, in the major apparel producing countries (Gustavo, 2005). According to Prasanna and Gowthaman (2006), considering the average basic salary of the industry, 84% of workers were below the United Nations defined poverty line of two US dollars a day, and 60% of workers were below the household poverty level of Rs. 5,000, defined by the Institute of Policy Studies in 2005. At the same time, industry minimum wage has not been revised adequately in line with escalating cost of living, and the nutritional status of women workers in the industry was found to be lower than that of workers in other occupations and industries (Amarasinghe, 2007).

Figure 2:
Monthly Distribution of Earnings of Workers in the Apparel Industry – in USD terms
(1 USD = Rs. 151)



Source: Worker interviews, 2017

b. Declining real wage rates

During the last 25 years, the value of Consumer Price Index (CPI) increased from 14.7 to 175.8 by 1,095% (IMF, 2013). When real minimum wage compares with CPI changes, the purchasing power of nominal minimum wage was declined by 28% during the period of 1998 to 2013. Specifically, the consumption pattern of industry workers has changed drastically in recent past. It indicates that authorities have failed to maintain the workers' purchasing power by sufficiently adjusting minimum wage with inflation rate available in the country. Key reason here is that any increase in wages result in lowering the competitiveness of the industry in the global market due to the increased cost of production, though there is a productivity improvement argument on wage hike.

The worker interviews also indicted the real impact of inflation to workers' life style due to deteriorating purchasing power of gross earnings from the industry. These respondents are working in garment factories like Brandix and MAS, located mainly in FTZ where they produce brands like Nike, Gap, and M&S. Few important direct speeches from workers are quoted as follows:

Respondent 1: Machine operator/ Brandix

“In addressing these salary related challenges, I have few options. Mostly what I do is to limit our secondary requirements like attending functions of relatives and friends. If still the expenses are high I choose the other option of limiting our primary requirements. Sometimes I have to limit our basic needs also up to a certain limit, for example limiting expenses on relatively high cost items in the weekly food basket such as meat, fish, and fruits.”

Respondent 2: Machine operator/ MAS

“I was compelled to marry late because of my poor salary, which was barely adequate to meet my basic needs.”

Respondent 3: Machine operator/ MAS

“Prices of items which I need to buy for our day-today requirements are increasing rapidly. But our salary still remains unchanged for a long time. Instead, rules and regulations for OT and other income sources are coming into practice, avoiding us receiving additional income. Because of that I have to dedicate my day-today requirement or limit my expenses in order to balance my income and expenditure. Now I face a lot of difficulties in leading a happy family life. For instance, I can't remember a day in which I went to a film or a picnic with my family members.”

Analyzing the above direct speeches of respondents identify a mismatch of salary hike and inflation behavior. Further, it was evident that prevailing salary to workers are not sufficient to meet employees' basic needs.

c. Unlawful wage practices

With the expansion of garment and textile as a profitable industry, the competitive pressure among firms shifted towards cost reducing strategies. The labor-intensive nature of the industry naturally finds putting more pressure on labor as the only available option. Labor costs approximately amounted to 15-20% of the overall cost (Dheerasinghe, 2003; Kelegama, 2005). Although, measures are needed to consider on labor saving strategies with the expansion of the industry, the competitiveness has been mostly focused on low cost labor. As a result, the state of job quality has been leveraged by the firms over the past decades. Therefore, the issues concerning wages of employment in the garment industry in Sri Lanka emerged in many facets. They are mainly stated as a list below as per the views of labor union activists:

- Obtaining extra hours of work from employees without payment
- Forcing workers to attend for overtime work
- Forcing workers to work on Holidays
- Target incentives are paid to workers on piece base
- Salary deductions from workers for unofficial leaves

d. Unemployment time

In Sri Lanka, it is rare to observe an unemployment time of employed worker in the industry, as the industry still receive adequate orders from their foreign buyers. It was expected that the MFA phase out would have a negative impact on industry work force. However, the industry underwent series of structural changes such as merging with large-scale companies, switching from its low value items to high value (niche) items in garment export basket, changing export directions, etc. (Prasanna, 2007). It is evident that currently, approximately 30,000 vacancies are available for women workers in the industry, particularly in the FTZs. These existing vacancies clearly indicate that the industry labor market is at a disequilibrium position, specifically in attracting women workers. The main reason for not attracting labors to the industry is the low wage rate coupled with lack of social recognition to industry workers. Specifically, the fierce competition in the international market created by the ATC is the key reason for low wage rates in the industry.

This has pressurized already employed workers in the industry in terms of excess labor supply to the factories to fulfill placed orders by the buyers. The reported higher overtime rate at the industry is a good indication for this pressurization. Following is the statement of case study performed during the workers interviews.

“As I know that my salary is too small to cater to the family requirements, I am forced to work overtime. If I cover a sufficient number of overtime hours, my salary reaches to Rs. 18,000.00. If it reaches that amount, at least I can fulfil the minimum requirements of my

family and myself. Now the company has implemented an overtime controlling methodology for workers in the company. That has very badly affected my salary.”

This situation is clearly indicated by the decreased employment level of the industry from 330,000 in 2002 to 283,000 in 2013, even though the industry export increased at a significant level in terms of both value and volume.

e. Barriers to Unionization

Interviews with trade unions pointed out several barriers to unionizations. They are: non availability of adequate provisions to protect labor’s rights in legal Act, Bills, and documents; forcing and threatening workers by employers for not to engage in union activities; lack of resources for prevailing labor unions and less coordination among them; stressful work conditions which keep workers away from union activities as workers always give priority to their family than the job; and inadequate standards in the industry in terms of work conditions that labor unions would demand. For instance, in an interview, a labor union leader stated that, “All gates of factories are closed to us. No permission for us to enter into their premises. We have no chance to address workers and workers also do not have chance to meet us. It is like an open prison.”

Further, one mechanism used by the government to non-unionize the workers of apparel industry is Joint Consultative Council/Employees’ Council (JCC/EC). With a view to promote investments, Sri Lankan Government in 1978 established Greater Colombo Economic Commission (GCEC). In 1992, it was reconstituted as Board of Investment Sri Lanka by geographically expanding its coverage.

f. Health and nutritional status of workers

The nutritional status of workers, women workers in particular, in the industry was found to be worse than that of workers in other occupations and industries, and of the same age category of the country’s population (Amarasinghe, 2007; Peiris, 2008). Conducting a cross-sectional analysis using randomly selected 652 women workers in five garment factories in the Katunayake FTZs area, Amarasinghe (2007) indicated that 34.2% of workers were affected by chronic malnutrition, as measured by the Body Mass Index. The report also revealed that 44.7% of women garment industry workers were anemic with low mean hemoglobin concentration. Among them, 55% were married women workers. According to workers opinion in the survey conducted by Peiris (2008), 34% of garment workers have reduced the number of meals they take per day. This percentage is high in terms of women workers, which is 39%. Moreover, 41% of workers (40% female and 42% male) have indicated that they visit a doctor more often now than before they joined the present job.

These study findings indicate the deteriorating health conditions of the workers in the industry due to various reasons such as low wages and excessive work time. As the women workers accounts for approximately 85% of industry work force, and as women

health conditions affect their children, the worsening health of women adversely affect future generations.

Concluding remarks

This study mainly attempted to examine the labor market issue in Sri Lankan apparel industry in the context of WTO's Agreement on Textiles and Clothing in 1995. Findings revealed that the industry is in a challenging position in tackling wage problem, as it affects industry competitiveness in the global market. The nature of the industry supply chain system (buyer-driven) has resulted in passing down the impact of industry adjustment to free market condition on workers in the bottom level of the industry supply chain.

Price and quality have become the main sourcing strategies of buyers. This indicates that increase in wage rates at the garment sector parallel to the state and other sectors is problematic because it affects to reduce price competitiveness at the global market and thereby the flight of invested capital to low cost garment producing countries. In this situation, numerous garment factories have ended their production operations during last decade, while some factories have merged with large-scale manufacturers and reduced the number of sub-contractors as a survival strategy in the era of international market competition.

The industry adjustment process to free market condition has resulted in reducing employment level and keeping the wage rate at the low level at the industry. This has created a series of problems among the workforce in the industry and their social life. The declining real wages in the industry has forced workers to involve in higher overtime and other income sources of the industry.

According to existing literature in the field, workers' higher dependency on overtime over long run have adverse impacts on health condition of workers. The continues decline in real wage level in the industry has negatively affected workers in various ways such as achieving the basic needs (foods), unionizing in the factories, working conditions at the factories, dependency on overtime, unlawful wage practices, and unemployment time. According to socioeconomic background of the workers, these workers are most young, women, and migrants from remote areas. Thus, alternative income opportunities for these workers, particularly to women and young in the rural area, is highly limited because those are largely agriculture based economies with insufficient non-farm and off-farm activities in the area. Thus, the international competition created in the global textiles and clothing market by the WTO's Agreement on Textiles and Clothing has adversely influenced the industry labor market and thereby social life of the industry workforce.

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