

Comparative Studies of International Management

The Case of Management Culture in Sri Lanka

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I Introduction

Internationalization of business inevitably involves intercultural exchange. Intercultural exchange deals on the whole with contacts among people belonging to different cultures in the sense of different languages, customs, religions and ways of life. Conflicts in intercultural exchange are inevitable as there is incompatibility in terms of habits, practices, values and norms among persons belonging to different nationalities, generations, areas, gender etc (Shuji Hayashi, 1984). On the other hand, business success requires the promotion of teamwork in the company, through sharing of goals, objectives and values. Limitations of the “universality” premise in the scientific management approach came to light through the experience of US companies operating in other countries since the 1960s. Studies of comparative management have been undertaken to find solutions to this emerging problem in international business.

When it comes to a global company intercultural management is very important in achieving some degree of team spirit among persons working for the same company but in different cultural settings (Hayashi Kichirou, 1990, 1994). As a backdrop to the study of possibilities of adopting the Japanese style of management in Sri Lanka, this chapter briefly examines some major elements in the present management culture in that country.

Management practices of British origin that exist in Sri Lanka are strikingly different from business systems attached to JSM. Therefore it is also possible to anticipate conflicts, between Sri Lankan business culture and Japanese management systems.

II Traditional and Modern Elements of Sri Lankan Culture

1. Agriculture Based Social Structure

The society of Sri Lanka, has been historically based on agriculture, and continues to remain so in the rural areas. The cultivation of rice and other minor crops involves a wide range of agricultural activities. Specific and unique behavior patterns emerged, based on paddy cultivation, carried out basically in two seasons a year. Harvesting was a ritualistic ceremony that ended with the social festival of Sinhalese and Tamil New Year in April. This festival and the rituals related to it have a great impact on society even in the present times. This brings back the people to their original family ties and collective emotional relationships with that particular community. Some elements of this festival have entered also into company behaviors. In companies cash bonuses and gifts are given to the employees during this period creating a close affiliation of this festival with the “work organization”.

Those who work in urban areas or industrial sectors, return to their own community during such festival times. Such habits affect the modern industrial sector establishments where these persons work as they contribute to a high absenteeism. The group behavior in the village is not

limited to agricultural activities like harvesting, but also on occasions like weddings or funerals. The tendency is strong among workers to take leave from work to attend such occasions with no regard to costs of high absenteeism to their employers.

The great traditions of India, having their extensive influence on Sri Lanka have made the agriculture-based people in this island attempt to live in harmony with nature. As in any traditional society super natural powers are worshipped in the agricultural processes. This belief structure is opposed to excessive concepts of self-reliance and individualism based on perceptions of superiority of individuals. Group behavior is valued more than individual achievements. In this type of communities, working for wages would sometimes be regarded as shameful. The major cultivation activities would be carried out with the help of free labor service with the unspoken but certain obligation to return the same.

However, the radical changes taking place in the agricultural foundations of society and culture in these countries cannot be ignored. Industrial ventures have started moving out of urban areas and to be located in rural areas in search for abundant cheap labor. The role played by the government in respect of rural industrialization is significant, especially after the 1989. The influence of the industrialization processes in rural areas and also generally the influence of mass media and widespread education have been responsible for changes in the agriculture dependent structures. Though traditional biases and value systems have not completely vanished, urbanization and rural industrialization are changing life styles extensively.

2. Western Cultural influence

With the establishment of coffee plantations in Sri Lanka in 1823 (then Ceylon) a new management culture began to emerge in some parts of Sri Lanka, gradually spreading to other parts. This new system was based on foreign capital, capitalistic production relations, wage labor and western management style. This structure was an antithesis to the prevailing self-sufficient rice growing village economy. The factors of production, land, labor and capital, took a new meaning with the money economy. New management practices spread with the expansion of economic activities related to plantations, like the commercial sector, transport network and communication system. This new system of organizations partially destroyed the primary relations among rural peasantry. The work relationships have changed into exchange relationships, money coming to play instead of loyalty and responsibilities based on tradition social hierarchies. But loyalty and hard work appears to continue to play their role. The motivation for work originated as a personal service to a friend or a specified person. The stigma created by traditional values about serving as an employee on wages has been replaced by this personalized service mentality and loyalty to the organization.

The center from which western cultural influences spread to the other parts of Sri Lanka is Colombo, the principal commercial and cultural center. Colombo as the business center and as the capital of the country, both locals and foreigners are concentrated in this city. The rural areas until recently were protected from the assault of western influences. However, slowly but steadily, Western influences are spreading throughout the country minimizing or reducing the gap between rural and urban areas. The increase in the numbers going for work overseas, particularly those of the lower middle and poor classes, has developed to be a very strong westernizing factor. The return of such immigrant labor not only makes other people look for opportunities

to go overseas for work and also promotes western life styles locally. This has worked as a strong force of social transformation. Those developments bring Western influence to the rural areas as well. It is estimated that 166, 489 people (68% of them are females from poor families) went in 2000 for work overseas from rural areas as housemaids to the Middle East countries (Central Bank Annual Report 2000). The power of mass media is also a strong element of Westernization. Television viewing has increased rapidly in the recent past, especially during the last 10 years. People watch many international news programs as well as such entertainment programs in the television. International schools which were earlier limited to urban areas, have gradually spread to the other areas in the country as well. Those factors continue minimizing the difference between rural and urban further.

3. Family Attachments

Basic to all types of social organization is the family. The strong relationship among family members is a very significant characteristic in the Sri Lankan culture. It is the duty of the parents or the elders to maintain the unity of the family. Marriage does not necessarily break up relations including economic ties, in the family. While individual wealth could be achieved, one is expected to devote such wealth to support one's family members, at least when needed. Thus, interdependence between the family unit and the individual members is maintained (Nanayakara 1991).

The need to look after parents or children has been extensively cited as the reason for leaving jobs at Noritake. In the Sri Lankan culture children are expected to look after their parents in return for what they got from their parents when they were in their teens. Buddhist ethics have a strong bearing here.

Family attachments of this type affect the behavior of both employers and employees in business in several ways. The employees who have small children in school have the habit of dropping them in schools and picking them up from school at the closing time. Those who have the facilities of using company cars, use these vehicles, with or without official drivers, for this purpose. There are many parents who, neglect company work, drop children in school or pick them up from school. How common this as a habit can be seen from an occasional policeman, riding his official motorcycle carrying children and some times the wife for personal purposes. The point is that there is a tendency among Sri Lankan company employees to give priority to children or other family members over the company. This kind of devotion is not limited to their own family but extends also to their parents, relations etc. Hence, there is in the Sri Lankan family attachments something which blurs the official from the private. Such tendencies also affect the company's wealth and productivity. Obviously conditions are very different between the society cultures of Japan and Sri Lanka.

4. Multicultural Society : Caste, Ethnicity & Religion

Sri Lanka is a multicultural society with many divisive factors such as caste, ethnicity and religion. The divisions within society, based on those elements, needless to say, affect in turn the business culture.

The caste system in Sri Lanka is not as rigid as that of India. However, despite the diminution of feudal caste roles in the low country, particularly in the cities not all persons of so

-called lower castes have left their traditional caste-based vocations. Some of the old caste based occupations are continued as monopolies although not all members of the caste are associated with work attached to it. Although conformity to traditional occupations is no longer of great importance, the old caste roles have affected the modern occupational structure to a certain extent. There is a tendency, even today, for rejecting some occupations which were traditionally the occupations of a so-called "low" caste. Occasionally, my interviews revealed that there was some hesitation for joining, for example, a porcelain company as workers, supposedly belonged to other castes since traditionally this was an occupation reserved to the pottery-making group of low caste. In a company, an employee would not clean the toilets used by him even, because toilet cleaning is thought to be a lowly occupation. These castes based divisive factors and occupational prejudices lead to many problems of human resource management in Sri Lanka.

Sri Lankan society is comprised of three main ethnic communities, Sinhala (74%), Tamil (18%) and Moor (6%). Each of these communities has sub-groups. For instance the Sinhalese have two regional groupings, low country and up country Sinhalese. The Tamils too are differentiated into two groups : The Ceylon Tamils and plantation Tamils of Indian origin. The Moors consist of Ceylon Moors and Indian Moors.

Sri Lanka has had a long history in which all these people lived generally peacefully though conflicts could be seen occasionally. During the last few decades however ethnic conflict has taken serious proportions. Militant groups from the Tamil community have started to fight for separation, with the government of the country responding militarily. As a result the country has been characterised by violent conflict over the last two decades. Within and among ethnic communities there are various perceptions : (a) overall perceptions about the relative position of a community in society, (b) its socio economic status in absolute and relative terms, and (c) benefits and costs of different communities due to socio economic changes and development processes (see Nanayakara 1994). The on-going conflict particularly in the North and the East, with destabilizing effects in the rest of the country has become one of the biggest factors in delaying the country's development. In many ways, it also affects the management culture in the country.

Religion is a unified system of beliefs and practices and provides the psychological foundations of every culture. Sri Lanka has all the major religions in the world — Buddhism, Christianity, Islam and Hinduism. The majority (approximately 70%) of the people are Buddhists. Participation in religious activities, particularly in ceremonial religious activities is high, and is a factor also influencing business culture in many ways.

In the Sri Lankan society, Buddhism has developed into a major social force by permeating all aspects of life. For instance, the concept of *Karma* is deeply rooted among Buddhists and to a large extent govern the attitude towards life and work. Karma is moral law of cause and effect. The present condition of an individual's life is a product of what he /she has done in previous births. The law of karma operates every moment and on every person until he / she attains 'Nirvana'. The individual's inability to change the circumstances is deeply rooted in individual's subconscious. The idea that the individual is only a tiny particle of large universe tends to make those individuals to be indifferent to work and work organizations. On the other hand this prevents people from taking precautionary action against undesirable events or processes. On the other hand the fatalistic concept of Karma prevents people from being achievement oriented and

rather makes them affiliation oriented. They do not strive for challenges or to achieve excellence. They are satisfied with the status quo or what ever is given to them by Karma.

The level and growth of production in Sri Lanka is rather low and is generally attributed at least partly to the large number of holidays enjoyed by Sri Lankan workers which in turn is the result of the multicultural nature of the society. In a very aggravated calculation one could point out that the average Sri Lankan works only 165 days per year. This is an exaggerated figure but it is interesting to note how one computes this figure. The number of holidays could be computed as follows : 104 days of weekends, 24 days of full moon days, the Christmas and of other religious festivals days, and 42 days of entitled leave. In an emergency a person can take one month (30 days) of paid leave. When we add all this up (200 in all), there are only 165 working days per annum. Due to conditions of relative in efficiency of the work force (say about 50 per cent of that of a developed country) in terms of the net output in terms of the value of what is produced, Sri Lankans are working only 83 days per year. This means that when a foreign firm has a factory in Sri Lanka, the output per annum is similar to what could be produced in home country with workers working for one and a half days per week. From the employer's point of view, another major problem related to this excessive holiday culture is that it is difficult to get things moving because most of the service organizations such as banks, shipping lines, and ministries etc. are closed on those holidays.

III The Labor Market and the Educational System

1. British Rule and the Educational System

British rule in Sri Lanka (from 1796 until 1948) had an impact not only on the economic structure, but also on social and cultural life of the people. The socio-cultural impact of superstructure brought about by the British are of great significance.

On the one hand, the temple based system of traditional education in ancient Sri Lanka, was replaced, during the British rule, by a formal structure of school system imparting a western type education. On the other hand, education during the early British period was largely in the hands of Christian missionaries. The pattern of distribution of educational facilities in the island was closely associated with the work of the missionary network (Nanayakara, 1989). Under the missionary education system, the teaching of humanities was promoted, particularly to meet the needs of the administrators for the colonial public service. Most importantly, during the British rule, the western education was a passport to a better social position. The British administration used the education network in a subtle manner to inculcate, values, and social behavior patterns. Western living standards were promoted. Educational system introduced the Western cultural setting interfacing it with the indigenous ones (Linger, 1982 : 84). Opportunities for education in missionary schools were restricted in early times to the elite of the country. Those who obtained education at these British managed institutes were able to achieve success in their lives in the public and private sectors including foreign business establishments.

Also as a legacy of the long period of British rule in Sri Lanka, the English language has acquired a "social status" in Sri Lanka. The English speaking local people find it relatively easy to obtain good jobs. People from the upper classes of the traditional society tend to acquire competence in English and Western habits and customs as a symbol of higher social status.

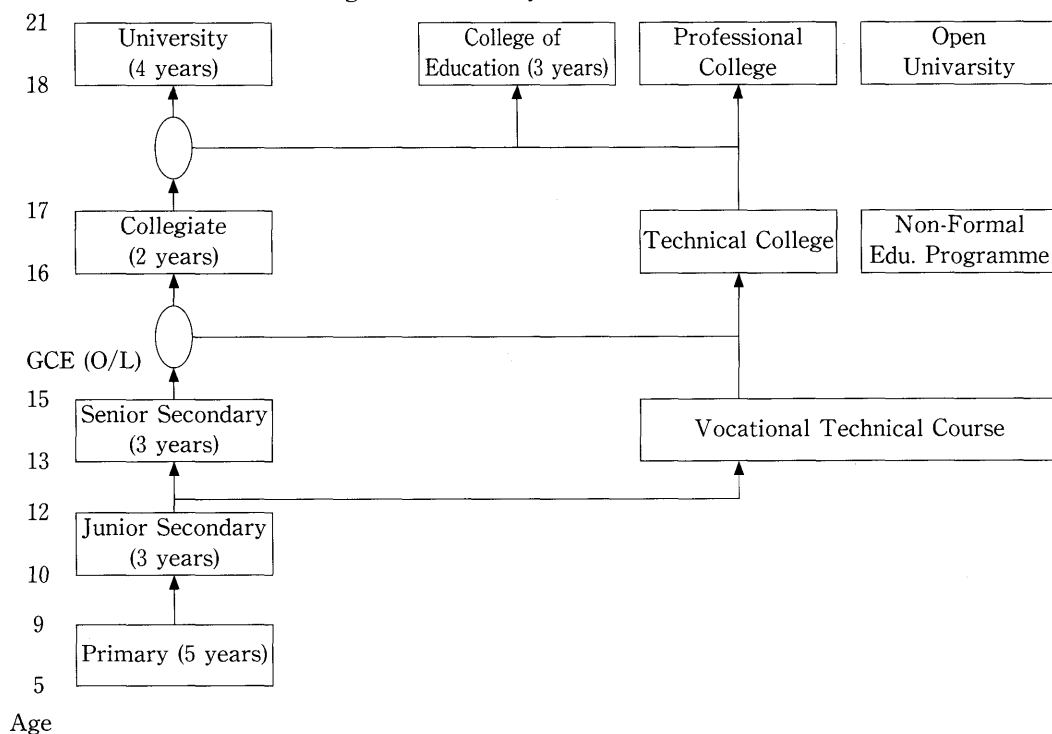
The employment opportunities which increased during the British period through the develop-

ment of industries linked to export and import trade (Dore, 1978). Meanwhile examinations for selecting officers to the public service were conducted in Sri Lanka mainly in the English medium. The local persons were able to occupy positions in the public service from around 19th century¹. The education conducted for the training of bureaucrats during the colonial times promoted English education in the country. It is noticeable that English in Sri Lanka did not remain as merely a practical tool of communication. It has also become a symbol of social status. This was a route to the establishment of the new westernized elitist layer in the society of Sri Lanka.

2. Post- Independence Educational System

Prior to Independence, there was a clear dual system of education, with fee levying English medium schools and non-fee levying Sinhala and Tamil medium schools. Government expenditure on education was heavily biased in favor of urban English schools, while the schools in rural areas were largely neglected. C. W. W. Kannangara report of 1944, a few years before political independence, had made far-reaching recommendations to correct these imbalances in education. Following the main recommendations of the report, a system of free education up to the university level for all students who wished to make use of it was introduced in 1945. A number of schools with good facilities were started in a number of regional towns to provide opportunities for talented but underprivileged students in rural areas to obtain quality education (Central Bank, 1998). These were called “Central Schools” and schools scattered in many regional locations became feeder schools for these central schools.

Fig. 1. Education System In Sri Lanka



Sources : Nakamura (1994)

The educational system of Sri Lanka could be divided into three major streams ; (1) General school education, (2) Higher education and (3) Technical education and vocational training. The general education runs through four major segments–primary² (year 1–5), junior secondary (years 6–8), senior secondary (years 9–11) and collegiate (years 12–13). The usual age of first admission of a child to an elementary or primary school is age 5 and is traditionally considered compulsory.

In Sri Lanka there are two national examinations at secondary level–the General Certificate of Education Ordinary Level (GCE O/L), which is taken by a child at around age 16, and the General Certificate of Education Advance Level (GCE A/L), taken around age 18. (See Fig. 1) The results of the GCE A/L³ examination are used for competitive admission to the university. There are also institutes for technical and vocational training, which exist as tertiary educational institutes in addition to Universities. Table 1 indicates the number of institutes and the number of students in General & University Education.

Table 1

Number of institutes and students engaged in the general and university education

Item	No of institutes	No of students
General education	11,031	4,277,104
Government schools	10,394	4,134,026
Private schools	77	93,445
Pirivenas (temples)	560	49,633
University education	13	40,174

Sources : Central Bank Annual Report (1999)

However, university education remains limited to a minute percentage of the society. The total number of university students is around 40 thousand. This constitutes only 2 percent of the population of the relevant age group. The bottleneck at the University entrance in Sri Lanka's education pyramid is extremely difficult to go through. Parents living in urban areas, belonging to the middle and upper classes send their children to private tuition classes so that their children can compete effectively for university admissions. Technical and professional subjects in the areas of medicine, engineering, general science, and law are available in the Universities. Initially these areas have been largely restricted to higher income groups of urban areas, where better facilities for secondary schooling were available. But over the last few decades, the number of students gaining admission to these faculties from other social strata has increased.

Higher education was initially limited to the elite in urban areas. There were developments in education for university entrance in the medium of local languages, the district quota system in admissions etc.- which changed this tendency. Considering the disparities in the distribution of educational facilities at district and rural level, the government has adopted a policy of combining merit with a district quota system to determine university admission. (Nanayakkara, 1988). As a result, today, nearly 80 percent of the university student population comes from rural areas. In the recent past, in universities, commerce and management subjects have become increasingly popular⁴. Social barriers have been removed to a certain extent. Universities, which were restricted only to the urban elite, have been opened to the rural poor as well. Education in

Sri Lanka is a highly competitive system. Students, passing the primary education stage and entering the junior secondary level exceed 90 per cent of the total. A large proportion of this number goes up to GCE / O. Level as well as to GCE / A Level thus increasing the competition for university entrance. University places have not increased in parallel with increasing competition.

The interest towards the technical and vocational training is also considerably high. There are about 2000 vocational institutes now in Sri Lanka. (CDMP 1999) Both government and private sector run these institutes. A very few of these institutes have been established with the assistance of foreign governments (including Japan) and international organizations. Training institutes which were started by international or domestic non-government organizations or religious organizations also exist. The competition to enter some of the institutes is rigorous.

Even though policies were introduced to minimize the gaps in educational facilities available to the urban and the rural, the success achieved towards has not been that impressive. Education imparted has also created certain mismatches between the demand and supply in the labor market.

2 - 1 Job category and educational attainment

Elitism is a significant characteristic of Sri Lankan society. Even though it could be an extreme example, if some one asks a young child in Japan what he or she wants to become in the future, it would not be strange for him/ her to say "a bus driver" or "a bus conductor". It is also an ordinary thing to encourage such kids by their parents or the neighborhood to do what he/ she wants to do. But in Sri Lanka the answer to the same question from most children, would be to become a doctor or an engineer. Often these represent ambitions imposed on children by parents⁵. Unlike in developed countries, the tendency to attach social status to jobs is strong in Sri Lanka.

Table 2

Rate of Unemployment at Different Educational Attainment Levels :
Selected Years Percentage of Labor Force (%)

Level of Education	1992	1995	1997	1998
Overall Rate	14.6	12.3	10.4	9.7
No schooling	3.5	1.9	1.3	0.3
Year 1-5 of schooling	5.4	3.0	2.3	2.5
Year 6-11 of schooling	16.1	12.8	10.8	10.3
GCE (O/L)	21.8	18.4	15.8	14.7
GCE (A/L) & above	21.2	20.0	19.0	17.4

Source : Lakshman, 1999.

In Sri Lanka there is no general tendency to value hard work irrespective of the job category the person belongs to, like in Japan. Aspirants for jobs in Sri Lanka, particularly among the relatively more educated, are very particular about the category of job, whether it is a white-collar job or a blue-collar job. However, since around 1960, unemployment began to increase. Out of the 500 thousand unemployed in 1998 in Sri Lanka (more than 9% percent of the labor

force), 57.3 percent belonged to the under 25 years age group. The rate of unemployed in the 20-24 age group and among those had passed O/L 24.6 % among males and 30.1 % among females (Lakshman, 1999). Table 2 indicates the rate of unemployment at different education attainment levels in 4 recent years. There has not been sufficient widening of narrow path for jobs through the formal system of education. The higher the educational achievement, higher the rate of unemployment.

There is a gap between what the society expect from the education system and what the education system can actually deliver. There is a tendency among the youth to aim at higher education attainment levels. That is from the supply side (employees). The education and training required by the demand (company) side are of a different nature. There would then be a tendency to proceed to still higher educational qualifications to get acceptable employment (Dore, 1998).

2 – 2 English Language and the elite class

The languages used in general education up to university graduation in the public educational institutes are, Sinhalese roughly up to 73 per cent and Tamil, 27 per cent (Nakamura, 1994). At University level only a few courses are learnt in the English medium⁶. Even though Sinhala and Tamil are legally recognized as the official languages, the social status for English, especially in the private sector, is extraordinarily high. It is almost impossible to gain lucrative employment after graduation without the knowledge of written and spoken English even through a person has obtained good results in the general education.

In recent times there is an expansion in the number of students educated in Western countries. They are treated favorably in the job market. They are the ones who also get rapid promotions in their career. It was expected that the privileged position English had in earlier times drastically changed with the making of Sinhala the official language in 1956 and expansion of secondary education facilities in Sinhala medium through the establishment of *Maha Vidyalayas* and Central Schools throughout the island. The expansion of education facilities and the introduction of teaching in one's mother tongue (*Swabasha*) produced a new generation of educated youth. *Swabasha* educational system was helpful for students from rural areas to get their education easily until University graduation. This education as a system has not met its objectives, given the prevailing structure of society. It merely prepares the students with basic requirements to seek a job.

The open economic policy started in 1977 ; promoted job opportunities in the private sector, including sections where foreign investments were made in Sri Lanka. English has become even more necessary today to find employment in fields such as management, engineering, translation, and office staff specially in those sectors connected to world trade (these are also jobs offering high salaries). Because of the increase in the demand of investors for those who have English ability, students from the rural areas, educated in Sinhala or Tamil have been unfavourably affected. (Keizai Kikaku Chu, 1996, p. p. 147). The dissatisfaction of the people in the rural areas separated from the English world is socially significant. The recent violent political struggles (1971 and more recently 1988) where university students played a major role are indicative of the results of such formation of social discrimination. In more recent times the children of the elite are being sent to foreign countries for studies, mostly the US, England or Australia. There is a tendency that those who return from abroad after studies would occupy those lucrative jobs

indicated earlier. In Japan, even though it is changing slightly, the experience of studying in overseas universities does not help much in career development, unless the trainees concerned were sent for training by their own enterprises. However in Sri Lanka, those who have studied abroad are welcomed by the employers to the disadvantage of those who do not have such an educational background.

A category of schools called “international schools” have appeared from around the 1980s, to teach for foreign qualifications in the English medium. There were about 77 such schools by the end of 1999 and almost all of them are located in Colombo. These schools are increasing in number away from Colombo too. Even though these schools are known as international schools, 90 percent of their students are Sri Lankans with only a small number of foreign children. Because of the very high tuition fees, only the very rich and upper middle class parents could afford them. This seems to reproduce a new elitist layer in the society. English is known in Sinhala slang as *Kaduwa*, which means sword. This is because English is used in this society to cut the non-elitist people to size and also at the same time used as the symbol of power (Nakamura, 1994). The domination of English in Sri Lanka seems to continue.

The educational system in Sri Lanka is a product of the colonial period. It was the channel for the Sri Lankan people to successfully climb the social pyramid. However after independence various policy measures were taken to change the dual structure of society and to bring into society some degree of equality of opportunities. The on going educational reforms are expected to further ease the pressures in the labor market by re-orienting schools and higher educational systems to meet the changing manpower demand, particularly in the private sector. However it is unlikely that these mismatches within the structure of educational system and the labor market in Sri Lanka would end in the near future.

3. Labor Standards and Relations : BOI Regulations

Labor laws and standards influence the management culture of a country closely. It is important to know the labor standards of Sri Lanka to a certain extent in discussing the management of Japanese companies in that country. The laws and standards related to labor are basically those introduced to Sri Lanka during the British rule.

Board of Investment of Sri Lanka (BOI) is a state organization responsible for overseeing industrial relations in the enterprises coming under its purview. In the case particularly of foreign investments under its supervision, the BOI administers the relevant labor standards in companies and is expected to maintain healthy labor-management relations. However, the labor standards involved are not newly developed. These have been built up over the years from as long ago as 1930s as the basis of the labor laws in Sri Lanka. The labor standards and labor relations applicable to enterprises are almost the same, irrespective of their location, whether inside or outside the Export Processing Zones (EPZ).

The BOI classifies production workers into 4 categories : trainees, unskilled, semi-skilled and skilled. The trainees are expected to follow a training period of 156 workdays. An unskilled worker is not asked to gain any training. Regarding the first three categories, the minimum wages payable are determined by BOI. The wages of skilled workers are, however, determined by contract of employment. However, such wages should necessarily be more than wages paid to a semi-skilled worker. It is a common custom to recruit trainees for white-collar jobs where

there are no detailed indications regarding them in the BOI regulations etc.

In Sri Lanka, the law, in any job category, male and female ought to receive equal remuneration and facilities. This was introduced in Japan only in the nineteen nineties. The minimum age for employment is 18 years. The normal age of retirement is 55 years. However, extension beyond 55 years can be granted at the discretion of the management. A written contract of employment embodying terms and conditions of service including the designation or category of the employee, normal hours of work, rate of payment, period of training if any, probationary period, leave, holidays and superannuating contributions, has to be issued to every worker and the acknowledgement of receipt obtained by the employer. However, there are differences seen between the treatment of the white-collar employees and the blue-collar employees. This occurs because the laws relating to the two categories are different. The white-collar employees are handled under the shop and office law and the blue-collar workers under the normal labor law. The differences of treatment could be observed in various places of the directions given to the employers by the BOI.

Nine hours per day inclusive of an interval of one hour for meals or rest, from Monday to Friday and a short working day of 6 1/2 hours inclusive of an interval of one hour for meal or rest for Saturday is a normal one-shift operation for production employees. Although working days are the same, Saturday is a half-day of 5 hour duration for office employees. The 8 hour day inclusive of an hour for a meal or rest for Monday to Friday and a short working day of 5.5 hours inclusive of an interval of half an hour for a meal or rest for Saturday is also not uncommon. Even though there are no restrictions on employment of male workers on the night shift, the female employees have been very much protected by regulations⁷.

According to financial and labor regulations all employees have to be paid monthly salaries. No wages could be paid on a daily basis or for the number of pieces produced or on contract basis. Only authorized deductions such as cash advances, loans obtained by the employees, income tax, workers contribution to EPF and any other approved deductions could be made from wages. However the aggregate of such deductions should not exceed 50% of the wage due for the period. For the purpose of no-pay deductions, holiday payments etc., the daily salary is to be calculated by dividing the monthly salary by 26 days. Any work performed in excess of the normal working day is treated as overtime work and remunerated at 1.5 times the normal hourly rate of wages. On the other hand, the office employees have the right to get a half-holiday on Saturday afternoon and a full holiday on Sunday with full remuneration. The full Moon (*Poya*) day of each month is a holiday with pay. If a worker is employed on such a day he / she shall be paid at the overtime rate. Public holidays declared by the Government for the mercantile sector shall be allowed with full remuneration and there are 9 such holidays at present. Employment of a worker on these holidays requires the consent of the employee.

After one year of continuous employment, an employee has the right to 14 days vacation leave with pay in respect of the second and any subsequent year. In respect to of the first year of employment leave is granted on a pro-rata basis depending on the date of commencement of employment. On any termination of employment, payment is made for any leave outstanding to the credit of an employee. In regard to holidays, there is a visible favouritism towards the office grade. An office employee has to be granted 7 days casual leave with pay from the second year of employment and on the basis of one day per every two-months' service during the first year

of employment and this is some thing that the production employee does not enjoy. It is visible in the maternity leave too. A female factory employee is allowed 12 weeks (84 days) leave with pay after the first confinement⁸, but a female office employee may be granted maternity leave with pay for 84 working days. For the factory employees 84 days include Sundays and public holidays. Sick leave is granted at the discretion of the management and some enterprises grant such leave up to a maximum of 21 days. At that time a medical certificate has to be produced by the employee to cover such leave.

Superannuating benefits for employees are also being 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 gratuity⁹.

IV Characteristics of Labor Management Relations

This analysis of labor management relations is made with a view to making a comparison with Japanese labor management systems. Although there is a great impact of the agriculture based traditional cultural system on the present management systems, the management organizations themselves are running basically according to the imported western methods. This section deals with four aspects of management in Sri Lanka : (1) non-separation of ownership from management, (2) nature of trade unions, (3) status gap between different employee categories ; and (4) inflexible employment structure with no promotions from worker grade to management grades.

The labor management in Sri Lanka has developed under the influence of European labor management systems. In that sense, Sri Lanka has a different system in comparison to Japan. The environment in Sri Lanka, also contributes to friction with the Japanese way of labor management. Non-loyalty to the organization, conflicting relations between labor and management are some elements in the Sri Lankan system which are different from the Japanese system.

1. Non-Separation of Ownership from Management

In the general development of the limited liability company principle, the ownership has been separated from management. The desirable effects this had produced for capitalist development are well known. In post-war Japan this principle developed among the large companies.

In addition, the formation of an organizational hierarchy based on educational attainment was practised in Japanese companies in the process of the industrialization. In Japan, since 1900, Zaibatsu Organizations like Mitsubishi, Mitsui, Sumitomo etc., introduced a policy of recruiting talent for the management layer from among university graduates, instead of from among the 2nd generation of the founders of those companies. (Urabe, 1978). For instance, in 1924, out of 384 top management positions in 181 big companies, 244 were recruited from among university graduates (Dore, 1973).

The children of the Zaibatsu owners continued to hold a major share in ownership. Real powers of management however, concentrated in the hands of specialists of management (university graduates etc.) and afterwards, the middle management of large companies was also replenished from university graduates. This was an important foundation for the development of JSM. In Japan, the management got separated from ownership of companies, and management professionals gave up self-interest, selfishness and desire. Decision-making was done according to rationality on bureaucratic principles (Urabe, 1977, p.p. 174).

Family Business is the most important characteristic of countries in South East Asia (Shinichi Ichimura, 1980, pp. 30) and this could be true of Sri Lanka as well. Many top companies in Sri Lanka were individual or family holdings, though there have been some change in the recent past, such as their being listed in the stock market. In such companies, ownership and management are separated. The middle management with higher education achievement is insignificant. The tendency of owners and their relations to dominate management is strong. This kind of situation affects the management in some ways. However talented an employee may be he/ she could not rise above a certain level. But in most cases in Japan, management and ownership are separate. There are companies in the small and medium scale sector where management and ownership are not separate. Even in that kind of situation, the competition principle works, based on the pressure of the bank the company is dealing with¹⁰.

In Japan, those who are in management are just employees of the company. In case of dissatisfaction of shareholders, there are no changes in management. The management of Japanese companies does not necessarily have to work always for profit maximization for the shareholders. This situation is described as a “heaven” for managers. On the other hand, in a situation like in Sri Lanka, where, often, the management consists of owners, the management is under pressure to work towards maximum short-term returns. Long-term company growth might therefore be sacrificed in favour of short-term profits. The pattern of management decision-making also will be influenced.

2. Trade Unions

There are a few differences between labor associations in Sri Lanka and those in Japan. First, the trade unions in Sri Lanka are often “national” unions, connected to a political party. Although there are branches in enterprises, the decision-making is generally done by the head offices of the unions concerned. The Japanese system of one union for one particular enterprise does not apply in Sri Lanka. The enterprise internal union is described as one of “three sacred treasures (*Sanshuno Jingi*)” in the Japanese systems. The influence of British trade unionism in Sri Lanka cannot be ignored. The trade union movement in Sri Lanka grew with the nationalist independence movement and also movements of the political left. But it has a long history, having

been organized by workers themselves in the cities around the 1920s, inspired by the rise of the trade union movement in England. There are many trade unions represented in any given company. Membership depends on one's type of job as in the case in the British trade union movement. It is not at all rare for 3-4 labor unions to be active in one single company (Gaimushou Keizai Kyoku, 1969, p.p. 425). Even production workers of a given company are divided into various unions. Electricians are affiliated to electricians' union, and clerical staff to a union for clerical workers. This is clearly more complicated than the Japanese system. Trade unions in the public enterprises in Sri Lanka are significant, in number as well as in activities. Such companies, even after privatization, will often operate with the same trade union environment. In numbers, for instance, there are 12 trade unions in Lanka Telecom, a representative enterprise formerly under public management, although it is now under Japanese management.

There is another significant difference. In Japan, unions operate on the principle of 'labor management cooperation collaboration'. Sri Lanka's trade unions are however basically of the type believing in labor-management conflict'. In Japan, all employees in different job categories are organized into one single union. Group discussions are conducted between the union and the management inside the company. In Japan industry-based unions outside the enterprise have discussions with employer groups. Wage rates of each type of job category is determined in uniformity for the whole country. However, such wage rates decided are basically the minimum wages of each job category. Additional amounts may be paid at the discretion of company managements. It is easy for one party to become rather self-centered and selfish under the Sri Lankan type of labor organizations. The prevailing system strengthens the conflicting positions labor and management are likely to take.

The strong party affiliation among trade unions in Sri Lanka is also one of the remarkable differences when compared with Japan. In Sri Lanka trade unions are very active in politics. It is very common to have a political party behind each trade union. However, in the early years after the UNP came to power in 1977, certain practices were introduced against trade unions to make them weaker. Yet it was impossible to suppress the labor movement even in the FDI based industries and in the FTZs. The period 1977-94, however, is seen as a time when union power was weakened. But due to the change of government from UNP to a left-of-center political coalition called People's Alliance (PA) in 1994, the trade unions became once again more powerful¹¹.

Strikes in basic industries have become disruptive to orderly social life. The Employees Councils Act of 1979 had attempted to restrain strikes through labor-management discussions. Further, the union activities were not allowed inside EPZs. Instead of the Trade Unions within EPZs, every enterprise was promoted to establish a Joint Consultative Council within the enterprise.

The existence of strong trade unions has been described as the "cause of the UK's illness" in the UK (Hayashi 1994). To some extent, this could be also true for Sri Lanka. In Japan it is normal for trade union leaders/ administrators to later become part of company top management. In this respect, Sri Lanka does not have a bridge between "them" and "us" like in Japan. This is perhaps one of the main reasons for instability in the labor management relationship in Sri Lanka.

3. 'Divided Society' and Status Gap

In Japan there is consciousness of the dangers of "divided society". It comes as a shock to the Japanese to know about countries where there are deeply divided societies. For instance, this happened when the famous English social critic and novelist George Orwell visited Japan in 1960. Orwell acknowledged that he belonged, in his own society, to the "lower-upper-middle class". This was not a strange expression to be used by an average Englishman. But the Japanese find it almost impossible to understand it as 90 per cent of the Japanese have a Middle class consciousness (Tetsuro Katou, 1989). A characteristic feature of the society as well as business culture in Sri Lanka is the presence of deep divisions. This might be indicated as one of the biggest differences between these two countries Japan and Sri Lanka.¹² The present type of social division in Sri Lanka was basically introduced during the British period, making the traditional division in Sri Lanka stronger, e.g. the caste system. The traditional caste system made it easy for Sri Lanka to absorb the British type of classified society.¹³ One must be cautious not to mix up the status gaps of today's society with the traditional Caste system. The classified structure that Sri Lanka has at present is based on the hierarchy of the army type that attaches importance to a command system from above. In Sri Lanka status gaps remain strongly in the private sector as well as the government (public) sector (Nihon Roudou Kyou Kai, 1986).

Such social conditions create discontent and develop the consciousness of separations. These could develop feelings of "them" and "us" between the labor (working) and the management classes. From the manual workers' point of view, all in management belong to the "them" group. The difference between manual workers and non-manual workers will be viewed as insurmountable.

As an essential difference to Japanese companies, one may note that company hierarchies in Sri Lanka promote discrimination in treatment within companies. Each stratum in a hierarchy is clearly distinguishable. The segregation could be found in the dining room, the parking place, the toilets, in uniforms and even in the number of days of vacations and the amount of bonuses. The managers are treated as a special privileged class. The labor law also appears to create divisiveness. It is roughly divided into two; the shop and office law which is for white-collar workers (or the office workers) and the labor law for blue collar workers (or manual workers). The "fringe benefits" also to some extent show the influence of status difference. For instance, the executives are given material benefits like bungalows, vehicles (sometimes with driver) and recently such things like mobile phones as fringe benefits apart from the salary. The separate facilities for different classes of employees are sometimes visually identifiable. For instance, in some work places there are three types of toilets: one for "managers", one for "office workers" and another for "factory workers".

During the time when Sri Lanka became independent it was easier to notice from the clothes worn what job category a particular person belonged to. For instance the managerial category wore business suits, the clerical workers shirt and trouser (with or without necktie) and the manual workers, the sarongs (traditional dress of Sri Lankan men) with shirts, and some times even without shirts. At present however it is not easy to identify different classes of workers merely from the dress as almost all men normally wear slacks with shirts. But in many places of work, a necktie is worn by executives to differentiate the management class from others. In regard to females, there are still identifiable differences in the clothes they wear. In most

companies the female white-collar workers are encouraged to wear saris whereas blue-collar workers wear one-piece frocks or blouse and skirt. Despite the fact that it has become difficult to distinguish between job categories solely on the basis of the dress, privileges are differently granted on the basis of differentiation of jobs, hence the status gap will continue in Sri Lanka.

However the consciousness of labor as a whole, that “we all are in the same boat” with different privileges to those of the management, still prevails. The labor movement with its antagonistic approach is based on the discontent among workers arising out of such divisions.

4. Segmented type of Structure

A company organization, irrespective of the country where it operates has a hierarchical structure. The organizational hierarchy in a company could be divided mainly into two, i. e. the management which has the right to issue directives and labor that works on those directives. The management layer, in turn, is divided into senior management, the middle management and the supervisor category. The board of directors, executive director, and the factory manager occupy the senior management. Basically sectional chiefs are in the middle management layer and assistant sectional chiefs and foremen belong to the supervisor category. The hierarchical structure as above represents the authority structure in terms of function and responsibility. Even though there are differences in term of how various categories or layers are called, there is hardly any significant difference between Japan and Sri Lanka in the basic company structures.

An essential difference between a Japanese and a Sri Lankan company is the discriminatory treatment of different categories of employees in companies of Sri Lanka. The discrimination begins with the dining room, the parking place, the toilets, and uniforms and moves into areas like the number of vacation days and the size of bonuses. The managers are treated as a special privileged class.

To production workers who have had their education in rural schools and had a traditional cultural background, however long they serve the company, there is almost no chance of getting promoted to a managerial or even a supervisory post. There is a huge gap between the status of the management class and that of the ordinary workers and this cannot easily be changed. It is also common for different layers of even the management class. Figure. 4-2 indicates this type of situation. In other words, the structure in Sri Lanka can be described as an inflexible and fixed system. As Dore shows the same structure could be identified in the United Kingdom too. (R. Dore, 1973, p.p. 222). A similar situation has been identified as “Mechanistic Type Organization” by Kichirou Hayashi (1994, pp. 54). For instance, in case a vacancy occurs in a managerial post, generally, the position is filled from the external labor market and it is like a replacement of a building block in a building. There is no practice of looking for a person from the lower ranks inside the same company ‘using the internal labor market’.

The systems of the two countries differ from each other in terms of the stage of recruitment too. There are two major differences. The first is that there is no systematic way of recruiting immediately after graduation from the educational institutes (*shinsotsusha saiyou*). The second is that while in Japan new graduates are recruited as one batch without any distinction, in Sri Lanka the new employees are recruited for specific jobs like clerk, peon, machine operator and so on.

The managers are selected at the stage of recruitment and they are designed as managers, management assistants or trainee executives. In contrast, in Japan, the promotions are deter-

mined in the long process of career development and theoretically, every employee has a chance to become a manager. No doubt there is vigorous competition for an employee to go up in the ladder (Makoto Kumazawa, 1993).

In Sri Lanka the companies welcome talented employees, especially the qualified white-collar workers, from the external market. There is also extensive job-hopping based on personal talent. From the point of view of the employee, it is the most effective way of getting promotions as there is no internal promotion system. It is also the best way to get higher salaries. However in Japan, a high degree of community consciousness is maintained within companies. A considerable role is played by the internal educational system (*kigyounai kyouiku*), the OJT or reshuffle of employees among sections (*haichi tenkan*). But in Sri Lanka there is no systematic internal educational system within a company. Employees are recruited from the external labor market, based on applicants' qualifications. There is no lifetime employment principle. There are limitations on internal promotions.

The segregated structure model (Figure 2) formed in Sri Lanka has limitations. In such a model the mobility between upper and lower layers is difficult and the sharing of information also is minimal. Moreover, in that kind of situation, it is hard to expect uniformity between members and dynamism within an organizational. On the other hand, the organization hierarchy of a Japanese company helps the company to function as one organic body, where the movement between upper and lower levels is permitted. In Japan, when a vacancy of a managerial post occurs, the replacement is made from inside the company (internal labor market) without depending on the external market.

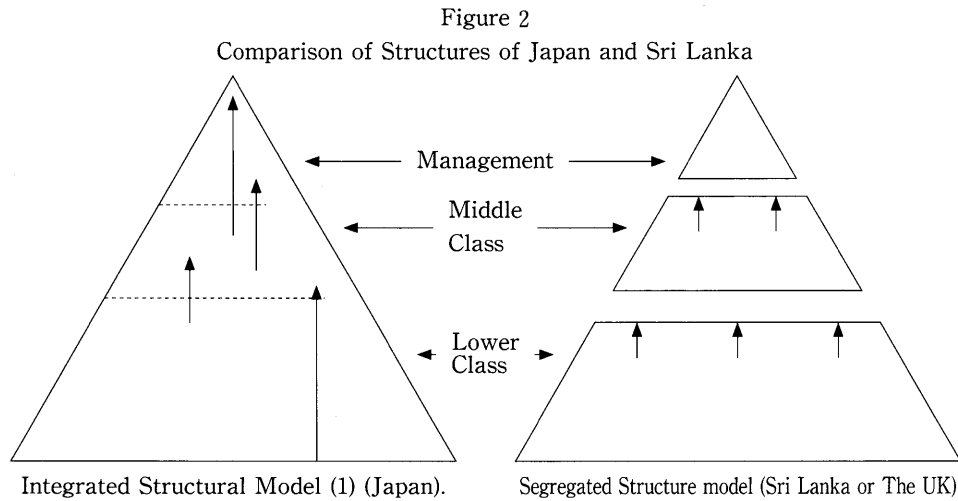
V Conclusions

The specificities of the domestic culture of any given country is important in regard to adaptation of any management culture born in a different country. Before beginning to discuss the possibilities of adopting JSM in Sri Lanka, we have therefore examined the cultural background of Sri Lanka with special regard to management.

When discussing Sri Lanka business culture we must be careful to consider all the traditional elements based on the agricultural background, modern customs inherited from the Europeans, and also institutions like family, multicultural elements like caste, religion and ethnicities. Some of these elements have gradually changed whereas some have prevailed unchanged to a certain level. The western influence was a major factor in shaping the present business culture in Sri Lanka, especially that related to labor management relationships. The customs and practices that have been introduced from western countries have been adopted by the people in Sri Lanka cleverly. These can be identified in customs related to ownership, trade unions, status gaps, company structures etc. The education systems is also a major element that has been highly influenced by the British rule. The role of education in building people's mentality from the young age is well known. Even the labor laws and labor regulations practised in Sri Lanka are those introduced during the same British rule. These systems exist even today in the Sri Lankan context without major changes.

The historical background as well as the experience of Sri Lanka has very little in common with those of Japan. The business culture in Sri Lanka would present major psychotically conflict

in introduce adopting JSM. The author hopes that this article will form a referential document for people who may be discussing the adoption and adaptation of the Japanese management system in Sri Lanka.



Note: The concepts "integrated structural model" and "segregated structure model" are formulated by the author into figures. First introduced by Dore (1973)
Source: R. Dore (1973)

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¹ At the beginning of the 19th century, the administrative posts of the public service were monopolized by the Burgers (those of mixed Dutch / Portuguese and Sri Lankan origins) and the Eurasians (of mixed origin of English and Sri Lankan parents). There was a total of 27 thousand public service positions of which in 1911 (Dore, 1978), 93 per cent was held by locals.

² The years mentioned here are school years. The first year in primary school corresponds to 5th year in terms of the age of children concerned.

³ There are 8 subjects to be studied in the O/L and 4 subjects for the A/L. A/L gets divided into streams - physical science, biological science, commerce and management and arts.

⁴ Commerce was initially taught at the technical school level. Commerce accountancy and subjects of that nature were introduced to school curriculum in the 1960s. Subjects related to commerce and management became popular in universities but those who graduate in those subjects also face difficulty in securing employment relevant to their education (Lakshman, 1999).

⁵ In Sri Lanka, doctors and engineers represent the elite in society. Hence the grate demand

medical and engineering places in universities. However there is an important difference, compared to developed countries. In either country students who have such preferences can realistically expect to attain their goals. In Sri Lanka however children who do not have any realistic chance of becoming a professional also are expecting to be one later in life.

- ⁶ However there is still a small English medium stream in university education. This includes the medical, and engineering faculties in all universities, science faculties in some universities, part of law and management studies as well as arts and social sciences.
- ⁷ Employment of female workers on night work from 10:00 p.m. to 6:00 am on the following day, will be allowed as a third shift, subject to the following conditions. 1) Written consent of the worker to be available for such employment. 2) Payment should be 1.5 times the daily rate of wages for the normal night shift, provided that maximum of 10 days night work is allowed per female worker in any one month. 3) A worker employed between 6:00 am and 6:00 p.m. is not employed on night shift on the same day. 4) A worker employed on night work to be allowed an adequate period of rest after such work. 5) Matron/ female supervisors are to be present during the shift. 6) Canteen, medical and rest room facilities should be made available. 7) Transport facilities should be made available for use in emergencies.
- ⁸ In case she has two or more children or where confinement does not result in the issue of a child, she shall be allowed 6 weeks (42 days) leave with pay. An employee is entitled to utilize leave up to a maximum of 14 days prior to confinement and the balance of leave after confinement.
- ⁹ BOI has also given directions towards the employer regarding things like disciplinary codes, health and welfare, industrial safety, employee safety, injury during work, and termination of services and Joint Consultative Councils.
- ¹⁰ Same kind of situation could be generally identified in South East Asian countries as well (Shinichi Ichimura, 1980).
- ¹¹ Liberty of organization or joining a trade union is guaranteed by law in Sri Lanka. A trade union can be formed if there are 7 or more employees. A few large trade unions and the number of their members are indicated below: Ceylon Workers' Congress (CWC) 450 thousand members; Democratic Workers' Congress (DWC) 200 thousand members; Sri Lanka Independent Trade Union Federation (SLITUF) 380 thousand members; Government Workers' Trade Union Federation (GWTUF) 185 thousand members; Ceylon Trade Union Federation (CTUF) 175 thousand members, Public Service Workers' Trade Union Federation (PSWTUF); 157 thousand union members.
- ¹² Of course there was a strong system of social classification in Japan, according to which the social status of a person depended on his birth. This tendency is strong even now in some areas, specially in the areas where the emperor used to live and where the palaces are. Kyoto city area is a very good example. The people in the society were divided into 4 classes until Meiji Revolution; which annulled the system: Shi (Samurai), Nou (farmers), Kou (workmen), Shou (merchants). There were groups who were not considered even as human (Eta and Hinin). They were permitted to live only in places like the riversides (*Buraku Areas*) during imperial days. Remnants of this system still remain under the surface even now, because the system of census registers in Japan enables one to find out a person's pedigree and whether he or she is from a *Buraku Area*.
- ¹³ In the caste system, the job of a person is determined by his/ her birth. His/ her caste comes

from parents. However the caste system in Sri Lanka was not so strong as in India. The majority of the people in Sri Lanka belong to the farmer (Govi) caste which is also considered the highest in the caste hierarchy. This is also a unique feature compared with the Indian caste system.

(International Economics/Multicultural Studies)