

Labour Turnover in the White-Collar Job Categories of the Sri Lanka's Ready-Made Garments (RMG) Industry:

Emerging Trends and Causal Factors in the Post- MFA Period

S Weerawansa and I Aponsu

Department of Economics, University of Colombo, Sri Lanka

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Background

Sri Lanka's ready-made garments (RMG) industry has been through many stages of growth and structural formation that bears upon the constituents of the industry, most notably its labour force. During its years of launch the RMG industry growth led to the creation of a pro-competitive labour force and the industry-labour partnership grew into one of synergy and mutual reinforcement. In the post-MFA era that began in the mid-1990s, the RMG sector faced intense competition in securing its position in the global apparel value chain. As the fortunes shifted from a high growth mode to painful restructuring, the RMG industry faced the unenviable challenge of retaining and sustaining its competitive labour force. Consequently, the industry went through mergers and restructuring, while over 35% factories faced closure. These challenges have had a profound impact on the RMG industry as a whole, and dramatic consequences on the labour force in particular. Whilst the closure of such a large number of factories created chaos in the industry, it soon enabled those that survived to make use of the redundant workforce as an abundant pool of talent and make good of it. However, this initial respite failed to create a sustained performance in the industry. Under the intensifying value chain competition that intensified with the encroachment of Chinese, and later countries like Bangladesh, Vietnam, etc. the RMG sector is faced with yet another round of stress. The industry increasingly is in need of many talented workers to ward off competitive pressure. Consequently, labour turnover, in particular in the middle management categories, has been identified as amongst the issues that are of utmost concern to the industry if it were to maintain the gains it made in the global apparel trade so far.

The literature on labour turnover is wide ranging involving a broad scope of the topic. However, the studies and the perceived analyses are subjective, as they are influenced by the nature of the firm, industry, region, country and the period of analysis. The literature also recognises that no one procedure or model could capture the intricacies involved in the subject. For instance, even within a firm, different categories of labour

are influenced by differing factors as labour turnover is perceived as the outcome of complex interactions of many factors. Thus, it makes it difficult to pinpoint and establish a well-defined relationship between the factors that cause turnover and its reciprocal impact upon the factors. Evidently, the issue of blue collar worker labour turnover and related issues have been extensively covered in a multitude of studies, though the discussion of turnover issues of white collar categories have been few and far between.

Objectives

Notwithstanding that labour turnover cuts across many occupations, this study makes its specific focus of labour turnover in the executive categories in the RMG industry in Sri Lanka in the post MFA transformation years.

The study endeavours to bring out critical factors that underlie the current outcomes of labour turnover, and also possible explanations industry perceives as the reasons, so that industry can better manage them before they reach epidemic proportions. Whilst the study acknowledges the limitations it imposes on the final outcomes, we are of the view that it elucidates the important parameters that may be analysed in depth in rigorous studies in the future.

Methodology

This study explores the subject via two channels: a first questionnaire focused on the opinions of the top most executives of the firms studied; and a second questionnaire targeted at middle management levels that are comparable across the industry. The choice of this particular category of employees for the research study is justified on the grounds that this segment of the labour force is quite critical for the maintenance of the status-quo of the industry vis-à-vis its trading competitors. A survey of 50 white collar employees covering 5 RMG firms, and 5 questionnaires addressed to the respective company heads provide the source of information for the study.

The methodology adopted in this study is confined to opinion surveys involving qualitative assessment of the findings. The information gathered are then matched with the objective of ascertaining how the industry as a whole perceives the issue of turnover and its contributory factors. For this, specific targeted factors are considered which are then matched with industry findings. It needs noting that this study will serve as a pilot study of the subject that may be analysed in-depth by employing industry-wide studies in the future.

Summary of findings

The definition of turnover from a management perspective is somewhat varied across firms. The industry considers a turnover around 2-3% that prevailed until the second half of 2000s to be not much of a problem. Evidently, turnover issue has been critical in production departments and merchandising, whereas it is less so in other divisions. The industry copes with such inevitabilities through temporary transfers of similar staff from other sections to cover the gaps. This procedure however exerts extra burden on the managerial staff who are transferred and the production staff below as in it involves "additional controls" as the production line requires readjustment.

Those who join the industry young tend to be enthusiastic, willing to learn and undertake longer shifts due to a culture that gives the promise of upward career mobility. Those who enter the industry young have the potential of becoming a middle management staff within a period of 3-5 years. Evidently, these young employees show high lateral mobility as the industry has well standardised practices established that enables them to fit in within short gestation periods. Their career development paths too are planned well ahead and across the industry. Thus, it remains a less influential factor in labour turnover.

The industry has an informally recognised hierarchy where top notch firms are setting trends and practices with others following suit. Evidently, many who join young aspire to join the upper tier firms as a matter of prestige and personal value. It is also a fact that many go back to the lower tier firms after some time to gain higher perks, often the firm that they first left. The reason for this paradox is that many who come from those upper echelon firms are welcome as they bring with them the latest practices and knowhow that are vital for the survival of the firm and industry at competitive levels. Interestingly, it is evident that most firms regard themselves as a unit of a large production base that shares know how, practices and human skills.

Firms, as a policy, advocate informal culture to promote belongingness and commitment. Wages too remain fairly competitive and thus remain less influential in making employees quit. One of the reasons that potentially influences labour turnover is the work-life balance issue which is evidently biased towards work. The average age groups of the industry are 20- 45 years with more employee concentration found at the lower end of the age spectrum. Though those who reach 40-50 years are more inclined to leave the industry as they find it takes a toll on their lives, their turnover remain somewhat lower than their younger counterparts. Though distance is an influential factor in the choice of their place of work, many factories that are located in the

outskirts and rural areas seem to have been less affected as the firms manage to employ middle management from the same localities.

Strikingly, since the second half of the 2000s, many smart middle managers have been lost due to the brain drain to competitor countries such as Bangladesh, Vietnam and Cambodia, Myanmar, etc. with devastating consequences, giving credence to the widely held belief that substantial differences in wages still remain a crucial pull factor in labour turnover.

Conclusions

The conclusions that we derive upon are that, as expected, labour turnover has many connotations, underlying reasons and implications. Whilst it's quite subjective and the opinions are mixed, clearly that it was not the labour turnover per se, but the kind of labour that is crucial in Sri Lanka's apparel industry. The competitiveness of a firm appears to have close relationship with the harmony of its value creation process. Especially those who hold key positions in the value chain that could cause devastating impact on the firm's competitiveness in the event they leave. Evidently, the firms concerned would do their utmost to retain such staff as right replacements are increasingly harder to find. However, the evidence suggests that the labour turnover in the current context is unprecedented in terms of its character and begs for new ideas and strategies to deal with it.

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