Briefing

Wages in Sri Lanka's garment industry

Context for the closure of Next Manufacturing Ltd Katunayake plant

LABOUR BEHIND THE LABEL

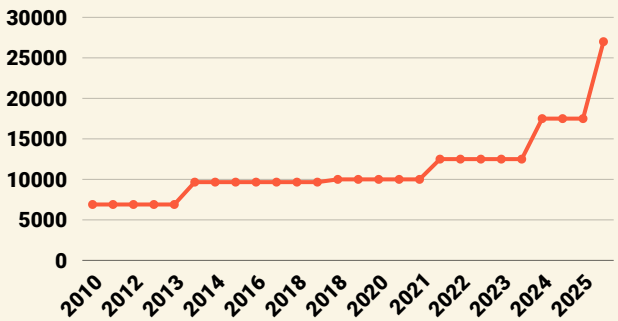
On the 19th of May, just four days after NEXT's AGM approved shareholder dividends, NEXT abruptly shut down its only directly-owned factory with a recognised trade union. 1416 workers were fired, via whatapp, from NEXT Manufacturing Ltd Katunayake in Sri Lanka, without proper notice, without consultation, and in blatant violation of Sri Lankan labour law and the OECD tripartite declaration on Multinational Enterprises.

As a unionised plant, the Free Trade Zones & General Services Employees Union (FTZ & GSEU), had managed to secure safer and better working conditions, including comparatively improved pay and a significant decline in instances of sexual harassment. NEXT chose to close only this facility, despite operating two other non-unionised factories nearby. The closure was attributed to "increasingly high operating costs." This paper attempts to outline the economic context of this statement.

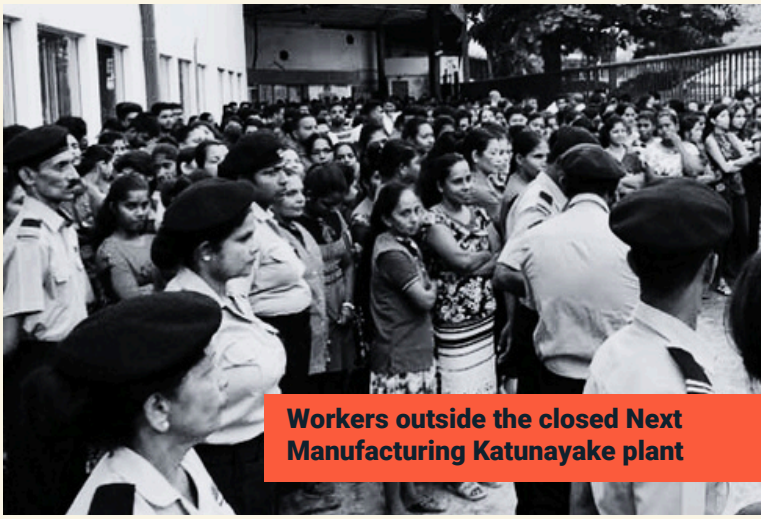
Sri Lankan garment worker minimum wages are less than a fifth of a living wage

Sri Lanka's garment industry workers are paid some of the lowest minimum wages in the South and South East Asia region. Including a budgetary relief allowance, the minimum wage stands at just LKR 21,000, with an as yet ungazetted increase to 27,000 coming later this year. Compared to living wage estimates including the Asia Floor Wage 2023 figure of 158,353 or the Global Living Wage Coalition reference value of LKR 115,943, minimum wages are currently set at 13-18% of a living wage.

Figure 1: Minimum wage for apparel workers in Sri Lankan Rupees, 2010 - 2025



Credit: ILR Global Labor Institute



Workers outside the closed Next Manufacturing Katunayake plant

Minimum wages revised rarely

Sri Lanka has had long periods of wage stagnation. Unlike competing apparel production regions such as Vietnam, Indonesia, Cambodia and China, who all revise minimum wage levels for workers on a regular, mostly annual basis, Sri Lanka has no rhythm to its wage setting. Perhaps only akin to Bangladesh (although this is currently up for debate), Sri Lanka offers no certainty around the revision period of wages, leading to increased labour unrest and has only responded in recent years to extreme inflation by agreeing marginal increases.

Minimum wages are set at just 13-18% of a living wage.

In addition to the national minimum wage setting process, which sets wages for plantation workers, government workers and private sector workers, there are sectoral wage negotiation boards, although the gains from these are fairly marginal.

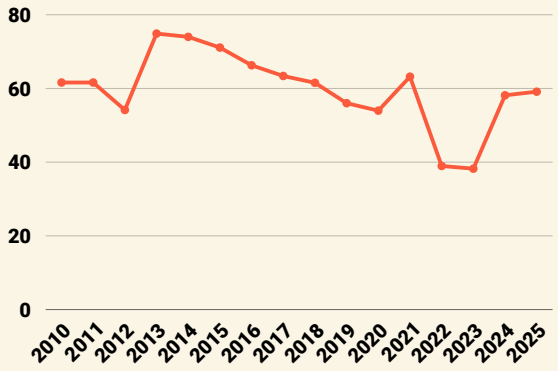
Economic crisis impacting low wage workers

[Following analysis taken from a forthcoming study from ILR Global Labour Institute, with thanks.] Sri Lanka's economy has been unstable, and its economic crisis in 2022 saw hyperinflation of almost 50% cut deeply into the living standards of low-wage workers in Sri Lanka. Despite wage...

Cont. page 2

increases, the real wage value has barely increased at all since 2015, and workers suffered an extreme period of poverty 2022-23. Conversely, for employers and buyers, this resulted in opportunity. The dollar value of wages in Sri Lanka declined, making Sri Lanka in fact an inexpensive sourcing destination. Although this has recovered through wage increases, figure 2 shows that the dollar value of minimum wages in Sri Lanka has only increased to meet 2010 levels and the real value of minimum wages for apparel workers has in fact declined.

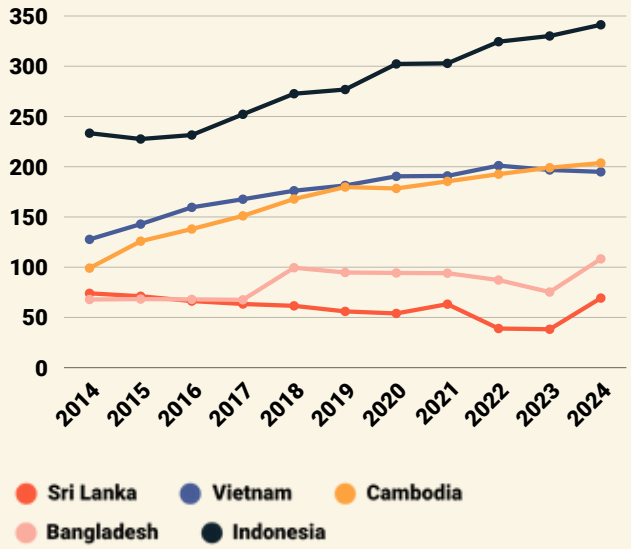
Figure 2: Dollar value of Sri Lankan minimum wages for apparel workers, 2010 -2025



Credit: ILR Global Labor Institute

Comparing this to the dollar value of minimum wages in other garment producing regions in South and South East Asia – the currency in which fashion buyers will see the wage picture - Sri Lanka is certainly one of the very lowest. Even with additional benefits added, the cost of labour in Sri Lanka is likely nowhere near the dollar value of Cambodia or Vietnam, for example, which is more than double.

Figure 3: Nominal USD value of minimum wages for apparel workers in Sri Lanka and competing garment producing regions, 2010 to 2024



Credit: ILR Global Labor Institute

Actual earnings still very low

Actual earnings, rather than minimum wage levels, are higher but insufficient. Data from Sri Lanka's Labor Force Survey shows that the median monthly earnings among manufacturing workers —of whom approximately one third are apparel workers, and among the lower paid among them — was LKR 37,000 in 2023. Comparatively NEXT state that a grade A operator at the Katunayake plant take home LKR 45,000. This equates to 150 USD approximately and is still significantly less than minimum wages in Cambodia or Vietnam, and comparable with take home pay rates for apparel workers in Bangladesh.

What does NEXT mean by 'profitable'?

NEXT are claiming that the cost of labour has become uncompetitive at the supplier, but this very much depends what they are comparing the pricing to – other suppliers nationally who provide excessively low and exploitative wages, or other international sourcing locations? In all instances, we know that minimum wages are not enough to allow workers to live with dignity – a situation that NEXT has committed to address. Yet it continues to undermine living wages and fair pay at every turn, dispensing of its values in the face of profit opportunity. The NML facility is one supplier where

Cont. page 3

steps are being made towards decent pay and it must be supported. NEXT, as both the buyer and the supplier at NEXT Manufacturing Limited, set the parameters for what it defines as profitable. If the company chooses to put its orders through other facilities in the area without unions, where workers are paid comparatively less and experience more exploitative conditions, they are choosing to ensure the 'profit' made by their own facility is curtailed. The choice to let buyers compete with other facilities that pay workers exploitatively low wages was already a choice to undermine unionised pay and fail to support freedom of association in the NEXT business.

NEXT must support union pay

NEXT must acknowledge the economic context of its decision to close its only unionised factory. We are calling on NEXT, with a profit forecast expected to meet £1.08 billion this year, to reverse the factory closure decision, engage FTZGSEU directly around sourcing strategy in Sri Lanka, and reinstate all employees with the same conditions and union recognition.

Workers received a whatsapp message firing them from their jobs

Special thanks:
Graphs and statistical analysis in this paper are referenced from forthcoming research from ILR Global Labor Institute. Feedback was provided by ILR Global Labor Institute, FTZ GSEU and Clean Clothes Campaign.

Labour Behind the Label campaigns for garment workers' rights worldwide. We support garment workers' efforts to improve their working conditions and change the fashion industry for the better. We raise awareness, provide information and promote international solidarity between workers and consumers. We are a member of the Clean Clothes Campaign in the UK.

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