

I'm human





The notice period for individual employee terminations in Sri Lanka is by law, but the Termination of Employment of Workmen (Special Provisions) Act No. 45 of 1971 (TEWA) governs specific circumstances related to termination, particularly in cases of retrenchment. When an employer wishes to reduce their workforce, a minimum one-month notice period is required before termination for employees who have completed one year of service. However, employees with less than a year's service are not entitled to notice under the TEWA. Individual employment contracts or collective bargaining agreements may specify notice periods for termination, which can supersede the TEWA's provisions and establish different notice periods depending on the specific employment situation. Payment of Gratuity Act: Fixed-term contracts ending naturally won't necessarily trigger severance pay. Severance calculations typically factor in an employee's service length and final salary. Laws dictate specific formulas. For instance, under TEWA: up to 5 years, 2.5 months' salary per year; 6-14 years, 2 months; 15-19 years, 1.5 months; 20-24 years, 1 month; 25-34 years, 0.5 months. Maximum compensation amounts apply, and other laws may have different methods. Sri Lanka employment terminations fall into two main categories: employee-initiated (resignation) and employer-initiated. Each follows labor law procedures. Resignation typically requires advance written notice to the employer, as defined by contract or company policy. In its absence, a reasonable notice period is expected. Employer-initiated terminations are more regulated to ensure fairness and protect employee rights. Valid grounds for termination include economic reasons, restructuring, or business closure. TEWA mandates specific retrenchment procedures, including consultation with employees and Commissioner of Labour approval. Employers can also terminate due to misconduct, insubordination, or serious breaches, as long as they follow fair disciplinary procedures. Other justifiable reasons outlined in labor laws and case law are also valid grounds for termination. Termination of employment in Sri Lanka is subject to certain rules and regulations. The Commissioner of Labour assesses the validity of the reason for termination before granting approval. Extra procedures may be included in contracts, as long as they don't conflict with labor laws. If an employer thinks their dismissal was unfair or against the law, they can file a complaint with the Labour Tribunal under the Industrial Disputes Act. Not all workers are covered by labour laws like TEWA, which includes managerial staff and some public sector employees. Understanding Sri Lanka's complex labour laws and termination procedures is necessary. Employers can terminate contracts on disciplinary grounds, or non-disciplinary grounds, or due to death or operation of law (including contract frustration or impossibility of performance); or the employee's actions such as resignation, post-vacation, or employment abandonment. Fixed-term contracts end when the specified period ends. According to TEWA, employers must inform employees of dismissal reasons except in disciplinary cases. However, non-disciplinary dismissals covered by TEWA require written consent from the worker or prior approval from the Commissioner of Labour, unless it's a voluntary resignation, retirement with a clearly stated date in the appointment letter, or termination due to operation of law. Termination notice is required before terminating an employee's services. However, labour laws deal with collective dismissals rather than individual ones. Workers can be retrenched only after giving one month's notice, which they become eligible for after one year of service. Those with less than a year of service are not entitled to any notice. Workers who have completed five years of service with an employer employing fifteen or more workers are entitled to gratuity at specific rates in the event of termination (whether by the employer, worker, retirement, death, operation of law, or otherwise). 1. Rated workmen; and pay 2.14 days salary for each year of completed service. This amount is payable in every circumstance, regardless of reason for termination. It can only be withheld in narrow instances. Under Termination of Employment Act 1975, there is redundancy payment provision. Compensation in lieu of reinstatement is only payable if the employer closes a business violating the Act. Compensation formula: - 2.5 months pay per year of service (1st to 5th years) - 2-month pay per year of service (6th to 14th years) - 1.5-month pay per year of service (15th to 19th years) - 1-month pay per year of service (20th to 24th years) - 0.5-month pay per year of service (25th-34th years) The employer must demonstrate compelling grounds for terminating an employee under the approved COL process. These grounds include job function removal, financial constraints, or corporate restructuring. For COL-approved terminations, the terminal benefit will be as per the Gazette formula. The Employer's Dilemma: Navigating Redundancy and Termination Laws in Sri Lanka Given article text here Looking to set up operations in Sri Lanka? We'll help you navigate the recruitment and compliance processes. The country's labor market offers several benefits. First, Sri Lanka boasts a high literacy rate of 93.3%, with men having a slightly higher rate than women. This translates to a strong education system producing well-rounded graduates. Second, English is widely spoken, making it easier for international businesses to communicate and collaborate. Third, Sri Lanka offers cost-effectiveness, allowing you to hire top talent at a fraction of the cost compared to developed countries like the USA. If you're looking to recruit employees in Sri Lanka, we have insights on employment laws, payroll, and hiring best practices. Understanding key provisions is crucial when it comes to minimum wages, working hours, termination, maternity benefits, leaves, provident funds, and gratuity. For instance, working hours are limited to 8 hours a day and 45 hours a week, with overtime pay being at least 1.5 times the employee's hourly wage. When terminating employment, employers must obtain either written consent from the workman or prior approval from the Commissioner of Labour. The Commissioner has discretion in granting or refusing termination approval, and their decision is final and binding. To expedite the process or avoid uncertainties, employers may offer Voluntary Severance or Retirement Schemes. The packages can provide an alternative to the TEWA compensation, allowing employers to negotiate with employees directly for faster resolution. The law provides a formula for calculating compensation based on years of service, such as: 1-5 years: 2.5 months salary 6-14 years: 2 months salary 15-19 years: 1.5 months salary 20-24 years: 1 month salary 25-34 years: 0.5 months salary The maximum cumulative VSS/VRS compensation cannot exceed 48 months of salary. Restrictions on termination include exemptions for employers with fewer than 15 employees and various grounds like disciplinary actions or industrial disputes affecting termination rights. Employers who violate the law may face fines, imprisonment, and potentially huge fines or up to six months' imprisonment for non-compliance. Maternity benefits in Sri Lanka are regulated by the Maternity Benefits Ordinance and Shop and Office Employees Act, offering vital protection and leave entitlements to women employees during and after pregnancy. Female employees are entitled to 94 days of maternity leave for their first two live births, including 14 days prior confinement and 70 days post confinement. Maternity benefits extend to female workers regarding payment, requiring 12 weeks' payment for employees with no children or one child. Annual leave entitlements in Sri Lanka are determined based on the employee's joining date and provided in the year following their first year of employment. Employees can claim up to 10 days if they start between April and June, 7 days if they start between July and September, and 4 days if they join after October. Employees who end their employment are entitled to any leave earned in the previous and current years, except if they took leave before cessation. Leave compensation is calculated based on one day of leave for every complete month of service, with a 14-day calculation for more than 10 months of work. Employees are given 7 days per year of casual leave for personal reasons. New employees get leave on a pro-rata basis, which means one day off for every two months of work done. This way, they can use their leave without affecting their total leave entitlements. Provident Fund & Trust Fund In Sri Lanka, the Employees' Provident Fund (EPF) requires both employers and employees to contribute towards employee retirement savings. The employer must pay 12% of the employee's earnings each month, while the employee pays 8%. This contribution is mandatory for most private sector workers, excluding government servants, domestic helpers, and those in charities or religious institutions with fewer than 10 employees. If an employer fails to make these contributions on time, they may face surcharges ranging from 5% to 50%. EPF covers a wide range of benefits, including life insurance and certain medical benefits. Employees can also choose to contribute more to their EPF account, but this decision is irreversible once made. Gratuity In Sri Lanka, gratuity is a lump sum payment given to employees as a thank you for their years of service at the end of their employment. This payment is separate from EPF and ETF contributions and only applies if the employer has fewer than 15 workers in the previous year. To be eligible for gratuity, an employee must have worked continuously for five years. The amount of gratuity received depends on the employee's salary and length of service. Employment Contracts Sri Lanka's employment laws are a mix of common law, statutory provisions, and collective agreements. While the government has put some restrictions on employment contracts, the foundation is based on common law principles. Sri Lanka's common law governs areas where legislation has not been enacted, particularly regarding employer-employee relationships and post-vacation rules. Despite statutory interventions, labour tribunals often rely on common law principles for disciplinary terminations and job abandonment cases. The country's contract employment laws comprise various elements, including the common law, contractual terms, statutory provisions, collective agreements, awards from labor courts, and custom or usage. Employers have flexibility in agreeing upon certain terms, but many aspects are subject to statutory provisions, collective agreements, and labour court awards. A balanced approach to employment rights is ensured by the common law serving as a foundation, supplemented by legislative and judicial regulations. However, ensuring compliance with labour laws can be challenging, particularly for non-resident employers. Failing to complete the W-8BEN form correctly can result in withholding taxes, penalties, and loss of tax treaty benefits. Establishing a legal entity in Sri Lanka is complex and resource-intensive, requiring local registration, permits, and ongoing administrative responsibilities. Global Squirrels provides a staffing and payrolling platform that simplifies hiring and payroll processes for businesses in Sri Lanka. The platform offers pre-screened profiles within 2-5 business days, manages HR functions such as payroll, timesheets, tasks, performance, and compliance with local labour laws, including tax regulations. Global Squirrels helps businesses in Sri Lanka avoid legal risks by staying up-to-date with laws and using their staffing and payroll services. This includes acting as a local entity, handling admin tasks, and saving costs associated with setting one up. Their platform also eliminates hidden charges or markups when hiring talent, allowing for transparent pricing and up to 20% cost savings. The Orange Plan lets businesses find and onboard top talent by taking control of the recruitment process, while the Purple Plan is for converting freelancers or onboarding already-sourced candidates with full administrative support. Businesses should follow Sri Lankan employment law, governed by TEWA and the Industrial Disputes Act, which prohibits dismissing employees without just cause or proper procedures. Valid reasons for termination include serious misconduct, poor performance, economic restructuring, or business closure. Employers must provide written notice and obtain approval from the Commissioner of Labour for layoffs due to redundancy or restructuring. In cases of misconduct, a fair disciplinary hearing is required. In Sri Lanka, unlawful termination can lead to severe consequences for employers, including employee reinstatement or compensation for wrongful dismissal. Employees who believe they were unlawfully terminated can file a complaint with the Department of Labour or the Labour Tribunal. According to the Employment Law, there are two main types of employment termination: resignation by the employee and dismissal by the employer. The Termination of Employment of Workmen (Special Provisions) Act and the Industrial Disputes Act regulate these terminations. Unlawful termination occurs when an employer dismisses an employee without just cause or following legal procedures. To avoid unlawful termination, employers must have valid grounds for terminating employment, such as retrenchment due to economic reasons or serious misconduct by the employee. Employers must also follow procedural steps, including providing a written termination notice and seeking prior approval from the Commissioner of Labour in cases of restructuring or redundancy. If termination is based on misconduct, a fair disciplinary hearing must be conducted. If an employer unlawfully terminates an employee, the Labour Tribunal or a competent court can order reinstatement or award compensation for wrongful dismissal, taking into account factors such as the employee's length of service and wage. Case laws have established that termination due to gossiping is disproportionate to the misconduct, and employers must adhere to labour laws to avoid such consequences. A landmark case in Sri Lanka, Ceylon Ceramics Corporations v Weerasinghe (SC 24/76), highlighted the controversy surrounding wrongful dismissal and reinstatement. The ruling established that reinstatement is typically the preferred remedy for such cases, but also introduced the concept of exceptional circumstances where this might not be feasible. If you suspect your employment was terminated unfairly, consider the following steps: Report the incident to the Department of Labour or relevant Labour Tribunal. Prepare necessary documentation, including employment contracts and written notice of dismissal. Seek legal guidance if seeking compensation or reinstatement. Unlawful termination claims can have significant consequences for employers under Sri Lankan employment law. Employers must ensure that terminations are justified and follow proper procedures governed by TEWA and the Industrial Disputes Act. For employees who believe they've been wrongfully dismissed, prompt action through the Labour Tribunal is recommended, with the power to order reinstatement or compensation.

Employee rights in sri lanka. Employment termination in sri lanka. Employee termination procedure in sri lanka. Labour law in sri lanka termination in sinhala. Sri lanka employment law termination.