

## Trade Unions and Their Impact on Productivity: A Review of Sri Lankan Context from 1995 to 2015

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### **Abstract**

There are many factors that cause trade union actions such as problems related to organizational culture, management and administrative issues, problems related to working conditions, demand for higher salaries and other benefits by the employees and political influences. As a result of these trade union actions, lots of working hours may lose and it could badly affect the productivity of the organization. This study was conducted with a view to make a review on trade unions and their impact on productivity in Sri Lankan context for the period of years 1995-2015. 1978 Constitution of Sri Lanka recognizes Freedom of Association and Freedom to join and form trade unions as fundamental rights of every citizen of Sri Lanka. Industrial Disputes act (No. 43 of 1950) of Sri Lanka states different methods to resolve Industrial disputes such as Collective agreements, Conciliation, and Arbitration. According to the statistics of Labour Department of Sri Lanka, many industrial disputes occurred in the period of 1995-2015 and government intervened to settle many of them. Thousands of employees involved in those industrial disputes and plenty of man days lost as a result on annual basis during the period of 1995-2015. Therefore the author came to the conclusion that industrial disputes impacted a lot in a negative way for the productivity of labour force in Sri Lanka and hence it affected badly for the economy of Sri Lanka during the period of 1995-2015.

**Key Words:** Trade Unions, Industrial Disputes, Productivity

## Introduction

Employers and employees have different kinds of interests. Employers try to maximize their profits for their capital investments and employees try to get maximum benefits for their service, and to get appropriate working conditions from the employers. Those different interests are conflicting and disagreements between employers and employees occur as a result of it. There are many factors that cause trade union actions such as problems related to organizational culture, management and administrative issues, problems related to working conditions, demand for higher salaries and other benefits by the employees and political influences to trade unions which have links to political parties. Due to those factors employees engage with trade union actions such as strikes, overtime-ban, falling sick and work-to-rule. As a result of these trade union actions, lots of working hours may lose and overall performance level of the organization goes down and finally it badly affects the productivity of the organization.

Sri Lanka has a long history of trade union actions. From the beginning of the trade union movements in Sri Lanka, trade unions have adopted antagonistic approach toward the managers (employers). In that early period many trade unions had affiliations with Marxist and Leninist political parties which were agitated against colonialism and class struggle. Market economic policies were introduced to Sri Lanka in 1977 and it created many changes in business environment in Sri Lanka. Due to the market economy, competition among the organizations was increased and therefore industrial harmony became significant factor for organizations to survive in the market. So, after 1977, trade unions had to change their antagonistic approach toward management. Also new generation of employees are more concerned about their welfare than politics. Over the years many industrial disputes occurred and large number of working hours got lost as a result of it.

The author did making a critical literature review by referring to the statistics of Labour Department of Sri Lanka related to trade unions and industrial disputes during the period of 1995-2015 and made a conclusion with regard to the impact of trade unions on productivity in the Sri Lankan context from 1995-2015.

## Literature Review

### The definitions of trade unions and their objectives

In the industrial relations, employees are normally represented by trade unions. However there are employers' trade unions too such as Employers Federation of Ceylon. There are many definitions for Trade Unions.

Aswathappa (2003, p481) stated as "Trade unions are voluntary organizations of workers or employers formed to promote and protect interests through collective action". Also Mondy and Robert (2005, p9) "A union is comprised of employees who have joined together for the purpose of dealing with their employer". As well as Freeman and Medoff (1984) described Trade Unions as principal institution of workers in capitalistic societies in modern world. Trade Unions Ordinance No.14 of 1935 of Sri Lanka defines trade unions as "*means any association or combination of workmen or employers, whether temporary or permanent, having among its objects one or more of the following objects:-*

- (a) *The regulation of relations between workmen and employers, or between workmen and workmen or between employers and employers; or*  
(b) *The imposing of restrictive conditions on the conduct of any trade or business;*  
or  
(c) *The representation of either workmen or employers in trade disputes; or*  
(d) *The promotion or organization or financing of strikes or lock-outs in any trade or industry or the provision of pay or other benefits for its members during a strike or lock-out, and includes any federation of two or more trade unions.”*

Individual employees have less power than employers in terms of contract of employment. Trade unions organize employees and make their demands collectively to the management. Therefore trade unions strengthen the power of the employees. Armstrong (2006) stated that fundamental purpose of trade unions is to promote and protect the interest of their members. Aswathappa (2003) stated some objectives of Trade Unions. Those are to secure improved terms and conditions of employment and improved status, enhance bargaining power and enhance the level of democratic decision making participation. Dessler (2006) stated that unions have two sets of aims. Those are to ensure union security and to obtain improved wages, hours, working conditions, and benefits for their members.

### **Historical background of trade unions**

Industrial revolution took place in Europe in the 18<sup>th</sup> century and it led to many socio-economic changes. Prior to the industrial revolution, economy is based on agriculture and small scale industries. These small scale industries were managed by members of families and it was operating as a self sufficient unit at the villages. During the period of industrial revolution, many new technologies such as the use of steam power were invented. Machines that utilized those innovative technologies such as steam engine and cotton gin were made. These machines enhanced the productivity a lot and therefore some wealthy businessmen started to use these machines in their work places. To operate these machines, large space wanted and large work force needed. So factories were established and poor people worked in there as slaves.

At the beginning factory owners attempted only to maximize their profits and they often neglected employees who worked in the factories. Employees worked in very inappropriate working conditions and they had to work in long working hours such as 16 hours a day. Due to those unsuitable working conditions, many workers suffered from diseases and some of them even died. Also factory owners used child labours for their industries and they provided very low wages for these child workers. These child labours were treated badly in the factories and they have to face many problems in the work place. Therefore employees had to face many problems during the early period of Industrial Revolution. So when time went on workers began to agitate to obtain fair salaries and for more suitable working conditions. It was difficult for them to agitate individually and they used to organize with other workers and made demands collectively. It was the beginning of trade unions. Then trade unions developed gradually and now it become as an important partner in Industrial Relations.

Article 23(4) of Universal Declaration of Human Rights (UDHR), adopted by the general assembly of United Nations, in 1948, declares that “Everyone has the right to form and to

join trade unions for the protection of his interests". As well as article 02 of Freedom of Association & Protection of the Right to Organize Convention No. 87 of 1948 of International Labor Organization (ILO) states that "workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization". Many countries around the world enacted laws which provide legal basis to form and join Trade Unions for workers in their countries by using above conventions and declaration as guidelines. It helps for the developments of Trade Unions.

### **Trade Unions in Sri Lanka**

Trade Unions in Sri Lanka have a long history exceeding hundred years. In 1893, Ceylon Printers Union was formed and earliest industrial dispute was Printer's Strike in 1893. Since then so many trade union actions took place due to various reasons in Sri Lanka. In 1929, Employer's Federation of Ceylon was formed and they signed the first collective agreement with the Ceylon Trade Union Congress. Following are some legislative enactments that are related to Trade Unions. Article 14(1) of the present Constitution of Sri Lanka recognizes Freedom of Association and Freedom to join and form trade unions as fundamental rights of every citizen of Sri Lanka. According to the Trade Union Ordinance (No. 14 of 1935) seven persons can form and register a trade union and this leads to multiplicity of Trade Unions in Sri Lanka. Also amendment to Industrial Disputes Act in 1999 recognizes a Trade union representing more than 40% of the work force as a bargaining agent. However public sector employees are not covered by this act and they are governed by the Establishment Code which is adopted by cabinet of ministers. Now more than 1500 trade unions are operating in Sri Lanka. Table 01 shows the details of trade unions functioning during 1995-2015.

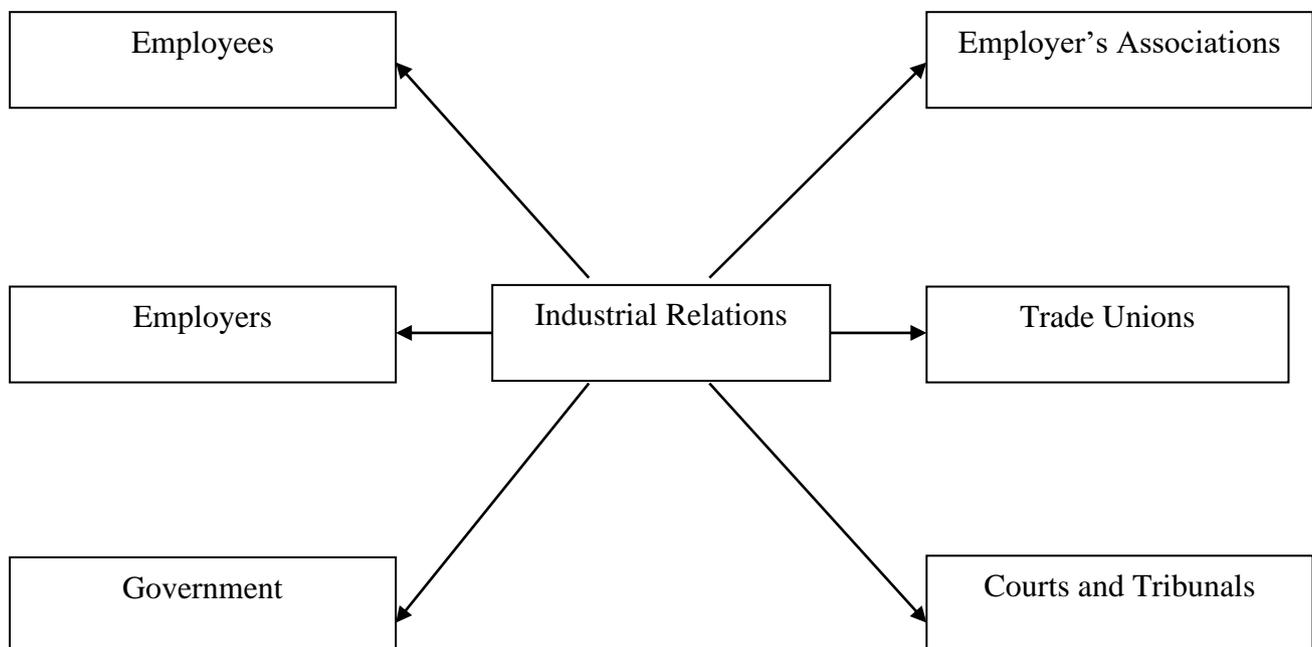
### **Industrial Relations**

Managing the interactions between management and trade unions known as Labour Relations or Labour-Management Relations is part of Employee and Labour Relations in Human Resources Management (Opatha, 2009). Industrial Relations can be defined as the tripartite relationship among the employers, employees who are represented by trade unions and the government who settles the disputes among the employers and employees through legislation. Many scholars defined the concept of Industrial Relations in different ways. Barbash (1954) defined Industrial Relations as "Area of study and practice concerned with the administration of the employment function in modern public and private enterprises. This function involves workers, unions, managers, governments and various publics." As mentioned in above definition employees, manager, government and courts and tribunals are partners of Industrial Relations system. Also, Industrial Relations influence different aspects of work life. Opatha (2007) found some factors as strong predictors of Labour-Management relations; union satisfaction at work, worker discipline administration, grievance handling process, worker performance evaluation and Union attitudes.

Schregle (1982) demonstrated that industrial relations is an interdisciplinary field that comprised of the study of all aspects of people at work which includes the study of employees who may or may not members of a trade union, the behavior of employers and trade unions, legal frame work related to employment conditions and economics of

employment problems. He further stated that Industrial Relations integrated into some other disciplines such as Law, Economics, Politics, and Behavioral Science. Gluek (1974) explained Industrial Relations as “A labour relation is a continuous relationship between a defined group of employees represented by a Union or association and an employer”. The relationship includes the negotiation of a written contract concerning wages, hours, and other conditions of employment and interpretation & administration of this contract cover its period of coverage. Human relations are very important in Industrial Relations. Richardson (2003) defined Industrial Relations from the perspective of human relationships. He defined Industrial Relations as the art of living together for the production purposes and parties can learn this art by acquiring the skills of adjustment while working together. Figure 1 shows the main stake holders of Industrial Relations.

**Figure 1: Industrial Relations System**



Source: [www.Naukrihub.com](http://www.Naukrihub.com)

### **Industrial Disputes**

Industrial dispute defined in the Industrial Disputes Act (No. 43 of 1950) as follows; “Industrial Dispute means any dispute or difference between an Employer and workmen or between employers and workmen or between Workmen and workmen connected with the employment or non-employment, or the terms of employment or with the conditions of labor or the termination of services, or the re-instatement in service, of any person and for the purpose of this definition “workmen” includes trade union consisting of workmen.” Court held in the case of Apothecaries Co.Ltd vs. Wijesuriya (70NLR 481) that above definition falls into three parts; the fact of the dispute, parties to the dispute and subject matter of the dispute. However all the disputes that occur between the employers and employees don’t consider as Industrial Disputes. Hewagama and Gamage

(2011) found that harmonious industrial relations climate is a very important factor for existence of dual commitment, which is created by organizational commitment and trade union commitment.

### **Illegal Trade Union Actions**

Trade union actions highly affect to the economy of any country. Therefore some unfair trade union actions are prohibited by Law. Labor Laws of Sri Lanka stated some situations where trade union actions are illegal. Some of those are mentioned below; According to the section 32 of the Industrial Disputes act, it is illegal to commence, or continue, or participate in, or do any act in furtherance of, any strike in connexion with any industrial disputes in any essential industry which is declared by the Minister of Labour without giving prior notice at least 21 days before the commencement of strike. According to the section 40 of the Industrial Disputes Act, it is a punishable offence to commence, continue and participate in or to any act in furtherance of a lock-out or strike in any industry after an industrial dispute has been referred for the settlement to an Industrial Court or for settlement by Arbitration. Also this section stated that it is a punishable offence to challenge any award given by such court or arbitrator or to change or cancel or alter the terms in a collective agreement or any strike in breach of a collective agreement. Also according to the Section 40 of the Industrial disputes act, it is a punishable offence to commence, or continue, or participate in, or do any act in furtherance of a strike while pending a settlement by Industrial Court or by an arbitrator in breach of a collective agreement. Amerasinghe (2009) emphasized that the courts upheld the right to strike in the private sector of Sri Lanka only subject to the restrictions in the Industrial Disputes Act.

### **Industrial Disputes Resolution**

Industrial disputes interrupt the production of organizations and it affects to the economy of the country. Also when there is a shortage of essential products public suffer from it. Therefore it is very important to resolve industrial disputes in effective manner with a view to maintain industrial harmony and to ensure that production remains uninterrupted. Best way to resolve industrial disputes between disputant parties is negotiate with each other and come into a settlement. This method to resolve industrial disputes is not possible sometimes and in such situations government intervenes to resolve industrial disputes. Government has set up a legal mechanism to resolve industrial disputes. Industrial Disputes act (No. 43 of 1950) of Sri Lanka contained a mechanism to resolve industrial disputes. It stated some different method to resolve Industrial disputes; Collective agreements, Conciliation, and Arbitration.

### **Collective Bargaining and Collective Agreements**

Collective Bargaining is the most peaceful method to resolve industrial disputes. Convention No.154 of International Labor Organization (ILO) defined Collective Bargaining as “all negotiations which take place between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more workers' organizations, on the other, for: (a) determining working conditions and terms of employment; and/or (b) regulating relations between employers and workers; and/or (c) regulating relations between employers or their organizations and a workers' organization or workers' organizations.” Collective Bargaining operates at three levels;

National Level, Industrial Level, and Organizational Level. Trade unions used Collective Bargaining as a method to improve the terms and conditions of their members. It usually bi-partite between employers and trade unions and state intervenes when there are disagreements.

In the process of Collective Bargaining, both parties negotiate with each other about the issues. They express their interest, bargain and make suggestions during the negotiation. At the end of the negotiation both parties come in to a settlement and make a collective agreement. Industrial Disputes Act (No. 43 of 1950) defined collective agreement as “which is between -any employer or employers, and any workmen or any trade union or trade unions consisting of workmen, and which relates to the terms and conditions of employment of any workman, or to the privileges, rights or duties of any employer or employers or any workmen or any trade union or trade unions consisting of workmen, or to the manner of settlement of any industrial dispute”.

There are some conventions and recommendations which are adopted by the international labour conference which are related to Collective Bargaining such as;

- Freedom of Association & Protection of the right to organize convention No. 87 of 1948
- Right to Organize and Collective Bargaining convention No. 98 of 1949 (Sri Lankan government ratified this convention in 1992)
- Promotion of Collective Bargaining convention No. 154
- Recommendation No. 163 concerning promotion of Collective Bargaining.

Employers’ Federation of Ceylon was formed in late 1920’s and they signed the first collective agreement with the Ceylon Trade Union Congress. Following are some legislative enactments that related to Collective Bargaining in Sri Lanka.

- Trade Union Ordinance No. 14 of 1935 recognizes the right to organize and Collective Bargaining
- Industrial Disputes Act No. 43 of 1950 provides legal basis for Collective Bargaining and to collective agreements. Amendment to the Industrial Disputes Act in 1999, provides recognition for trade unions which have membership more than 40% of the work force as a bargaining agent.
- Article 14(1)(c) of the Constitution of Sri Lanka recognizes the right to Association.

### **Conciliation**

This is another method to resolve industrial disputes. In the conciliation, there is a friendly intervention of a neutral person and he helps the disputant parties to come to a settlement in a peaceful manner. If disputant parties come to a settlement, then memorandum of settlement is set up and both parties should sign it. Then both parties are bound by it. ILO convention No. 92 on Conciliation, states that “Voluntary conciliation machinery, appropriate to national conditions should be made available to assist in the prevention and settlement of industrial disputes between employer and worker”. Two

types of Conciliation procedures are mentioned in the Industrial Disputes Act (No. 43 of 1950). Those are Conciliation and Conciliation by authorized officer.

### **Arbitration**

Industrial Disputes Act (No. 43 of 1950) stated two types of arbitration; voluntary arbitration and compulsory arbitration. According to the section 3(d) of the Industrial disputes Act, when disputant parties consent to the arbitration, commissioner of Labor is empowered to handle voluntary arbitration. When disputant parties don't consent to the arbitration, section 4(1) of the Industrial disputes Act (No. 43 of 1950) empowered Minister of Labor to refer disputes for compulsory arbitration.

### **Industrial Courts**

The President of Sri Lanka empowered to appoint panel not less than five persons to the industrial court time to time. According to the section 4(2) of the Industrial disputes Act, the Minister of Labor empowered to refer any industrial dispute to industrial court for the settlement. Parties are bound by the orders of Industrial Courts.

### **Labor Tribunals**

Labor Tribunals established in Sri Lanka in 1957, by an amendment to the Industrial Disputes act (No. 43 of 1950). Any employee in any workplace other than in public sector, whose service has been terminated, can apply Labor Tribunals for get relief. However any person cannot go behind Labor Tribunals while being employed. Trade Unions also can apply to a Labor Tribunal behalf of its member who has been terminated.

As well as according to the section 3(d) of the Industrial Disputes Act, Commissioner of Labor can refer Industrial Disputes to Labor Tribunal. Application to a Labor Tribunal should be made within 6 months of the termination of service of an employee. This method of Industrial Disputes resolution is save time and money of the employees. Table 02 and Figure 04 show some details about Industrial Disputes that took place in Sri Lanka, number of cases resolved and referred to arbitration in years 1995-2015.

### **Impact of Trade Union actions on Productivity**

Many researchers found that trade union actions adversely affect to the productivity of the organization. We can understand the negative impact of trade union actions by assessing the number of man- days lost. Institute of Public Affairs of Australia (2008) stated that "The best, and most obvious, measure of the magnitude of industrial dispute is the number of man-days lost as a result of those disputes. This is obtained by the simple device of multiplying the number of workers affected by the number of days each man or woman is out of work as a consequence of a Strike or Lock-out".

According to Australian Bureau of Statistics ([www.abs.gov.au](http://www.abs.gov.au)), due to various kinds of institutional, legislative and economic changes number of trade union disputes in Australia declined during the period of 1987-2007 and as a result of it number of working days lost declined and it affected positively to the Australian Economy. Figure 2 shows details about it.

**Figure 2: Industrial Disputes, Number of working days lost**

Source: Industrial Disputes, Australia, Dec 2007 (cat. no. 6321.0.55.001).

(<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/568E8A6B40FDBA06CA25748E00123C37?opendocument> )

Research article of Menon and Sanyal (2004) identified that “labor unrest is endogenous across the states of India, and has a strong negative impact on foreign investment”. Owoye (1993) stated that “resource under utilization due to strike activity would cause low rates of growth in productivity, and as output and export decline, the ability to secure healthy balance of payment would be jeopardized”. The study of Owoye also shows that savings, industrial disputes in Nigeria have negative effects on export oriented growth and capital formation.

When industrial disputes occur in the organization, it may interrupt the production of the firm and it may help its competitors to enhance their market share and improve their profitability for a short period of time. Researches Fusco and Fuess (1991) identified that Strikes in some firms in the airline industry of America impact positively for the share price of other airline companies. McDonald and Bloch (1999) found that Strike at competing organizations has a statistically significant positive impact on organization’s profit margins, but the magnitude of the impact depends on firm’s market share and on the degree of concentration that characterizes the industry that organization located. Sometimes when there is an economic crisis, although employees need to increase their wages and benefits, they don’t try to engage with trade union actions, because employers in such situations intend to do lay-offs and retrenchments to overcome from financial difficulties and employees consider job security is more important. In the study by Charoenloet, Ativanichayapong and Wanabiboon (2003) indicated that after the economic crisis in Thailand in 1997, number of Strikes decreased and number of Lock-outs increased significantly. Therefore in such economic crisis adversely affect to the bargaining power of trade unions.

## Findings

Many trade union actions occurred due to various reasons in the recent past in Sri Lanka. Large number of man-days lost due to these trade union actions. Table 1 and Figure 3 demonstrate information about strikes, and man-days lost as results in the years 1995-2015.

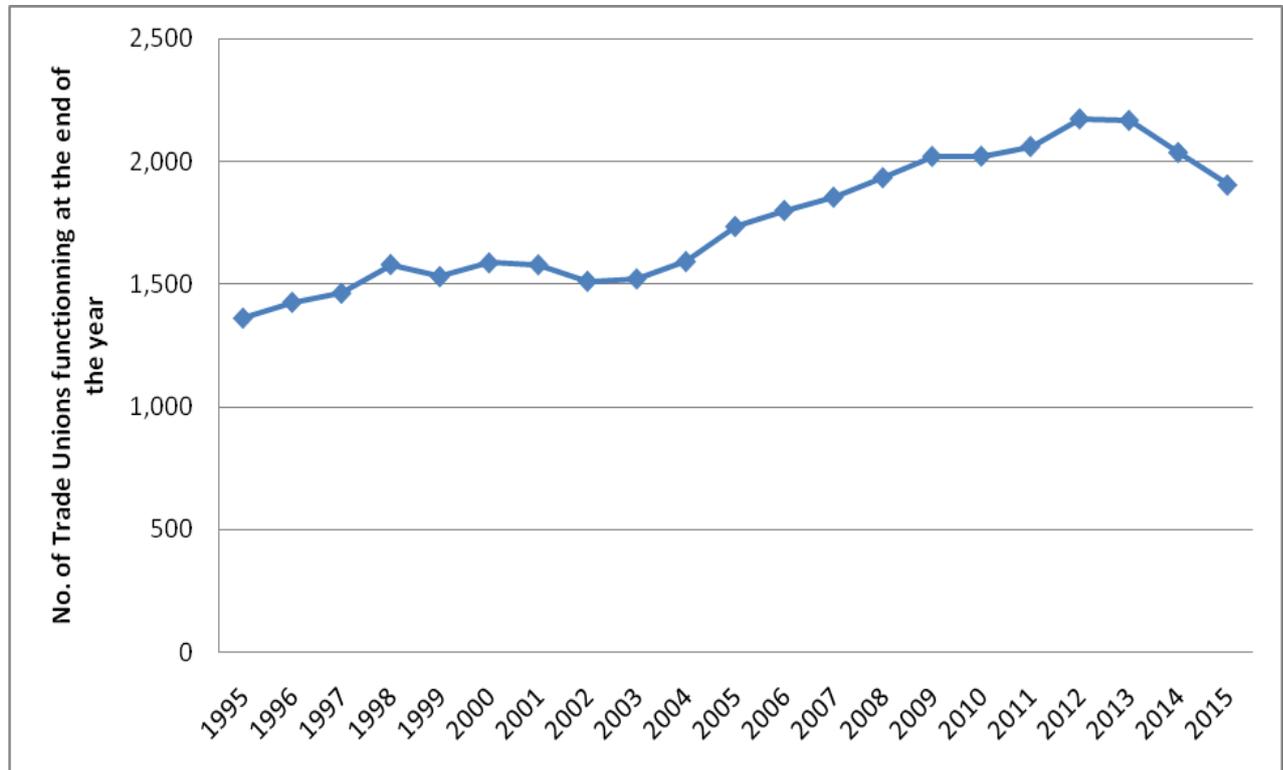
**Table 1: Trade Unions 1995-2015**

Year	No. of Unions registered during the year	No. of Unions cancelled and dissolved during the year	No. of Unions Functioning at the end of the year	Total Membership
1995	243	110	1,364	1,441,149
1996	101	37	1,428	1,264,641
1997	136	96	1,465	883,107
1998	111	14	1,581	799,821
1999	70	120	1,532	693,513
2000	186	130	1,588	1,000,104
2001	147	155	1,580	433,162
2002	154	198	1,513	640,673
2003	140	130	1,523	413,485
2004	172	55	1,593	583,323
2005	129	11	1,735	385,466
2006	113	48	1,800	285,014
2007	108	30	1854	195,037
2008	99	20	1933	765,404
2009	117	55	2019	322,472
2010	107	106	2020	765,404
2011	84	45	2059	1042,016
2012	114	2	2171	401,171
2013	108	114	2165	421,322
2014	125	255	2035	393,819
2015	181	315	1903	635,085

**Note:** Fluctuation in total membership is due to poor reporting by the unions.

**Source:** Department of Labour

**Figure 3: Number of Trade Unions functioning at the end of the year from 1995-2015**



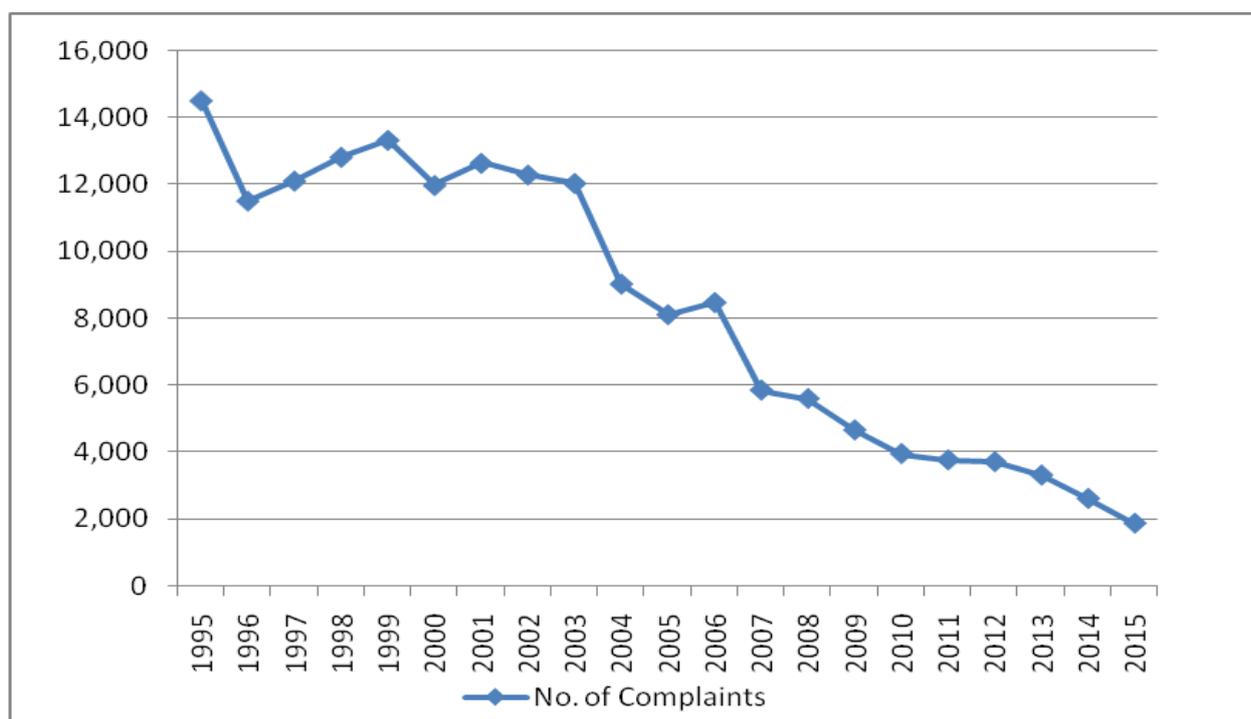
Source: Labour Department of Sri Lanka

Table 1 and figure 3 show that according to the statistics of Labour Department of Sri Lanka, number of trade unions that are functioning at the end of each year increased gradually from 1995-2012 and it decreased a bit from 2012-2015. Also Table 1 demonstrates that except in 1999, 2008 and 2011, more than 100 trade unions were registered on annual basis from 1995-2015. As well as Table 01 indicates that 684 trade unions were cancelled and dissolved from 2013-2015 it affected to decrease the number of trade unions that are functioning at the end of each year in that period. Also Table 1 shows that there is a fluctuation of total membership at the end of the years and according to the Labour Department of Sri Lanka, it was due to the poor reporting by the trade unions. Ranaraja (2013) demonstrated that some trade unions haven't submitted their annual statements with their membership information in many occasions, although it is required to do so according to the Trade Union Ordinance.

**Table 2: Industrial Disputes 1995-2015**

<b>Year</b>	<b>No. of Complaints</b>	<b>No. of Cases Settled</b>	<b>No. of cases Referred Arbitration</b>	<b>Amount Recovered by Settlement(Rs.'000)</b>
1995	14,510	14,084	66	24,677.3
1996	11,508	11,054	41	28,057.5
1997	12,106	14,542	61	15,674.9
1998	12,819	14,265	46	121,599.1
1999	13,326	13,629	72	158,346.4
2000	11,976	13,096	50	128,858.7
2001	12,638	13,706	72	138,307.0
2002	12,289	14,847	69	180,072.3
2003	12,034	11,981	53	93,069.9
2004	9,024	979	665	101,308.8
2005	8,105	8,519	52	273,222.1
2006	8,470	8,819	38	763,784.4
2007	5849	5683	32	2,323,171.83
2008	5596	5162	32	1,466,227.40
2009	4653	4294	59	925,687.57
2010	3948	3462	24	612,212.66
2011	3756	3384	59	568,000.52
2012	3702	3695	43	412,275.00
2013	3301	3129	49	97,996,662.43
2014	2602	2589	53	37,895,427.89
2015	1861	1758	28	30,011,736.93
2016	2155	1881	-	41,753,492.00

Source: Labour Department of Sri Lanka

**Figure 4: Number of complaints on Industrial Disputes from 1995-2015**

Source: Labour Department of Sri Lanka

Table 2 and Figure 4 demonstrate the information on number of complaints reported regarding industrial disputes from 1995 to 2015. According to Table 2 and Figure 4, number of complaints on annual basis was decreased gradually from 1995 to 2015. Also Table 2 shows that thousands of industrial disputes were settled during the same period and millions of money recovered by those settlements.

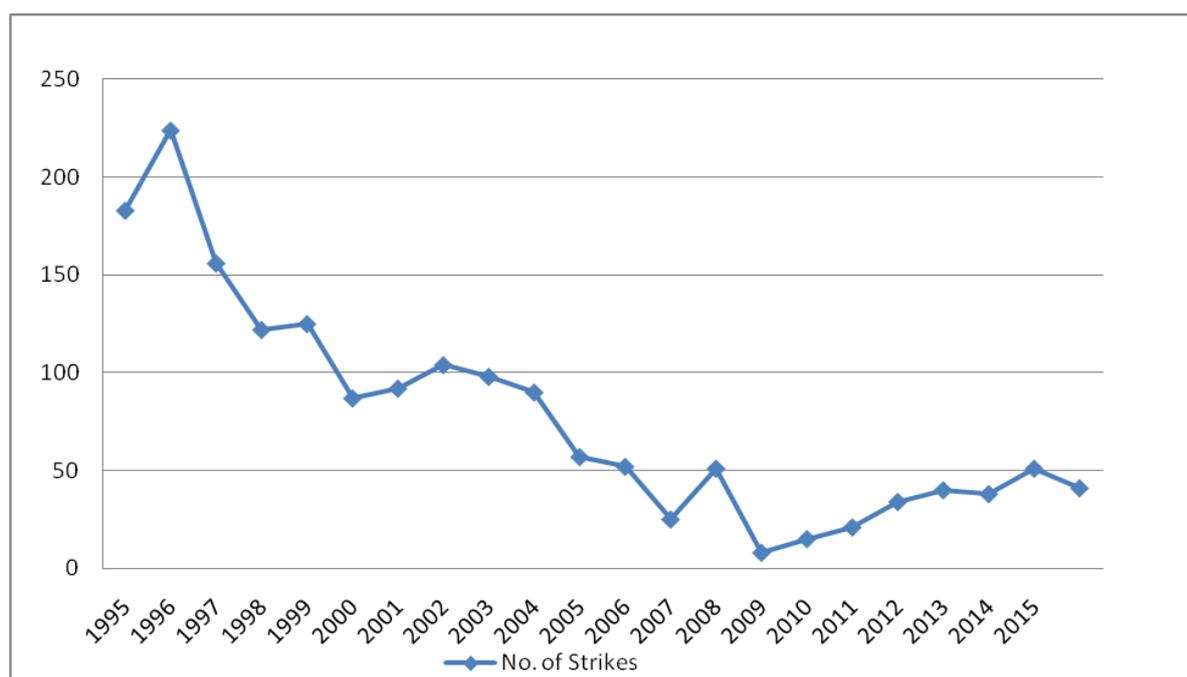
**Table 3: Strikes, Workers involvement & Man days lost 1995-2015**

Year	Total		
	Strikes (1)	Workers Involved	Man-days Lost
1995	183	63,373	293,519
1996	224	75,197	388,917
1997	156	57,632	325,477
1998	122	44,343	265,145
1999	125	42,346	304,246
2000	87	25,858	64,481
2001	92	42,344	69,997
2002	104	27,717	70,350
2003	98	42,561	87,172
2004	90	33,346	81,100

2005	57	53,565	158,352
2006	52	209,604	4,895,148
2007	25	7,547	39,237
2008	51	37,931	65,655
2009	08	5,320	7,665
2010	15	5,108	25,071
2011	21	6,455	25,420
2012	34	9,904	35,817
2013	40	11,119	80,417
2014	38	6,451	37,323
2015	51	14,915	82,294

Source: Labour Department of Sri Lanka

**Figure 5: Number of strikes on annual basis from 1995-2015**



Source: Labour Department of Sri Lanka

Table 3 and Figure 5 indicate that thousands of workers engaged with hundreds of strikes in different industries during the period of 1995-2015 and as a result of it millions of man-days lost for the organizations. In the year 2006 marked the highest lost of man days during the period and it badly affected to the productivity of organizations. Also Table 3 and Figure 5 show that number of strikes decreased gradually from 1995-2009 and there is a slight increase of that from 2010-2015. As well as Table 3 demonstrates that employees' involvement in strikes decreased considerably during the period from 1995-2009 and it gradually increased during the period 2010-2015.

## Conclusion

Trade Unions in Sri Lanka have a long History exceeding hundred years. The 1978 Constitution of Sri Lanka, and acts such as Industrial Disputes Act No. 43 of 1950 and Trade Union Ordinance (No. 14 of 1935) provide legal provisions to form and function of trade unions in Sri Lanka and to maintain industrial relations. Also ILO conventions and recommendations provide guidance to its member countries to enact and maintain domestic laws and regulations on industrial relations.

According to the statistics of Labour Department of Sri Lanka, more than 1500 Trade Unions are operating in Sri Lanka. Many industrial disputes occurred in the period of 1995-2015. Thousands of employees involved in those trade union actions and large amount of man days lost due them on annual basis during the period of 1995-2015. Therefore industrial disputes impact a lot in a negative way for the productivity of labour force in Sri Lanka and hence it affected badly for the economy of Sri Lanka during the period of 1995-2015.

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