

# Sri Lankan workers hard hit by export downturn

**Our correspondents**  
**27 July 2009**

The Katunayake Free Trade Zone (FTZ) is among the industrial areas in Sri Lanka badly hit by the world recession. Several factories have been closed, resulting in thousands of layoffs. Some workers have been given notice that their jobs could go any time. Pay cuts and reductions in working hours have been ongoing.

Just in first three months this year, 192,000 workers were laid off in Sri Lanka, according to the International Labour Organisation (ILO). Among them were 96,000 industrial workers, 60,000 garment workers and 36,000 construction workers.

The downturn is continuing. According to the latest monthly review by Sri Lanka's Central Bank, exports declined in May by 27.8 percent, compared to May last year. The fall for textiles and garments was 22.7 percent. Over the period from January to May, exports and imports both fell continuously, pointing to a declining economy.

Free trade zones were established in Sri Lanka as cheap labour platforms in the late 1970s as part of the turn to a free market agenda in South Korea, China, Bangladesh and other countries. The Katunayake FTZ was established in 1978, followed by other industrial zones at Biyagama in the suburbs of Colombo and Koggala in the Galle district.

Activities in the Katunayake FTZ include garments, gemstones and jewellery, rubber- and leather-based products, ceramics, light engineering goods and artificial flowers. Investors are from the US, Germany, Japan, China, and South Korea.

Like other trade zones, Katunayake is surrounded by barbed wire fences. The FTZ is part of the Katunayake high security zone established in the course of the war against the separatist Liberation Tigers of Tamil Eelam (LTTE). While the army defeated the LTTE in May, there are no signs of lessening security at Katunayake, which is near air force bases and Sri Lanka's international airport.

The security measures are used to restrict the freedom of workers. They have to register with police with a copy of their national identity card. Workers are prohibited from gathering in groups inside the zone. Police and the zone's security personnel are on constant watch. Before the end of the war, houses and boarding rooms situated in the area were frequently subjected to military searches and police raids.

Star Garments, a major company in the zone and elsewhere with over 7,000 workers, is loosing ground. Only a temporary change in markets has prevented further layoffs, one employee said. The well-established company laid off about 2,200 workers from 2007 to this April.

Last month the company gave notice to hundreds of clerical and technical employees but later put the layoffs on hold due to a sudden increase in orders. An American buyer had reduced orders from Bangladesh and China, citing poor standards. However, an employee told the WSWS that the jobs of all workers were at risk as the situation was rapidly changing.

In January this year, Synotex, established in 1982 and one of the oldest garment factories in Katunayake FTZ, closed down with the retrenchment of about 2,500 workers, who were paid minimal compensation.

A 30-year-old female worker from Amparai in the Eastern Province worked in Synotex. She told the WSWS she had found a job at another company, but many workers had returned to their villages.

"I worked four and a half years in Synotex. I was paid only 100,000 rupees (about \$US900) as compensation when I was sacked along with thousands of other workers. The Free Trade Zone Workers Union (FTZWU) did nothing to defend our jobs although it said workers' jobs would be protected.

"Before workers were retrenched, management asked for individuals to write letters of voluntary resignation.

After I lost my job I returned home for five months but was unable to find a decent job. I was compelled to come back to the zone.”

The former Synotex employee is now working at Isabella garments on a monthly salary of 7,800 rupees. She earns less than 10,000 rupees a month with overtime payments and other allowances. Asked about the war, she said: “We had to face many difficulties due to the war. The end of the war is a relief. But there is no improvement in our lives.”

Another worker joined in: “I am from Kegalla. We were not affected by the war directly. But we saw lots of mothers frequently crying as they lost their sons in the war as many joined the army. The war is over but there is no relief for ordinary people like us. The government gives everything to big business.”

Compensation for the retrenched Synotex workers was paid according to a government formula that provides two and a half months pay for each year of service to a maximum of 48 months. Synotex workers were not paid their bonus for 2008 or a 1,000 rupee annual pay increment for 2009 approved by the Board of Investment, the FTZ regulatory body.

FTZWU leader Anton Marcus participates in the tripartite National Labour Advisory Council (NLAC) along with other trade union leaders and government and company representatives. The government reactivated the council, which was established decades ago, to integrate the unions more closely into the process of imposing the burden of the global recession on workers.

The FTZWU is not defending jobs but is helping companies push through retrenchments in return for payouts. Marcus has filed a case for additional compensation for former Synotex employees, in an attempt to defuse growing anger among workers.

In February 2007, Jaqalanka Ltd and Jaqalanka International closed down, throwing 1,400 workers out of a job. Marcus gave the go-ahead for Jaqalanka to shut and absorb workers into Jaqalanka International. But the owners closed both factories.

Toroid Lanka Ltd, which manufactures transformers and conductors, and Smart Shirts Lanka Ltd, a garment factory, each laid off more than 500 workers early this year. Smart Shirts closed down a section of its Katunayake plant and another factory in an adjoining area. Another garment factory, Next, retrenched 500 workers in April.

Virtually every factory in the zone has slashed overtime, bonuses, attendance and night allowances, and transport

facilities.

A young worker from Smart Shirts said: “I have been working here in the cutting section for about two years. With overtime, my monthly income is around 13,000 rupees. We have to pay 2,000 rupees per month for a room shared with two other people. The company had seven plants in Sri Lanka and two have been closed down. In last few months, there was a fear among workers that the factory in the FTZ would be closed down as export orders were declining. Although we are still working, there is no guarantee of a job.

“We have to work from 7.45 a.m. to 8.45 p.m. If we are five minutes late they do not allow us to report work for 30 minutes and it is added to our unpaid leave. We are given a free breakfast and we have to pay for lunch. It was free previously and now we have to pay 30 rupees. For dinner we have to pay 50 rupees.”

Dinesh Ratnakumara used to work at Next Garment: “I lost my job in April with about 500 other workers. I worked there for one year. I got only 30,000 rupees, including my salary for that month when I was laid off. There is no organisation to defend workers. There is an elected workers council but it acts like an instrument of the company. If anyone talked about workers rights, he would be transferred to another section or sacked.

“Now I am working at Creative, a bicycle manufacturing factory. The payments and working conditions are not good compared to my former company. My basic salary is 6,000 rupees and monthly income is less than 10,000 rupees. I have to look after my mother. I have to pay 2,300 rupees for board. However, there is no other way to live as it is very difficult to find a job.

“Earlier I had no clear idea about the world economic crisis. I can understand job losses and other attacks on Sri Lankan workers are related to this world crisis. Therefore, as you suggest, workers need a common struggle to defend jobs and other benefits.”



To contact the WSWs and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**