

Japanese-Style Human Resource Management in Sri Lanka

—The Case Study of Usui Lanka (Pvt.) Ltd.—

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1. Introduction

There are about 15 Japanese companies in the Katunayaka Free Trade Zone (FTZ), which is located opposite the International Airport in Sri Lanka at the end of 2001. There are 90 factories functioning with 60,000 people employed. Of these, more than 50,000 (over 80 per cent of the total) are female workers. Over 90 per cent of these female workers are from rural areas that have a traditional cultural background. The other FTZs in Sri Lanka also have the characteristic of preponderance of female workers. The government would like to see FTZ investors recruiting male workers as well, but there are only a few jobs available for them. These are in job categories like mechanics or supervisors. Some investors are reluctant to use male labor because they are more prone to create labor unrest.

The Japanese companies in the Katunayaka Zone are not exceptional in this regard. They use predominantly female labor in their factories except for one company. It is interesting to research the ways in which the Japanese-style management system (JSM) works when most of the employees are female as whenever the JSM is been discussed, the focus has almost always been the male employees. For instance, in discussions of the Japanese longterm employment, it is only the male employees who are being considered.¹⁾

In this paper, I will try to give a picture of the Human Resource Management system conducted in an average Japanese company operating in the FTZ in Sri Lanka and how much that system could be explained as JSM. In the course of this study, I will also examine why even a large Japanese company operating in Sri Lanka cannot adopt JSM in a systematic way. As for reasons for this state of affairs, I will be looking at the general patterns of management culture in Sri Lanka and the management system adopted in

1) Emi Takenaka is one of the scholars who emphasizes about the inequality between the male and the female employees in Japan (Takenaka 1998).

Japanese companies there.

This paper first explains the company profile and its labor structure. Then the basic practices of Human Resources Management will be discussed; the recruitment practices and job retention, human resource development, wage, salary, allowances, and increments, promotions and labor management relationship. This research was carried out for 2 months in the end of year 2001.

2. Company Profile and its Labor Structure

Usui Lanka is one of a typical Japanese companies in the FTZ which produces paintbrushes for artists (professional and hobby) to the international market. It is not a green field company in Sri Lanka. There was a German company producing the same products established in 1981, where the husband and wife were the investors. These German investors left Sri Lanka due to some family obligations. This was how the Usui Kouzan whose head office is in Hyogo, Japan came to own this business in Sri Lanka. They acquired it from the Germans in 1986. Production activities started from the following year. Usui Kouzan Japan owns 100 percent of the equity.

Usui is also a typical Japanese company in Sri Lanka. Except for one or two manufacturing companies, mother companies of all the Japanese invested companies in Sri Lanka are small and maximally medium sized. Usui Kouzan Japan is, typically, a small and medium sized company. Usui Kouzan Japan has a history of 40 years of brush making. From the beginning, it has been an original equipment manufacturer (OEM) and does not produce under their own Usui brand. The company has three factories in Japan. However, Usui is one of the largest brush producers in the world.

There are three Japanese representatives from the Head office (Hyogo, Japan) assigned to Usui Lanka. One of them is the Managing Director and the remaining two are office coordinators. The Managing Director has been in Sri Lanka from the beginning of the operation. The management emphasizes its positive interest in adopting JSM in the Usui Lanka.

Figure 1 indicates the organizational structure of the company. The top management—the chief office manager, accountant, cost accountant, factory manager and two sectional managers are those who have been working from the inception of the company by the Germans. The other employees, except for a few, have been newly recruited to the company. Together with the management there are nearly 400 employees working.

Table 1 indicates the flow of materials and finished products. Usui is a typical FDI

Figure 1 Organization Structure

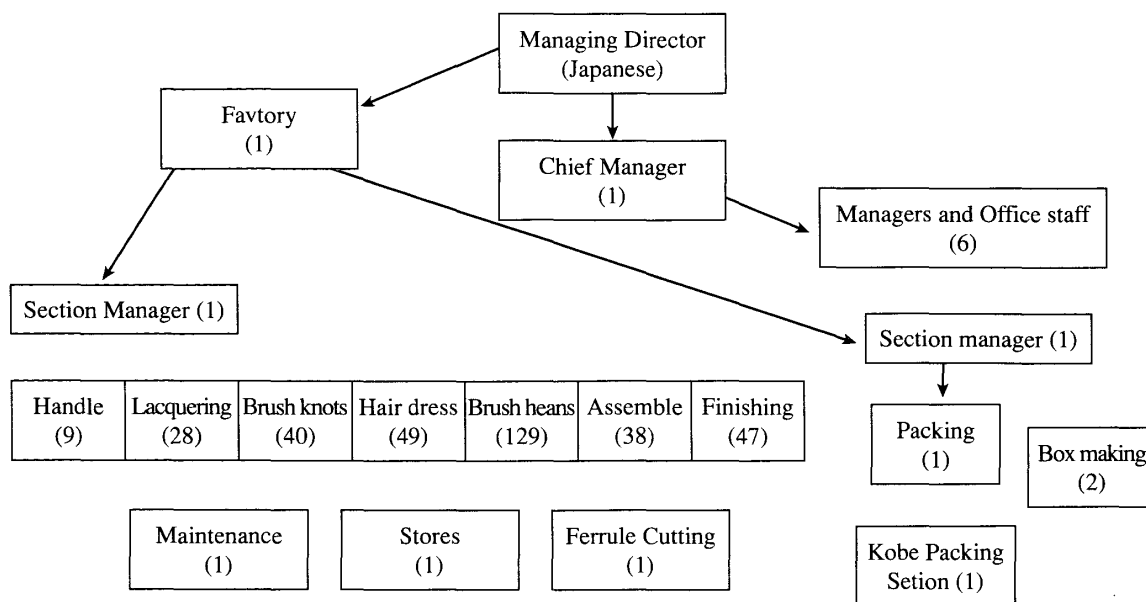


Table 1 Flow of Materials and Finished Products at Usui Lanka. (2000)
(Quantity basis)

Materials from :	%	Finished Products Sold in :	%
Sri Lanka	10.0	Sri Lanka	2.5
Japan	60.0	Japan	25.0
UK, Germany	20.0	USA	33.0
Malaysia	10.0	Australia	10.0
		Canada	5.5
		Others	24.0

Sources : Data provided by the management of Usui.

project dependent on imports for procurement of raw materials. In this factory, 60 per cent of the materials are imported from Japan. Material for brush heads like camel hair, hair of ponies or goats and nylon hair is basically imported via Japan. The wooden part for the handle is imported from Malaysia. The cardboard used for packing is purchased in Sri Lanka. Almost all products are for export. Usui Lanka exports more than 30 per cent of its production to the USA and 25 per cent to Japan. Usui has a branch in the USA to promote sales of its products.

3. Recruitment Practices and Job Retention

From the commencement, Usui recruits production workers directly and through the BOI Job Bank. In the earlier (in 1986-1993), whenever the company needed employees,

for example in the case of them needing 50 candidates it asked for the particular number from the BOI Job Bank. In response, the BOI Job Bank would send the company a list of about 75 candidates. From these 75 candidates, the management would select suitable employees for the company. However as time passed, the dependence on the BOI Job Bank has declined. Although, the BOI Job Bank still functions, it has not been able lately to meet the demands for labor of the companies in the FTZs. It is said that at the end of 2001, there are about 9000 vacancies in the Katunayaka Zone without suitable candidates to fill them. The much publicized bad image of the workers in the FTZs²⁾ and the terrible living conditions in the boarding houses³⁾ might have affected in this instance. Some Non Governmental Organizations and mass media, especially those opposed to the politics of the government, have widely shown the negative aspect of the FTZs. All these reasons might make recruitment to factories in the Zones difficult. The management also considers the increase of factories in number and the expansion of the existing factories in the Katunayaka FTZ as factors responsible for the shortage of labor. The management perceives that the reduction in the rate of birth in the island has also indirectly made recruitment difficult through the Job Bank.

In more recent times, Usui Lanka management has been recruiting workers largely through employee refer vial. Those who are related or known to existing employees of the company recruited after an interview. The management is quite satisfied with this procedure of recruitment. This is mainly because blood relatives working together are likely to work for a longer duration. When unmarried females are recruited, they may have to work far away from their parents. The parents and other senior members of their family are likely to feel relieved if the girls are working together with some of their close relatives at the same venue.

Industrial establishments in Sri Lanka, particularly out side the FTZs are quite concerned about labor unrest related dangers caused by recruiting more than one family member and blood relations. Such blood related employees are thought to make the environment conducive for employees to get together against the management. However,

2) Sri Lanka is a country where high virtue is placed on a woman's chastity. Young unmarried women are expected to protect their virginity until they get married. Although this kind of mentality has declined in urban areas, it still remains strong in rural areas. There is a tendency, therefore, for parents to protect their daughters, until they get married. They would not try to allow their daughters to stay away from home before marriage. Female worker in the FTZ have developed a bad image in the country and it is publicized that unmarried women working in the temporary physicalone, living away form their parents, are having relationships with men during the working period at the FTZ. It is known that the females with longer work experience at the FTZ have difficulties in finding marriage partners from their own areas. (Hettiarachi, 1992)

3) On this also see (Hettiarachi 1992).

Table 2 Recruitment Methods in Usui

Methods	Factory workers		Office Staff	Management
	Production worker	Supervisory		
News paper ads			*	*
Select from the list sent by the Job Bank	*	—	—	—
Recommendations of employees including management	*	—	*	*
Recommendations of politicians and others	—	—	—	—

Table 3 Number of Employees recruited (1998-2000)

	1998	1999	2000
Production workers	87	39	68
Supervisory	0	0	0
Office staff	1	1	0
Management	1	0	0

the management in Usui Lanka does not appear to entertain such fears regarding labor issues. Basically the management has confidence about their “labor friendly” management practices. Normally it is the male workers who manipulate workers and basically instigate them to engage in organized action like strikes. Only a few male workers are employed at Usui Lanka. The management is comfortable thinking that when their employees are almost totally female, it is hard for employees to become inimical towards the management. It is also necessary to note that the establishment of Trade Unions has not been welcomed inside the FTZ as I have already mentioned in a previous chapter. Table 2 indicates the methods used to recruit workers at Usui and it is based on the information obtained in the last 3 years (1998-2000). Approximately half of the production workers are recruited on recommendations of employees who already work for Usui.

Supervisors are not recruited from the external labor market (Table 3). Usui is the only company in Sri Lanka which produces artist and hobby paint brushes. The management considers it impossible to find skilled workers from the external market who can supervise other production workers. This is a situation different from conditions faced by other Japanese companies in Sri Lanka like in the garment sector.

There is no difficulty finding skilled workers in these industries, because most of the workers involved in the BOI factory sector are in the garment sector. At Usui, only one office staff member was recruited for the 1999-2000. He is the information technology

administrator, a new job category to Usui Lanka. All the company executives have been working from the inception of Usui.

No written test is conducted to recruit employees for any kind of job category. Selections are made through an interview only. Table 4 indicates the pre requisites given priority in selecting candidates for employment. This data is as provided by the management of Usui Lanka. In respect of production workers, three pre requisites are given high priority—connection (internal), age and gender. The reasons for the recruitment through internal connections have been already indicated.

The work involved in the factory is such that the management has decided through experience that female workers are best suited for this work. The age is considered important because of the significance of good eyesight for work. Especially, a good eyesight is essential for a worker in a section like brush heads. The education background and the work experiences are also considered important in selecting production workers. The stipulated educational criteria are General Certificate of Education-Advance Level (G. C. E. A/L) or minimum qualification of the General Certificate of Education-Ordinary Level (G. C. E. O/L). Half of the workers in the company have the Advance Level qualification and the other half the Ordinary Level. Usui has no objection in re-recruiting the employees who have left the company. This is what is considered as experience in Table 4. The company recruits, as those who have work experience, only those who had worked for the company and left for reasons like marriage. Apart from them, management wishes to recruit only those who do not have any work experiences—fresh hands as Usui calls them.

Basically the management does not care where the employees originally come from. It is common knowledge that the employees from rural areas would find a boarding house near the Zone.

About 40 percent of the employees of Usui are boarded. Most of the boarded employees come from the Gampaha District. The management has found that it is easier to train female from the rural areas than those from the urban area or those with work experience by working in other companies. Newly recruited production workers are given three weeks to decide whether they should take up the job or not. The company thinks that during this time it also can decide which employees are suitable for the job. If both parties are satisfied, the recruitment is confirmed after three weeks. Otherwise, the recruit is asked to quit.

Competencies and qualities given priority in recruiting office workers and management staff are different from those qualifications given priority in recruiting production workers.

Table 4 Elements given priority in selecting employees at Usui.

	Factory workers		Office staff	Management (2)
	Production workers	Supervisory (1)		
Technical educational qualification	0	—	1	1
Work experience	2	—	0	2
Educational background	2	—	2	2
Willingness to work	0	—	1	2
Personality	0	—	2	2
Ability of English	0	—	3	3
Ability of Japanese	0	—	0	0
Connection (internal)	3	—	0	0
Connections to politicians	0	—	0	0
Age	3	—	1	1
Gender	3	—	2	2

Notes ; Most important=3, important=2, some what important=1, not important at all=0.

(1) There is no system of recruiting the supervisory from the external market and that is why this line is kept as blank.

(2) Even there are no one recruited for the management post at Usui in the past 3 years, these are the qualifications that the present management indicate that will be given priority in case of recruitment in the future.

The recruitment of the two groups of employees are done separately. Proficiency in English language has been considered the most important pre requisite in recruiting employees in the categories of office work and management. The education qualifications required of some office staff are the same as for the production workers. Most of them have A/L qualifications. It is the proficiency in English language which makes the difference for some employees to become office staff while others end up as office workers. The management checks the English knowledge through interviews conducted in English. The educational background of candidates would help the management in checking their knowledge of English. The educational background of the candidate is a successful gauge in this regard. Candidates who have attended schools in urban areas, especially the big prestigious schools and international schools where communication among students would be in English language are preferred for recruitment as office and the managerial staff. The need of English for an office worker in a company which has international links is obvious. English is needed not only to handle documents, but also to handle communication with the outside. However, these systems of different recruitment procedure for office/managerial staff and factory workers contribute to retain the status gap between the two groups.

In JSM, long duration of work in a company on the part of employees is an essential

Table 5 Employees who left company (1998-2000)

	Total number of employees	1998	1999	2000
Production workers	380	56	61	80
Supervisory	9	0	0	0
Office staff	4	1	0	0
Management	6	0	0	0

feature. However it seems that the retention of employees over a long period, in Usui has not been easy. Table 5 indicates the number of employees who left the company within the last 3 years (1998-2000). The leaving employment such as supervisor, office staff or managerial categories cannot be identified. However, the mobility and short retention in work among production workers cannot be ignored. As mentioned above there is a three week period at the beginning of one's career in Usui, to enable both the new recruit and the company to see whether the employee fits-in with the company. About 30 percent of the workers who join the company as production workers leave within these three weeks. Reasons given for leave the company include inability to work in an air-conditioned environment or difficulties in transport. As in Table 4, of the total production workers, 15-20 percent have left the company every year since 1998-2000. The main reason for the short duration of work is related to the bulk of workers being female.

As mentioned in a previous chapter, the female workers in the FTZ are basically from rural areas where the existence of the job opportunities are relatively small. The women who join these companies are interested in earning some money in a short period and then to return to their hometowns where their parents live. The family attachment between parents and children are very strong. Parents expect children to live with them before marriage and after marriage, or live at least close to them. These women workers who take up a job for a short period are not so much concerned about what kind of job they do as well as how much they can earn.⁴⁾

Some of these female employees are working in order to support their family

4) The information exchanged among the female production workers have become dense because most of them live in the boarding houses concentrated around the FTZ area. Some times, the management finds that the workers quit the job within one week. There are some interesting stories of employees in the FTZs. According to them, there are some females who come to work saying that they are new to Katunayaka, whereas they are already working for another company in the Zone. Using their leave, they join another company to check working conditions i.e. whether the work is hard or not or the wage is better or not. The management discovers that their workers are working for another company, when they stop coming for work in their company and they also find these workers occasionally in uniforms of another company.

Table 6 Employees : Duration of Work

		Total number of employees	Over 20	10-19 years	5-9 years	2-4 years	Under 2 years
Production workers	Male	9	0	2	2	4	1
	Female	371	0	47	80	169	75
Supervisory	Male	2	0	2	0	0	0
	Female	7	0	7	0	0	0
Office staff	Male	2	0	0	0	1	1
	Female	2	0	0	1	0	1
Management	Male	5	0	5	0	0	0
	Female	1	0	1	0	0	0

financially. Most of them are, however, planning their own future married life. Some of them are in the process of saving money for their dowry or purchasing durable such as furniture needed by a new family. Table 5 indicates that more than 88 per cent of the production workers have left the company within 10 years of service. A considerable number of employees work until they get the graduation allowance⁵⁾ (two and half month wage or salary) given for the service exceeding 5 years. Although the male workers can only claim their EPF and ETF⁶⁾ balances only after they reach 55 years old, the female employees can claim them as soon as they get married. It is significant that there are only around 12 percent of female employees in Usui who have a service period of more than 10 years (Table 5). They are the ones who live (not boarded) with their families in places comparatively close to Katunayaka. Most of these “long service” women are the ones who have already completed

5) An employee who has completed five years service shall be paid a gratuity on cessation of his/her employment irrespective of whether he/she has retired or resigned or his/her service has been terminated by the employer. Such gratuity is computed at the rate of half a month's wage for every year service based on the consolidated salary last drawn by the employee.

6) Superannuating benefits for employees are secured by the BOI. The basic are the Employees Provident Fund (EPF) and the Employees Trust Fund (ETF). An amount equivalent to 20% of the employee's total earning has to be remitted to the Fund as EPF before the last working day of every month in respect to all employees from the date of commencement of their employment. Employee's contribution is 8% and the employer has to contribute an amount equivalent to 12% of the employee's total earnings. The “Earnings” include wages, allowances, payments in respect to holidays & leave, cash value of food provided by the employer and meal allowance but excludes overtime payments. Furthermore, the employers have to remit an amount equivalent to 3% of the total monthly earnings of the employee to the ETF. There is no contribution from the employee. On the one hand, an employee who has completed five years of service shall be paid a gratuity on cessation of his employment, irrespective of whether he has retired, resigned or the employer has terminated his services. Such gratuity shall be computed at the rate of half a month's salary for every year of completed service based on the consolidated salary last drawn by the employee. Payment has to be made within 30 days of cessation of employment and an enterprise, in the scale of employing fifteen or more workers, is liable to pay such gratuity.

their duties of bringing up children. They are in the age group of 38-48 years.

In the context of a short duration work force, the practice of JSM will be difficult. In JSM the work behavior and the human resource development of male employees are discussed and female workers are excluded from it. In a company mainly hiring female workers, the basic foundation required for the conduct of JSM is absent. This is a situation faced by almost all Japanese companies in Sri Lanka.

The conciseness of length of work period is not the same between the male and female workers. In Sri Lanka it is strongly believed that it is the male's duty to hold a stable job, being the breadwinner of the family. It is the same in Japan. Given the current high rate of unemployment i.e. about 11 percent, in Sri Lanka, it is highly unlikely that male workers quit the job they already hold because it is difficult to find a new job. The characteristic of short-duration-work-life is seen mostly in the case of unskilled female workers. This affects the JSM system of internal training and promotion, which I will further discuss in a subsequent section. Whereas the nature of the existing labor law in Japan discourages high labor turnover, no such system prevails in Sri Lanka. In Japan, the employees are compelled by the labor contract signed by them to inform the management at least one month in advance before leaving their job. In order to get the retiring allowances paid by the company, the employees also try to keep a cordial relationship with the company. In Japan if a person has worked for more than one year, he/she can benefit from unemployment insurance. To get the company endorsement to this scheme, the employees have to keep a good relationship with the management.⁷⁾ In Sri Lanka, no such unemployment insurance exists. There is no system of a retiring allowance to employees after working for such short period as one year.

As Table 5 shows, however, the turnover rate among the office staff or the managerial staff is insignificant. The high unemployment rate among those with higher level of education could be considered as a causal factor for such a low turnover rate among these categories of employees. Unless they could find a job with a higher salary, either locally or overseas, it seems that they would not leave their job. However there are, not many vacancies at office or managerial levels for male employees. In any case, they draw a satisfactory salary compared to what production workers earn. In addition, the managerial staff receives fringe benefits such as official vehicles, etc. Sometimes the European management style is reflected on office staff.

7) The unemployment insurance is not entitled for employees who leave on their own accord.

4. Human Resource Development

There are no other enterprises except for Usui which produce artist and hobby brushes in Sri Lanka, there is no skilled workers for this line of production. Therefore skills needed for the industry have to be developed internally. Table 7 indicates the human resource development methods adopted by Usui Lanka. In Usui, no regular formal training sessions are provided to production workers and no internal training in a regular manner is carried out as in bigger companies in Japan. It may be noted that even for small and medium sized Japanese companies, regular training sessions for new recruits are not uncommon.

The human resource development at Usui Lanka basically depends on OJT. The factory manager places newly recruited production workers in the production line from the very first day they are recruited as trainees. Normally, the new recruits are placed in the production section making brush head. They work under the guidance of a supervisor. Only very efficient workers manage to work in this specific production section. At this point, suitability of new recruit is tested, and if found suitable she will be kept in that production section. If she is not suitable for brush head preparation section and also if there are vacancies exist in other production sections where no outstanding knowledge or efficiencies required consequently she will be transferred there. Basically the production workers are given quality-based targets and not quantity-based targets.

Table 7 Methods of Human Resource Development at Usui Lanka

	Factory workers		Office Staff	Management
	Production workers	Supervisory		
① Regular formal training sessions provided as soon as recruited	—	—	—	—
② Training is provided at constant intervals	—	—	—	—
③ Basically OJT	*	*	*	*
④ Opportunity given for studies and training in the Japanese head office	*	*	—	*
⑤ Opportunity given to study and train in Japan, other than in the head office	—	—	—	*
⑥ Opportunity given to study and train in Sri Lanka	—	—	*	*
⑦ Support for self training	—	—	—	—

There are no QC circles in Usui Lanka. They are very significant in Japanese companies especially in the FTZ. Another point worth noting is that there are no QC circles in any Usui factories in Japan. As I mentioned in chapter 5, there are only a few small and medium sized companies in Japan that conduct QC circles as a system. However, the Japanese management at Usui feels the need and possible effectiveness of QC circles in Usui Lanka. At present quality control is carried out by a section at the end of each production section and also at the final point in the production process. In addition, the factory manager, sectional managers, supervisors and Japanese representatives have meetings periodically to discuss quality control matters. Quality control is not the only objective of QC circles. They are a method of human resource development as well. However the Sri Lankan top management (Sri Lankan nationals) considers that there is no need for QC circles because these circles are needed only when employees are given targets in quality and quantity. At present, the employees are given only targets in quality. The Japanese management presents another reason for not adopting QC circles. They argue that QC system is difficult to adopt in a country like Sri Lanka where the employees who have got used to a European style top down management. There is resistance from the local management to get production workers participate in management decisions. At the same time, the production workers also do not like to participate in managerial decision making because they feel that they are only the recipients of instructions. Bottom-up management system is a kind of taboo in Sri Lankan business.

The employees of Usui Lanka are given opportunity to study in Japan. In the early days, Usui sent its trainees to AOTS (the association for overseas technical scholarship) programs for a few days and then to its own factories for practical training. However, at present Usui places importance on sending employees only to its own Japanese factories for practical training. The Japanese immigration law allows only one employee from abroad for training in the Japanese factory for every 20 employees in a particular Japanese company. There are around 80 employees in the Japanese factory of Usui. The number of employees that could be sent to Japan from Sri Lanka to Usui Japan for training is limited to 4 at a time. The 8th group who went for overseas training (Japan) had just arrived in September 2000. Including them, Usui had given training to 32 Sri Lankan employees in Japan. All the supervisors, all the leaders and more than half of the sub leaders in the present employee structure have obtained training in the Japanese factory. Duration of a training period is 6 months. The employees are given the salary they gained in Sri Lanka and also extra salary for their training (OJT) in Japan. The salary for their

Table 8 Number of Employees Trained Abroad (1998-2000)

	1998	1990	2000
Production workers	8	8	8
Supervisory level	0	0	0
Office staff	0	0	0
Managerial	1	2	0

duration in Japan is about 40,000 yen or approximately Rs. 28,000 per month. Trainees are given food and accommodation by a host family in Japan with whom they have close relationship during their stay.

There is no record of non-returning of employees after the training period in Japan. The Japanese managers perceive this as due to pleasant stay in Japan where employees could save some money. The amount of saving is considerable compared to their salary in Sri Lanka. Table 6 indicates the number of employees trained in Japan within the last 3 years. It is basically the production workers who were sent for training in Japan except for three managerial level employees (leaders). After the training in Japan they are promoted to sub leader, leader or supervisory level by the management. They are expected to educate the fellow production workers working under them.

The management staff sent to Japan for training was sent initially to an external institution like the AOTS. The top management visits the Japanese head office once in a few years. They are generally business trips and not meant for training. Since there is no necessity of special training for non-managerial office staff, no office worker has been given overseas training.

5. Wage and Salary

Similarities and differences could be found in practices in the salary, allowances and increments at Usui.

The minimum salary in the company is given by the BOI. No company under its jurisdiction is allowed to pay its employees less than the minimum wage as stipulated by the BOI. Usui has always strived to maintain its minimum wage rate higher than the minimum stipulated by the BOI. This has been possible as there are no other competitors in the artist brush production in the country. Minimum wage above the BOI minimum level is not feasible for other manufacturing companies such as garment factories as the industry is highly competitive.

Table 9. A Salary of a n employer (supervisor)

Fixed earnings	7,400.00
No pay (-)	0.00
Late (-)	26.68
Total EPF (*)	7,373.32
Over time normal (1.5)(+)	402.38
Over time special (double) (+)	0.00
Transport allowances (+)	350.00
Meal allowances (+)	780.00
Attendance bonus (+)	300.00
Postal allowance (+)	3,000.00
Gross pay	12,205.69
EPF (8%) (-)	589.87
Death society deduction (-)	25.00
Other deductions (-)	0.00
Loans	2,138.88
Loan interest (-)	388.57
EPF 12% (company)	884.80
EPF 20% (company+employee)	1,474.66
ETF 3% (company)	221.20
Total deductions	3,142.32
Net Salary	9,063.50

Table 9. B Wage of a production worker

Fixed earnings	5,150.00
No pay (-)	594.23
Late (-)	105.23
Total EPF (*)	4,450.54
Over time normal (1.5)(+)	106.22
Over time special (double) (+)	0.00
Transport allowances (+)	350.00
Meal allowances (+)	660.00
Attendance bonus (+)	0.00
Postal allowance (+)	0.00
Gross pay	5,566.76
EPF (8%) (-)	356.04
Death society deduction (-)	25.00
Other deductions (-)	0.00
Loans	0.00
Interest (-)	0.00
EPF 12% (company)	534.06
EPF 20% (company+employee)	890.11
ETF 3% (company)	133.52
Total deductions	381.04
Net Wage	5,186.00

Tables 9 A and 9 B indicate the salaries of two factory employees ; a supervisor and a normal production worker. A principal characteristic in the salary system is that attendance is highly evaluated. In factories in Japan, good attendance normally exists in the case of both the employer and employee by tacit consent.

When the external factors influence the employees' attitude towards the company strongly, good attendance cannot be ensured. It is not possible for the management to ignore irregularity of attendance of employees as there are time targets to achieve. Hence, in the wage system, the priority is given to factors such as attendance.

When the two employees indicated in Table A and B are compared, it is clear how much the wage of worker differs according the attendance. A worker with poor attendance will lose the salary in two ways. Even with a salary system giving priority to attendance, average absenteeism of worker is 10-12 percent. One could imagine how high absenteeism would be had no priority given to attendance in the wage system. Illness is the major reason given by workers for absenteeism. If the living conditions are unsatisfactory as Hettiarachi (1999) shows, it could indeed be a reason for absenteeism. However, "illness" is quite often used as an excuse because then the management cannot be strict on attendance. In the past absenteeism parentage was higher at 30 percent due to transportation difficulties. Occasionally in the past few years, political instability has also

affected employee attendance. For example, during curfew due to political turmoil, the attendance naturally declined. Table 10 indicates the evaluation sheet used for wage increases (to a certain extent, information in this sheet is used for employee promotions and bonus payments). The evaluation is carried out using seven important categories of work behavior. They are 1) work quality, 2) work quantity, 3) adherence to regulations concerned, 4) co-operation with others, 5) responsibility, 6) knowledge and work skills and 7) growth. Evaluation is made using a scale of 100 points, of which 20 points are assigned for “work quality”. Under “quality” evaluation is made on the precise work carried out by the employee and the good results accomplished by him/her. “Work quantity” is awarded 20 marks and in this instance, the quickness and efficiency of the employee is evaluated. Assessing “Adherence to regulation concerned” involves whether the employee fully complies with regulations and directions, strictly observing the company’s standards and orders. This category is also assigned 20 points. “Cooperation with other employees” (10 points) appraises how well and cooperative an employee works with others. “Responsibility” (10 points) aspect is about whether the employee strives best to accomplish her/his duties. The category “knowledge and skill of work” evaluates whether the employee has necessary knowledge and skill required for the work assigned and this is allocated 10 points. Finally, under “growth” (10 points) the progress in work of the employee is evaluated.

The large salary gap between each job category ; the managerial level, office staff and the factory workers (supervisors and normal production workers) is an outstanding characteristic compared to the Usui factories in Japan and the other Japanese companies (see Table 10). At Usui, there is an extra salary paid according to the respective job category. The sub leaders are paid Rs. 500/=, leader Rs. 1000/= and supervisor Rs. 3000/= . This amount is not paid to a normal production worker. This in a way is not strange when JSM is considered where the same kind of salary called *shokunou kyu* is paid. The problem there is also the salary gap between the three parties ; the management, the office staff and the factory workers. This is some thing that the Japanese representatives are very surprised for. The highest salary of a manager reserve is more than ten times of the lowest salary of a production worker. The non-managerial office staff receives about six or seven times of the salary of a normal production worker. When looking at job categories given in Table 11, it is very clear that there is a significant salary jump from one category to the other. The large differences in the starting salary of each job category are evident. It is also clear that the highest salary level of factory workers and supervisors is much lower than the lowest salary obtained by the office staff or the managerial staff. The

Table 10 Evaluation Report for factory workers in Usui Lanka

	Classification	View points	Standards of evaluation	Evaluation points	1 st evaluation	2 nd evaluation	Final adjustment
1	Work Quality (20 points)	Does she/he work precisely and accomplish good results?	A. Utilizes time and other resources effectively and produce excellent results.	S=20 A=16	S A	S A	
			B. Sometimes does not meet the standards, however, accomplishes normal assignments effectively	B=12 C=8	B C	B C	
			C. Is below the standards required and inefficient.	D=4	D	D	
2	Work quantity (20 points)	Does she/he work quickly and efficiently, Or constantly need to be supervised due to Slowness.	A. Works very efficiently.	S=20 A=16	S A	S A	
			B. Works normally and the results are almost satisfactory.	B=12 C=8	B C	B C	
			C. Works slow and inefficiently.	D=4	D	D	
3	Adherence to resolutions concerned (20 points)	Does she/he fully comply with regulations and directions, and strictly observe the company's standards and orders?	A. Shows excellent duty and working, and is extremely respected by associates.	S=20 A=16	S A	S A	
			B. Observes regulations concerned and show no problems in duties.	B=12 C=8	B C	B C	
			C. Irregular attendance and has bad performance in working and constantly needs to be supervised.	D=4	D	D	

4	Co-operation with others (10 points)	Does she/he work together with others Cooperatively?	A. Positively cooperative without her/his own preferences.	S=20 A=16	S A	S A	
			B. Usually cooperative.	B=12 C= 8	B C	B C	
			C. Self-centered and uncooperative with others.	D= 4	D	D	
5	Responsibility (10 points)	Does she/he try best to accomplish her/his duties?	A. Shows good responsibility towards the duty and is well reliable.	S=20 A=16	S A	S A	
			B. Shows no lack of responsibility towards jobs assigned.	B=12 C= 8	B C	B C	
			C. Have a tendency to shirk her/his responsibilities.	D= 4	D	D	
6	Knowledge and skill of work (10 points)	Does she/he have necessary knowledge and skills required for the duty?	A. Have sufficient knowledge and skill in work and is able to produce definite achievements.	S=20 A=16	S A	S A	
			B. Has basic knowledge and skill in work and performs the duty without problems.	B=12 C= 8	B C	B C	
			C. Insufficient knowledge and skill in work.	D= 4	D	D	
7	Growth (20 points)	Does she/he progresses in work?	A. Shows positive progress in work.	S=20 A=16	S A	S A	
			B. Shows normal progress in work.	B=12 C= 8	B C	B C	
			C. Shows rather retrogression than progression in work.	D= 4	D	D	
				Total points			

@Grade : S : Excellent, A : Very Good, B : Good, C : Fair, D : Dissatisfactory

Table 11 Salary Differences in each Job Category at Usui Lanka

Job category		No of employees in each category	Lowest salary	Highest salary	Salary Renge
Management		6	29,500	35,200	5,700
Office Staff		4	10,000	20,400	10,400
Factory Workers	Supervisory	9	5,200	7,000	1,800
	Production workers	380	3,100	5,600	2,500

Japanese management wants to minimize the salary paid to the local management. But they are afraid to take such action for the fear of losing experienced staff. However the large salary gaps among the managerial, office staff and the factory workers are customary and assist to maintain the states gap in the company. The existing salary structure at Usui indicates typical Sri Lankan company system.

The difference of wage between male and female workers is a characteristic in Japanese companies for the reason in Japan it is strongly considered that the male employee is the breadwinner of the family. It is also considered that the management could control female employees than male employees. For several reasons it cannot be done in Sri Lanka. First, existing labour laws do not allow salary differences in terms of gender in the same job category. Second, it will not be easier for a company like Usui to adopt such gender bias wage system as it would de-motivate the majority of female employees in the company.

As discussed in previous chapters, the annual salary increment is a characteristic of JSM. As in most of FTZ companies, this has been adopted at Usui. The government intervention (BOI) in deciding the minimum salary level has resulted in practicing the annual increments in salary. The minimum salary regulation of BOI has a strong impact on the annual increment system and the amount of the increment. According to BOI regulations minimum salary annually increases approximately by Rs. 300/= . Even the management of Usui considers the annual increment as a motivational factor for the employees, the company feels that the annual increment of Rs. 80/= is sufficient as against the BOI regulated amount of Rs. 300/= . However, the management has to comply with BOI regulation on annual salary increments to factory workers in order to avoid discrepancies in the salary structure. With an annual increment of only Rs. 80/= will lead to a situation where the employees in the 2nd year of working will receive salary which is less than what is earned by the newly recruited factory workers in the first year.

The existing large gap in increments is a characteristic compared to Japanese

companies in Japan. According to BOI regulations, a normal production worker is paid an annual increment of Rs. 300/- plus an amount between Rs. 100/- and Rs. 200/-. Similarly a supervisor is paid Rs. 300/- plus an amount between Rs. 300/- and Rs. 400/-. Therefore, it is clear that the annual increment gap between production workers and the supervisors is not very significant. In contrast, non-executive office staff is annually paid an increment of Rs. 1,200/=. The managerial level is paid Rs. 3,000/=. These significant differences among the annual increments result in large salary gaps that also shows employee status or hierarchy in the company.

Different types of allowances paid to employees is also a characteristic in JSM. The reasons for paying such allowances is to encourage employees to stick with the company for a long period. However at Usui Lanka, only a few allowances are paid. They are the transport allowance (Rs. 350/=), 100 percent attendance allowance (Rs. 300/=) and meal allowance (Rs. 780/=). It is very insignificant that compared to Japanese companies allowances such as family allowance is not paid at Usui Lanka. Although paying family allowance for employees is customary in Sri Lankan business culture, most of the companies functioning in the FTZ do not practice paying family allowances for their employees. The reason for this is that the majority of the employees of these companies are unmarried female workers. Similar to most of the Japanese companies operating in Sri Lanka, Usui also does not pay a special consideration when employees get married. The management gives numerous excuses for not paying allowances like family allowance, which are paid to attract employees to the company for a long period. To them, non-payment of such allowances is necessary to prevent the draining of skilled human resources from the company. The management is of the opinion that the majority of female employees stay only for a short period and this transitory nature will not change even the management decides to pay the family allowance. Unless the management gives serious consideration to these factors, it will not be possible to harness the same level of achievement as the Japanese companies operating in Japan.

6. Promotions

Table 12 indicates the factors given priority in considering promotions of employees at Usui Lanka.

The sheet used for evaluation of salary increments is used for employees' promotions. Number of factors considered in the evaluation is larger at Usui compared to the factors used in similar Japanese companies. As I pointed out in chapter 5, in Japanese companies,

Table 12 Factors given priority in promotions at Usui Lanka

	Factory workers		Office staff	Management
	Production workers	Supervisory		
1. Technical educational qualification	1	1	1	1
2. Ability of work	3	3	3	3
3. Results and achievements	0	0	3	3
4. Proficiency in Japanese	0	1	0	0
5. Age	1	1	1	1
6. Education qualification	1	1	1	1
7. Gender	1	1	1	1
8. Seniority	1	1	1	1
9. Personality	1	1	1	1
10. Willingness to work	2	2	1	1
11. Working manner	1	1	1	1
12. Results and effort	2	2	2	2
13. Marks of promotion test	1	1	1	1

Note : 3=Most important, 2=Important, 1=Some what important, 0=Not important at all

especially in large ones, after work employee activities, e.g. joining for drinks with colleagues or participating in company organized gatherings such as golf tournaments, which are peculiar to JSM are highly criticized all around the world. Yet, Japanese management still believes that these practices are compulsory not only for mutual understanding and communication but also to understand the personality of the employee. The management also considers these important, to judge suitability of the employee for promotion.

The unlimited opportunities for get internal promotions are a characteristic of JSM. For instance, an employee who starts as a production worker has a chance to become a manager even without the required formal educational qualifications associated for such position. Is the situation the same in Usui Lanka? Table 13 indicates the educational qualifications and work experience of employees in each job category at Usui Lanka. It very clearly illustrates the limitations of possibilities for upward mobility. For example, an employee who starts as a trainee should by now be promoted to the supervisory level. Since there are only few positions for posts like supervisor (8), leaders (12) and sub leaders (20), a lot of employees work without promotions. The employees do not foresee of a possibility for a promotion to a managerial post. It is a fact that there exists a huge status gap between the managers and the employees from the stage of recruitment. Hence, the

Table 13 Education qualifications and work experiences of employees in each Job category at Usui Lanka

	No. of employees in each post	Years worked until now	Education and work experience (No of years)
Chief Manager	1	14 (male)	A/L > MBA (India) > Ware Lanka (corrdicator-5) > Administration and production (1) > Usui Lanka (14)
Accountant	1	14 (male)	A/L > teacher (1) > accounting system and service ltd. auditing company (audit clerk-(3) > Ceylon mineral sands corporation; audit clerk (2) > book keeper (4) > Sri Lanka garment; asst. account (1) > internal auditor (1) > Waru Lanka (accountant) > Usui; Accountant (14)
Cost accountant	1	14 (male)	A/L > chartered accountant (CIMA) > National Salt (cost trainee)(6)) > asst. accountant (sathosa motors (1)) > cost analyst (1) while working Diploma in Business Management at NIBA > Usui (14))
IT administrator	2	1 (male)	University graduate (physical science-industrial management) > IT administrator (1)
Administrative executive		1 (female)	A/L > office assistant (5) > Administration Executive (1) while working doing a degree at a university.
Office assistant	1	4 (female)	A/L > Haylese (telephone operator (1) > Nepal Embassy (sectary (3)) > Usui Lanka (4)
Factory manager	1	1 (male)	A/L > Nawala open University (computer course) > Japan; Vocational training school (hair dressing) (4) e > Sumitomo Corporation (personal asst. to General Production manager & interpreter (2)
Section manager	2	14 (male)	A/L > Colombo paint ltd. Trainee; (Production Supervisor (1)) > (Production supervisor)(2) > Asst. (Production) Manager (3) > Eastern Paint Production Manager (1) Waru Lanka; Section manager (1) > Usui Lanka (14)
		14 (female)	A/L > Studio Receptionist (1) > Waru Lanka; Production worker (packing department (3)) > Section manager of the packing department (1) > Usui (section manager-packing (14)
Supervisor	8	1-14 (99% female)	O/L or A/L > Usui; production worker (brush maker) (1-2) > Sub Leader (1-2) > Leader (1-2) > Supervisor (1-14)
Leaders	12	1-10 (99% female)	O/L or A/L > Usui; production worker (brush maker) (1-2) > Sub Leader (1-2) > Leader (1-8)
Sub leaders	20	2-8 (99% female)	O/L or A/L > Usui; production worker (brush maker) (1-2) > Sub Leader (1-6)
Production worker (Brush maker)	380	1-14 (100% female)	O/L or A/L > Usui; production worker (brush maker) (1-14)
Others (Driver, Cleaning, Tea making (Kitchen)).	4	1-14 (1 male/3 females)	N. A.

low possibility for promotions. For the job categories mentioned above such as sectional leaders, the company has recruited candidates directly from outside without giving consideration for internal promotions. The employees are hardly motivated or felt loyalty to the company in a situation like this.

7. Inter-Company Communications and Labor Management Relationship

The status gap, which exists in Usui Lanka also, is a characteristic feature in Sri Lankan Business Culture in contrast to the Japanese style management. The main reason for the status quo is that at Usui the Human Resources Management is carried out by the local management staff. The managerial level and the office staff have a negative attitude in terms of equality with the blue-collar (factory workers) worker. The white-collar workers (office staff and management) are considered as being of a higher status, which is typical in the present Sri Lankan management style. As a result, they are a privileged class of employees as opposed to the production workers. This further emphasized by BOI regulations on treatment to different employment categories and the skewed salary structures. The highest salary for management category is 10 times of a salary of a production worker. Fringe benefit such as company vehicles for white-collar employees exists in Sri Lanka. The top management of Usui—the Japanese staff, chief office manager, the factory manager and the accountant are given official vehicles and a van is hired for the transport facilities of the office staff. No such benefits are given to the production workers and they depend on public transport facilities. There is no possibility for upward mobility for blue-collar employees who are recruited separately by the company. In that sense, management style at Usui Lanka reflects the typical Sri Lankan management style. This status gap in the labour management deteriorated the trust between white-collar and blue-collar. The status gap itself is a sufficient reason to prolong the undesirable relationship between the two parties.

Since Usui Lanka is located in the FTZ, there is no trade union activity. Instead Joint Consultative Council meetings are conducted by the workers. Purpose of these meetings are building mutual co-operation between management and the employees, increasing efficiency, productivity, and promoting employee welfare and resolution of disputes between the two parties. No labour strikes have occurred in the company till now. The management believes that it is a result of implementation of Japanese way of family-type-management. Production workers were generally satisfied by the shift of management from German to Japanese investors. Some workers who had worked with the Germans till

remain in the company. These employees can compare the two management styles. According to the factory manager, working under the German management was like “walking into death” (there was no happiness in working and it was very de-motivating). The reason for low quality management was due to their lack of knowledge towards the employees. In contrast, the present top-level management is interested in discovering reasons for any drop in output through discussions with the production workers. Even simple incidences such as Japanese representatives calling production workers by their names are a motivational factor. However high level of female labor concentration with shorter work horizons at FTZ is also an important explanatory variable for non-labour strike environment at Usui. Normally female employees are considered passive and are not interested in labour union activities compare to their male counterparts with longer work horizons.

However, the local management does not like the Japanese representatives becoming too friendly with production workers. The main reason is that when they become too friendly there is a tendency that the production workers might misunderstand the order structure of the company which can lead to insubordination towards the middle management (the local staff). The management at Usui used to conduct Human Resources Management in top down style. As result of the production workers have no previous experience of being treated like friends by the management executives, some production workers have gone to the extent of complaining to the Japanese head office about the local management.

In the beginning, the Japanese management did not realize the significance of keeping a distance with the production workers. In Japan, though the company management treats lower level workers in a friendly way, no one misuses the close association. After experiencing the peculiarity of Sri Lankan business culture, the Japanese management tries to keep a distance from production workers. Japanese representatives too, have lunch in a separate room now, and are careful not to be too friendly with workers like smoking or having drinks together. Japanese management similar to their local counterparts does try to be kind to employees but keep their distance.

When the local management tries to keep a distance with the production workers, it is not possible to implement bottom up decision-making like in Japan. Basically Usui follows the top-down decision making structure. So far no objections have come from the production employees. At Usui there are no suggestion boxes or QC Circles which are known in JSM as tools of bottom-up decision-making.

However there are some methods followed in order to promote better communication

Table 14 Methods Applied to Promote Communication Smoothly at Usui Lanka

	Factory workers		Office Staff	Management
	Production workers	Supervisory		
(a) Convey management ideology and the business culture	*	*	*	*
(b) Convey management policies and company strategy			*	*
(c) Holding internal meetings periodically				
(d) Introduction of the big office room with no separations			*	*
(e) Publication of the papers etc periodically				
(f) Implementation of recreational activity like parties and sports meets.	*	*	*	*
(g) Associate with the people even outside the office			*	*
(h) Encourage learning Japanese	*	*		
(i) Give local staff training and business trips to the Japanese head office	*	*		*

between the labor and the management. Some practices are from the Sri Lankan management culture and some are newly introduced from Japan (see Table 14). A top-bottom-type of decision-making structure is identified in Usui Lanka through practices like (b) Conveyance of management policies and companies strategy. But these are limited only to white-collar employees. This is not the only aspect that has been monopolized by the management. The (g) association with the people even outside the office is also a very important factor in encouraging communications which is monopolized by the white-collar employees. This practice is also indicative of the status gap that exists at Usui.

Japanese representatives say that they are interested in learning Sinhala. Though Japanese representatives have been following Sinhala classes conducted by Japanese embassy in Sri Lanka for a duration of three years, their level of competency is not sufficient to communicate with the local staff in Sinhala. The Japanese management also regrets about their poor English knowledge.

Looking at the present situation of Usui Lanka, it is difficult to say that Usui have a JSM kind of labor-management relationship. In contrast at Usui there is a biased promoting of communication between production workers and the management.

8. Conclusions

The case study of Usui Lanka raises the issue that whether it is possible to adopted Japanese-style Management in Sri Lankan companies. It is only in the large companies such as car manufacturing and electric products manufacturing companies in Japan that the JSM is being fully implemented. Human Resources Management practice in JSM largely depends on the scale of the company. Most Japanese companies operating in Sri Lanka are small and medium sized companies. This study provides the following conclusions on JSM practices in Sri Lankan companies. Sri Lankan business culture not only hindered JSM practices in Sri Lankan companies it resulted in change of management behavior of Japanese representatives.

- (1) As most Japanese manufacturing companies operating in Sri Lanka, Usui is dependent predominantly on female labor. In Japan JSM generally focuses on male employees in large companies. But no similar situation in terms of the labour force exists in the Sri Lankan context. Female dominated production work forces exist in small and medium sized companies such as Usui factories in Japan. Likewise the small and medium sized companies in Sri Lanka have a similar labour structure.
- (2) In Japan, JSM is generally practised in large companies. There, the employees are recruited in large batches at the stage of recruitment. At Usui Lanka, the office and management staff and production workers are recruited separately. This is a common practice in Sri Lankan companies. This is a characteristic that affects the prevalence of inequality between employees and the management of the company.
- (3) There are no long-term employment expectations among Usui employees. The predominance of unmarried female workers has led to this phenomenon, which affects internal educational and promotional systems of the company. The production workers are trained basically by OJT at the Usui factories in Japan. However there are no adequate systems of training of this type—involving regular formal session soon after recruitment, regular training through multiple work and QC circles—in Japanese companies in Sri Lanka. The Sri Lankan top down system of management is also seen as a barrier to adopting systems like QC circles.
- (4) There are a few differences in salary structures between Japan and Sri Lanka. Such as (i) large discrepancies in the salaries between blue-collar and white-collar jobs (ii) gender bias salary structure in the same job category.
- (5) Possibilities for internal promotions are limited at Usui. For example, an employer

recruited as a production worker is promoted only up to the supervisory level. For job categories like supervisory level and sectional leaders, the company recruits from outside rather than allowing upward mobility for existing employees.

- (6) There is a status gap between blue-collar and white-collar employees at Usui which is typical for a Sri Lankan factory. The existing Human Resource Management practices in Sri Lankan companies can be considered a hindrance to positive change in the Sri Lankan system. The local management would not allow the adoption of the equality treatment to all workers. The status gap between employment categories result in lack of loyalty to the company and non-corporation with the management.

The Sri Lankan staff conducts the Human Resources Management in Usui in the Sri Lankan way. The Sri Lankan management does not have any knowledge at all about JSM and as a result it is not possible for them to introduce JSM practices in Usui. In this context, the Japanese representatives have not intervened fully in Human Resource Management. Whether it is Japanese or Sri Lankan management, the focus of the management is limited to the present moment. The present situation is that the management is satisfied in achieving the productivity targets. In conclusion, it is state that at Usui Lanka JSM practices are adopted. In that sense it is hard to notice any distinction between foreign and local management systems.

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Figure A1 @Flow chart of products/process

