

ABSTRACT

Within the industrial sector of Sri Lanka, the garment industry plays an important role in terms of foreign income generation and mass employment for the country. Its contribution to the GDP is 10% and the value of the total industrial production in 2007 was Rs. 355 Billion, which provided employment for nearly 280,000 people. It was introduced to Sri Lanka as a fairly large investment after introduction of the open economic policy in 1977 with the low cost labour prevailed in that era. However, it is a well known fact that Sri Lanka does not anymore enjoy the status as a low cost labour market. Another serious set-back for Sri Lanka's competitiveness in the apparel manufacturing industry is low productivity, when compared with other large garment exporting countries.

The objectives of this study was to conduct an industry analysis to ascertain the current situation of the industry and to recommend appropriate strategies. In this study, Michael Porter's Five Forces model and a SWOT analysis has been used to analyze the issue and the critical areas of the Sri Lankan garment industry. The study sample was a cluster of 7 garment factories from Colombo, suburbs and outstation, which had at least over 500 employees. Representative samples were selected from each factory to gather primary information through a questionnaire survey and through interviews. Findings of the study were major issues identified as low labour productivity and high cost of labour in the Sri Lankan garment industry. Comprehensive discussion were made related to drivers of labour productivity. Recommendations related to human resource, process improvement, cost reduction, value addition and new market development were made in order to meet the challenges of the garment industry in Sri Lanka.