



# Labour and Social Trends in Sri Lanka 2009



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Ministry of Labour Relations and Manpower  
Central Bank of Sri Lanka  
Department of Census and Statistics

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**Mahinda Madihahewa**

Secretary, Ministry of Labour Relations and Manpower  
Chairman, Tripartite Technical Steering Committee

# Foreword

In August, 2008, at a National Tripartite Workshop, ILO constituents and other national partners including leading academics, representatives from international organizations and NGOs endorsed the need for a nationally-produced report on Labour and Social Trends in Sri Lanka as a practical information source for policy-makers, researchers and other individuals and organizations working in the economic and social arenas. As a follow up to the workshop, a Tripartite Technical Steering Committee and a Technical Drafting Committee were established under the chairmanship of the Ministry of Labour Relations and Manpower with technical support from the ILO.

The prospect of an economic revival lies ahead for Sri Lanka, stimulated and re-energized by the end of the war which spanned nearly three decades. Notwithstanding the impacts of the global economic crisis and the ethnic conflict, the economy has shown resilience. Ensuring that the entire population benefits from the improving political and economic environment is a major challenge being taken up by the Government. Thus, the launch of the first Labour and Social Trends in Sri Lanka report is very timely.

The aim of the report is to present an overview of major trends in labour and social conditions in Sri Lanka, while also drawing attention to key policy challenges posed by these trends. The report looks ahead to 2020 with informed projections, likely scenarios and policy implications.

The projections for the next ten years highlight the demographic challenges that threaten Sri Lanka's future growth prospects. Slowing labour force growth is a factor that demands serious attention. Enhancing labour productivity will be essential if Sri Lanka is to achieve healthy economic growth in the coming years. Increasing the participation of women and youth in the labour market and eliminating gender imbalances will also contribute towards improving growth prospects in the context of a difficult demographic outlook.

Reforming labour market policies to better serve workers and employers, reduce informality, promote competitiveness, productivity, expand employment opportunities to all, enhance social protection and promote effective dialogue between workers, employers and the Government are some of the key policy issues that have been highlighted in the report in order to realize decent work for all. To promote these various dimensions and move them forward, putting people's needs, including decent and productive employment, at the centre of economic and social policies, will be essential for long-term sustainable development.

I hope that this report will contribute to strengthening the process of planning and implementing policies that will expand employment opportunities, reduce inequalities and pave the way for balanced and sustainable growth and development in Sri Lanka that will meet the aspirations of the labour force in the coming years.

**Athauda Seneviratne**  
Minister of Labour Relations & Manpower



# Executive summary

The end of the three decade-old war and the liberation of the Northern and Eastern Provinces has heralded a new era of economic, political and social development in Sri Lanka. Nevertheless, the country faces serious challenges in the economic and social spheres and in promoting decent and productive employment for all. The challenges of building a sustainable and progressive post-conflict era are made more difficult by the global economic crisis. Yet, as the cloud of uncertainty surrounding the war has lifted, the economy has attracted inflows of foreign funds and the process of rehabilitation and reconstruction in the newly-liberated north has the potential to provide a much-needed fiscal stimulus, helping to mitigate the worst effects of the crisis.

The aim of this report is to identify key economic and labour market trends along with the main challenges facing workers, employers and the Government as the country strives to promote economic growth and competitiveness and an adequate number of decent employment opportunities built upon a foundation of rights at work, social protection and tripartite dialogue.

## Chapter 1: Recent economic, labour market and social developments

### *Macroeconomic developments*

- Sri Lanka has registered healthy economy growth of more than 5 per cent in recent years. The services sector has contributed the most to GDP over the last decade (58 per cent in 2008); it also grew the most at 6.9 per cent from 2002 to 2008. The growth in services contrasts the declining trend in agricultural output and reflects the shift to higher value added products, a key component of Sri Lanka's economic growth. This growth has resulted in a 45 per cent rise in real GDP since 2002, and with per-capita GDP now over US\$2000, Sri Lanka has become a middle-income country.
- Sri Lanka's trade and hotels industry accounted for around a quarter of GDP in 2008. Government policy has supported Sri Lanka's export-driven economy, particularly its strongest exports – textiles, wearing apparel and tea. However, the 2008 global economic slowdown has highlighted vulnerabilities that can accompany overreliance on trade.
- Foreign direct investment (FDI) and workers' remittances continue to be a major source of financing. In 2008, the value of remittances, at nearly US\$2.6 billion, was equal to nearly half of the country's total trade deficit. Workers' remittances grew by around 16 per cent in both 2007 and 2008.
- The fiscal position of the country remains precarious; year-on-year budget deficits and a persistent trade deficit have put pressure on government finances. Added revenue will be required to fund domestic expenditure if Sri Lanka is to achieve the productivity and employment growth necessary for continued economic growth.

### *Labour market trends*

- While the labour force and number of employed have grown, labour force participation and employment rates have fallen over the last decade. This is due in part to demographic structural changes occurring in Sri Lanka towards an aging population, but also to a drop in youth (aged 15-24) economic activity. Young people are spending longer in education and thus out of the labour force. Despite contributing to a higher educated workforce, the highly educated are over-represented in the unemployed; this suggests that there is a shortfall in demand for educated

workers. There is potential here for promoting this pool of highly-educated workers to attract FDI.

- Low rates of female labour force participation, employment, high unemployment and a static wage disparity between the sexes, are evidence that females are at a distinct disadvantage in the labour force. Indeed, of all the countries in the world for which data are available, Sri Lanka has the 20th largest gap in labour force participation between the sexes.
- The share of employment in agriculture has declined sharply over the past decade, though the trend has reversed, at least temporarily, since 2006. The share of workers in industry and services has been on the rise. The services sector accounts for the largest share of employment in the country, though a larger proportion of women work in agriculture than in services.
- An observed decline in unemployment rates between 1998 and 2008 is most likely due to a combination of job creation, demographic change and outward migration. Nevertheless, youth unemployment remains a serious problem, accounting for more than half of total unemployment. The educated are found in disproportionate numbers among the unemployed, which reflects, among other factors, a lack of suitable jobs for educated and skilled workers.
- The average worker in the agricultural sector produces only one quarter of the value compared with the average worker in the services sector, and the gap has been widening, as the services sector registered the fastest productivity growth in recent years.

#### *Key social issues - Poverty, occupational safety and health, and industrial relations*

- Despite successful progress to reduce poverty, nearly 15 per cent of all Sri Lankans (excluding the north) remained poor in 2006-07; poverty in rural areas is particularly rife accounting for 82 per cent of Sri Lanka's poor.
- The high proportion of workers in the informal sector (around 60 per cent) means that inspections of the workplace and accident reports are difficult to measure. Nonetheless the number of registered accidents has fallen over the past decade and reflects the increased attention to occupational safety and health (OSH) issues.
- The adoption of the National Framework on Social Dialogue is a key step towards strengthening industrial relations; however, there are a number of challenges that still need to be addressed and the lack of a recognized apex body for workers' organizations is a particular drawback.

## **Chapter 2: The impact of the global economic crisis in Sri Lanka**

#### *Macroeconomic and labour market impacts*

- The impact of the global economic slump is making its way through Sri Lanka's economy. Transmission is mainly through a contraction in external trade volumes and prices, but other sectors such as construction and financial services have also been affected. Nevertheless, the end of the war has brightened Sri Lanka's economic prospects. The economy has attracted inflows of foreign funds and the process of rehabilitation and reconstruction in the newly-liberated north can provide a much-needed fiscal stimulus that will help mitigate the worst effects of the crisis.
- Labour force data suggest an intensification of job losses during the first half of 2009 in key sectors such as manufacturing, construction, trade and financial services. Many companies have also been forced to reduce labour absorption by various means, which have had the effect of

drastically reducing workers' take-home pay and triggering voluntary resignations. Available micro-data suggest that the apparel sector is the worst affected among manufacturing enterprises.

- Growth in female employment has partially offset reductions in male employment in some sectors, possibly because females offer employers a less expensive substitute form of labour and also due to increased pressure for additional family members to find work. This is further evidence of the need to address the wage, employment and unemployment disparities so apparent between males and females in the labour market.
- Job losses in urban areas and the closing up of employment opportunities abroad are likely to impact on poverty levels. While existing jobs are under threat, the global economic downturn will depress the rate of new job creation, seriously affecting the job prospects of vulnerable groups, such as the young, the disabled, and those with lower human capital, as a result of repeated displacement caused by conflict.

#### *Responses by employers, workers and the Government*

- Industrial relations have largely been cooperative as workers and unions, desperate to hold on to their jobs, have complied with various measures taken by employers to reduce labour absorption rates without resorting to dispute. The labour authorities have also done their best, within the framework of the law, to provide as much flexibility as possible to employers so jobs can be saved. The Government has responded to the crisis with stimulus packages for exporters, efforts to reduce interest rates and increase liquidity, and by passing on most of the decline in oil prices to consumers. But it is still not clear how effective these measures will be given that the general macroeconomic climate, not least the fiscal deficit, is working against the competitiveness of exports through its impact on the credit market.

#### *Can Sri Lanka's social floor cope with the crisis?*

- While policy-makers need to shore up consumption, Sri Lanka lacks effective mechanisms to transfer incomes to those likely to be worst affected by the crisis. Urgently needed reforms in the social protection sector include: setting up an unemployment benefit insurance scheme, consolidating existing social security systems, increasing coverage to certain segments of workers such as construction workers, and enhancing the effectiveness of Samurdhi by implementing the new methodology for targeting assistance to those who really need the support. Other measures to address the issue of poverty dynamics also need to be implemented. The nettle of instituting and implementing effective social protection mechanisms needs to be grasped without delay.

## **Chapter 3: Realizing decent work in Sri Lanka: Key challenges and opportunities**

#### *Sri Lanka and the Asian Decent Work Decade*

- Initiated in 2006, the Asian Decent Work Decade (ADWD) was intended to combine a series of initiatives, priorities and objectives with the goal of achieving decent work for all in the Asia-Pacific region by 2015. To achieve such aims, the scheme takes into account the different social and economic development priorities of each country; accordingly, Sri Lanka compiled specific goals for a national development framework with its Decent Work Country Programme (DWCP).

### *Key challenges*

- Demographic trends have been in Sri Lanka's favour over the last few decades with an expanding working-age population contributing to a growing labour force. This trend is now coming to an end and Sri Lanka is faced with an aging population. Between 2009 and 2020, the child population (aged 0-14) is projected to grow by only around 100 thousand while the youth population (aged 15-24) is projected to shrink by 300 thousand. The prime age cohort is projected to increase only marginally, while the population aged 55 and above is projected to surge by 1.7 million, or 45 per cent.
- Adding to demographic pressures, labour force participation has been falling. Large, persistent gender-based participation gaps reduce potential employment growth, which can adversely impact on overall economic growth and development. Indeed, to maintain robust economic growth, Sri Lanka will require a combination of increased labour force participation, expanded employment opportunities and higher rates of productivity growth. In the “baseline scenario” of a continued decline in participation rates and historical productivity growth rates, the average rate of GDP growth over the 2009-20 period declines to 3.7 per cent, a considerable slowdown from the historical rate of 5.1 per cent. However, in the “increased participation and productivity scenario”, which provides reasonable targets for improvements in productivity and participation, output growth would average a robust rate of 6.6 per cent between 2009 and 2020.
- The implications for living standards are great. In the baseline scenario, per-capita GDP in 2020 would stand at 164 thousand rupees (in 2002 prices), 41 per cent higher than in 2008. In the increased participation and productivity scenario, per-capita GDP would be 229 thousand rupees, 40 per cent higher than in the baseline scenario in 2020, and nearly double the level in 2008.

### *Emerging opportunities for growth and development in a post-conflict era*

- The cessation of the military conflict presents social and economic opportunities in areas including poverty alleviation and the expansion of decent and productive employment. Prospects are clearly improving for increasing Sri Lanka's competitiveness in the global economy. Current competitiveness rankings place Sri Lanka at 79th out of 133 countries, still behind India but already breaking away from other neighbouring countries such as Bangladesh and Pakistan. Policy needs to harness Sri Lanka's highly educated, healthy and innovative workforce to exploit the new opportunities in the wake of the war.

### *Key policy areas*

- A selection of key policy consideration areas are specified to allocate effort and resources to the challenges Sri Lanka faces. First, labour market policies should be reviewed with the aim of ensuring that workers have fundamental protections and that firms compete on a level playing field, while not unduly constraining growth and development prospects and formal wage employment growth. Second, expanding employment opportunities by opening up new markets for Sri Lanka's exports and encouraging investment, both domestic and foreign, in the national economy should be a priority. Third, dialogue is needed as to what the priority investment areas should be, with the overarching goal being to identify productive investments that yield long-term benefits. Inadequate infrastructure, particularly electricity and roads, is a prime target, as are investments that could boost agricultural productivity and improve the situation of the rural

poor. Fourth, there is a need to promote marketable skills development across the primary, secondary and tertiary education levels, to ensure that young people entering the workforce will be equipped with skills that are in demand in the marketplace. Fifth, extending social protection to vulnerable workers – particularly the working poor and those operating in the informal economy – will be essential for Sri Lanka's long-term development. Sixth, fostering social dialogue at the enterprise, industry and national levels is crucial for national development. Finally, in order to better inform decision-making by policy-makers, employers, workers, job-seekers, school-leavers and education and training providers, efforts should be strengthened to bolster the country's body of gender- and age-specific labour market information (LMI).

# Recent economic, labour market and social developments

This chapter provides an overview of the main economic, labour market and social trends and developments in Sri Lanka over the period from 1998 to 2008. It is intended to highlight the key drivers of economic growth and development as well as the main macroeconomic and labour market challenges currently facing the country. The more recent period, punctuated by the global economic crisis and the conclusion of Sri Lanka's three decade-long war, is taken up in Chapter 2.

Section 1.1 examines key macroeconomic developments, including trends in economic growth, trade and foreign investment, remittances, and fiscal and monetary policies and outcomes. Section 1.2 focuses on labour market trends and examines key characteristics of the labour force such as participation rates, educational levels, the distribution of workers across economic sectors, employment status and the extent of informal employment. The section also examines labour market performance in the areas of unemployment trends across different demographic groups and among workers with different education levels, underemployment, and trends in labour productivity and real wages. Section 1.3 examines key social issues, including poverty, occupational safety and health, and industrial relations.

## 1.1. Macroeconomic developments

Over the past decade, the structural composition of Sri Lanka's GDP has shifted away from agriculture and into higher value-added service-oriented activities, a reflection of the country's progress toward becoming a knowledge-based economy. In 1999, the agricultural sector accounted for 15 per cent of GDP and by 2008 the sector's share had declined to 12 per cent. The share of the industrial sector in total GDP has remained stable at approximately 28 per cent over the past decade. The services sector has become the main contributor to GDP with a contribution of 59 per cent in 2008, up from 55 per cent a decade ago (see Statistical Annex table I.1.1).

*Economic growth and sector-level developments*

Since 1999, the Sri Lankan economy has grown at an average annual rate of 5.1 per cent. In the more recent period of 2002-08, the economy grew even more rapidly, at an average rate of 6.3 per cent per year, resulting in a 45 per cent increase in real GDP since 2002 (see Statistical Annex tables I.1.1 and I.1.2). Breaking down the growth over the 2002-08 period by sector, the agricultural sector grew at an average annual rate of 3.4 per cent, while the industrial and services sectors grew by 6.6 and 6.9 per cent, respectively. The last recession in Sri Lanka occurred in 2001. This was due to the combined impact of a slowdown in global economic activity following the September 11 terrorist attack in the United States, which had an adverse impact on demand for Sri

Lanka's manufacturing exports, and the prolonged drought that continued from 2000 into 2001, which reduced domestic agriculture production and hydro power generation. In addition, the terrorist attack on the Katunayake International Airport in July 2001 adversely affected tourist arrivals and had a further negative impact on external trade. The 2001 downturn resulted in negative GDP growth of 1.5 per cent, with the agriculture sector registering the worst performance (-3.4 per cent) and the industry and services sectors registering negative growth rates of -2.1 and -0.5 per cent, respectively.

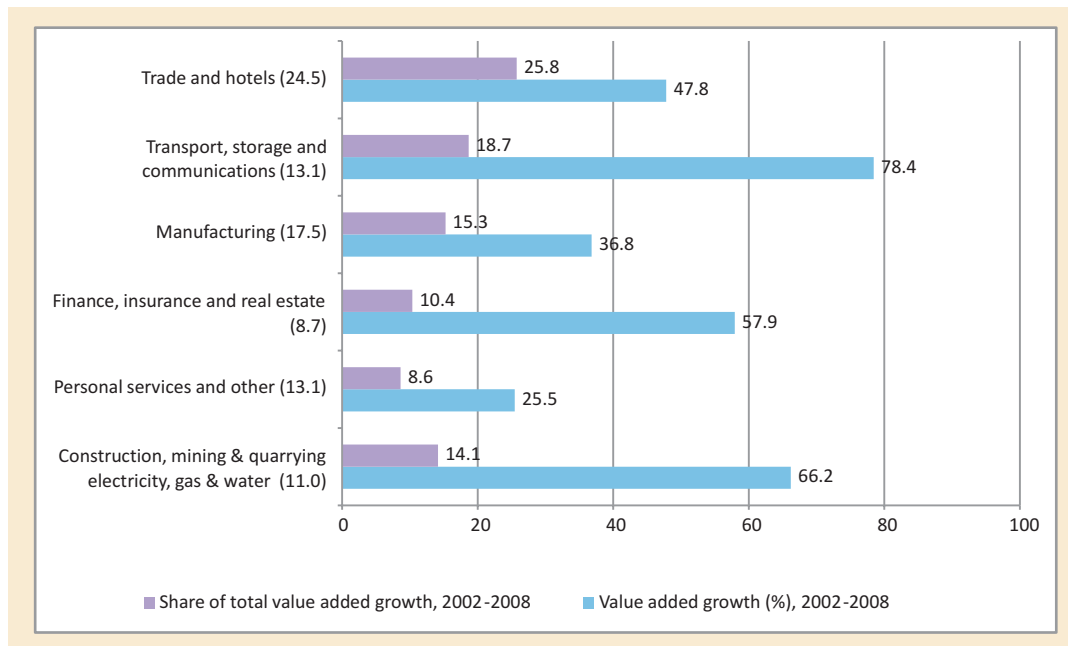
GDP grew at a robust rate of 6.0 per cent in 2008, despite the major economic impediments that accompanied the onset of the global economic crisis (the impact of the crisis is discussed in detail in Chapter 2). Among the three economic sectors (agriculture, industry and services), the highest growth, 7.5 per cent, was recorded in the agricultural sector, which benefited from favourable weather conditions and a proactive government policy stance aimed at developing the agricultural sector under the Api Wawamu-Rata Nagamu project, which is in line with the Mahinda Chinthanaya. Subsectors such as paddy, sugar, fish and rubber showed substantial growth, whereas subsectors such as tea, coconut, poultry and milk registered lower growth rates.

The industrial sector registered growth of 5.9 per cent in 2008, with stronger growth in the first nine months. This was moderated by slower growth in the last quarter mainly arising from a drop in demand for Sri Lanka's export goods in the international market (see Chapter 2). In recent years, the textile, wearing apparel and leather products industries have benefited from ethical and eco-friendly manufacturing mechanisms and the related "Garments without Guilt" global campaign, which has helped Sri Lankan industrialists market their products more effectively in the international market. Overall, Sri Lanka is moving towards ethical and eco-friendly products and high-quality output, tapping new and niche markets. The supply bases being comparatively small, Sri Lankan products concentrate on product differentiation to capture new markets and boost existing market share.

The services sector registered a decline in 2008 with a contraction in the hotels and restaurant industries. Most other major service industries also registered slow growth, mainly arising from the deceleration in export trade, transport and financial services activities. However, the telecommunication industry registered growth due to expansion in coverage and increased telephone density.

Figure 1.1 provides a detailed breakdown of growth by industry. The figures in brackets on the left-hand axis indicate the share of each industry in total value added in 2008, while the bars indicate the industry's share of total value added growth in the country over the 2002-08 period along with the total value added growth in the industry over the period. Nearly 70 per cent of the country's total economic growth in recent years has been driven by four industries: trade and hotels; transport, storage and communications; manufacturing; and finance, insurance and real-estate. Collectively, these industries accounted for slightly less than 64 per cent of the country's total GDP in 2008. Since 2002, the trade and hotels industry accounted for a quarter of total value-added growth in the country, owing primarily to expanded international trade. The transport, storage and communications industry, which comprises 13.1 per cent of the country's GDP, accounted for nearly 19 per cent of total value-added growth. The manufacturing industry, which comprises 17.5 per cent of the country's GDP, accounted for more than 15 per cent of total value-added growth over the period. The construction, mining and quarrying, electricity, gas and water and transport, storage and communications industries have been the fastest growing industries since 2002.

**Figure 1.1. Value added growth by industry and share of total value added growth, 2002-2008 (%)**



*Source:* Department of Census and Statistics. See Statistical Annex.

The country's rapid economic growth, underpinned by the shift to higher value-added activities and rising labour productivity (discussed in section 1.2) has driven a substantial increase in average living standards in the country: in nominal terms, GDP per capita has increased by more than 280 per cent over the past decade, from 56,760 rupees in 1998 to 218,161 rupees in 2008 (see Statistical Annex table I.2.1). Per-capita GDP passed the threshold of US\$1,500 in 2007, increasing further to more than US\$2000 in 2008, and Sri Lanka is now recognized as a middle-income country.

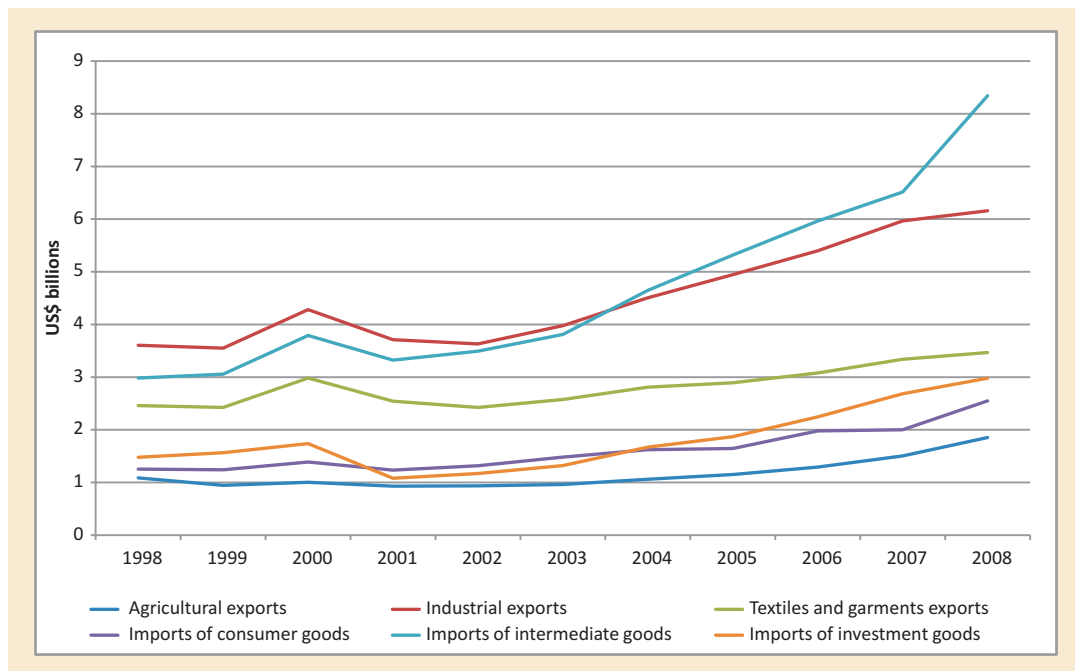
External trade plays an important role in Sri Lanka's economy, with exports accounting for around 30 per cent of GDP in recent years and imports comprising around 40 per cent of GDP (see Statistical Annex tables I.5.1 and I.5.2). The rate of growth of the country's exports has a significant impact on overall economic growth, while the prices and levels of imports have a direct bearing on consumers' well-being. The country has run a persistent and growing trade deficit, which, together with persistent government budget deficits, has put downward pressure on the rupee and the country's overall fiscal position.

*Trade, foreign investment and remittances*

In the past decade, there has been little change in the composition of the country's exports. Government policies have been generally supportive of the textile and wearing apparel and tea sectors to develop as the main export commodities in the economy. The gradual switch from agricultural exports to industrial exports, which took place starting with the adoption of open economic policies in 1977, has paved the path for growth in the textile and wearing apparel sector, which currently accounts for more than 40 per cent of total exports (see figure 1.2). Intermediate goods make up the bulk of the country's imports, accounting for nearly 60 per cent of total imports in 2008. Investment goods made up 26.2 per cent of total imports, with consumer goods making up 18.2 per cent. Petroleum imports comprise the largest share of intermediate imports.



Figure 1.2. Imports and exports, 1998-2008 (US\$ billions)



Source: Central Bank of Sri Lanka. See Statistical Annex.

Exports, which increased by around 10 per cent during the first nine months of 2008, declined by 2.8 per cent in the last quarter due to the decrease in demand in the major trading partners' economies. Total exports grew at a rate of 6.5 per cent in 2008. The agricultural sector contributed nearly 70 per cent of this growth due to higher prices in the international market during the early part of the year. Conversely, industrial exports recorded only modest growth due to the sluggish demand for apparel from the United States. The US continues to be the main trade destination for Sri Lankan goods, while the European Union's importance as a trading partner continues to grow, with growth in exports to the European Union helping to offset the reduction in exports to the United States in recent years. The tourism industry remained sluggish in 2008 mainly due to the impact of the global economic recession.

Petroleum and other commodity prices that exhibited historical highs in the early part of 2008 plummeted during the last quarter of the year. This unexpected decline in prices had a favourable effect on import expenditures. Petroleum expenditures, which grew by 61.4 per cent during the first three quarters of 2008, declined by 25.5 per cent during the last quarter. Hence, the last quarter recorded flat growth in imports, with overall growth of 24.0 per cent in 2008.

Foreign direct investment (FDI) and workers' remittances continue to be a major source of external financing. Net FDI has been equal to approximately 1.7 per cent of GDP in recent years and is responsible for a substantial share of domestic capital expenditures (see Statistical Annex table I.6.1). In 2008, the value of remittances, at nearly US\$2.6 billion, was equal to nearly half of the country's total trade deficit. Workers' remittances grew by around 16 per cent in both 2007 and 2008. This increase is attributable to an increase in the number of migrant workers leaving for foreign employment, and in the increase in migrants' average wages due to the rise in income levels in oil-producing countries, which are a prime destination for Sri Lanka's migrant workers.

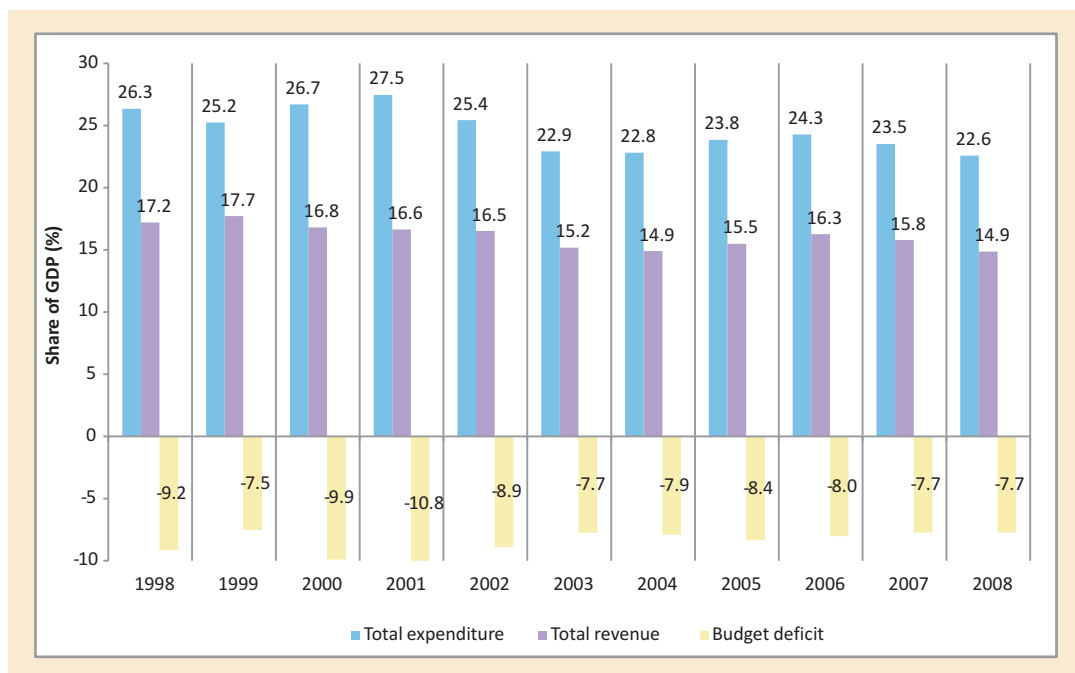
In 2008, the government fiscal strategy was steered to achieve the stipulated targets in the “Medium Term Macro Fiscal Framework (MTMF): 2008-2011”, as presented in the budget. The achievement of fiscal targets as outlined in the budget was a challenging task in 2008 due to an increase in defence expenditure, expedited humanitarian and development work in the conflict areas, an increase in prices of essential commodities and fertilizer, and outflows of foreign investment in government securities and the virtual drying-up of foreign commercial loans for budgetary financing due to the financial crisis.

Overall, the country's fiscal situation remains precarious, with government budget deficits above 7 per cent in each year since 1998 along with persistent current account deficits (see figure 1.3). In the absence of a reallocation of domestic expenditures, with limited scope for increasing productive expenditures, there is a risk that the country's full potential in terms of future employment and productivity growth may not be realized.

Inflation peaked at 28.2 per cent in mid-2008; however, it was subsequently curtailed primarily by the tight monetary policy stance adopted by the Central Bank and the sharp decline in international commodity prices (see Statistical Annex table I.3.1). Inflation has continued to decline rapidly during the first nine months of 2009, recording the lowest level in five years in September of 0.7 per cent on a year-on-year basis. The deceleration in inflation that has taken place since July 2008 was due to the gradual tightening of monetary policy by the Central Bank as well as declining external price pressures.

The overall fiscal outlook for the country is challenging, given the sizable government budget deficit. Based on the Government's medium-term policy direction enunciated in the Medium Term Macroeconomic Framework (MTMF), the overall deficit in 2010 will be reduced to around 6.0 per cent. In order to meet this target, policy measures to enhance revenue through improved tax administration, the rationalisation of recurrent expenditure and improvements in the Government's debt management strategy need to be introduced. The participation of the private sector in infrastructure projects and efforts to improve management policies in public sector institutions, and the establishment of public-private partnerships (PPPs) could also help to reduce the budget deficit over time.

Figure 1.3. Revenues, expenditures and budget balance, 1998-2008



Source: Central Bank of Sri Lanka. See Statistical Annex.

## 1.2. Labour market trends

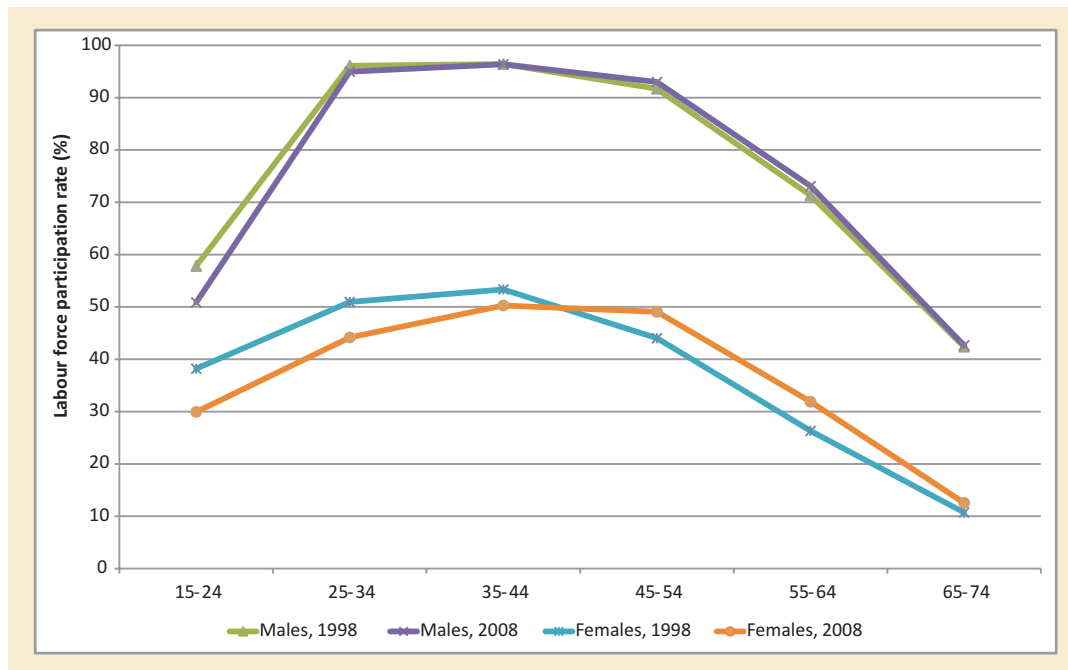
### Labour force participation

Sri Lanka's labour force (aged 15 and above) increased from 6.6 million to 7.6 million between 1998 and 2008, while the population of the country excluding the north and east increased from 11.5 million to 16.3 million during the same period (see Statistical Annex table II.1.1).<sup>1</sup> In terms of labour force participation – which measures the share of the working-age population that is either employed or unemployed – the rate declined from 58.5 per cent to 55.7 per cent during the same period (see Statistical Annex table II.2.1). The difference between the sexes is stark; the labour force participation rate for men stood at 76.1 per cent in 2008, down slightly from 77 per cent in 1998, while among women, the rate stood at only 37.8 per cent in 2008, down from 40.9 per cent in 1998 (see Statistical Annex tables II.2.1). Thus, the male labour force participation rate in the country is currently double the corresponding rate for women. To put this in international context, out of 163 countries for which data are available, Sri Lanka has the twentieth largest gap in labour force participation between the sexes.<sup>2</sup> The changes in the participation rates for males and females during this period are represented in figure 1.4.

<sup>1</sup>This figure corresponds to the domestic labour force and excludes Sri Lankans working abroad.

<sup>2</sup>ILO: Key Indicators of the Labour Market, 6th Edition (Geneva, 2009).

Figure 1.4. Labour force participation rates by sex and age-group, 1998 and 2008



Source: Department of Census and Statistics.

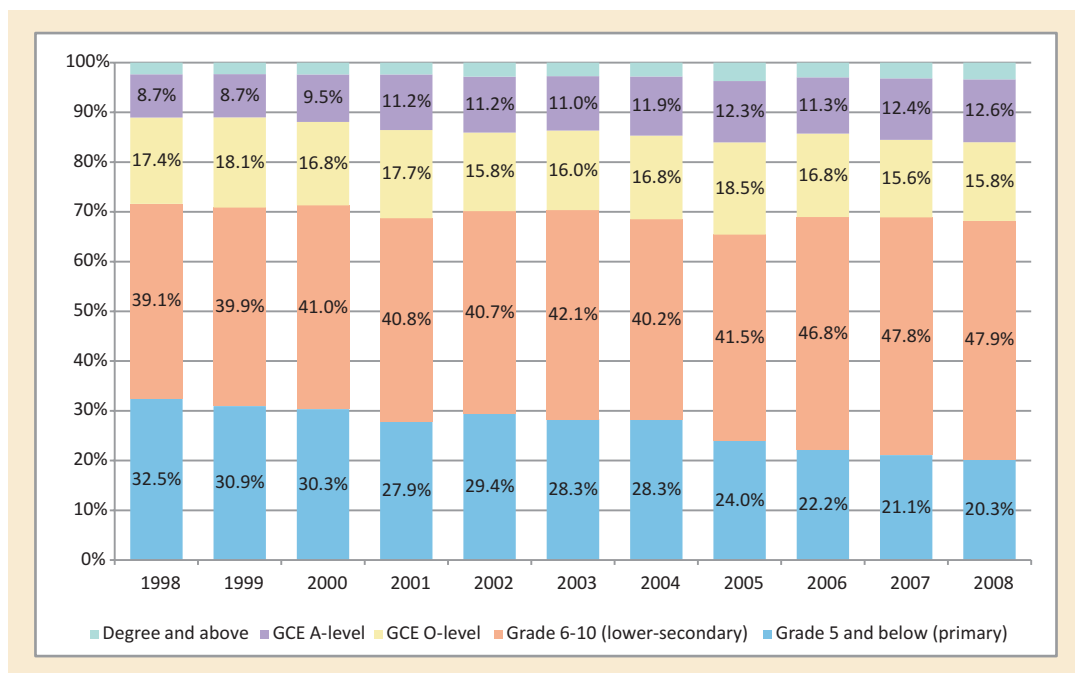
The overall decline in labour force participation rates during this period is mainly due to the decline in young people's participation in the labour market. There has been no significant difference in the general trend in labour force participation rates between men and women during the period, however female participation rates are considerably lower than male participation rates across all age groups. The drop in overall youth<sup>3</sup> participation is likely to be due to more young people continuing their education and acquiring skills, thus delaying their entry into the labour market. Indeed, Sri Lanka's labour force is becoming increasingly better educated (see figure 1.5). This is clearly the result of successive governments' free education policies over the last four decades.

For example, between 1998 and 2008, the share of the total employed having only a primary-level education or lower declined sharply, from 32.5 per cent to 20.3 per cent (see Statistical Annex table II.10.1). The share of the employed with lower secondary education rose from 39.1 per cent to 47.9 per cent and those with GCE Advanced level qualifications rose from 8.7 per cent to 12.6 per cent. There was also a slight rise in the proportion of labour force participants with tertiary education, from 2.3 per cent of the total employed to 3.4 per cent.

Free education also explains the fact that there is no significant gender imbalance between the educational attainment of males and females that places females at a disadvantage. Indeed, 4.6 per cent of employed women in Sri Lanka have a tertiary degree versus 2.7 per cent of men. 16.5 per cent of employed women have GCE Advanced level qualifications, versus 10.6 per cent of men. As a result, in 2008, despite making up only 35 per cent of the total workforce, nearly 48 per cent of workers with a degree in the country were women while more than 45 per cent of workers with GCE Advanced level qualifications were women (see Statistical Annex tables II.9.1 and II.9.4).

<sup>3</sup> Throughout this report, following international practice, "youth" refers to people aged 15 to 24.

Figure 1.5. Employment by educational level (%), 1998-2008



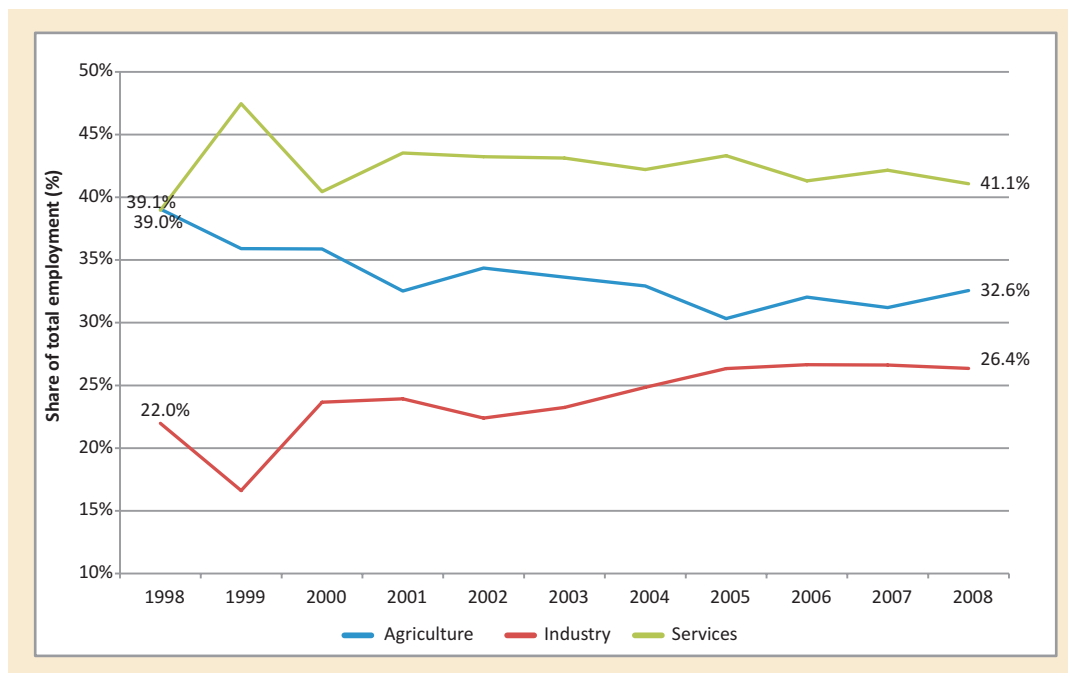
Source: Department of Census and Statistics. See Statistical Annex.

The share of young people in Sri Lanka's labour force appears to be contracting relative to the share of older people, suggesting that the country's labour force has begun to age. The share of the labour force aged 15-24 has declined from 22.2 per cent to 15.3 per cent between 1998 and 2008. But the share of those aged 40 and above has increased from 39.6 per cent to 49.2 per cent during the last decade.

### Employment by sector and industry

In 2008, 7.2 million Sri Lankans were employed. This figure represents 52.8 per cent of the country's total working-age population, down from 53.2 per cent in 1998 (see Statistical Annex table II.3.1). Total employment in the country increased by 19.3 per cent since 1998. There have been some clear structural changes in the distribution of employment across sectors during the past decade, with the share of employment in agriculture declining, despite a more recent reversal, and the share of workers in industry and services rising commensurately. Changes in the sectoral composition of the labour force between 1998 and 2008 suggest a structural shift in employment from agriculture to services until about 2005 (see figure 1.6). This reflects the structural transformation that has taken place in the contribution of economic sectors to GDP, as discussed in section 1.1. However, this trend appears to have reversed from 2006 onwards as the share of employment in agriculture began to rise. Survey results reveal that employment in agriculture has risen by 6.3 per cent from 2007 to 2008 while service sector employment decreased marginally, by 0.8 per cent, and industrial employment grew by 0.8 per cent. Overall, the share of employment in agriculture declined from 39.1 per cent to 32.6 per cent over the 1998-2008 period while employment in industry rose from 22 per cent to 26.4 per cent of total employment, and employment in services grew from 39 per cent in 1998 to 41.1 per cent of total employment in 2008. The services sector therefore accounts for the largest share of employment in the country, though it should be noted that a larger proportion of women work in agriculture than in services (see Statistical Annex tables II.7.1 and II.8.1).

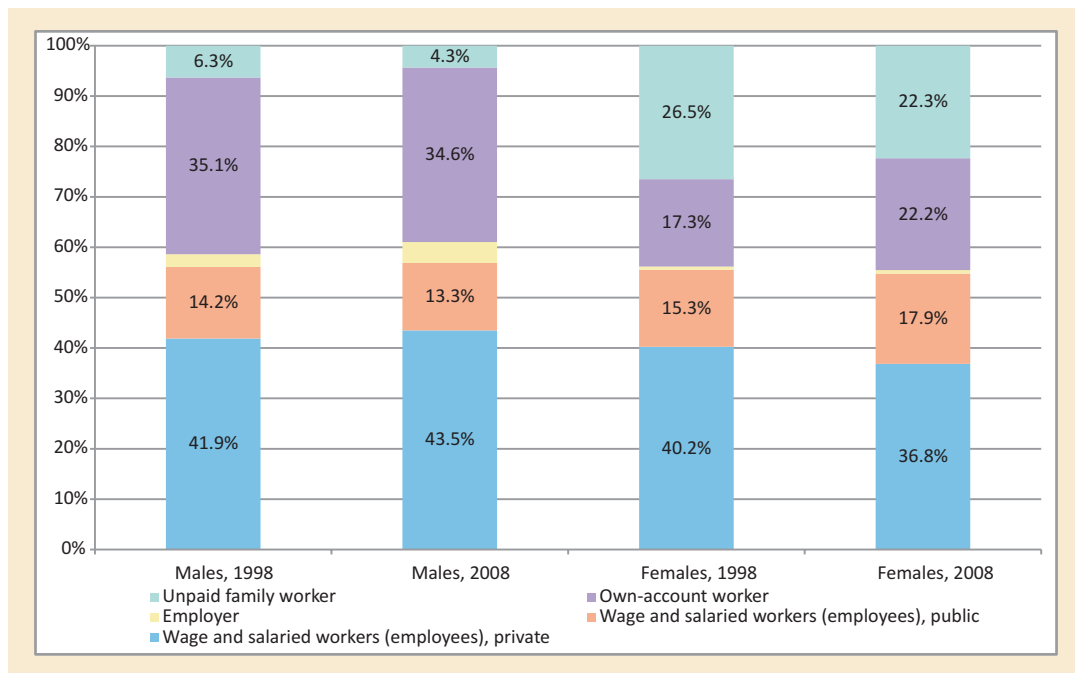
Figure 1.6. Employment by sector (%), 1998-2008



Source: Department of Census and Statistics. See Statistical Annex.

Large shares of own-account workers and unpaid family workers in total employment suggest a high degree of informality prevailing in Sri Lanka's labour market. Overall, 41.2 per cent of the country's workforce is made up of wage and salary workers in the private sector, with an additional 15 per cent of workers in the public sector (see Statistical Annex table II.12.1). Own-account workers constitute 30.3 per cent of all employed, with unpaid family workers accounting for 10.6 per cent of total employment. Unpaid family workers account for a significant share of total female employment even though this share has been declining over the decade (from 26.5 per cent in 1998 to 22.3 per cent in 2008) and is very low compared to other South Asian countries (see figure 1.7). The significant increase of 4.9 percentage points in the share of female own-account workers between 1998 and 2008 could reflect the impact of microfinance programmes aimed at encouraging women to start self-employment activities.

*Employment  
by status and  
informal  
employment*

**Figure 1.7. Employment status (%), 1998-2008**

Source: Department of Census and Statistics. See Statistical Annex.

Informal sector employment accounted for roughly 60 per cent of total employment (see table 1.1). This figure is slightly higher for males (62.4 per cent) than for females (54.8 per cent). Informality accounts for a greater share of agricultural employment (approximately 83 per cent) than non-agricultural employment (48.6 per cent).

Nevertheless, the fact that roughly half of non-farm employment is informal gives cause for concern. Informal sector workers do not have access to social security schemes such as the Employment Provident Fund or government pensions. Three public social security schemes provide benefits for farmers, fishermen and self-employed persons in the informal economy. But the schemes are voluntary and limited in personal coverage, and more than 40 per cent of the employed population remains vulnerable.<sup>4</sup>

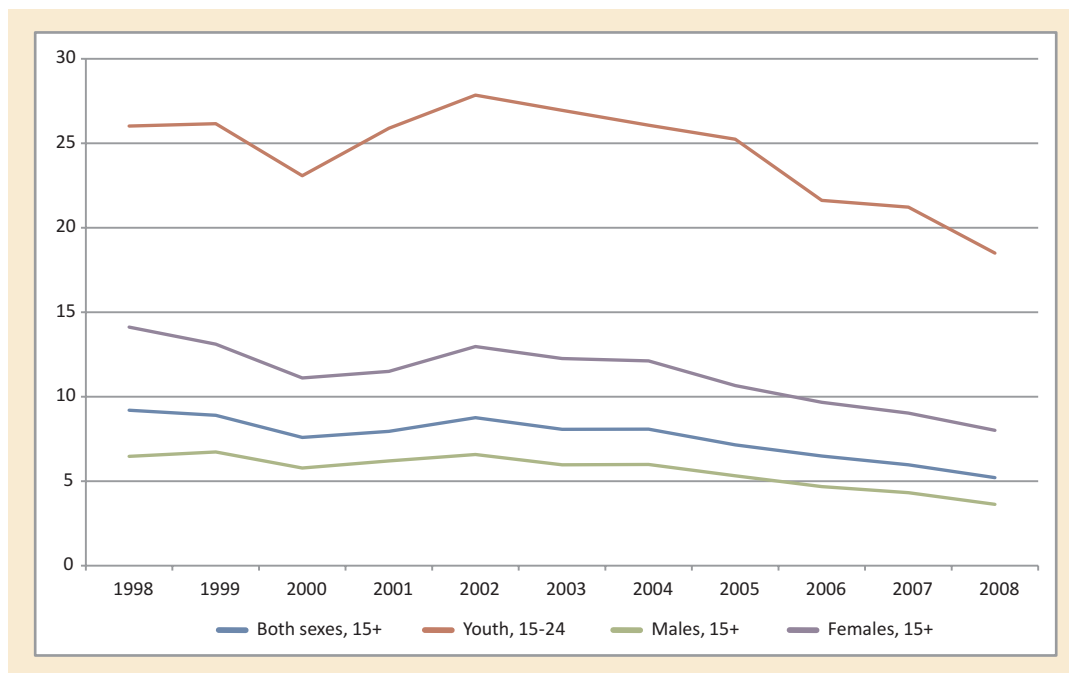
**Table 1.1. Formal and informal sector employment shares, selected groups (%)**

	Formal sector	Informal sector
Total employment	39.8	60.2
Males	37.6	62.4
Females	45.2	54.8
Agricultural employment	16.7	83.3
Non-agricultural employment	51.4	48.6

Source: Department of Census and Statistics. See Statistical Annex.

<sup>4</sup> See also ILO: Social Protection in Sri Lanka, Advisory Report for the Ministry of Labour Relations and Manpower (Geneva, International Labour Office Social Security Department, 2008).

Figure 1.8. Unemployment rate, selected groups 1998-2008 (%)



Source: Department of Census and Statistics. See Statistical Annex.

Sri Lanka's overall unemployment rate (excluding the Northern and Eastern Provinces) declined from 9.2 per cent in 1998 to 5.2 per cent in 2008 (see figure 1.8). Over this period, the unemployment rate for males fell from 6.5 per cent to 3.6 per cent while the rate for women declined from 14.1 per cent to 8.0 per cent. The decline in unemployment between 1998 and 2008 is most likely due to a combination of job creation, demographic change and outward-migration. Areas of particular concern are the high levels of unemployment among higher educated young people and the high rates of female unemployment. The youth (aged 15-24) unemployment rate remains high despite falling between 1998 and 2008 from 26.0 per cent to 18.5 per cent.

## Unemployment

Youth unemployment accounts for more than half of total unemployment, in which the largest share of the total unemployed (37.5 per cent for males and 39.1 per cent for females) is made up by the cohort aged 20 to 24. Analysts have tried to explain the persistence of youth unemployment in Sri Lanka in terms of three hypotheses; the skills mismatch, queuing and institutional hypotheses.

- The most frequently cited skills mismatch hypothesis maintains that educated workers possess inappropriate, non-marketable skills because of weaknesses in the education system.
- The queuing hypothesis, formulated in relation to the public sector, holds that the unemployed wait for an opportunity to take up “good jobs” in the public sector, which are characterized by security, generous fringe benefits and high social status. Concurrently, political pressures that drive continuous recruitment to the civil service exacerbate the problem.
- The institutional hypothesis promotes the view that existing labour market institutions raise the cost of formal job creation, thereby depressing job creation rates in the formal sector and forcing a large share of workers into informal



employment. In particular, highly restrictive employment protection legislation raises labour costs and impedes job creation.

Several empirical analyses have attempted to verify these hypotheses. Glewwe's analysis (1985) found support for the "skills mismatch" hypothesis for both men and women in the rural and urban sectors by examining the relationship between education and unemployment.<sup>5</sup> Tan and Chandrasiri's study (2004) found a positive correlation between public sector jobs and the probability of being unemployed and so provided support for the queuing hypothesis.<sup>6</sup> Analyses by Arunatilaka and Jayawardene (2006) using JobsNet data found that the majority of jobseekers are educated but they are often new entrants to the labour market and lack the necessary experience.<sup>7</sup> They aspire to secure white collar jobs while the bulk of vacancies are for elementary occupations and blue collar jobs. The findings thus provide evidence supporting all three hypotheses.

Several other factors are likely to have facilitated high rates of youth unemployment. Social values often see parents supporting their children until they find jobs more in line with their aspirations. This allows the prolonging of job searching and hence unemployment. Difficulties in acquiring information on job availability and the role played by social networks in restricting information about opportunities to more favoured groups are also likely to contribute. Analysts have also noted the lack of an entrepreneurial culture and young people being reluctant to start their own businesses and generate their own employment. Only about a fifth of young jobseekers prefer to start their own business, and lack of support from family and friends and a dominant culture that values security and ease and tranquillity of mind, appear to be inhibiting factors.<sup>8</sup> Box 1.1 provides an overview of the ILO/Japan Youth Employment Project currently in place in Sri Lanka which seeks to address some of these issues.

### Box 1.1. ILO/Japan Youth Employment Project

The Japanese-funded project is a multi-disciplinary youth employment programme with a variety of interventions in the areas of youth employment, youth entrepreneurship, capacity-building of business associations, vocational training, labour market information training for local policy-makers, career counselling, plantation sector productivity enhancement, occupational safety and health, factory improvement and women entrepreneurship. The project draws on local economic development methodologies. It is active in the Province of Sabaragamuwa, in the two Districts of Kegalle and Ratnapura, and targets young women and men living and working in plantations and the surrounding villages.

The project was designed as a follow-up to Sri Lanka's National Action Plan (NAP). As a pilot project, it implements and tests a range of the national recommendations to counter the youth unemployment problem. A key component of the NAP, and consequently the project, is enhancement of youth entrepreneurship. The project's strategy is to utilize both the ILO's global self-employment training product: the Start and Improve Your Business (SIYB) package and a locally-developed mentorship approach.

So far the project has trained 24 SIYB trainers. The trainers were drawn from individual plantation companies, the Plantation Human Development Trust, the Ministry of Labour and Manpower, the Industrial Development Board, Chambers of Commerce and the National Apprenticeship Industrial Training Authority. Using specific action plans, the SIYB trainers are now engaged in training and the facilitation of potential new young entrepreneurs.

<sup>5</sup> P. Glewwe: An analysis of income distribution and labor markets in Sri Lanka, Unpublished PhD (Stanford University, 1985).

<sup>6</sup> H. Tan and S. Chandrasiri: Training and Labor Market Outcomes in Sri Lanka (Washington, DC, World Bank Institute, 2004).

<sup>7</sup> N. Arunatilake and P. Jayawardena: Analysis of Skills Mismatch and Recruitment Policies Based on JobsNet Data, YEN (Colombo, 2006).

<sup>8</sup> M. Ganeshamoorthy and M. Salih: "Employment and entrepreneurship: Experiences and opinions of Sri Lankan Youth" (2004), in S. Hettige, M. Mayer and M. Salih (eds.): School-to-work transition of youth in Sri Lanka. ILO: Gender Promotion Programme.

K. Reinprecht and N. Weeratunge: ILO Enterprise for Pro-poor Growth Project: Cultural Assessment. Unpublished mimeograph (ILO, Colombo, 2006).

As part of the mentorship approach, 30 mentors were trained and a mentorship guide was produced in Sinhalese. The mentors are now reaching out to mentees with the support of micro-credit made available by local Chambers of Commerce and the Youth Business Sri Lanka initiative under the Ceylon Chamber of Commerce.

The project's SIYB training is provided in cooperation with the SIYB Association (SIYB-A) in Sri Lanka. The Association is in itself a successful outcome of the ILO's work in the area of entrepreneurship development as it is today fully independent and sustained through income generated by its activities in promoting SIYB to the general public and to the business community.

In a recent statement, Ms Tine Staermose, the ILO's Director of the Sri Lanka Office, emphasized: "Youth entrepreneurship is increasingly recognized as a strategy for unleashing the productive and innovative potential of young people. It empowers them to create jobs and contribute positively to the economy and society – the Youth Employment Project further boosts this strategy."

**Related links:**

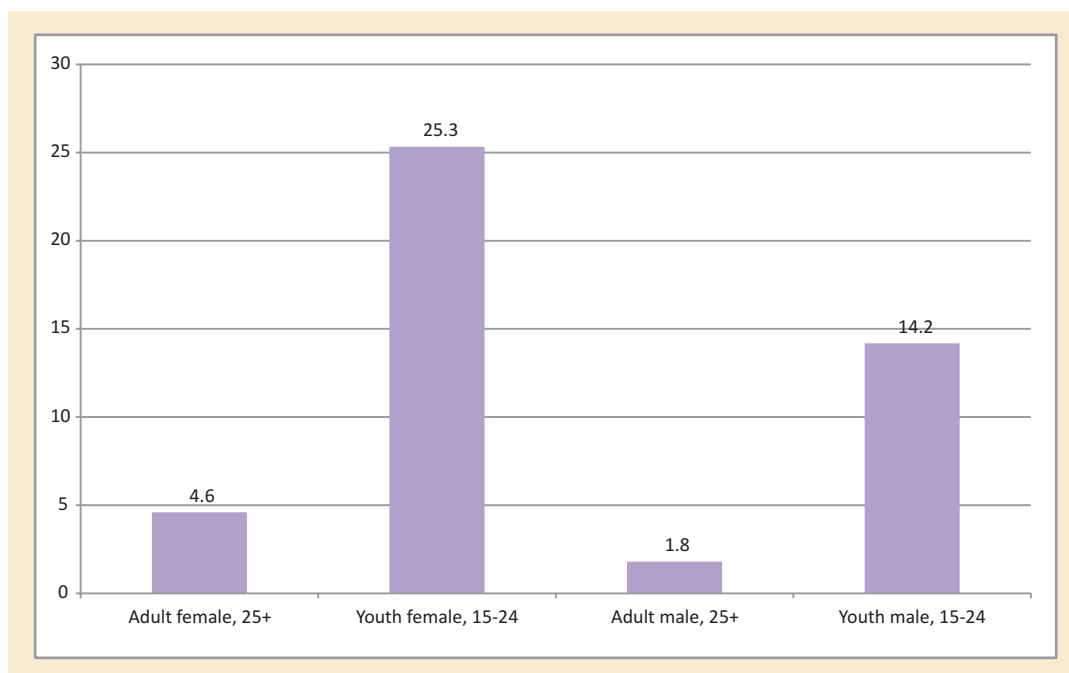
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<http://ap-youthnet.ilobkk.or.th/photo-gallery/ilo-ye-initiatives-in-sri-lanka/youth-employment-and-siyb-october-2009>

<http://ap-youthnet.ilobkk.or.th/photo-gallery/ilo-ye-initiatives-in-sri-lanka/start-and-improve-your-business-siyb-cascading-training>

<http://ap-youthnet.ilobkk.or.th/photo-gallery/ilo-ye-initiatives-in-sri-lanka/business-mentorship-new-employment-opportunities-for-young-people>

**Figure 1.9. Unemployment rate by age and sex, 2008 (%)**



Source: Department of Census and Statistics. See Statistical Annex.

Although the unemployment rate among women fell significantly between 1998 and 2008, it is still more than twice the corresponding rate for men. There are also notable differences in the age structure of male and female unemployment, as figure 1.9 shows. Young women aged 15-24 suffer from the highest unemployment rates in the country. The adult male unemployment rate is quite low, at 1.8 per cent. It should be noted, however, that unemployment rates are lower for young women aged 15-19 (not pictured) than for young men of the same age-group. This is probably because families are more willing to send young boys to work earlier than girls: on the one hand, there may be a perception that males will earn more than females in the labour market, and on the other, free education reduces the costs of girls continuing in education.

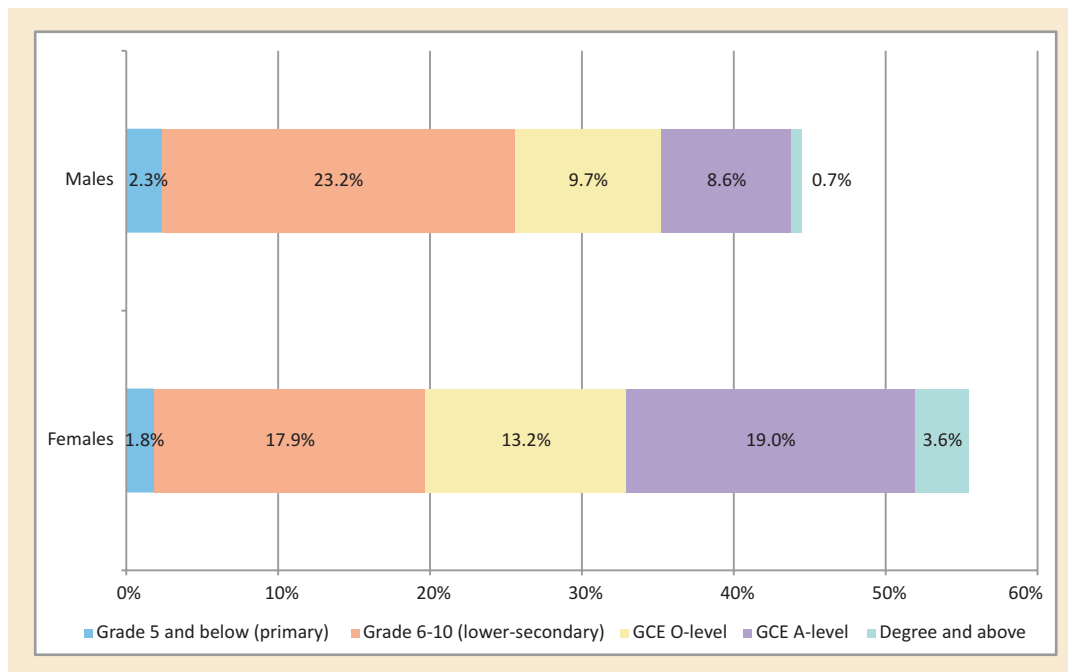
*Unemployment  
by level of  
education*

As Sri Lanka's employed population has become significantly better educated, so too has the unemployed population. Figure 1.10 shows the distribution of unemployment by education between in 2008. The share of the unemployed with at least GCE Advanced level qualifications was 31.9 per cent in 2008, up 8.8 percentage points since 1998 (see Statistical Annex table II.18.1). More than half of the unemployed have GCE Ordinary level education or higher, versus less than 32 per cent of the employed population. Hence, the educated are found in disproportionate numbers among the unemployed, which reflects, among other factors, a lack of suitable jobs for educated and skilled workers.

Looking at sex-disaggregated data for 2008, we see that women with at least GCE Advanced level qualifications make up 22.6 per cent of the total unemployed in the country (see figure 1.10). Educated men comprise a much smaller proportion of the unemployed – 9.3 per cent – indicating a clear disadvantage among educated women in securing employment relative to their male counterparts. Here again, families may be more willing to support their daughters until they get jobs that are more in line with their qualifications and where working conditions are better, whereas males have both more job opportunities and are more flexible in terms of job location and mode of transport. The rise in unemployment among male and female youth with at least GCE Advanced level education also shows that job creation rates for this category of worker are lower than the rate at which they enter the labour market.

At the same time, job opportunities for women are limited to only a few sectors, including agriculture and manufacturing, whereas men have a much wider choice. Rapidly growing sectors such as construction are largely male-dominated, while social attitudes and issues of mobility may inhibit women from taking up certain types of employment. On the other hand, women face discriminatory wage structures in the labour market other than in the public sector, and this probably contributes to more educated females queuing for secure jobs in the public sector. It is likely that limited job opportunities discourage many women from participating in the labour market, which contributes to low female labour force participation rates. These factors have combined to dampen female employment growth. Hence, given high female unemployment rates despite low female participation rates, Sri Lanka's national employment strategy needs to identify and address the major barriers that women face in the labour market.

Figure 1.10. Unemployment by educational level, 2008 (%)



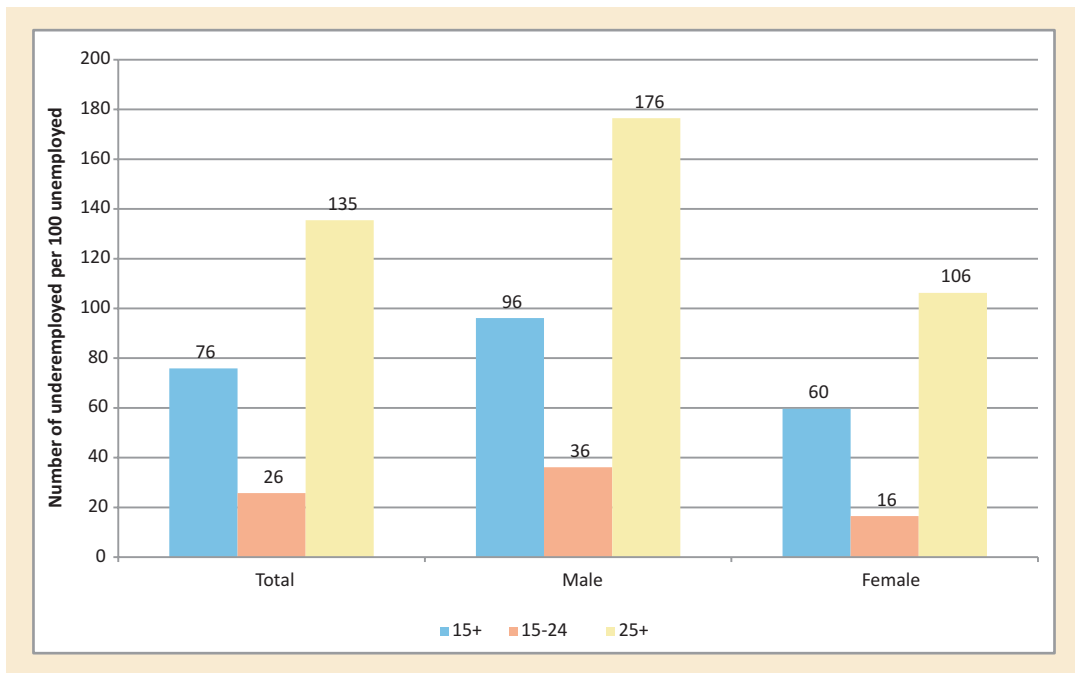
Source: Department of Census and Statistics. See Statistical Annex.

Sri Lanka's Quarterly Labour Force Survey (QLFS), carried out by the Department of Census and Statistics (DCS), defines a person as underemployed if he or she has worked less than 35 hours per week in the main occupation and is prepared and available to do more work, if offered. Defined this way, the overall underemployment rate in Sri Lanka is 4.2 per cent. Combining these underemployed workers with the unemployed, 9.4 per cent of the country's workforce is either unemployed or underemployed. Another way of depicting the problem of underemployment is comparing the actual number of underemployed to the number of unemployed. For every 100 unemployed persons in the country, an additional 76 are underemployed (see figure 1.11). Among men, there are nearly as many underemployed as unemployed, while among women, there are 60 underemployed workers for every unemployed woman.

### Underemployment

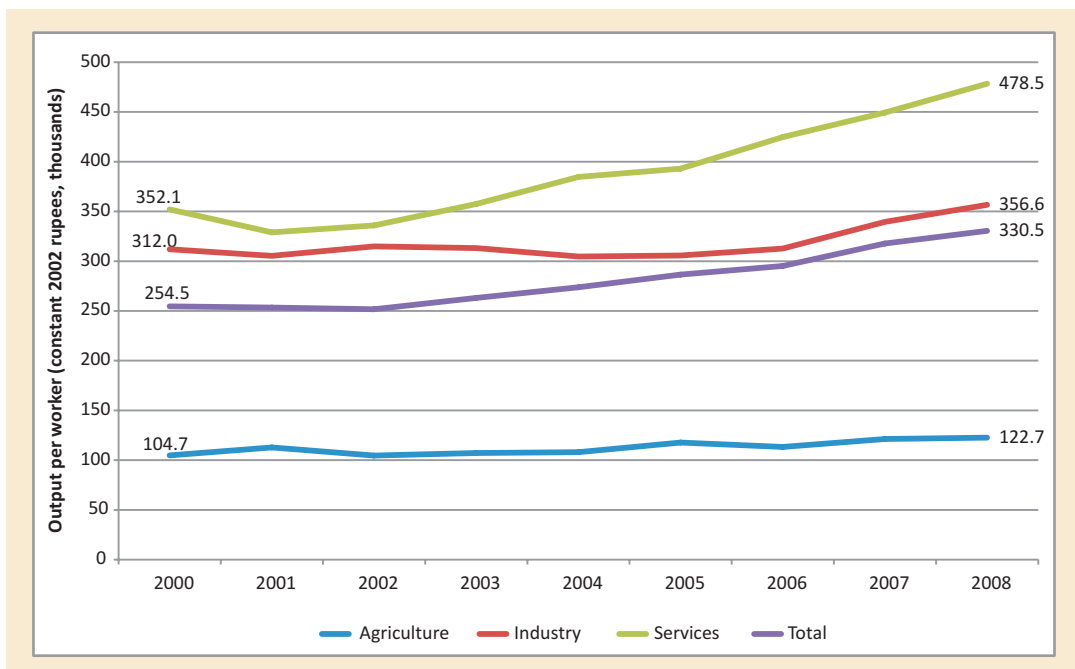
It is clear that underemployment is a serious issue among adult workers. For every 100 unemployed adults in the country, there are 135 working adults who are underemployed. The ratio for males is 176, while for women it is 106. Thus, while unemployment is perhaps the most commonly cited indicator to gauge the health of the labour market, particularly for adult workers in Sri Lanka, this indicator is clearly insufficient. The extent of underemployment indicates an inadequate number of decent and productive employment opportunities in the country.

Figure 1.11. Number of underemployed per 100 unemployed, 2008



Source: Department of Census and Statistics. See Statistical Annex.

Figure 1.12. Labour productivity by sector, 2000-2008 (constant 2002 rupees)

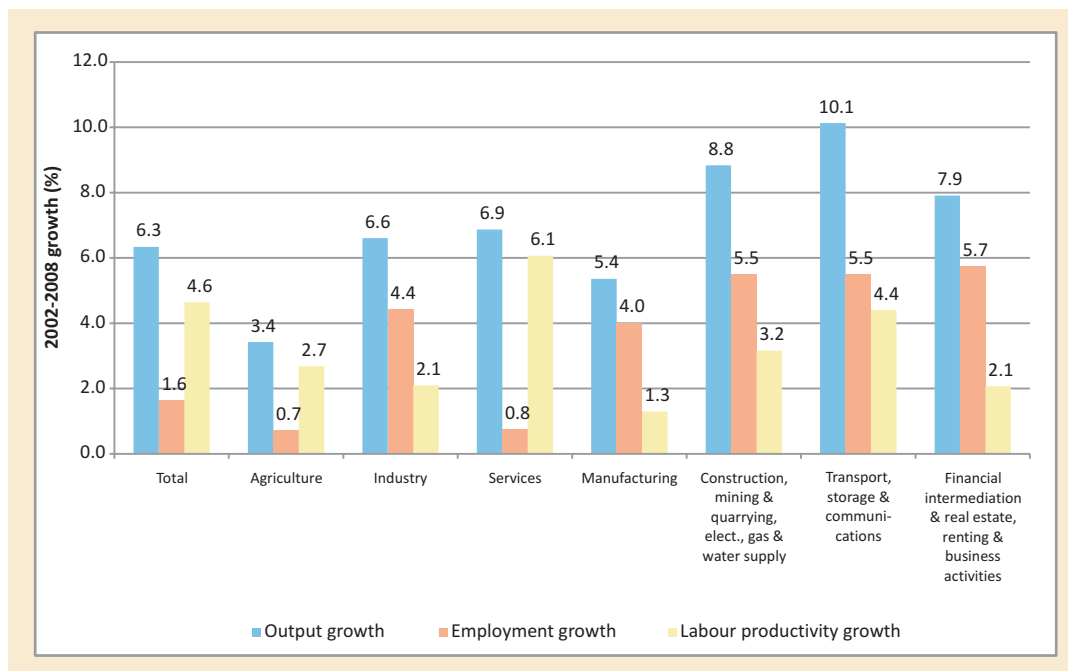


Source: Central Bank of Sri Lanka and Department of Census and Statistics. See Statistical Annex.

Productivity growth is a key driver of economic growth and increased living standards; output increases are associated with increases in employment, increases in productivity, or both. Productivity, defined here as total value added divided by number employed, shows significant variation across sectors. Figure 1.12 shows productivity levels for the period 2000–08 for the total economy and the three broad economic sectors. It is clear that the lowest productivity level is in the agricultural sector, where the average worker produces only one quarter of the value compared with the average worker in the services sector. The services sector registered the fastest productivity growth over the period, as output per worker grew by 35.9 per cent since 2000. Labour productivity in agriculture grew by 17.2 per cent over the period, while in industry it grew by 14.3 per cent. The average labour productivity level in the country as a whole grew by almost 30 per cent since 2000, which reflects a combination of productivity growth in each of the three economic sectors together with the shift in employment that took place into higher value-added manufacturing and services.

*Productivity  
and  
real wages*

**Figure 1.13. Output, employment and labour productivity growth, 2002-2008, selected industries**



Source: Central Bank of Sri Lanka and Department of Census and Statistics. See Statistical Annex.

Figure 1.13 looks at the detailed industry level over the more recent 2002–08 period to gauge trends in employment, productivity and output growth. The figure indicates that productivity growth is the main driver of output growth in the services and agriculture sectors, while employment growth has been the main driver of output growth in the manufacturing and financial intermediation and real estate industries. Overall, it is clear that both employment growth and increased labour productivity have been crucial components of Sri Lanka's total economic growth and development.

Data constraints make it difficult to analyse real wage trends in Sri Lanka. The Central Bank of Sri Lanka's wage series is for informal agriculture and construction only, while minimum wage data available from the tripartite Wages Boards is not appropriate for this purpose. The Quarterly

Labour Force Survey provides economy-wide wage data; however, it is only since 2006 that the data have been subject to verification. For the purpose of the present report, mean wages, estimated by occupation and gender and based on 2006 QLFS data, are presented. This is to illustrate the static situation in relation to gender and occupation-based wage differentials prevailing in Sri Lanka.

Table 1.2 sets out mean wages in three types of employment - public, formal and informal - and disaggregated by sex and disaggregated skill/occupation level. Mean wages of all these categories of employees have been indexed with male managers in the public sector as the base (with value 100). Data on mean wages show substantial wage differentials between public and formal employees on the one hand, and informal employees on the other. These differentials are further widened when looking across male and female workers. For example, male public employees enjoy the highest average wages, followed by formal male employees, and then by females in the public sector. Female informal employees have the lowest mean wages, accounting for a little less than half the mean wages of public male employees and accounting for a little less than two-thirds of the average wage earned by male employees in informal work.

**Table 1.2: Wage index of public, formal and informal employees by sex, 2006**

	Public		Formal		Informal	
	Males	Females	Males	Females	Males	Females
Managerial	100	62	114	81	50	8
Professional	83	77	91	68	57	48
Technical	60	58	55	43	46	21
Clerical	54	50	43	39	28	30
Service	45	39	34	26	23	16
Agricultural	23	19	24	19	25	15
Production	51	37	34	23	28	16
Elementary	31	20	22	17	22	15

*Source:* Estimations based on the Department of Census and Statistics 2006 QLFS data.

*Note:* Males in public sector managerial positions are the reference group, with the average wage among this group set at 100. Definitions of formal and informal employment follow those developed by the 15th International Conference of Labour Statisticians and include own-account workers, unpaid family workers, employers and employees working in formal and informal enterprises and households. For details of the definition criteria used, see R. Gunatilaka: Informal Employment in Sri Lanka: Nature, Probability of Employment and Determinants of Wages (New Delhi, ILO Subregional Office for South Asia, 2008).

This pattern largely holds when one takes into account occupational differences, with some slight variations. When occupation is taken into account, male managers in formal employment enjoy the highest average wage rates. Next come public male employees and after them, formal female employees. Female managers in informal employment earn only 8 per cent of what male managers earn in the public sector. In fact they earn the least among all categories of occupations.

This is probably due to the nature of the enterprises that most informal female employees manage, often being micro-enterprises with less than five workers. Generally, employees in the least-skilled occupation grades earn between a third (public sector) and a fifth (formal employment) of what employees in the managerial and professional grades earn. In nearly every instance, men in the same skill/ occupation group and same employment group in terms of public/formal/informal earn more per hour than their female counterparts, indicating the existence of a widespread gender-based gap in wages.

### 1.3. Key social issues – Poverty, occupational safety and health, and industrial relations

**Table 1.3: Poverty in Sri Lanka 1995-2007 (% of population)**

	1995-96	2001-02	2006-07
Poverty incidence	28.8	22.7	15.2
Urban poverty rate	14.0	7.9	6.7
Rural poverty rate	30.9	24.7	15.7
Estate poverty rate	38.4	30.0	32.0
Poverty incidence by region			
Western	18	11	8
North Central	24	21	14
Central	37	25	22
Eastern	-	-	11
Northwest	29	27	15
Southern	33	28	14
Sabaragamuwa	41	34	27
Uva	49	37	24

*Notes:* Data excludes Northern and Eastern Provinces for 1995-96 and 2001-02, and Northern Province for 2006-07. The poverty line used to estimate poverty statistics is the absolute consumption poverty line determined by the Department of Census and Statistics using the Cost of Basic Needs (CBN) approach. See Department of Census and Statistics (2009) for details.

*Source:* World Bank: Sri Lanka Poverty Assessment - Engendering Growth with Equity: Opportunities and Challenges (Colombo, 2007). World Bank for data from 1990 to 2002, and Department of Census and Statistics: Poverty in Sri Lanka (Colombo, 2009) Department of Census and Statistics, for data relating to 2006–2007. The estimations are based on the Household Income and Expenditure Surveys (HIES) conducted by the Department of Census and Statistics.

Sri Lanka is on track to halve the proportion of people whose income is less than US\$1 per day between 1990 and 2015.<sup>9</sup> Nevertheless, more than 15 per cent of all Sri Lankans (excluding those in the north) remained poor in 2006–2007 (see table 1.3). Progress in poverty reduction differed across regions and sectors. Between 1995–96 and 2006–07, urban and rural poverty halved but poverty on estates declined much more slowly. In fact, the poverty rate on estates has increased slightly between 2001-02 and 2006-07, and remained at nearly a third of the estate population in 2006-07. Nevertheless, rural poverty accounted for 82 per cent of all poor people in 2006-07, whereas the estates accounted for 11 per cent and the urban sector made up 7 per cent.<sup>10</sup>

*Poverty*

<sup>9</sup> United Nations ESCAP, UNDP and ADB: The Millennium Development Goals: Progress in Asia and the Pacific 2006 (United Nations ESCAP, 2006).

<sup>10</sup> Department of Census and Statistics: Poverty in Sri Lanka (Colombo, 2009).



Poverty reduction in recent years was entirely due to income growth as income inequality rose in all three sectors. Areas with better infrastructure and greater accessibility appear to have reduced poverty more significantly than less well-endowed areas.<sup>11</sup> As a result, while poverty rates have declined across provinces, there are critical intra-province variations. For example, even within the relatively prosperous Western Province, which accounts for half of Sri Lanka's total output, the more industrialized and urbanized Colombo district has outperformed the Kalutara district (5 per cent of the Colombo district is poor, whereas the poverty rate for the Kalutara district is 13 per cent). Likewise, the Nuwara Eliya district in the Central Province is more backward (34 per cent poor) than the Kandy district (17 per cent poor), and poverty rates in the Ratnapura district in the Sabaragamuwa Province persist at 27 per cent, probably largely due to the impact of repeated natural disasters such as landslides and floods.

Previous analyses suggest that Sri Lanka's problem of poverty is one of many working people not earning enough to get out of poverty since the vast majority of heads of poor household are found to be employed.<sup>12</sup> But there is little information about the characteristics of these and other workers in poor households. The ILO has commissioned a study of Sri Lanka's working poor based on the DCS Household Income and Expenditure Survey data of 2006-07, as part of its work on the Global Employment Agenda and the promotion of decent work for all. The survey combines information on employment, income and expenditure (consumption) and the research currently underway seeks to generate information about the stock and characteristics of Sri Lanka's working poor. It will also investigate the factors that increase the probability of being among the working poor, and the determinants of their earnings.

#### *Legal and administrative framework*

#### *Occupational safety and health*

Sri Lanka's constitution guarantees the dignity and wellbeing of the country's citizens, and a major consideration in this regard is workplace safety and health. Such provisions to ensure safety and health are enshrined in several clauses of Articles 14 and 27 of the constitution. The Factories Ordinance, No. 45 (1942) is the main legal instrument which provides for safety, health and welfare of the workers. The conditions stipulated in the original ordinance were further improved by amendments made in 1946, 1961 and 1976. Under the provisions of the ordinance, the Minister in charge of the subject of labour has made regulations from time to time to cover specific areas of employment.

In addition, there are provisions in: the Holidays Act; Employment of Women, Young Persons and Children Act; and The Shop and Office Employees Act, for promoting safety and health of the workforce. The Mines and Machinery Protection Ordinance, No. 2 (1896) is the first piece of legislation on safety and health of workers which was subsequently amended in 1908, 1914 and 1918. In 1938, all amendments were consolidated to be a single ordinance and cited as "The Mines and Machinery Ordinance."

The legal instrument created most recently as an attempt to promote worker safety and health is the National Institute of Occupational Safety and Health Act, No. 9 (2009). The provisions made therein include formulation of a national policy, advising the government on accidents, injuries and illnesses, conducting research and surveys, and providing advisory services and training. The Safety, Health and Welfare Act is still in the proposal and draft stage. The recently established National Institute of Occupational Safety and Health (NIOSH), is expected to provide advisory services, conduct research and survey, and implement competency development projects.

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<sup>11</sup> World Bank: Sri Lanka Poverty Assessment – Engendering Growth with Equity: Opportunities and Challenges (Colombo, World Bank, 2007).

<sup>12</sup> Gunewardena, D. Consumption Poverty in Sri Lanka 1985-2002. (Colombo, Centre for Poverty Analysis, 2007), and World Bank, Sri Lanka Poverty Assessment Engendering Growth with Equity: Opportunities and Challenges. (Colombo, World Bank 2007).

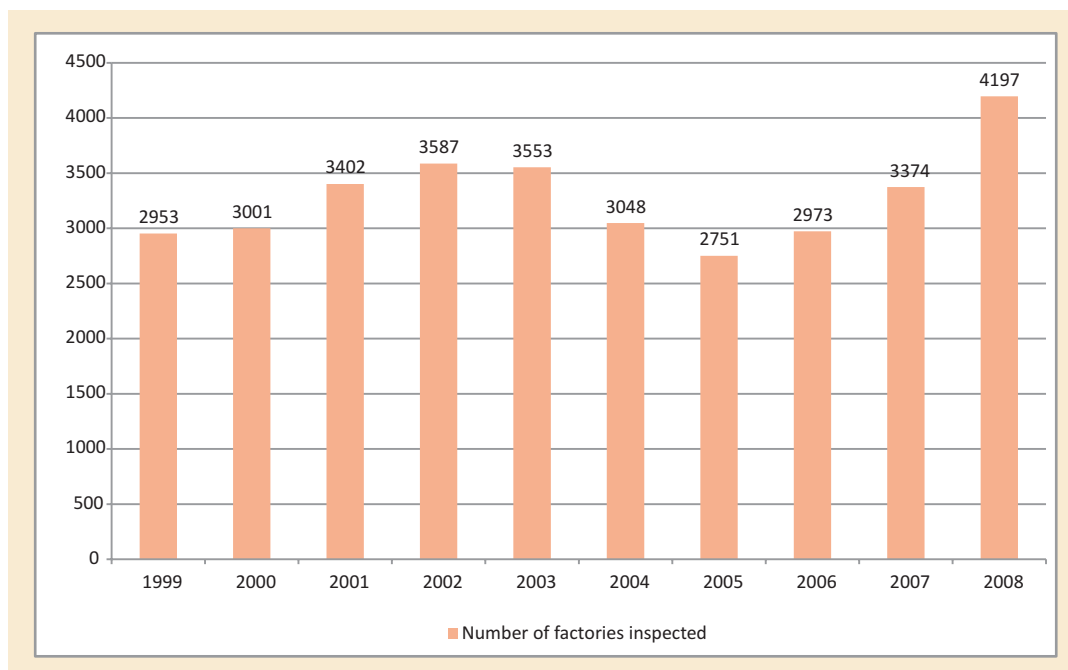
### *Factory inspection and training on OSH*

The Department of Labour (DOL), functioning under the Ministry of Labour Relations and Manpower, is responsible for implementing the provisions of the Factories Ordinance to promote occupational safety and health. The Factories Division and Occupational Hygiene Division within the DOL undertake factory visits, training, data collection and follow-up actions on accidents. There are professionally qualified Factory Inspecting Engineers and Factory Inspecting Medical Officers that are sufficiently empowered to inspect any workplace and initiate legal action against those in violation of the law. Indeed, factory inspections are an important mechanism for ensuring adherence to occupational safety and health regulations by employers and the DOL has increased inspection efforts in recent years (see figure 1.14).

The DOL has also been implementing education programmes targeting workers, trade unionists and employers through its Occupational Safety and Health Division (OSHD) and Workers Education Division (WED) until 2006. Thereafter, the newly established NIOSH and the National Institute of Labour Studies (NILS) took over this responsibility.

There are various other organizations involved in educating employers and employees on the importance of occupational safety and health, and strategies to prevent industrial accidents. The Employers' Federation of Ceylon (EFC), the National Chamber of Commerce of Sri Lanka, the Ceylon Chamber of Commerce, and the Association of Construction Contractors of Sri Lanka are some of the employer organizations that are conducting seminars and training courses on OSH issues. Some trade unions also conduct similar activities. The Industrial Safety and Health Association (ISHA), Ceylon Society for the Prevention of Accidents (CESPA), and Occupational Safety and Health Academy (OSHA) are some of the private sector institutions implementing similar activities.

**Figure 1.14. Total factory inspections, 1999-2008**



Source: Department of Labour.

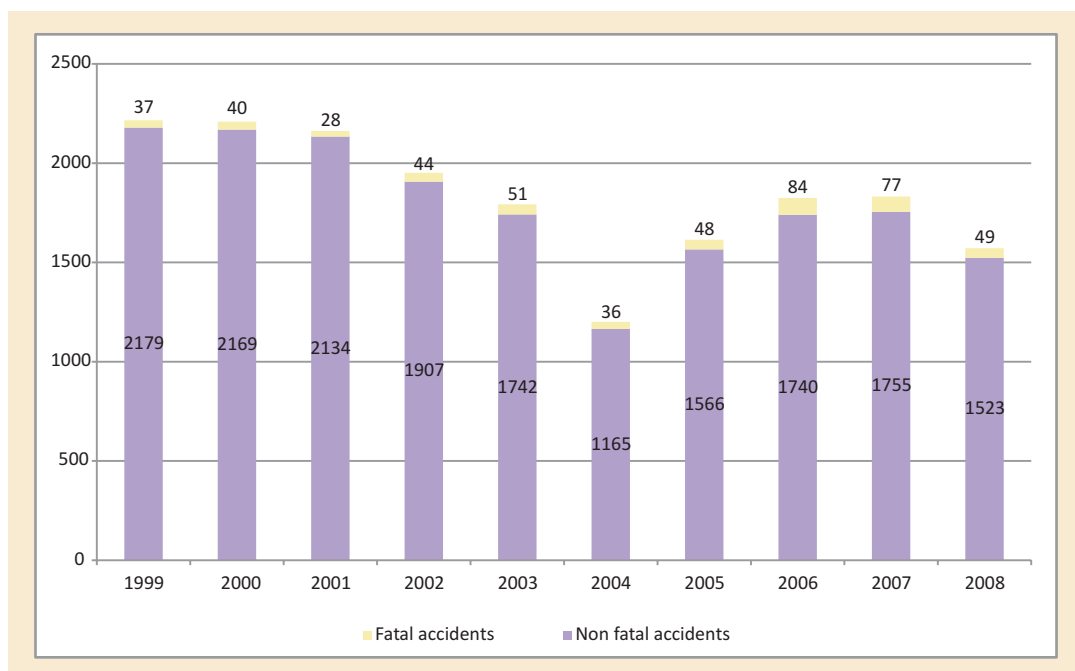
*OSH trends*

Industrial accidents are not only a social problem; they also bring a heavy economic burden to employers and workers and threaten productivity and competitiveness. Employers have to pay compensation in addition to losses caused by work stoppage, expenses on medical treatments and litigation, while workers may suffer from economic and personal hardship as a result of accidents. Despite the efforts to promote occupational safety and health by educating tripartite constituents and to maintain appropriate OSH standards by administering and enforcing the laws, progress towards reducing accidents is not yet fully satisfactory. The numbers of fatal and non-fatal accidents reported to the DOL are shown in figure 1.15.

On average, between 2 and 3 per cent of reported accidents are fatal. It should be noted that the actual number of both fatal and non-fatal accidents is likely to be much higher than the numbers reported in the figure due to deficiencies in reporting as well as lack of coverage of the informal sector, which represents more than 60 per cent of the workforce.

The numbers of fatal and non-fatal accidents have risen in recent years, although both rates declined in 2008. While it is not possible to definitively assess the root causes of the recent rise in reported accidents, some possible explanations include: enhanced awareness among workers and employers because of education/training programmes; improvements in the reporting system; reduced attention to OSH by employers and greater efforts to cut costs due to heightened business challenges; introduction of new technologies/machinery without proper training and competency development; inadequate attention to safety by employees.

**Figure 1.15. Fatal and non-fatal workplace accidents reported to the DOL, 1999-2008**



Source: Department of Labour.

Since the signing of the first Collective Agreement in 1929 between the Employers' Federation of Ceylon and trade unions under the umbrella of the All-Ceylon Trade Union Congress, the importance of social dialogue in creating a sound industrial relations climate has been recognized in Sri Lanka. The State has played a strong role in facilitating social dialogue between the social partners, and has also set up a national level tripartite body to provide a mechanism for consultative decision-making in the area of industrial relations: the National Advisory Council was set up in 1989 with the objective of having a permanent consultative mechanism within the Ministry of Labour to consult with workers and employer representatives on matters of policy, practice and legislation relating to employment, and this body was reconstituted as the National Labour Advisory Council (NLAC) in 2001. Taking the policy of promoting social dialogue further, Labour Advisory Councils have been set up at district level in order to provide a mechanism for broader tripartite consultation.

National-level policies on employment, productivity improvement, decent work and migration formulated in the recent past have evolved through tripartite consultation, and all stakeholders have been involved in implementing those policies, making social dialogue a reality. As part of an ongoing process of re-engineering the Department of Labour, a Social Dialogue and Workplace Cooperation Unit has been created in the Department and undertakes, among other activities, training of managers and employees in social dialogue in both the private and public sectors. In a recent survey by this Unit on social dialogue at the enterprise level, it was found that most trade unions cooperated with management on issues such as productivity improvement campaigns, skills development programmes, welfare schemes and leisure activities.<sup>13</sup>

A key achievement in promoting social dialogue is the adoption of the National Framework on Social Dialogue, signed by 10 major trade unions, the Employers' Federation of Ceylon and the Ministry of Labour Relations and Manpower in April 2009. The framework, published in trilingual format, outlines roles and responsibilities for each social partner, including the Government, and is a tool to promote social dialogue in the workplace in principle and in practice (see box 1.2).

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<sup>13</sup> National Policy for Decent Work in Sri Lanka, Ministry of Labour Relations and Foreign Employment (August 2006).

## Box 1.2. Preamble to the National Framework on Social Dialogue

Whereas Sri Lanka is a nation committed to achieve good governance, democracy and social justice, as a responsible member of the International Labour Organization (ILO), having ratified the core Conventions of the ILO and respecting its founding principles, and the UN's Covenant on Civil and Political Rights.

And whereas the country is committed to carry forward the tradition and legacy of social dialogue, which spans many centuries in time.

And whereas through its Constitution and by means of other legislation the government of the Democratic Socialist Republic of Sri Lanka has underwritten the rights flowing from fundamental civil liberties and non discrimination.

And whereas the Government of Sri Lanka recognizes that industrial harmony and national productivity are imperatives upon which the development of the nation is dependent and that economic and social advancement could be achieved by greater understanding and self regulation by the social partners.

And whereas the tripartite constituents accept that social dialogue and tripartism are indispensable democratic means to address economic development and social concerns, by building consensus and achieving greater understanding of the needs and concerns of the respective parties.

And recalling the numerous challenges and opportunities facing the world of work in the in the context of globalization and the importance of the social constituents achieving appropriate solutions at national, regional, sector and enterprise levels.

Source: [http://www.un.lk/resources\\_center/pub\\_pdf/1116.pdf](http://www.un.lk/resources_center/pub_pdf/1116.pdf).

Despite these achievements in promoting social dialogue, there are some challenges that need to be overcome, especially in implementing the National Framework:

- **Weak culture of social dialogue in the public sector** – Informal and formal mechanisms to deal with grievances and disputes that arise in workplaces are lacking in the public sector, causing resolution of employee issues by the State and institutional heads to be made in an ad hoc and piece-meal fashion, without addressing underlying concerns. The establishment of a body comparable to the NLAC, or a National Mediation Council for the public sector, to which trade unions could make representations on issues affecting their membership collectively has been proposed as a long-term solution to prevent the disruption of services to the public due to minor disputes which could be resolved amicably. In the interim, a system of dialogue at the department level in the public sector, with the option of taking unresolved issues to the next level, with an annual report to Parliament of such unresolved issues is being established to ensure that a culture of social dialogue is institutionalized.
- **Low representation of women in trade unions** – Even in trade unions that have been formed in predominantly female occupations and workplaces, women have a very low level of representation at decision-making levels. One study found that the lack of participation by women was primarily due to social and cultural constraints, such as a perceived stigma in women engaging in trade union activity. Family

responsibilities were also found to play a role in limiting women's participation. As a result, many issues which are of particular relevance to women, such as maternity protection and childcare facilities, do not appear to receive adequate attention by the social partners, both at the national and enterprise levels.

As more women are entering the labour force, trade unions need to reflect this reality by having more women in decision-making bodies and management units. This will also help to attract women to join trade unions and workers' organizations, and to raise the profile of issues of central importance to them. While some trade unions have introduced specific quotas to be filled by women from the level of the workplace up to the management council, others may need to introduce their own processes to ensure adequate representation for women.

- **Difficulties in organizing the informal sector** – For the more than 60 per cent of Sri Lanka's total employed engaged in the informal sector, rights and freedoms in employment are more difficult to ensure due to lack of visibility of both workers and enterprises. There are no organizations which represent informal sector workers with the aim of protecting their rights, except in a very few instances where formal sector trade unions work with informal sector workers or workers form informal associations or collectives. This is due to the nature of employment in the informal sector, where numbers engaged in a single enterprise are low and workers are widely dispersed. As a result, trade unions are unlikely to be interested in organizing informal sector workers into trade unions, as they differ from the traditional profile of trade union members, and the voice of the informal sector is therefore not heard by policy-makers. However, trade unions could be encouraged to link with associations of workers or employers already represented in the informal economy; likewise, employers in the formal sector could be given incentives to find capable partners through informal groupings in certain industries, such as handicrafts.
- **Low priority for signing collective agreements** – Lack of awareness of the advantage of entering into collective agreements on the part of trade unions and workers, and suspicions regarding liabilities created by collective agreements on the part of employers, has led to the reduction in the number of such agreements being registered by the Department of Labour. Available data indicate that, despite at least 600 trade unions being registered under the Trade Unions Ordinance, the number of collective agreements being registered each year has remained at a low level of between 15 and 40 in recent years.<sup>14</sup>

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<sup>14</sup> Administrative Report of the Commissioner General of Labour (various years).

The absence of a recognized apex body for workers' organizations is also a drawback in promoting social dialogue at the national level, as strong social partners that can speak with authority on behalf of their constituents are needed to make for successful dialogue. It is only by strengthening the social partners at the national level that the Framework for Social Dialogue can be meaningfully implemented at the enterprise level.

## The impact of the global economic crisis in Sri Lanka

This chapter looks at the macroeconomic and labour market impacts of the global economic downturn on Sri Lanka which began to impact on the economy in the latter part of 2008. The crisis immediately followed a sharp increase in global food prices and international oil prices, which saw high inflation and increased pressure on government finances. With the onset of the global economic downturn, the economy encountered further shocks, with external trade, migrants' remittances, the construction industry, tourism and port services and shipping acting as key transmission channels. As the purchasing power of consumers declined, so too did savings and domestic consumption. Further, reduced profits among firms led to a drop in investment by the industrial sector. There is some evidence of job losses and reduced rates of labour absorption. However, the successful conclusion of military operations against the LTTE (Liberation Tigers of Tamil Eelam) in May 2009 has improved Sri Lanka's economic prospects. Reconstruction and development can now begin in the North of the country, providing a much needed fiscal stimulus. The end of the war has also had a positive impact on Sri Lanka's investment climate.

Macroeconomic and labour market impacts of the crisis are discussed in section 2.1. Section 2.2 looks at how employers, workers and the government have responded to the crisis, and briefly reviews its impact on industrial relations. Section 2.3 addresses the critical question of how adequate Sri Lanka's social floor is in providing protection to those affected by the crisis.

### 2.1. Macroeconomic and labour market impacts

The global economic crisis reversed the positive conditions that had underpinned Sri Lanka's recent growth performance. In 2007, Sri Lanka's economy grew at 6.8 per cent. In 2008, the growth rate slipped to a still robust 6.0 per cent because it was shored up by the impressive growth of 6.5 per cent registered in the first nine months of the year. Growth dipped to 4.3 per cent in the fourth quarter of 2008 as the crisis hit, and then plunged to 1.5 per cent in the first quarter of 2009 (see Statistical Annex table I.1.2). It recovered slightly in the second quarter to 2.1 per cent, probably due to developments associated with the end of the war.

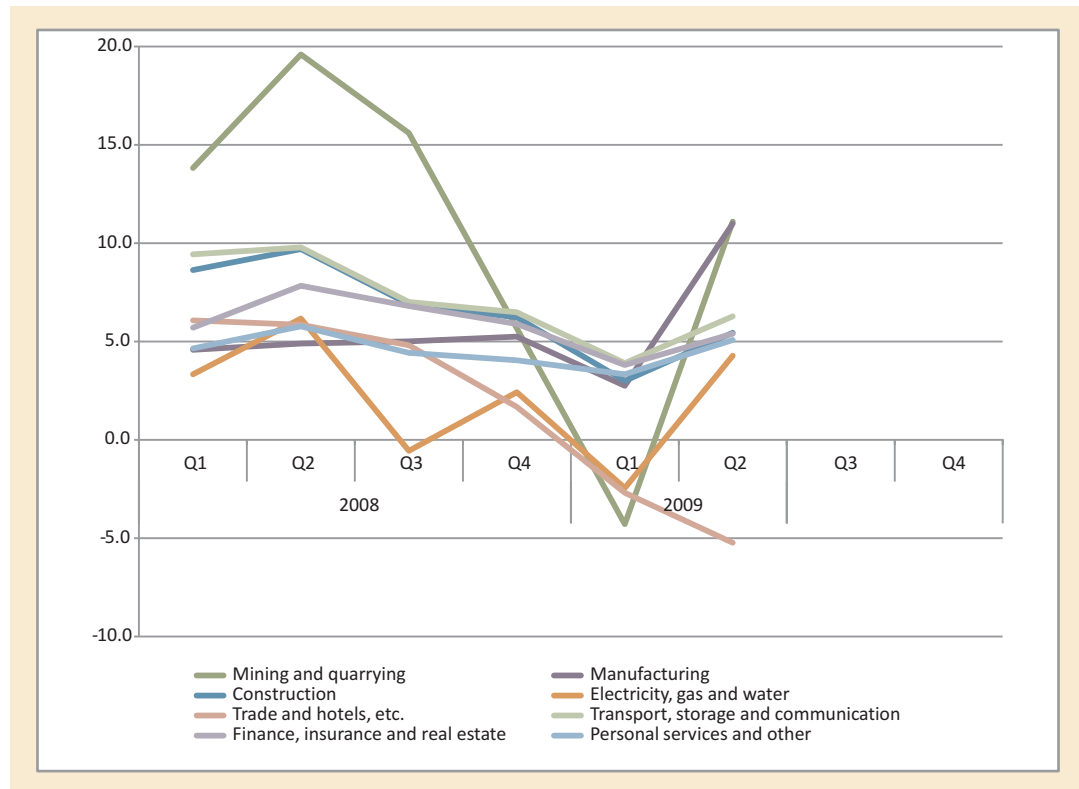
*Macroeconomic impacts*

As figure 2.1 illustrates, all industrial sectors have been affected. While most sectors managed to post positive (though much reduced) growth, the mining and quarrying, and trade and hotels industries contracted. By the second quarter of 2009, mining and quarrying had recovered, but trade and hotels continued to record negative growth. The manufacturing sector has largely held up and posted a strong recovery in the second quarter of 2009. But growth in the construction,



transport, storage and communication, and the finance, insurance and real estate sectors have declined inexorably until the second quarter of 2009, when they have bottomed out and recovered marginally. After peaking in the third quarter of 2008, probably due to seasonal factors and production from the newly liberated Eastern Province, agriculture also followed the rest of the economy as growth rates declined until mid-2009, after which the sector has recovered slightly.

**Figure 2.1. Real GDP, % change over same quarter in previous year**



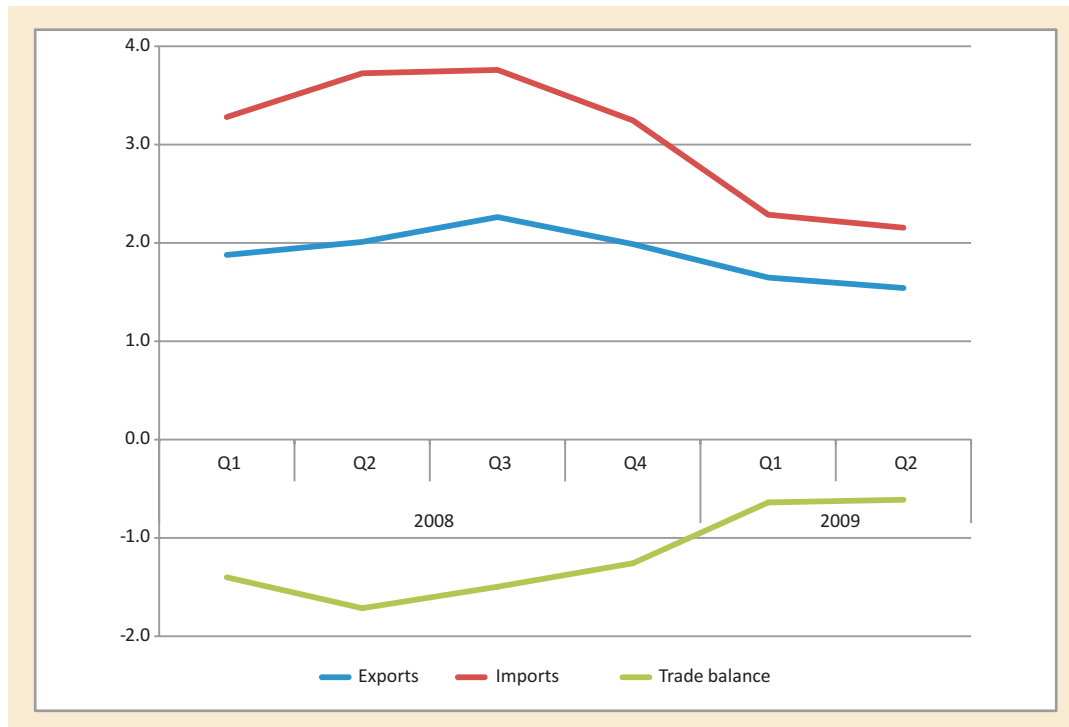
Source: Central Bank of Sri Lanka. See Statistical Annex.

External trade is the main channel through which the international crisis is impacting on Sri Lanka's economy. Figure 2.2 shows Sri Lanka's exports, imports and quarterly trade balance from the first quarter of 2008 onwards. The impact of the food and oil price shocks of the first half of 2008 is evident in a widening of the trade balance. Thereafter, it has contracted with each consecutive quarter, levelling off at about a third of its peak in 2008, by mid-2009. Given the extent to which Sri Lanka's economy is dependent on trade (trade accounted for 54 per cent of GDP in 2008), a reduction in trade has serious implications for GDP growth.

The contraction in the trade balance has coincided with reductions in both export and import values (see Statistical Annex tables I.5.1 and I.5.2). Agricultural and industrial exports peaked in the third quarter of 2008 and have since dropped sharply. The value of tea exports was 29 per cent lower in Q2 2009 than in Q3 2008 and 17 per cent lower than in Q2 2008. The value of textiles and garments (a sector which accounted for 43 per cent of total exports in 2008) actually peaked in the last quarter of 2008 but has since declined sharply. Textile and garments exports were 22.9 per cent lower in Q2 2009 than in Q3 2008 and 13.6 per cent lower than in Q2 2008.

As of the second quarter of 2009, in terms of export value, none of the main export industries had recovered from the shock of the global economic crisis. In terms of export volume (see Statistical Annex table I.5.3), only gems, tea and petroleum exports appear to have bottomed out. The export volume indices of all other products have continued to decline in Q2 2009, with rubber showing a particularly steep decline.

**Figure 2.2. Exports, imports and trade balance, billions of US\$**



Source: Central Bank of Sri Lanka (2009) Bulletin, Vol. 59, No. 08. See Statistical Annex.

There have been sharp declines in the import volume indices of intermediate and investment goods (see Statistical Annex table I.5.3). The indices for building materials, transport equipment, machinery and equipment, and fertilizer underpin the sharp downturn in economic activity. There has been a reduction in the value of all major consumer imports since the second quarter of 2008. Together with the falling global oil price, the value of petroleum imports declined sharply after peaking in the second quarter of 2008, but has recovered slightly in the second quarter of 2009.

Remittances from migrant workers and other Sri Lankan expatriates have held up despite the crisis. There was a decline of 1.7 per cent from the first quarter of 2008 to the first quarter of 2009;<sup>15</sup> however, remittances have picked up following the conclusion of the war, growing by 10 per cent from the total over the January to August 2009 period versus the same period in 2008.<sup>16</sup> While there is anecdotal evidence that skilled and semi-skilled workers in the garments and construction sectors are returning home, there is little indication of housemaids returning to Sri Lanka. The growth in migrants' remittances could also be due to more money being sent through official banking channels, attracted by the Government's offer of a 20 per cent bonus to boost incoming bank remittances. At the same time, there does appear to be a marked decline in the number of Sri Lankans seeking employment abroad in recent months, indicative of a downturn in demand for migrant labour. Comparing the figures for the first four months of 2008 with those

<sup>15</sup> Email communication, Mr. L.K. Ruhunage, Sri Lanka Bureau of Foreign Employment.

<sup>16</sup> Economic Research Department, Central Bank of Sri Lanka, Press Release, 20 October 2009.

of 2009, the number leaving for foreign employment dropped noticeably from 82,282 to 73,264 – a decline of 11 per cent.<sup>17</sup>

Sri Lanka's financial sector has not been directly affected by the international financial crisis because the system is relatively unsophisticated and the capital account is only partially liberalized. Hence there has been little exposure to toxic international financial assets. Yet the impact of the global economic slowdown has increased the number of non-performing loans of commercial and development banks in all sectors, as export industries, import trading enterprises and the construction sector have been affected. In addition, the economic difficulties faced by downstream enterprises have had a domino effect on their upstream suppliers, because of non-payment of bills for inputs. The “credit crunch” has forced banks to reschedule loan repayments and, in many cases, foreclose on defaulting businesses. Small and medium-sized enterprises (SMEs), which typically operate very close to the margin, are particularly affected.

Before the global economic crisis impacted on Sri Lanka, healthy export and import growth and productivity improvements generated significant growth in port services. Total cargo handled grew by 9 per cent in 2008, following annual growth as high as 14 per cent, recorded in 2006.<sup>18</sup> However, the international crisis has had its impact on the sector. Year-on-year averages for the six-month period January to June show that the total number of ships arriving in the Port of Colombo declined by 7.9 per cent in 2009, as compared with the same period in 2008. Container throughput declined by 9.7 per cent, total cargo discharged dropped by 10.3 per cent and total cargo loaded contracted by 8.5 per cent. The total tonnage handled also fell by 9.6 per cent, reflecting the contraction in export and import volumes following the global economic downturn. Nevertheless, from May onwards, a slight bottoming out of the decline is discernible.<sup>19</sup>

The outlook for tourism has improved markedly since the end of the conflict. From a decline of 32 per cent year-on-year in January 2009, arrivals grew by 29 per cent in September 2009.<sup>20</sup> The long-beleaguered tourist industry finally appears to be preparing for a busy season.

The impact of the crisis on existing macroeconomic imbalances was aggravated by some contradictions in the country's macroeconomic policy stance. The real effective exchange rate (2006 = 100) appreciated from 110.8, in the first quarter of 2008, to 127.7 by the year's end. Sri Lanka's foreign reserves dwindled rapidly, from 4.8 months of imports in the first quarter of 2008 to 2.6 months by the first quarter of 2009.<sup>21</sup> Faced with an imminent balance of payments crisis, the Government sought IMF assistance to the value of US\$1.9 billion which was delayed due to pressure from the US Government to include political conditions in the loan agreement. The Sri Lankan Government then sought credit lines from India, China and the Libyan Arab Jamahiriya. But the end of the war in May 2009 transformed Sri Lanka's investment climate and brought the economy out of the external payments crisis. In the immediate aftermath of victory, Sri Lanka's reserves received a boost of more than US\$300 million and the 2-year Sri Lanka Development Bonds were oversubscribed by 135 per cent, raising US\$115.8 million from a US\$50 million offer.<sup>22</sup> By the second quarter of 2009, external reserves had climbed up to 3.3 months of imports.<sup>23</sup> Thus, the delay of the IMF facility did not prove critical for balance of payments management. Nevertheless, by 24 July 2009 the Executive Board of the IMF approved a 20-month standby facility amounting to US\$2.6 billion to be disbursed in seven tranches. The agreement with the IMF introduced some degree of predictability regarding the macroeconomic outlook.

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<sup>17</sup> Email communication, Mr. L.K. Ruhunage, Sri Lanka Bureau of Foreign Employment.

<sup>18</sup> Central Bank of Sri Lanka, Annual Reports 2007, 2008.

<sup>19</sup> Data from Sri Lanka Ports Authority.

<sup>20</sup> [http://www.slttda.lk/monthly\\_statistics](http://www.slttda.lk/monthly_statistics) (accessed 31 October 2009).

<sup>21</sup> Central Bank of Sri Lanka: Bulletin, Vol. 59, No. 08 (Colombo, 2009).

<sup>22</sup> D. Daniel: “Let it come when it comes, there is no urgency – Cabraal”, in *The Island – Financial Review* (22 June 2009).

<sup>23</sup> Central Bank of Sri Lanka: Bulletin, Vol. 59, No. 08 (Colombo, 2009).

Macro labour force survey data from the Quarterly Labour Force Surveys (QLFSs) of the Department of Census and Statistics do not show any statistically significant rise in quarter-on-quarter unemployment at the end of 2008, nor in the first two quarters of 2009. These data are the main source of information on unemployment trends in Sri Lanka, unlike in developed countries where registration for unemployment benefits provides more precise information on job losses. Unemployment accounted for 5.1 per cent of the labour force in the first quarter of 2008 and for 5.4 per cent in the first quarter of 2009 (see Statistical Annex table II.16.1). The corresponding figures for the second quarter of both years are 5.3 per cent and 6.3 per cent, respectively. But this should not be regarded as conclusive evidence of a rise in unemployment because, as the Department of Census and Statistics notes, there is no statistically significant difference between the unemployment rates reported in the two periods when sampling errors are taken into account.<sup>24</sup>

The data suggest an intensification of the negative effects of the financial crisis on employment between the first and second quarters of 2009. Table 2.1 sets out the percentage year-on-year changes in employment by industry group in the first two quarters of 2009. In the first quarter, there were steep employment losses in the construction sector and moderate employment losses in the manufacturing and wholesale and retail trade industries. These losses were offset by employment growth in agriculture and public administration, and consequently total employment grew 1.1 per cent in the first quarter of 2009 versus the same quarter in 2008. In the second quarter, the rate of job losses intensified in the manufacturing and wholesale and retail trade industries, and steep job losses were registered in the financial intermediation sector. While employment losses continued in the construction industry in the second quarter of 2009 versus the same quarter the previous year, in comparison with the first quarter of 2009, employment in construction actually grew in the second quarter. Overall, employment shrank by 1.5 per cent in the second quarter of 2009 versus the second quarter of 2008 and by 3.2 per cent versus the first quarter of 2009. Thus, it appears that while the agriculture sector served as a buffer against the employment losses in manufacturing and construction, by the second quarter, job losses in other sectors exceeded the capacity of agriculture to soak up excess labour.<sup>25</sup>

<sup>24</sup> Department of Census and Statistics: Sri Lanka Labour Force Survey 1st Quarter 2009 (Colombo, 2009).

<sup>25</sup> Furthermore, given the considerably lower level of productivity in the agricultural sector versus the industry and services sectors (see section 1.2 in Chapter 1) a shift towards a higher share of employment in agriculture is likely to represent an unfavourable trend, with increased vulnerability, lower wages and higher poverty rates.

**Table 2.1. Change in employment by industry, first and second quarters 2008-2009**

	All		Males		Females	
	2008 - 2009		2008 - 2009		2008 - 2009	
	First Quarter	Second Quarter	First Quarter	Second Quarter	First Quarter	Second Quarter
Agriculture, forestry and fishing	7.9	4.2	13.4	0.4	0.4	10.1
Manufacturing	-3.4	-8.8	-2.3	-13.0	-4.5	-3.7
Construction, mining and quarrying, electricity, gas and water	-9.0	-2.0	-7.4	-1.8	-39.5	-7.0
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods.	-3.6	-8.9	-7.9	-8.5	8.7	-10.0
Financial intermediation and real estate, renting and business activities	2.7	-8.0	2.6	-0.9	3.0	-21.4
Public administration and defence, compulsory social security	16.3	5.5	1.6	9.4	60.3	-4.3
Education	-9.4	-7.0	-10.1	-1.3	-9.0	-9.2
Other(a)	-1.7	3.6	-7.1	2.4	17.3	7.3
Total (%)	1.1	-1.5	0.1	-2.4	3.0	0.3
Total (thousands)	81.0	-104.2	5.9	-111.8	75.1	7.6

Source: Department of Census and Statistics. See Statistical Annex.

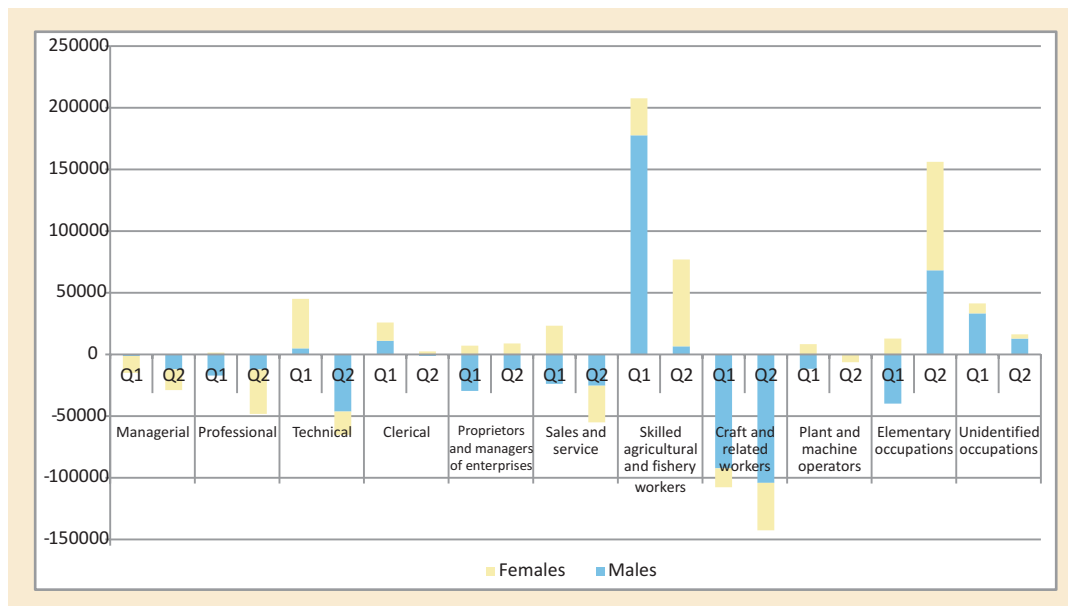
Notes: Positive numbers denote an increase in employment in the relevant category. Excluding the Northern and Eastern provinces. (a) Category "other" includes hotels and restaurants; transport, storage and communication; health and social work; other community, social and personal service activities; extra-territorial organizations and bodies; private households with employed persons; miscellaneous labour work; and industries not adequately described.

In addition to a shift in employment into agriculture, there also appears to have been a redeployment of labour in terms of gender. Female employment has grown in both the first and second quarters of 2009, while male employment contracted by nearly 112 thousand or 2.4 per cent in the second quarter of 2009 versus the second quarter of 2008. This may be due to two phenomena. On one hand, employers may be substituting cheaper, female labour for more expensive, male labour. On the other hand, females may have been forced to go out to work when male family members lost their jobs.

The crisis may have contributed to the marginal increase in the proportion of informal employment. For example, informal employment accounted for 59.8 per cent of all employed persons in the first quarter of 2008, whereas the figure for the first quarter of 2009 was 61.4 per cent. The equivalent figures for the second quarters of 2008 and 2009 are 58.3 and 61.8, respectively (see Statistical Annex table II.14.1).

Unions allege that the majority of workers losing their jobs are skilled, semi-skilled and unskilled operatives, rather than those in executive positions. The QLFS data appear to confirm this: in terms of skills – proxied by type of occupation – and among the occupations which lost jobs, the higher-skilled occupations of managers, professionals and proprietors accounted for 27.7 per cent of the total number of jobs lost between the first quarters of 2008 and 2009 (see figure 2.3). This share rose to 40 per cent in the second quarter. Even so, given the ratio of skilled to unskilled workers in a typical organization, one managerial, professional or proprietary job lost out of every three jobs lost to the crisis across the economy, suggests a relatively equitable sharing of the costs of adjustment. However, the situation in individual companies may be different.

**Figure 2.3. Change in employment by occupation and sex, quarterly employment, 2009 versus 2008**



Source: Calculations based on Department of Census and Statistics (2008, 2009), Quarterly Reports of the Sri Lanka Labour Force Survey.

The gains in employment in technical occupations in the first quarter of 2009 have reversed, with moderate and slowing growth in employment among skilled agricultural and fishery workers in the second quarter of 2009. Female managers have been particularly affected, and some of the employment gains in the first quarter in the technical category have been lost in the second quarter of 2009. Gains in the first quarter for females as technical and associate professionals, sales and service workers, and as plant and machine operators and assemblers have largely been reversed in the second quarter.

Male professionals have experienced marked job losses and so have proprietors and managers of enterprises, and craft and related workers. The category of skilled agricultural and fishery workers appears to have helped cushion employment shocks for men in the first quarter and for women in the second quarter. It is interesting that the number of males employed as proprietors and managers of enterprises declined by 7 per cent in the first quarter and by 3 per cent in the second quarter, but the number of females employed in the same occupational category increased by 5 per cent in the first quarter and by 8 per cent in the second quarter.

The welfare impact of these changes depends on the nature of jobs lost and gained, for which there are no data. For example, it is possible that while males employed as proprietors and managers of enterprises were more profitably employed, women, who recently found employment in the same occupational category, did so with far less profitable enterprises. Indeed, a recent study of the effect of 'treatment' grants on male and female-owned enterprises in three tsunami-affected districts in Sri Lanka has shown that returns to capital were zero among female-owned micro-enterprises but in excess of 9 per cent per month for male-owned enterprises.<sup>26</sup>

Administrative data collected by the Department of Labour and the Board of Investment show that the garments industry, the largest in terms of both industrial and export sectors, has been the industry hardest hit by the present crisis. Data from the District Offices of the Department of Labour confirm that out of 129 companies affected by the crisis between September 2008 and July 2009, at least half were in the apparel sector. The apparel industry is also the worst affected on the basis of employment: 73 per cent of workers laid off between September 2008 and July 2009 were employed in the garments sector. The geographic impact of the crisis appears to be felt most strongly in the Gampaha district. More than 50 per cent of employees laid off between September 2008 and July 2009 were in Gampaha, 14 per cent in Kurunegala and 12 per cent in Colombo. The Gampaha, Kurunegala and Colombo districts are closer to the western seaboard and have heavy industrial concentrations compared to the districts in rural areas. Lack of orders is cited as the predominant reason for closure or lay-offs.<sup>27</sup>

## 2.2. Responses by employers, workers and the Government

*Employers' response* The employment figures analysed above confirm that employers have responded to the crisis by focusing primarily on cutting labour costs. This is to be expected as most employers are running labour-intensive operations and labour comprises a large share of total costs. They are also using a variety of methods to reduce labour costs in the face of falling output demand, including freezing recruitment, rationalization of factories, elimination of overtime, reducing the number of days of work, eliminating or reducing special allowances and facilities such as food and travel, eliminating increments or bonuses, and offering work at half pay.

Freezing employment almost across the board has automatically downsized the workforce with the natural rate of labour attrition. For example, in the apparel sector, the natural rate of labour attrition is between 4 and 6 per cent per month. But, with the freeze on recruitment, that has been in place since September 2008, the workforce naturally downsized by 15-20 per cent by March 2009. As workforces shrink, production lines close down. Companies with several factories close some and operate only the factories that they can run with incumbent workers and those willing to move to the new location.

Overtime work has been slashed and, in a bid to cut costs further, employers have sought the permission of the Department of Labour to have a five-day working week, with the factories closed on Saturday but the usual Saturday morning working hours distributed over the week. In some factories, workers are being required to take their holiday leave. In others, workers are being asked to simply not turn up for work for the next two months.

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<sup>26</sup> S. de Mel, D. McKenzie and C. Woodruff: Who Does Microfinance Fail to Reach? Experimental Evidence on Gender and Microenterprise Returns, BREAD Working Paper No. 157 (October, 2007).

<sup>27</sup> R. Gunatilaka: Rapid assessment of the impact of the global economic crisis on employment and industrial relations in Sri Lanka (Colombo, ILO, 2009).

Special allowances and facilities are being reduced or eliminated. Since the statutory minimum wage is typically too low to attract workers, employers usually keep the statutory minimum as the base wage and make up the shortfall between the minimum and the market-determined rate with attendance allowances, overtime and holiday payments, which are within the discretion of the employers. As a result, a machine operator's take home pay would be, typically, at least twice as much as the base wage. Moreover, the majority of factories provided at least one free or heavily subsidized meal and many factories provided transport. But with the onset of the crisis and the need to cut costs, employers have reduced these allowances and thereby cut costs on food and transport. This has translated into a drastic wage cut – sometimes up to half – which has forced many workers to give up their jobs.

Many factory workers laid off because of the crisis are migrants from rural homes and try to find informal work in the same area rather than returning to their villages and increasing the burden on their families. Many take up work at half the usual wage in small sub-contracting units to which formal factories are outsourcing their work to reduce costs. Others are taking up casual, informal work in enterprises such as bakeries. Many construction workers are going back to their rural homes. It is possible that the sudden return of large numbers of construction workers into the agricultural labour market may force a wage reduction in that sector.

*Coping strategies of laid-off workers*

While laid-off formal workers in urban areas try to survive in informal employment and construction workers move to agriculture, many workers affected by the crisis have extremely limited options. A traditional safety valve for rural distress is, for example, migration of some family members to urban areas and overseas for employment. With the crisis severely limiting both these safety avenues, the rural poor could be in desperate straits. Of particular concern is the plight of plantation workers, who work on estates and undertake casual labour in smallholdings in adjoining villages, and who face barriers of transportation and language in accessing jobs further away.

The crisis has skewed the unequal bargaining power between employers and workers further in favour of employers, even though this is hardly a victory for the latter. In this lose-lose environment, where employees are set to lose proportionately far more than employers, industrial relations in the private sector are noticeably cooperative. It is apparent that in unionized workplaces, employers and unions have been forced by the economic crisis to work together to resolve issues arising from the crisis so that jobs, and businesses, can be saved. However, industrial relations in the public sector have recently been volatile, mainly because of industrial action by the Inter Company Employees' Union.

*Impact on industrial relations*

Nevertheless, unions report that many employers appear to be taking unfair advantage of the situation and that the adjustment to the crisis appears to be largely taking place at the bottom of the occupational hierarchy. But available labour force data show that the higher-skilled occupations account for roughly a third of the total number of jobs lost, as discussed above. In companies represented by the Employers' Federation of Ceylon, this figure is more than half, but this could be because higher-skilled grades receive much higher remuneration packages in the corporate sector and, therefore, laying off more of them makes greater economic sense. Even so, substantial numbers of lower-skilled workers are being laid off without compensation, many by companies that are either not covered by, or evade, the terms of the Termination of Employment of Workmen Act (TEWA).



*Response of labour authorities*

Anxious to save jobs, labour authorities are striving to provide employers with as much flexibility as possible within the law to keep their businesses going. Three such measures are worth noting: temporary lay-off for three months; a relaxed working week if employers and workers in individual workplaces are in agreement; and deferred Employee's Provident Fund (EPF) and Employee's Trust Fund (ETF) payments on employers' contributions. While the labour authorities' efforts to be as flexible as possible must be commended, some issues remain.

For example, it is unclear whether current industrial relations institutions and mechanisms can ensure that the costs of adjustment are distributed fairly between workers and employers at the level of the enterprise. Both employers and unions seem to prefer to operate through networks of influence rather than through established processes of complaint, inquiry and decision-making in the Labour Secretariat in obtaining relief and redress. The inquiry process also needs to be accelerated so that employers forced to retrench workers can do so quickly. Many labour officers are familiar with the public sector but have limited experience with the world of business. In the medium term, labour authorities should consider enhancing the human capital of their officers through industrial placement and training in business administration as part of their human capital development.

*Government's response*

The Government's response to the crisis consists primarily of four measures to stimulate the economy: 1) an export development reward scheme to incentivize exports; 2) efforts to reduce interest rates and increase liquidity; 3) passing on most of the decline in oil prices to consumers; and 4) exempting firms in the manufacturing and hotels sectors from paying the economic service charge during the 2009 calendar year.

- **Export Development Reward Scheme** – The Export Development Board will grant a reward of 3 per cent of quarterly export earnings to exporters trading continuously since January 2006 if: a) they can maintain at least 90 per cent of their export values for each quarter compared with the corresponding quarters of 2008; and b) if they maintain employment levels as declared by the EPF and ETF returns as at the third quarter of 2008. The reward will be increased to 5 per cent of export values for exporters who equal or exceed their quarterly export proceeds.

While the policy measure has been welcomed by exporters, there appear to be some problems with it. First, the one-size-fits-all package also needs to be fine-tuned to target assistance to those who really need it. Secondly, the Government also needs to raise the finances needed to implement the package. Critically, exporters are still faced with the difficult challenge of maintaining export volumes at last year's levels in a shrinking export market with falling commodity prices. As traditional markets in Western trading partners are hit by recession, exporters need to find new buyers in emerging markets such as India, China and other Asian countries which have not been affected as badly by the crisis. However, exporters are at present reacting only to immediate commercial pressures, with little energy, time or resources left over to undertake the work involved in finding new markets.

- **Reducing fuel costs** – The Government has passed on much of the drastic reduction in fuel and furnace oil prices to industry to help reduce costs of production. In September 2008, furnace oil cost 70 rupees per litre and, by February 2009, the price had fallen to 35 rupees per litre. The Government passed on some of

the benefits of the drop in oil prices to the Ceylon Electricity Board to remove the fuel adjustment charge of 30 per cent imposed when oil prices were high. Nevertheless, the Government is not passing on the full reduction in the international price of oil to the domestic market, as it is using some of the savings to bolster its own revenues.

- **Increasing liquidity** – Aiming to increase liquidity in the financial system, the authorities cut the statutory reserve ratio (SRR) by 75 basis points to 7.0 per cent in February 2009, releasing 9 billion rupees to banks. This followed an earlier cut of 225 basis points in October 2008, which also released tens of billions of rupees to the banks. The Central Bank also allowed banks to borrow one month's liquidity requirement in March 2009 in order to ease the credit crunch.

Nevertheless, these measures to stimulate the economy have had to contend with other contradictory forces. For example, just as inflation rates declined and the rupee depreciated during the first quarter of this year, the Government's military victory in May 2009 saw confidence in the rupee soar. This has forced the monetary authorities to take measures to prevent a Dutch Disease effect that may exert upward pressure on the exchange rate again, as funds flow in for rehabilitation and reconstruction. At the same time, with the economic crisis raising the banks' non-performing loans, investors are looking to less risky assets, such as Treasury Bills and fixed deposits to invest their funds. Consequently, credit is being rationed to individuals and corporate clients with high net worth. It has become very difficult for small and medium-sized enterprises to access credit for working capital.

Most importantly, supply-side measures, such as export stimulus packages, can achieve results only in a climate of expanding demand, not in an economic decline. The Government may need to use whatever fiscal capacity it has to shore up consumption so that at least enterprises producing for the domestic market can maintain production and employment levels.

### **2.3. Can Sri Lanka's social floor cope with the crisis?**

Sri Lanka lacks an effective mechanism to provide social protection for many of those in need. Public employees are entitled to pensions funded by the State, while private sector workers in formal employment have provident funds (EPF and ETF) paid out in a lump sum, financed through employer-employee contributions. Three public social security schemes provide benefits for farmers, fishermen and self-employed persons in the informal economy. But the schemes are voluntary and limited in personal coverage.<sup>28</sup>

Currently, the only social protection to which retrenched formal employees in the private sector are entitled is the retrenchment payment set out in TEWA, which is limited to employees of companies employing more than 15 workers. However, there are no guarantees that working in larger companies will ensure compensation; while some employers are able and willing to pay compensation according to the formula, others are not. Those who cannot pay the formula pay only what they can and, in many cases, workers accept it, fearing that as conditions worsen they might not get even that. Many employees in larger establishments that are not monitored by unions or the labour authorities, and employees in establishments not covered by the size restriction of TEWA, cannot count on compensation.

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<sup>28</sup> ILO: Social Protection in Sri Lanka, Advisory Report for the Ministry of Labour Relations and Manpower (Geneva, International Labour Office Social Security Department, 2008).

While the provisions of TEWA can provide retrenched workers with a cushion when the economic climate is fair to good and retrenchment takes place in a fairly orderly way, it cannot be relied on to provide a safety net in times of severe economy-wide crisis which severely affects the profitability of companies, forcing closure. In such situations, companies may not have the capacity to pay retrenchment compensation. In other words, TEWA, since it relies entirely on the employer's ability to pay compensation, cannot be relied upon to provide a safety net in times of systematic shock and it cannot play the role of unemployment benefit insurance scheme.

Realizing this, the crisis has prompted labour authorities to revive moves to set up an unemployment benefit insurance scheme already provided for by the last amendment to the TEWA. In the proposal, retrenched workers were to receive compensation from employers according to a formula as well as 12 months' unemployment insurance at 50 per cent of the last month's pay. But this measure has not been implemented due to lack of funds. When unions subsequently demanded the repeal of the amendment of TEWA, the authorities enhanced the compensation formula but did not implement the insurance scheme.

An insurance scheme would require a substantial injection of funds as seed capital. Even if these funds are found, employers and employees would need to contribute in order for it to be sustainable. While the crisis has made many realize how important it is to have such a scheme, and tripartite discussions about setting one up have resumed, agreement is still to be reached about financing it. Meanwhile, the Samurdhi programme, the core of the national system of social assistance, provides too little support and still suffers from serious targeting problems. It is widely accepted that the system is in need of reform and, while eligibility criteria have been developed and refined, implementation has been slow.

Much-needed reforms in the social protection sector include: setting up an unemployment benefit insurance scheme; consolidating existing social security systems; increasing coverage to certain segments of workers such as construction workers; and enhancing the effectiveness of Samurdhi. For this, Samurdhi's new methodology for targeting those who most need the support must be implemented, and the size of support needs to be increased. But while Samurdhi provides a safety net for those in chronic poverty, other measures to address the issue of poverty dynamics need to be implemented. For example, the cash grant injection scheme operated during the 2004 tsunami could be modified and implemented through personal bank accounts to make it responsive to the needs of people facing sudden shocks, such as natural disasters or economic shocks, such as the current economic crisis.

## Realizing decent work in Sri Lanka: Key challenges and opportunities

This chapter looks ahead to the next decade in order to identify key long-term challenges and opportunities for Sri Lanka. Section 3.1 describes the main features of the Asian Decent Work Decade (ADWD) and the ways in which it is being realized in Sri Lanka through the country's Decent Work Country Programme (DWCP). Section 3.2 looks at longer-term challenges facing the country, with a focus on the challenging demographic outlook and scenarios for productivity and economic growth. Section 3.3 examines emerging economic and labour market opportunities that, with the right mix of policies and determination, could help propel long-term growth, competitiveness, and social and economic development in the country. Section 3.4 concludes with a discussion of seven key policy areas.

The topics discussed in this chapter do not cover all of the opportunities and challenges that the country will face in the coming decade, but rather they are intended to bring into focus longer-term trends and projections for key indicators that could influence growth and development outcomes. In doing so, the aim is to encourage dialogue amongst the Government, employers and workers on the topic of specific policies and practices that can successfully address the country's long-term challenges and those that can best capitalize on the opportunities.

### 3.1. Sri Lanka and the Asian Decent Work Decade

At the ILO's 14th Asian Regional Meeting (ARM) in 2006, the governments and the employers' and workers' organizations of the Asia-Pacific region initiated the Asian Decent Work Decade in which they committed to work to achieve specific decent work outcomes in accordance with their respective national circumstances and priorities, and to cooperate on specific initiatives at the regional level where joint action and sharing of knowledge and expertise will contribute to making decent work for all a reality by 2015. Box3.1 provides regional priorities identified by ILO constituents at the ARM.

### Box 3.1. Regional priorities in the Asian Decent Work Decade

Interconnected priorities for realizing decent work and the reduction of poverty in countries in Asia and the Pacific for the Asian Decent Work Decade include:

- Promoting ratification of core labour standards as well as respect for fundamental principles and rights at work.
- Promoting sustainable productivity growth and competitive economies.
- Promoting job creation.
- Promoting decent work opportunities in the informal economy, especially in the rural sector.
- Promoting access to education for all, including targeted relevant education, training and lifelong learning to ensure appropriate skills to enhance ongoing employability.
- Promoting decent work opportunities and access to entrepreneurship for young women and men, especially through facilitating the school-to-work transition and the sharing of good practices.
- Strengthening the capacity of the social partners and labour administrations.
- Combating all forms of child labour as defined under the Minimum Age Convention, 1973 (No. 138) and the Worst Forms of Child Labour Convention, 1999 (No. 182).
- Improving dialogue and the management of labour migration so as to benefit both sending and receiving countries and better protect the rights and equal treatment of migrant workers.
- Improving effective labour market governance by adopting, implementing and reviewing labour laws and social policies against the objectives of full and productive work sought by the Decent Work Agenda.
- Developing labour management cooperation and bipartite partnership mechanisms and other appropriate institutions and regulations, including frameworks for social dialogue, as important elements for the effective and fair functioning of labour markets.
- Promoting gender equality by, inter alia, empowering women by promoting equality of opportunity to decent and productive work.
- According special attention to the needs of vulnerable workers, including those with disabilities, victims of trafficking and forced labour, those affected by HIV/AIDS, indigenous peoples and workers in workplaces where their fundamental rights are denied.
- Extending the effectiveness and coverage of social protection for all, including workers in the informal economy.
- Promoting occupational safety and health.

Source: Realizing decent work in Asia, Conclusions of the 14th Asian Regional Meeting, [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---webdev/documents/meetingdocument/wcms\\_077524.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---webdev/documents/meetingdocument/wcms_077524.pdf).

To realize and tailor the ADWD at the national level, taking into account the different economic and social development needs and priorities of each country, many ILO member States, including Sri Lanka, have created their own national DWCPs, which set out appropriate individual goals. Sri Lanka adopted a DWCP in April 2008 for the period 2008-12. The DWCP provides a framework for the integration of the ILO's contribution to national development initiatives, the identification of opportunities for United Nations joint programme development, and promotion of decent work in the wider development and poverty alleviation context. Box 3.2 provides an overview of Sri Lanka's DWCP.

### Box 3.2. Sri Lanka's Decent Work Country Programme

Decent Work Country Programmes (DWCPs) are the primary vehicle for delivery of ILO support to countries. They have two basic objectives: first, they promote decent work as a key component of national development strategies; second, they organize ILO technical expertise, advocacy and cooperation at the service of tripartite constituents (governments, workers and employers). Tripartism and social dialogue are central to the planning and implementation of coherent and integrated ILO programmes of assistance to constituents.

Sri Lanka's DWCP, established for the period 2008-12, is aligned with the Sri Lanka National Plan of Action for Decent Work (NPADW) and the Ten Year Horizon Development Framework (TYDF) (2006-16) of the Government. The overarching country priority set forth in Sri Lanka's DWCP is poverty reduction and decent work for all. The country's DWCP is divided into three outcomes:

**Outcome 1: Enhanced access to more and better jobs in economically disadvantaged and crisis-affected areas.** The main focus of this outcome is on youth, the rural poor, migrant workers (particularly women), tsunami-affected and conflict-affected populations and vulnerable children. Specific outputs include:

- Development of a Road Map for the implementation of the National Action Plan for Youth Employment (NAPYE), with the aim of improving employment services, boosting employment creation, increasing skill and employability, and promoting entrepreneurship.
- Developing skills and vocational training strategies to improve access to better jobs. To this end, the Technical Vocational Education and Training (TVET) system seeks to help the disadvantaged victims of war and the 2004 tsunami. TVET provides training institutions to affected conflict and rural areas.
- Restoring livelihoods and ameliorating employment problems. To this end, focus is on improving coordination among the Sri Lankan Government, donors, development agencies, INGOs, NGOs and the private sector.

**Outcome 2: Enhanced labour administration and promotion of equitable employment practices.** This outcome focuses on labour and employment legislation, in particular the development of comprehensive wage policies and legislation related to the protection of workers. Specific outputs include:

- A Road Map from the NPADW to ensure cooperation towards creating jobs, workers' rights, and increasing social dialogue and social protection. Application of international labour conventions, labour inspection, and comprehensive labour market analysis and research.
- Development of strategies to expand social protection, such as health and social security, particularly to informal economy workers.
- Development of a comprehensive national wage policy covering minimum wages, wage bargaining and performance-based pay.
- Development of a migration policy covering social protection, working conditions and economic benefits and remittances for migrant workers.
- Strategies and programmes implemented to progressively eliminate child labour.
- Policies and programmes developed to support integration of the ILO code of practice on HIV/AIDS.
- Development of knowledge base on the informal sector.

**Outcome 3: Improved tripartite cooperation on initiatives to stimulate job security, productivity and competitiveness.** This Outcome builds on the National Labour Advisory Council (NLAC) to provide a tripartite forum and to ensure participation and coordination between the social partners in the national development process. Specific outputs include:

- Strengthened capacity of the social partners for improved dialogue.
- Establishment of an independent dispute and grievance settlement procedure.

Source: Sri Lanka Decent Work Country Programme 2008-2012,  
<http://www.ilo.org/public/english/bureau/program/dwcp/download/srilanka.pdf>.

### 3.2. Key challenges

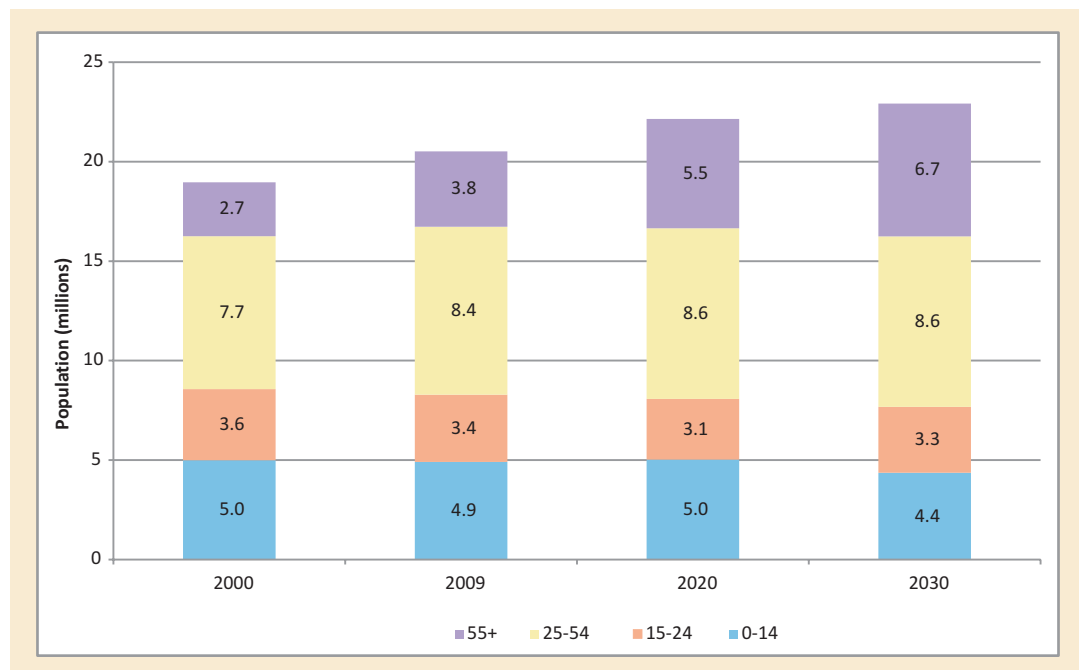
*A difficult demographic outlook*

Demographic trends can play a powerful role in shaping countries' economic growth trajectories and Sri Lanka, along with the Asian region as a whole, has clearly benefited from favourable demographic trends in the recent past. In developing Asia as a whole, the prime working age population (aged 25-54) has grown at an average annual rate of 2.2 per cent since 1990. This is 2.5 times faster than the rate of growth in the combined young (0-24) and older (55+) age cohorts. This, in effect, has raised the region's potential rate of economic growth, as the potential workforce has increased and the ratio of dependents to workers has fallen.

Demographic trends in Sri Lanka have been even more favourable than the regional average: since 1990, the country's prime-age cohort has grown more than three times faster than the combined young and older age cohorts. Yet the country has reached a critical point in its demographic evolution. Current projections are that annual growth in the country's prime-age population will average only 0.1 per cent between 2009 and 2020 versus average annual growth of 3.4 per cent in the population aged 55 and above. Thus, the country is currently experiencing a reversal in its demographic fortunes – from one in which demographic trends helped drive economic growth and development to one in which demographic challenges threaten future growth prospects.

Figure 3.1 provides a picture of the projected demographic shift in Sri Lanka. Overall, between 2009 and 2020, the child population (aged 0-14) is projected to grow by only around 100 thousand, or 2 per cent, while the youth population (aged 15-24) is projected to shrink by 300 thousand. The prime age cohort is projected to increase only marginally, while the population aged 55 and above is projected to surge by 1.7 million, or 45 per cent.

**Figure 3.1. Population estimates and projections by age group, 2000-2030**

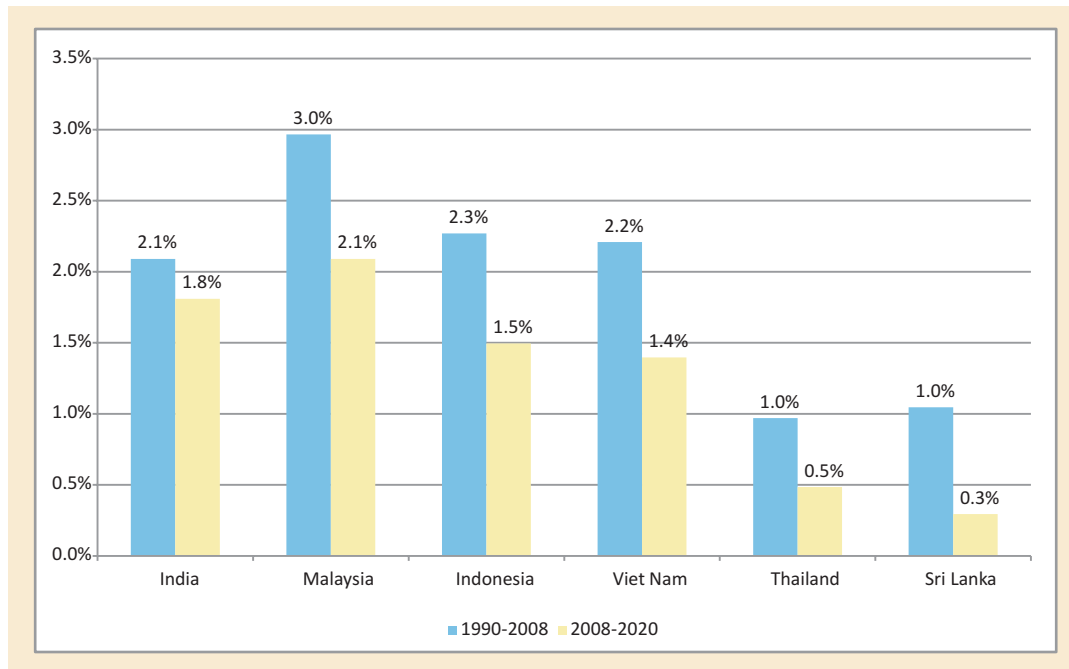


Source: UN, World Population Prospects 2008 Revision Database.

Accordingly, Sri Lanka's labour force growth is projected to slow substantially in the coming years. Figure 3.2 provides historical annual labour force growth rates between 1990 and 2008 along with projections of labour force growth rates to 2020 for Sri Lanka and selected developing Asian economies. Sri Lanka is already among the Asian countries with rather low labour force growth rates, having averaged approximately 1 per cent since 1990. While labour force growth rates are projected to decline in many Asian economies, the rate of decline forecast for Sri Lanka is considerably greater than in most other developing Asian economies. The country's working-age population is set to stagnate and, as a result, the potential for significant labour force growth in the coming years is greatly limited.

*Slowing labour force growth and persistent gender gaps in participation*

**Figure 3.2. Labour force growth rates, annual average, 1990-2008 and 2008-2020**

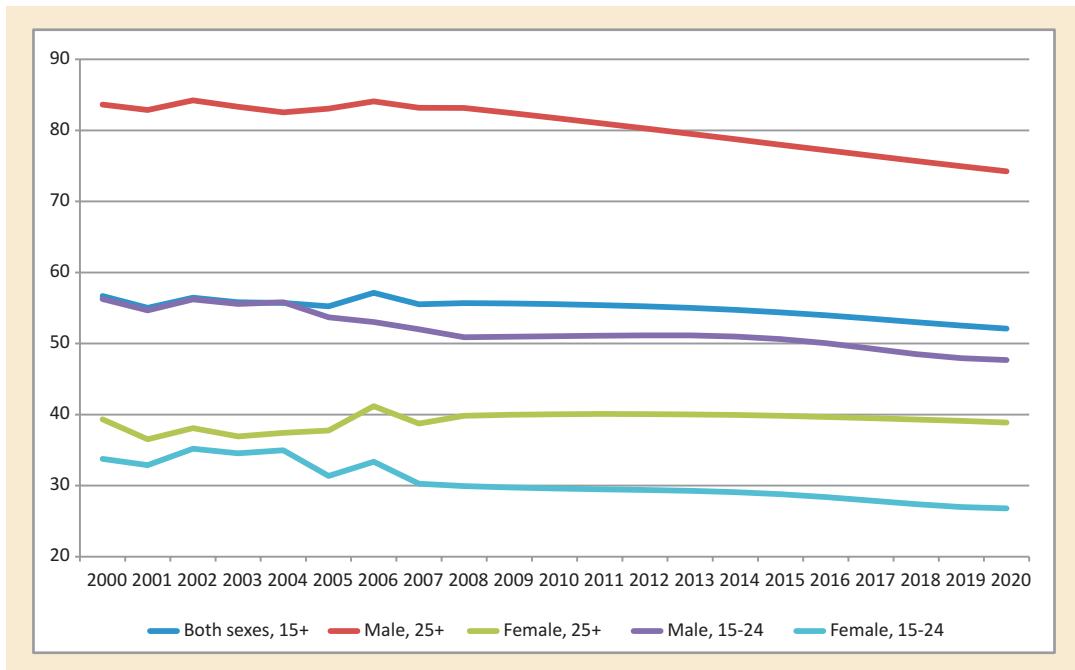


Source: ILO, Economically Active Population Estimates and Projections, Version 6; UN, World Population Prospects 2008 Revision Database.

Demographics are behind much of the projected decline in labour force growth, but this is not the full story. Labour force participation rates – the proportion of the working-age population that is economically active – are also expected to decline for certain segments of society. Figure 3.3 provides projections of labour force participation rates for young men and women, adult men and women and for the country as a whole. Overall, labour force participation rates are projected to decline from 55.2 per cent in 2008 to around 52 per cent in 2020. This is driven by expected declines in the adult male participation rate, and in the participation rates of young women and men. Participation rates among young women are expected to remain fairly steady.

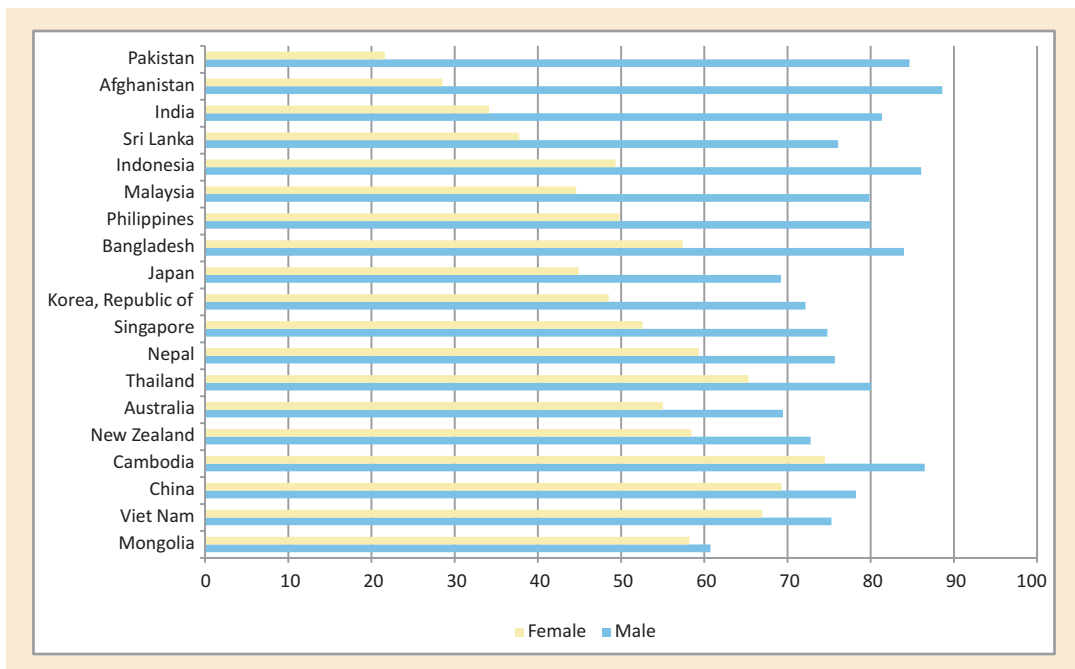


Figure 3.3. Labour force participation rates by age and sex, 2000-2020



Source: Authors' calculations based on data from the Department of Census and Statistics and ILO, Economically Active Population Estimates and Projections, Version 6; UN, World Population Prospects 2008 Revision Database.

Figure 3.4. Labour force participation rates by sex, selected Asian countries, 2008



Source: Department of Census and Statistics and ILO, Economically Active Population Estimates and Projections, Version 6; UN, World Population Prospects 2008 Revision Database.

Sri Lanka has one of the highest gender-based gaps in labour force participation in the Asian region, with a female participation rate of only 37.8 per cent, versus 76.1 per cent among men (figure 3.4). Among all Asian countries for which data are available, only Afghanistan, Pakistan and India have larger gaps in participation rates between women and men. Low female participation rates combined with large gender-based gaps in segregation typically reflect barriers that women face in accessing productive employment opportunities. This, in turn, may reflect traditional views on the roles of women and men in society. However, large, persistent gender-based participation gaps also reduce potential employment growth, which can adversely impact on overall economic growth and development.

The type of demographic shift that is taking place in Sri Lanka, which is characterized by an increasing ratio of dependents to workers, can have profound negative effects on a country's economic growth prospects. Indeed, as the analysis below depicts, unless declining labour force and employment growth are offset by an increase in labour productivity, economic growth rates in Sri Lanka will decline, and the risk of a major slowdown will be real.

*Scenarios for  
employment,  
productivity and  
output growth,  
2009-2020*

GDP and economic growth are a function of the number of workers in an economy (total employment) and how much value those workers produce on average (labour productivity). In any year, total GDP is equal to the number of workers multiplied by the average productivity of those workers. Thus, changes in GDP (GDP growth) can be decomposed into the share due to changes in employment and the share due to changes in productivity. Within this framework, three scenarios related to economic growth, productivity and employment growth were produced for the Labour and Social Trends in Sri Lanka 2009 report. The scenarios are depicted in table 3.1, along with historical data for comparison.

Since 2000, Sri Lanka's labour force has grown at an average annual rate of 1.3 per cent, while employment grew at an average of 1.6 per cent per year. Over the same period, average labour productivity, measured as output per worker, increased at an average annual rate of 3.3 per cent. Taken together, the increase in employment and productivity led to average annual GDP growth of 5.0 per cent during the period.

**Table 3.1. Scenarios for labour force, productivity and GDP growth in Sri Lanka**

	Historical rate	Baseline scenario	Steady participation scenario	Increased participation and productivity scenario
	2000-2008	2009-2020	2009-2020	2009-2020
Labour force growth (%)	1.3	0.3	0.9	1.6
Employment growth (%)	1.6	0.3	0.8	1.6
Productivity growth (%)	3.3	3.3	3.3	4.9
GDP growth rate (%)	5.0	3.6	4.2	6.6
Labour force participation rate (%), ending year	55.7	52.1	55.7	60.8
Projected per-capita GDP in 2020 (thousands of rupees, 2002 prices)	-	164	175	229
Increase in 2020 per-capita GDP vs. Baseline (%)	-	-	7	40

*Source:* Authors' calculations on the basis of official data from the Sri Lankan Central Bank and Department of Census and Statistics.

In the “baseline scenario”, employment growth is projected to decline to a rate of only 0.3 per cent per year between 2009 and 2020, while productivity is assumed to grow at the historical rate of 3.3 per cent. This is in line with current labour force projections and stable unemployment rates, whereby labour force growth will slow because of the aforementioned demographic factors and the expectation that labour force participation rates will continue to decline. In this baseline scenario, which can be viewed as the default trajectory given expectations regarding the difficult demographic outlook, the average rate of GDP growth over the 2009-20 period declines to 3.6 per cent, a considerable slowdown from the historical rate of 5.0 per cent.

In the “steady participation scenario”, labour force participation rates and unemployment rates are assumed to remain steady. Employment growth in this case would fall to 0.8 per cent per year, while productivity is assumed to grow at the historical rate of 3.3 per cent. In this scenario, output growth would be 4.2 per cent, down from the historical average, but 0.6 percentage points above the baseline scenario.

The “increased participation and productivity scenario” shows Sri Lanka's economic growth potential if the country achieves both robust employment and labour productivity growth. Despite the difficult demographic scenario, employment growth is assumed to remain at 1.6 per cent, which could be achieved if participation rates can be increased to 60.8 per cent by 2020. Annual productivity growth is assumed to increase to 4.9 per cent, 1.6 percentage points higher than the historical average, but a reasonable target given productivity growth rates achieved in recent years. This scenario therefore shows what would occur if the country can both overcome the difficult demographic scenario through increased participation and, at the same time, raise workers' productivity. Increased productivity could occur through a number of mechanisms such as an accelerated shift to higher value-added production, improved terms of trade, an improved

investment climate leading to increased domestic investment and so forth. In this scenario, output growth would average a robust rate of 6.6 per cent between 2009 and 2020.

The implications for living standards are great. In the baseline scenario, per-capita GDP in 2020 would stand at 164 thousand rupees (in 2002 prices), 41 per cent higher than in 2008. In the steady participation scenario, per-capita GDP would stand at 175 thousand rupees, an improvement of 7 per cent versus the baseline scenario. In the increased participation and productivity scenario, per-capita GDP would be 229 thousand rupees, 40 per cent higher than in the baseline scenario in 2020, and nearly double the level in 2008.

These scenarios are not intended to be used for concrete predictive purposes, but rather to provide a picture of the implications of slowing employment growth on future economic growth and development prospects, and to highlight the possibilities for even faster rates of growth and economic development if Sri Lanka is able to expand decent and productive employment opportunities in the years ahead. The potential benefits of increased participation and higher labour productivity growth to the country's growth and development trajectory are substantial.

### **3.3. Emerging opportunities for growth and development in a post-conflict era**

The cessation of the military conflict presents great opportunities for Sri Lanka. And while continued peace and preservation of human life are paramount, as the conflict seriously constrained domestic and foreign investment in productive segments of the economy, the end of the conflict also brings about new opportunities for economic and social progress, including poverty alleviation and the expansion of decent and productive employment opportunities for Sri Lankans. This prospect raises a serious question: with the military conflict now over, what are Sri Lanka's competitive prospects in the global marketplace and how can these be enhanced to help promote productivity, value addition and quality employment?

A country's competitiveness in the global economy is a function of a number of complex, often interrelated factors. The macroeconomic environment, the quality of public institutions, technological readiness and innovation, the quality of physical infrastructure, the availability of labour with appropriate skills, a favourable business climate and harmonious labour relations, are just a few examples of the many different factors that influence the competitiveness of an economy.<sup>29</sup> Competitiveness is directly linked to the level of productivity in a country, and therefore to the level of per-capita income and economic growth prospects.

One widely cited measure of national competitiveness is the World Economic Forum's (WEF) annual Global Competitiveness Index (GCI), which ranks countries on the basis of 12 "pillars" of competitiveness: institutions, infrastructure, macroeconomic stability, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market sophistication, technological readiness, market size, and business sophistication. Out of 133 countries in the GCI, Sri Lanka was ranked as number 79 in the world in 2009-10, a marked improvement from the ranking of 98 in 2005 (see table 3.2). The country's improvement has led to a widening gap in competitiveness with neighbouring countries in South Asia such as Bangladesh (106) and Pakistan (101). India ranks higher, at 49.

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<sup>29</sup> For a detailed analysis, see World Economic Forum: The Global Competitiveness Report 2009-2010, available at <http://www.weforum.org/pdf/GCR09/GCR20092010fullreport.pdf>.

**Table 3.2. Global competitiveness rankings and per-capita GDP, selected Asian economies**

	GCI Ranking 2009-10	GCI Ranking 2005	Per-capita GDP at PPP, 2008
Singapore	3	6	45,553
Japan	8	12	31,484
Hong Kong, China	11	28	40,599
Taiwan	12	5	31,110
Australia	15	10	33,369
Korea, Republic of	19	17	25,499
New Zealand	20	16	24,642
Malaysia	24	24	13,139
China	29	49	5,510
Thailand	36	36	7,120
India	49	50	2,747
Indonesia	54	74	3,674
Viet Nam	75	81	2,574
Sri Lanka	79	98	4,215
Philippines	87	77	3,244
Pakistan	101	83	2,444
Bangladesh	106	110	1,233
Cambodia	110	112	1,760
Mongolia	117	96	3,297
Nepal	125	-	1,028
Timor-Leste	126	108	740

*Source:* World Economic Forum, The Global Competitiveness Report, 2009-2010 and The Global Competitiveness Report, 2005-2006.

There is a strong correlation between competitiveness rankings and per-capita GDP levels; however, some Asian countries with lower per-capita GDP levels than Sri Lanka – India, Indonesia and Viet Nam – have higher competitiveness rankings. This may lead us to ascertain Sri Lanka's relative strengths and weaknesses in terms of the GCI competitiveness pillars. In terms of basic requirements for competitiveness, Sri Lanka scores very well in the area of health and primary education, with a rank of 47 – well above many countries with higher levels of per-capita GDP. The country scores less well in the areas of infrastructure, institutions, and macroeconomic stability. Among the indicators intended to gauge efficiency and innovation, Sri Lanka's highest marks are in business sophistication, goods market efficiency and innovation while the lowest mark is in labour market efficiency. The country ranks relatively well in the areas of higher education and training and financial market sophistication.

It should be noted that the GCI rankings were set prior to the conclusion of the military conflict, and this will undoubtedly benefit the country's comparative competitiveness in the future. In addition, as reflected in Chapter 1, some key indicators of macroeconomic health, such as

inflation and the trade and budget balances, have improved in recent quarters, which would also tend to improve the country's competitiveness ranking.

Taken together, a picture emerges of a country with serious long-term challenges, including a difficult demographic scenario and the need to enhance productivity, participation in the labour market (particularly among women and youth) and decent employment opportunities, but also a country with tremendous strengths, such as a highly educated, healthy workforce and sophisticated, innovative businesses. The lifting of the cloud of uncertainty, reduced investment and domestic fiscal pressures that resulted from the long-term conflict further brightens the picture of Sri Lanka's future.

### **3.4. Key policy areas<sup>30</sup>**

The key questions now facing the country are where to focus efforts and resources, and how to leverage the country's strengths to effectively address the challenges it faces. Accordingly, the remainder of this chapter looks at some key policy areas for consideration. The list is certainly not exhaustive, but is intended to spur dialogue on some key issues. The policy areas include:

- 1) reforming labour market policies;
- 2) expanding employment opportunities for all;
- 3) investing the peace dividend wisely;
- 4) training Sri Lanka's workforce for the future;
- 5) enhancing social protection;
- 6) promoting effective tripartite dialogue; and
- 7) strengthening the labour market information system.

#### **1) Reforming labour market policies to better serve workers and employers, reduce informality, and promote competitiveness, productivity and jobs**

Sri Lanka's comparatively low ranking in labour market efficiency reflects the view that the country's productivity growth and job-creating potential are constrained by certain labour regulations. While regulations on labour markets are needed to ensure that workers have fundamental protections and that firms compete on a level playing field, in the context of a rapidly changing global competitive landscape, it is necessary to regularly review labour market policies to ensure that the policies continue to meet their objectives while not unduly constraining growth and development prospects.

With more than 60 per cent of Sri Lanka's workers engaged in informal employment, and with such workers far more likely than formal workers to be in insecure, temporary/casual employment and lacking a robust social safety net, efforts to reform labour laws must take the massive informal sector into account and should aim to encourage informal enterprises and workers to formalize. Importantly, in the context of persistent government budget deficits, reducing informality can bring benefits not only to workers and enterprises, but also to government revenues, thereby reducing deficits in the future.

A number of labour laws have been cited as candidates for review and reform, with calls for simplification, updating and other modifications. These include: Termination of Employment of Workmen Act No. 45 (1971); Wages Boards Ordinance, No. 5 (1953); Industrial Disputes Act,

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<sup>30</sup> This section draws from several reports including: S. Chandrasiri: Promoting employment-intensive growth in Sri Lanka: Policy analysis of the manufacturing and service sectors (forthcoming); R. Gunatilaka: Informal Employment in Sri Lanka: Nature, Probability of Employment and Determinants of Wages (2008); [http://www.ilo.org/public/english/region/asro/colombo/downloads/publications/informal\\_3%20final.pdf](http://www.ilo.org/public/english/region/asro/colombo/downloads/publications/informal_3%20final.pdf); R. Gunatilaka: Country review: Youth employment in Sri Lanka (ILO, Colombo, Youth Employment Network, 2006); World Bank: Sri Lanka: Strengthening Social Protection (2006), [http://siteresources.worldbank.org/INTSOUTHASIA/Resources/Strengthening\\_Social\\_Protection.pdf](http://siteresources.worldbank.org/INTSOUTHASIA/Resources/Strengthening_Social_Protection.pdf).

No. 43 (1950); Payment of Gratuity Act, No. 12 (1983); Maternity Benefits Ordinance, No. 32 (1939); Employment Provident Fund Act, No. 15 (1958); Workmen's Compensation Act, No. 19 (1934); Trade Unions Ordinance, No. 14 (1935). It is essential for reform of labour laws to be done in an open, transparent and tripartite manner, as this will help to ensure that workers, employers and governments find negotiated solutions that maximize benefits and minimize potential adverse impacts.

## **2) Expanding employment opportunities for all**

The future growth scenarios presented above provide clear evidence of the importance of accelerating quality employment generation for Sri Lanka's future growth and development. Job creation in the private sector will be essential in this regard and it is important for the Government to play a supporting role by maintaining a stable macroeconomic environment, successfully promoting Sri Lanka's export products abroad and helping to open up new market opportunities, and encouraging investment, both domestic and foreign, in the national economy.

There is also a clear challenge of increasing the supply of labour through increased labour force participation. The low participation of women in the country reduces the potential size of the workforce and thereby has a negative impact on potential growth. The Government and workers' and employers' organizations should work together to implement measures that ensure equal opportunities for all women in education and training and across occupations so that they can more actively engage in the workforce.

## **3) Investing the peace dividend wisely**

Because of the long-term conflict, Sri Lanka has persistently had one of the highest military expenditure rates in Asia, measured as a percentage of GDP. Defence spending was equal to 3.1 per cent of total GDP in 2008 and the share had reached as high as 4.5 per cent in recent years (see Statistical Annex table I.4.1). Meanwhile, the government budget deficit stands at around 8 per cent of GDP.

While a “peace dividend” may not be immediate, as there may be a need to continue elevated military expenditure levels during the early post-conflict years, in the medium- to long-term, if military expenditures as a percent of GDP were to fall to a level in line with Asian countries such as Indonesia and Thailand, both of which spend between 1.2 and 1.4 per cent of GDP on defence, this would imply expenditures in Sri Lanka falling by as much as 2 per cent of GDP. Putting this in perspective, if half of such a reduction in defence spending was saved by the Government in order to reduce the budget deficit, the remainder would be sufficient to boost spending on education by more than 40 per cent, or to boost health expenditures by 55 per cent, or to raise spending on agriculture and irrigation by around 70 per cent.

What types of areas should be targeted with savings from the peace dividend? A detailed analysis of options is outside the scope of this report, but the previous analysis of long-term challenges facing the country, along with the discussion of Sri Lanka's competitive strengths and weaknesses, provides insights as to areas that ought to be included in any discussion on potential investments of the peace dividend.

Given the need to boost the country's long-term productivity growth rate in order to offset slowing labour force growth, it is essential to reallocate expenditure towards productive investments that yield long-term benefits. Inadequate infrastructure, particularly electricity and roads, has been identified as an impediment to national competitiveness. Improvements in these areas would clearly boost labour productivity growth, as it would allow output to rise without additional labour input. Yet employment growth could also benefit, as improved roads and expanded road networks would likely lead to gains from “network effects”, thereby increasing aggregate output and demand for labour.

Boosting agricultural productivity must be a priority, as a third of the country's workforce derives its livelihood from the sector and yet average productivity levels in agriculture are only one third of the average level in industry and only one quarter of the average level in the services sector. Accordingly, the agricultural sector accounts for a large share of the country's working poor. Improvements in infrastructure would help boost agricultural productivity if an emphasis is placed on improving linkages between urban and rural areas. Investments in fertilizer, irrigation networks and training of workers in the sector could also boost long-term productivity growth.

Using the peace dividend to increase such investments can bring real and large benefits to economic growth, development and poverty reduction. And the potential investment in these areas from the peace dividend could be substantial. Following the earlier calculations, even if half of the potential peace dividend is reserved to reduce the government budget deficit, the other half could be sufficient to boost total government spending on agriculture and irrigation, energy and water supply, and transport and communications by around 20 per cent.

#### **4) Training Sri Lanka's workforce for the future**

Sri Lanka is often cited – with good reason – as a shining example of progress in meeting ambitious educational and health-related goals, which have put the country far ahead of most other countries with similar levels of per-capita GDP. The adult literacy rate, at over 90 per cent, is on par with more developed Asian economies such as Malaysia and well above the country's neighbours in South Asia. The rate of persistence to grade 5 in Sri Lanka, at more than 93 per cent in 2005, is actually higher than the comparable rate in Malaysia.<sup>31</sup> The average life expectancy in the country, at more than 72 years, is a reflection of the tremendous gains that have been made in improving health services and outcomes. All of these indicators explain the country's high ranking in the areas of basic education and health, and the beneficial effects this has on the country's overall global competitiveness ranking.

Yet the comparatively lower rankings in the areas of higher education and training indicate that work remains to be done. Indeed, numerous studies highlight the need to promote marketable skills development across the primary, secondary and tertiary education levels, to ensure that young people entering the workforce will be equipped with skills that are in demand in the marketplace.<sup>32</sup> The Government has responded by devising a comprehensive strategy to improve the quality of education, focusing on an activity-based curriculum approach, increasing IT literacy, and improving English language skills, among others. The Government has also undertaken efforts to improve leadership and management skills among heads of educational institutions, and to increase the quality of teachers.

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<sup>31</sup> World Bank, World Development Indicators online database, 2009.

<sup>32</sup> See R. Gunatilaka: Country review: Youth employment in Sri Lanka (ILO, Colombo, Youth Employment Network, 2006); World Bank: Sri Lanka: Strengthening Social Protection (2006).



In terms of improving technical and vocational training, progress has been slower. Partnerships between the business community and the education and training sector should be strengthened. Curricula should be aligned with the needs of industry and include more useful apprenticeship systems to provide trainees with practical workplace skills. Leading enterprises can help ensure that education and training institutions are aware of changing technologies and practices in the workplace, shifting demands for specific skills and changing competency standards.<sup>33</sup>

This should be part of a comprehensive technical and vocational training initiative aimed at promoting government-industry-educational institution partnerships that link technical and vocational training together with career guidance and counselling. Focus should be on improving training in small and medium-sized enterprises (SMEs), which employ the bulk of workers and which often lack access to good training practices adopted in larger firms. Efforts must also focus on rehabilitation and skills development in conflict-affected areas and particularly of ex-combatants.

Finally, studies and high-level discussions should be initiated to help clarify the future demand for skills and jobs – both within Sri Lanka and abroad – as this will help to focus training efforts on areas that will maximize economic and social benefits.

## 5) Enhancing social protection

The rapid growth in the elderly population that will take place in coming years underlines the need to develop appropriate, well-targeted policies and programmes suited to an ageing society. In this respect, encouraging older workers' access to decent and productive employment will be important, as many older persons cannot afford to retire. But it is not only the elderly for whom social protection and safety nets are important. Workers face constant vulnerabilities, such as personal and family illnesses, lay-offs, economic instability and the potential loss of livelihoods from natural disasters. Developing a basic social security package with sufficient minimum wages is a key supportive mechanism for protecting workers, promoting increased consumption and helping to reduce poverty among those most vulnerable.<sup>34</sup> Yet, given increasing demands on the national budget, efforts to extend social protection and develop an adequate safety net must be designed in such a way to ensure long-term viability.

Bringing a substantial share of the 60 per cent of Sri Lankan workers that are employed in the informal sector into the framework of social protection, as well as into the underlying tax base, will be essential for sustainability. Since the country has already made substantial strides on basic social protection for all, including access to quality health care and education, the focus of attention should be placed on priority areas such as:

- Strengthening protection of basic rights of workers.
- Undertaking a comprehensive review of existing social insurance schemes, such as the EPF, ETF, the Sumhurdi Programme and related programmes in order to better integrate the systems and address gaps in the coverage.<sup>35</sup>
- Developing an unemployment insurance scheme.
- Boosting active labour market programmes such as job counselling centres and related training programmes.

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<sup>33</sup> See ILO: Labour and social trends in ASEAN 2008: Driving competitiveness and prosperity with decent work (Bangkok, 2008).

<sup>34</sup> See ILO: Visions for Asia's Decent Work Decade: Sustainable Growth and Jobs to 2015 (Bangkok, 2007), [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/genericdocument/wcms\\_083624.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/genericdocument/wcms_083624.pdf).

<sup>35</sup> See R. Gunatilaka: Rapid assessment of the impact of the global economic crisis on employment and industrial relations in Sri Lanka (ILO, Colombo, 2009).

Extending social protection to vulnerable workers – particularly the working poor and those operating in the informal economy – will be essential for Sri Lanka's long-term development. Importantly, much of what is needed in terms of ensuring social sustainability is already known; the challenge lies in setting priorities in terms of policies and expenditures, and in effective execution.

## **6) Promoting effective dialogue between workers, employers and the Government**

Policy reforms and labour market interventions are far less likely to succeed in the absence of open and effective dialogue between workers, employers and the Government. Social dialogue is crucial at the enterprise, industry and national levels. Sri Lanka's industrial relations system is not without need of improvement. Some recent criticisms of the system include: 1) that the system lacks in flexibility and transparency, with workers and employers often taking an adversarial stance; 2) that training and development are not emphasized sufficiently; 3) that measures to enhance productivity within the workplace are often difficult to implement; and 4) that the system of industrial relations emphasizes dispute settlement rather than prevention of disputes.<sup>36</sup>

There is evidence that industrial relations in the country have improved during the global economic downturn, though the balance of bargaining power has shifted in favour of employers (see Chapter 2). The time is right for the government, employers and workers to cooperate to establish a stronger industrial relations system in the country – one that will help to enhance the country's competitiveness while also ensuring that social progress is not reversed. Specific recommendations in this regard include: 1) enhancing the labour authority's monitoring activities in the field, concentrating on enterprises which are non-unionized; 2) working to insulate the labour authority from outside pressures by developing a clear separation of the processes of lodging complaints, of monitoring/investigation and decision-making about terminations and other administrative relief measures.<sup>37</sup>

Above all, it is essential to ensure that fundamental rights at work remain at the centre of industrial relations, namely freedom of association, the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.

## **7) Strengthening the labour market information system**

Relevant gender- and age-specific labour market information (LMI) is crucial for informed decision-making by policy-makers, employers, workers, job-seekers, school-leavers and education and training providers. High-quality labour market information helps policy-makers and educational institutions gauge labour market needs, better manage the demand for labour and design appropriate employment policies and educational curricula. Quality LMI can also assist employers in their production and recruitment decisions and help job-seekers and workers in their labour market choices. To this end, in addition to having a robust data collection and dissemination system, training users in analysis and use of labour market information is vital.

Sri Lanka has a strong national statistical system in place and the quarterly Labour Force Survey and Bulletin of Labour Force Statistics published by the Department of Census and Statistics are solid foundations from which key labour market indicators and trends can be derived.

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<sup>36</sup> *ibid.*

<sup>37</sup> *ibid.*

Publications such as the Labour Market Information Bulletin published by the Ministry of Labour Relations and Manpower and the Recent Economic Developments reports produced by the Central Bank provide valuable complementary data.

As this report has shown, there is a wealth of existing information on the economy and the country's workforce. Yet, data that measure wages, the extent of poverty among different groups of workers and their families, the number and characteristics of migrant workers and the extent and health of social dialogue mechanisms are more limited. At the same time, in the areas most affected by the conflict, even the most basic data on the labour force are scarce. Additional efforts will be needed to boost the information base on these topics and to facilitate regular monitoring of labour and socio-economic trends throughout the island.

The first edition of Labour and Social Trends in Sri Lanka 2009 was intended to provide a collection of data from the various national sources along with an analytical focus, to look beyond the data to the underlying trends and dynamics driving the country's labour market and economy. It is hoped that subsequent Labour and Social Trends reports will continue in this fashion, providing updated labour market information and analysis to inform policy-makers and society at large of the key labour market issues facing the country.

### I.1.1. Real GDP by industrial origin, constant 2002 rupees (billions)

											2008				2009	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>	231.8	235.9	227.9	233.6	237.5	237.5	241.9	257.1	265.9	285.9	79.0	68.5	78.4	60.1	81.3	71.5
<b>Industry</b>	431.2	463.7	453.9	458.3	479.6	505.6	546.0	590.3	635.2	672.8	167.9	158.6	173.2	173.2	171.1	163.4
Manufacturing				302.4	314.2	330.5	350.9	370.4	394.2	413.7	104.7	96.9	107.6	104.5	107.5	97.9
Construction, mining & quarrying, electricity, gas & water				155.9	165.4	175.1	195.1	219.9	241.0	259.1	63.2	61.7	65.5	68.7	63.5	65.5
<b>Services</b>	836.2	894.6	889.9	944.2	1016.0	1084.5	1153.8	1243.1	1331.6	1406.8	344.6	346.1	361.9	354.2	348.3	350.0
Trade & hotels, etc.				392.8	429.3	462.3	489.6	523.9	555.3	580.7	141.8	142.3	151.5	145.1	138.0	134.8
Transport, storage & communication				173.7	191.9	210.5	230.6	259.5	286.8	310.0	77.9	72.5	80.6	79.0	81.0	77.0
Finance, insurance & real estate				130.5	144.8	153.1	163.9	177.8	193.4	206.0	51.0	51.8	51.3	52.0	53.0	54.6
Personal services & other				247.2	250.1	258.5	269.8	281.8	296.1	310.1	73.9	79.6	78.6	78.0	76.3	83.6
<b>Total GDP</b>	<b>1507.5</b>	<b>1598.3</b>	<b>1573.6</b>	<b>1636.0</b>	<b>1733.2</b>	<b>1827.6</b>	<b>1941.7</b>	<b>2090.6</b>	<b>2232.7</b>	<b>2365.5</b>	<b>591.5</b>	<b>573.2</b>	<b>613.5</b>	<b>587.4</b>	<b>600.6</b>	<b>584.9</b>

*Note:* Data prior to 2003 have been rebased from 1996 base year to produce a consistent series.

*Source:* Central Bank of Sri Lanka and Department of Census and Statistics

## I.1.2. Real GDP by industrial origin (% change)

											2008				2009	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Agriculture</b>	1.8	-3.4	2.5	1.7	0.0	1.8	6.3	3.4	7.5	5.9	7.4	12.4	4.0	3.0	4.4	
<b>Industry</b>	7.5	-2.1	1.0	4.7	5.4	8.0	8.1	7.6	5.9	6.0	6.9	5.6	5.2	1.9	3.0	
Mining and quarrying					5.5	17.8	24.2	19.2	12.8	13.8	19.6	15.6	5.7	-4.3	1.1	
Manufacturing	9.2	-4.2	2.1	3.9	5.2	6.2	5.5	6.4	4.9	4.6	4.9	5.0	5.2	2.7	1.1	
Construction					5.9	9.0	9.2	9.0	7.8	8.6	9.7	6.9	6.2	3.0	5.4	
Electricity, gas and water					6.0	14.0	14.8	4.6	2.7	3.3	6.2	-0.6	2.4	-2.5	4.3	
Construction, mining & quarrying, electricity, gas & water					5.9	11.4	12.7	9.6	7.5	8.5	10.3	6.5	5.2	0.5	6.1	
<b>Services</b>	7.0	-0.5	6.1	7.6	6.7	6.4	7.7	7.1	5.6	6.4	6.9	5.5	3.8	1.0	1.1	
Trade and hotels, etc.	8.5	-6.9	5.4	9.3	7.7	5.9	7.0	6.0	4.6	6.1	5.9	4.8	1.7	-2.7	-5.2	
Transport, storage and communication	7.8	3.8	7.6	10.4	9.7	9.5	12.6	10.5	8.1	9.4	9.8	7.0	6.5	3.9	6.3	
Finance, insurance and real estate	5.5	6.6	9.1	11.0	5.8	7.0	8.5	8.7	6.6	5.7	7.8	6.8	5.9	3.8	5.4	
Personal services and other	3.1	2.7	1.3	1.2	3.4	4.4	4.5	5.1	4.7	4.6	5.8	4.4	4.0	3.3	5.1	
<b>Total GDP</b>	6.0	-1.5	4.0	5.9	5.4	6.2	7.7	6.8	6.0	6.2	7.0	6.3	4.3	1.5	2.1	

Note: Data prior to 2003 have been rebased from 1996 base year to produce a consistent series.

Source: Central Bank of Sri Lanka and Department of Census and Statistics

### I.2.1. GDP per capita at market prices

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 (a)	2008 (b)
GDP per capita at market prices (Rupees)	56760	60740	68102	75133	83226	94664	107432	124709	147776	178845	218161
GDP per capita at market prices (US\$)	879	863	899	841	870	981	1062	1241	1421	1634	2014

*Note:* Figures from 2003 onwards are based on the estimates of the Department of Census and Statistics. (a) Revised, (b) Provisional.

*Source:* Central Bank of Sri Lanka and Department of Census and Statistics

### I.3.1. Colombo consumer price index, 2002=100

							2008				2009		
	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3
CCPI (2002=100)	105.8	115.3	128.0	140.8	163.1	199.9	188.0	199.9	206.6	205.2	202.7	204.6	208.5
CCPI (point-to-point % change)(a)	-	13.0	7.4	13.5	18.8	14.4	23.8	28.2	24.3	14.4	5.3	0.9	0.7
CCPI (annual % change)(a)	-	9.0	11.0	10.0	15.8	22.6	17.7	21.0	23.2	22.6	18.6	12.5	6.6

*Note:* (a) Period-ending rates.

*Source:* Department of Census and Statistics

### I.4.1. Central government fiscal operations (% of GDP)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 (a)	2009 (b)
<b>Total revenue</b>	17.2	17.7	16.8	16.6	16.5	15.2	14.9	15.5	16.3	15.8	14.9	16.4
<b>Total expenditure and net lending</b>	26.3	25.2	26.7	27.5	25.4	22.9	22.8	23.8	24.3	23.5	22.6	22.8
<b>Surplus (deficit), (% of GDP)</b>	-9.2	-7.5	-9.9	-10.8	-8.9	-7.7	-7.9	-8.4	-8.0	-7.7	-7.7	-6.5
<b>General public services</b>	7.1	6.3	7.1	6.3	5.4	5.0	4.9	4.7	5.3	5.4	5.5	5.0
Civil administration	2.1	1.9	1.5	1.5	1.4	1.6	1.4	1.4	1.6	1.7	1.5	1.5
Defence	4.2	3.6	4.5	3.9	3.1	2.6	2.7	2.5	2.8	2.8	3.1	2.6
Public order and safety	0.8	0.8	1.1	1.0	0.9	0.8	0.8	0.8	0.9	0.9	0.9	0.8
<b>Social services</b>	7.8	7.6	7.4	7.3	7.7	6.8	8.0	9.2	8.6	7.9	6.8	7.0
Education	2.6	2.6	2.5	2.0	2.4	2.1	2.0	2.6	2.7	2.6	2.3	2.3
Health	1.4	1.4	1.6	1.3	1.6	1.5	1.6	1.8	2.0	1.9	1.7	1.7
Welfare & Housing	3.3	3.0	3.0	3.4	3.2	2.7	3.9	3.9	3.1	2.7	2.3	2.3
Community services	0.4	0.5	0.3	0.5	0.5	0.4	0.5	0.8	0.9	0.7	0.6	0.8
<b>Economic services</b>	5.4	5.0	5.3	5.0	4.4	4.0	4.0	4.3	5.4	5.3	5.6	7.4
Agriculture and irrigation	1.1	1.0	1.0	1.0	0.9	0.8	0.8	1.0	1.2	1.1	1.3	1.5
Energy and water supply	0.9	1.0	1.1	1.1	1.1	1.3	1.1	0.8	1.0	1.4	1.2	1.6
Transport and communication	2.1	1.8	2.3	1.9	1.6	1.4	1.5	1.8	1.9	2.0	2.6	3.4
Other economic services	1.2	1.1	0.9	1.0	0.7	0.5	0.6	0.8	1.2	0.9	0.6	0.9
<b>Other</b>	6.0	6.4	6.8	8.8	7.9	7.3	6.4	5.9	5.4	5.2	4.9	4.9

Note: From 2003 to 2009, the functional classification of expenditure includes loan repayment. (a) Provisional, (b) Estimate.

Source: Central Bank of Sri Lanka

### I.5.1. Exports, US Dollars (millions)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Total exports</b>	<b>4798</b>	<b>4610</b>	<b>5522</b>	<b>4817</b>	<b>4699</b>	<b>5133</b>	<b>5757</b>	<b>6347</b>	<b>6883</b>	<b>7640</b>	<b>8137</b>	<b>1878</b>	<b>2010</b>	<b>2262</b>	<b>1987</b>	<b>1647</b>	<b>1541</b>
<b>Agricultural exports</b>	<b>1088</b>	<b>947</b>	<b>1005</b>	<b>932</b>	<b>938</b>	<b>965</b>	<b>1065</b>	<b>1154</b>	<b>1293</b>	<b>1507</b>	<b>1855</b>	<b>445</b>	<b>445</b>	<b>560</b>	<b>405</b>	<b>363</b>	<b>365</b>
Tea	780	621	700	690	660	683	739	810	881	1025	1272	306	318	371	276	242	263
Rubber	44	33	29	24	27	39	51	50	93	109	125	42	23	33	26	26	20
Coconut	94	129	121	82	84	93	113	113	124	141	171	27	32	61	51	44	35
Other agricultural exports	170	165	155	136	168	150	162	183	195	232	287	70	72	95	51	51	48
<b>Industrial exports</b>	<b>3607</b>	<b>3551</b>	<b>4283</b>	<b>3710</b>	<b>3631</b>	<b>3977</b>	<b>4506</b>	<b>4948</b>	<b>5401</b>	<b>5967</b>	<b>6160</b>	<b>1393</b>	<b>1540</b>	<b>1661</b>	<b>1566</b>	<b>1265</b>	<b>1158</b>
Textiles and garments	2460	2425	2982	2543	2424	2575	2809	2895	3080	3340	3469	780	823	921	944	826	711
Diamond and jewellery	131	171	192	185	205	233	265	278	327	367	436	90	101	128	117	59	30
Machinery & equipment	182	201	244	245	266	290	386	330	394	542	461	111	131	114	105	71	
Rubber products	178	161	196	172	182	231	283	394	426	482	542	136	136	148	121	86	64
Other industrial exports	656	593	669	565	554	648	763	1051	1174	1236	1252	275	349	349	279	222	
Other exports (gems & other minerals)	103	112	244	174	131	192	186	244	189	166	122	40	25	40	17	19	19

Source: Central Bank of Sri Lanka, Sri Lanka Customs, Ceylon Petroleum Corporation, Lanka IOC (pvt) Ltd., Prima Ceylon Ltd., Serendib Flour Mills (pvt) Ltd.



### I.5.2. Imports, US Dollars (millions)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Total imports</b>	<b>5890</b>	<b>5980</b>	<b>7320</b>	<b>5974</b>	<b>6105</b>	<b>6672</b>	<b>8000</b>	<b>8863</b>	<b>10254</b>	<b>11297</b>	<b>14008</b>	<b>3279</b>	<b>3725</b>	<b>3759</b>	<b>3245</b>	<b>2287</b>	<b>2154</b>
<b>Consumer goods</b>	<b>1255</b>	<b>1242</b>	<b>1388</b>	<b>1235</b>	<b>1319</b>	<b>1481</b>	<b>1623</b>	<b>1644</b>	<b>1980</b>	<b>2002</b>	<b>2549</b>	<b>689</b>	<b>673</b>	<b>599</b>	<b>587</b>	<b>505</b>	
Food and beverages	723	661	693	654	696	701	779	753	956	1065	1505	416	415	337	337	338	
Other consumer goods	532	581	696	581	623	780	844	891	1024	937	1044	273	258	262	250	167	
<b>Intermediate goods</b>	<b>2982</b>	<b>3057</b>	<b>3789</b>	<b>3321</b>	<b>3492</b>	<b>3811</b>	<b>4645</b>	<b>5317</b>	<b>5962</b>	<b>6513</b>	<b>8341</b>	<b>1787</b>	<b>2320</b>	<b>2353</b>	<b>1881</b>	<b>1097</b>	
Petroleum	345	500	901	731	789	838	1209	1655	2070	2501	3368	732	1093	971	573	363	
Textiles and clothing	1397	1320	1471	1320	1321	1372	1514	1531	1546	1632	1702	392	418	435	457	331	
Other intermediate goods	1240	1237	1417	1270	1382	1601	1922	2131	2346	2380	3271	663	810	947	851	403	
<b>Investment goods</b>	<b>1477</b>	<b>1565</b>	<b>1737</b>	<b>1081</b>	<b>1170</b>	<b>1320</b>	<b>1670</b>	<b>1870</b>	<b>2246</b>	<b>2685</b>	<b>2979</b>	<b>786</b>	<b>703</b>	<b>755</b>	<b>735</b>	<b>653</b>	
Machinery & equipment	786	678	787	610	640	698	857	860	1065	1247	1308	362	316	333	297	266	
Building materials	303	260	305	249	272	328	402	507	546	780	932	230	225	246	230	210	
Other investment goods	388	627	645	222	258	294	411	503	635	658	739	193	162	176	208	177	
Other	176	115	406	337	125	60	61	33	65	92	139	18	29	51	41	32	
<b>Total trade balance</b>	<b>-1080</b>	<b>-1374</b>	<b>-1771</b>	<b>-1148</b>	<b>-1407</b>	<b>-1537</b>	<b>-2245</b>	<b>-2518</b>	<b>-3368</b>	<b>-3658</b>	<b>-5865</b>	<b>-1401</b>	<b>-1715</b>	<b>-1497</b>	<b>-1258</b>	<b>-639</b>	<b>-612</b>

Source: Central Bank of Sri Lanka, Sri Lanka Customs, Ceylon Petroleum Corporation, Lanka IOC (pvt) Ltd., Prima Ceylon Ltd., Serendib Flour Mills (pvt) Ltd.

### I.5.3. Export and import volumes (1997=100)

	Volume (1997=100)					
	2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Total exports</b>	<b>140.3</b>	<b>147.7</b>	<b>156.0</b>	<b>173.4</b>	<b>138.6</b>	<b>126.0</b>
Textiles and garments	147.1	141.2	154.1	176.1	154.9	128.0
Petroleum products	64.8	71.6	63.0	52.2	52.9	54.8
Tea	122.2	123.8	138.9	116.5	106.4	106.5
Rubber	106.9	57.6	73.8	84.8	112.7	81.5
Coconut	78.2	80.9	155.0	177.9	126.4	99.6
Gems	128.2	131.4	90.8	146.9	114.5	123.5
<b>Total imports</b>	<b>178.1</b>	<b>175.2</b>	<b>172.3</b>	<b>189.5</b>	<b>156.6</b>	<b>125.8</b>
Food and beverage	163.1	193.3	121.4	200.4	179.3	142.6
Crude oil	50.5	116.3	119.8	122.5	123.4	92.5
Refined petroleum	280.7	185.6	201.1	141.7	176.2	121.1
Fertilizer	128.3	228.7	221.1	213.0	46.7	85.1
Chemicals	186.7	165.5	176.2	196.7	191.2	150.5
Wheat	138.0	157.9	77.4	92.4	146.1	116.1
Textiles	129.4	137.8	143.2	164.1	118.1	117.0
Machinery and equipment	261.6	276.9	243.7	233.7	239.3	184.3
Transport equipment	99.5	100.5	86.9	144.6	115.5	62.2
Building materials	259.2	178.5	215.6	387.2	262.9	109.2

Source: Central Bank of Sri Lanka, Sri Lanka Customs, Ceylon Petroleum Corporation, Lanka IOC (pvt) Ltd., Prima Ceylon Ltd., Serendib Flour Mills (pvt) Ltd.

### I.6.1. FDI and private remittances, US Dollars (millions)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Foreign direct investment, net (millions)	193	177	176	172	185	201	227	234	451	548	691	155	159	189	189	140	
Foreign direct investment, net (annual % change)	-55.1	-8.3	-0.5	-2.3	7.6	8.6	12.9	3.0	92.9	21.5	25.9						
Foreign direct investment, net (% of GDP)	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.6	1.7	1.7						
Private remittances, net (millions)	788	848	887	984	1097	1205	1350	1736	1904	2214	2565	708	662	654	541	681	
Private remittances, net (annual % change)	11.0	7.6	4.6	10.9	11.5	9.9	12.0	28.5	9.7	16.3	15.9						

Source: Central Bank of Sri Lanka

### I.7.1. Tourism arrivals and revenues

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total arrivals ('000s)	382	436	400	337	393	501	566	549	560	494	438
Total arrivals, annual % change		14.4	-8.3	-15.9	16.7	27.3	13.1	-3.0	1.9	-11.7	-11.2
Per-capita tourist receipts (rupees)	33635	39030	47688	56515	61556	65536	74283	66223	76100	86175	84598
Total tourism-related revenues (rupees, billions)	12.8	17.0	19.1	19.0	24.2	32.8	42.1	36.4	42.6	42.6	37.1

Source: Sri Lanka Tourist Development Authority, Central Bank of Sri Lanka

### II.1.1. Labour force ('000s), (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+	6610	6620	6797	6749	7122	7169	7264	7300	7576	7473	7551	7515	7488	7572	7629	7622	7456
Both sexes, 15-24	1467	1451	1430	1383	1500	1415	1438	1307	1294	1194	1155	1114	1186	1146	1173	1085	1039
Both sexes, 25+	5143	5169	5367	5366	5623	5754	5826	5993	6283	6278	6396	6401	6302	6426	6456	6536	6417
Male, 15+	4252	4371	4485	4515	4693	4770	4783	4793	4822	4854	4826	4801	4854	4845	4802	4846	4793
Male, 15-24	886	924	912	886	924	874	884	819	793	745	707	664	728	732	705	676	633
Male, 25+	3366	3447	3573	3628	3769	3896	3899	3974	4029	4109	4118	4137	4126	4113	4097	4171	4160
Female, 15+	2358	2249	2312	2235	2429	2399	2481	2508	2754	2619	2725	2714	2634	2727	2827	2775	2663
Female, 15-24	581	527	518	497	576	541	554	488	501	449	447	450	458	414	468	409	406
Female, 25+	1777	1722	1794	1737	1854	1858	1927	2020	2253	2170	2278	2264	2176	2314	2359	2366	2257

### II.1.2. Labour force ('000s), (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+											8062	7975	7979	8165	8129	8122	7948
Both sexes, 15-24											1250	1205	1287	1232	1276	1179	1131
Both sexes, 25+											6812	6770	6691	6933	6853	6942	6816

Note: Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.2.1. Labour force participation rate (%), (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+	58.5	57.1	56.7	55.0	56.4	55.8	55.7	55.2	57.1	55.5	55.7	55.4	54.8	56.7	55.9	55.2	53.9
Both sexes, 15-24	48.0	47.0	45.3	44.2	45.7	45.1	45.4	42.4	43.2	40.9	40.0	38.6	40.3	41.4	39.9	37.2	36.5
Both sexes, 25+	62.4	60.8	60.8	58.7	60.2	59.3	59.0	59.1	61.2	59.6	59.9	59.9	58.8	60.7	60.3	60.0	58.5
Male, 15+	77.0	76.7	76.1	75.2	76.7	76.3	75.8	76.0	76.7	76.2	76.1	75.4	75.9	77.0	76.0	75.1	74.6
Male, 15-24	57.8	58.5	56.2	54.7	56.2	55.6	55.8	53.7	53.0	52.0	50.9	48.0	51.4	53.1	50.9	48.4	47.3
Male, 25+	84.3	83.7	83.6	82.9	84.2	83.3	82.5	83.1	84.1	83.2	83.2	83.0	82.8	83.8	83.1	82.4	81.8
Female, 15+	40.9	38.2	37.9	35.7	37.4	36.4	36.8	36.3	39.5	37.0	37.8	37.7	36.3	38.6	38.6	37.7	36.0
Female, 15-24	38.2	34.9	33.8	32.9	35.2	34.5	35.0	31.4	33.4	30.3	29.9	29.9	30.0	29.8	30.1	26.8	26.9
Female, 25+	41.8	39.3	39.3	36.5	38.1	36.9	37.4	37.8	41.2	38.7	39.8	39.7	38.0	40.7	40.9	40.5	38.3

### II.2.2. Labour force participation rate (%), (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+											55.3	54.4	54.6	55.7	55.4	54.7	53.6
Both sexes, 15-24											39.7	37.3	42.0	38.0	39.4	37.0	36.2
Both sexes, 25+											59.6	59.3	57.9	60.7	60.0	59.5	58.3

Note: Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.3.1. Employment ('000s), (excluding Northern and Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+	6001	6031	6280	6212	6498	6590	6677	6778	7084	7027	7157	7132	7090	7177	7231	7213	6986
Both sexes, 15-24	1085	1071	1100	1025	1082	1034	1063	977	1014	941	941	897	970	940	958	877	798
Both sexes, 25+	4916	4960	5180	5187	5416	5556	5614	5801	6070	6086	6216	6235	6120	6237	6273	6337	6188
Male, 15+	3976	4077	4226	4234	4384	4485	4497	4538	4597	4644	4651	4643	4677	4661	4621	4649	4565
Male, 15-24	700	724	730	685	703	673	693	651	654	618	607	569	631	627	601	573	514
Male, 25+	3276	3353	3496	3549	3681	3812	3804	3887	3942	4026	4043	4074	4046	4034	4020	4075	4051
Female, 15+	2025	1954	2055	1977	2114	2105	2180	2240	2488	2383	2507	2489	2413	2515	2610	2565	2421
Female, 15-24	385	348	370	340	378	361	370	326	359	323	334	328	339	313	357	303	283
Female, 25+	1640	1606	1684	1637	1736	1744	1810	1914	2128	2060	2173	2162	2074	2203	2253	2261	2137

### II.3.2. Employment ('000s), (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+											7629	7565	7543	7716	7691	7671	7451
Both sexes, 15-24											1015	972	1053	999	1037	946	876
Both sexes, 25+											6613	6592	6490	6717	6655	6725	6575

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

#### II.4.1. Employment-to-population ratio (%), (excluding Northern and Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+	53.2	52.0	52.4	50.6	51.5	51.3	51.2	51.3	53.4	52.2	52.8	52.6	51.9	53.7	53.0	52.2	50.5
Both sexes, 15-24	35.5	34.7	34.9	32.7	33.0	32.9	33.6	31.7	33.8	32.3	32.6	31.0	33.0	34.0	32.6	30.0	28.0
Both sexes, 25+	59.7	58.3	58.6	56.8	58.0	57.2	56.9	57.2	59.1	57.7	58.2	58.4	57.1	58.9	58.6	58.2	56.4
Male, 15+	72.0	71.6	71.7	70.6	71.7	71.7	71.3	71.9	73.1	72.9	73.3	72.9	73.1	74.1	73.2	72.0	71.1
Male, 15-24	45.7	45.8	45.0	42.3	42.8	42.8	43.7	42.7	43.8	43.1	43.7	41.2	44.6	45.5	43.4	41.1	38.4
Male, 25+	82.1	81.5	81.8	81.0	82.2	81.5	80.5	81.2	82.3	81.5	81.6	81.7	81.2	82.2	81.5	80.5	79.6
Female, 15+	35.1	33.2	33.7	31.5	32.5	31.9	32.4	32.4	35.7	33.6	34.7	34.5	33.3	35.6	35.6	34.8	32.7
Female, 15-24	25.3	23.1	24.1	22.5	23.1	23.0	23.4	21.0	23.9	21.8	22.4	21.7	22.2	22.5	23.0	19.9	18.8
Female, 25+	38.6	36.6	36.9	34.4	35.7	34.7	35.1	35.8	38.9	36.8	38.0	37.9	36.2	38.8	39.0	38.8	36.3

#### II.4.2. Employment-to-population ratio (%), (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+											52.4	51.6	51.6	52.6	52.4	51.7	50.3
Both sexes, 15-24											32.2	30.1	34.3	30.8	32.0	29.7	28.1
Both sexes, 25+											57.9	57.7	56.2	58.8	58.3	57.7	56.2

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.5.1. Employment by industry ('000s), both sexes (Excluding Northern and Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>	2344	2166	2253	2020	2233	2216	2198	2056	2270	2193	2331	2256	2128	2484	2455	2434	2216
<b>Industry</b>	1319	1002	1486	1487	1456	1532	1659	1786	1888	1871	1887	1890	1933	1877	1846	1795	1801
<b>Services</b>	2338	2863	2541	2705	2810	2842	2819	2936	2927	2963	2940	2986	3029	2816	2930	2984	2968
Manufacturing					1069	1110	1222	1291	1361	1329	1354	1334	1370	1368	1344	1289	1249
Construction, mining & quarrying, electricity, gas & water					386	422	437	494	527	542	533	557	564	509	502	506	552
Wholesale & retail trade, etc.					838	807	813	812	954	930	923	971	951	879	891	937	866
Hotels & restaurants					117	112	114	115	129	118	104	94	126	92	103	117	129
Transport, storage & communication					309	345	380	448	430	456	426	434	411	398	460	408	445
Financial intermediation and real estate, etc.					169	184	166	226	221	215	236	236	240	246	223	243	221
Public administration & defence, compulsory social security					525	504	477	465	401	433	463	448	469	465	469	521	495
Education					228	250	237	254	277	259	299	309	304	262	319	280	283
Health & social work					82	91	93	121	110	116	111	108	110	113	113	142	117
Other community, social & personal service activities, etc					110	103	110	121	124	105	129	116	141	125	133	87	115
Private households with employed persons					93	75	67	48	80	87	84	84	85	88	79	104	101
Miscellaneous labour work					317	320	277	257	180	220	153	168	169	138	136	138	193
Industries not adequately described					22	51	85	68	21	23	13	16	23	10	5	7	3
<b>Total</b>	<b>6001</b>	<b>6031</b>	<b>6280</b>	<b>6212</b>	<b>6498</b>	<b>6590</b>	<b>6677</b>	<b>6778</b>	<b>7084</b>	<b>7027</b>	<b>7157</b>	<b>7132</b>	<b>7090</b>	<b>7177</b>	<b>7231</b>	<b>7213</b>	<b>6986</b>

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics



### II.5.2. Employment by industry ('000s), both sexes (Excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>											2474	2395	2249	2652	2603	2588	2371
<b>Industry</b>											2003	1989	2065	1998	1959	1883	1912
<b>Services</b>											3151	3181	3229	3066	3130	3201	3168
Manufacturing											1413	1380	1436	1439	1398	1339	1308
Construction, mining & quarrying, electricity, gas & water											590	609	629	559	561	543	604
Wholesale & retail trade, etc.											983	1022	1019	940	949	991	932
Hotels & restaurants											110	100	133	95	113	121	142
Transport, storage & communication											448	449	430	430	482	430	467
Financial intermediation and real estate, etc.											241	242	247	253	225	246	229
Public administration & defence, compulsory social security											512	496	506	539	507	565	526
Education											326	340	339	285	338	331	310
Health & social work											121	123	115	127	119	147	127
Other community, social & personal service activities, etc											142	133	148	129	156	106	135
Private households with employed persons											85	85	85	91	79	104	102
Miscellaneous labour work											170	176	183	166	155	153	195
Industries not adequately described											14	16	24	10	6	7	3
<b>Total</b>											<b>7629</b>	<b>7565</b>	<b>7543</b>	<b>7716</b>	<b>7691</b>	<b>7671</b>	<b>7451</b>

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

## II.6.1. Employment by industry (% of total employment), both sexes (excluding Northern and Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>	39.1	35.9	35.9	32.5	34.4	33.6	32.9	30.3	32.0	31.2	32.6	31.6	30.0	34.6	33.9	33.7	31.7
<b>Industry</b>	22.0	16.6	23.7	23.9	22.4	23.2	24.9	26.3	26.7	26.6	26.4	26.5	27.3	26.2	25.5	24.9	25.8
<b>Services</b>	39.0	47.5	40.5	43.5	43.2	43.1	42.2	43.3	41.3	42.2	41.1	41.9	42.7	39.2	40.5	41.4	42.5
Manufacturing					16.5	16.8	18.3	19.1	19.2	18.9	18.9	18.7	19.3	19.1	18.6	17.9	17.9
Construction, mining & quarrying, electricity, gas & water					5.9	6.4	6.5	7.3	7.4	7.7	7.4	7.8	8.0	7.1	6.9	7.0	7.9
Wholesale & retail trade, etc.					12.9	12.2	12.2	12.0	13.5	13.2	12.9	13.6	13.4	12.2	12.3	13.0	12.4
Hotels & restaurants					1.8	1.7	1.7	1.7	1.8	1.7	1.5	1.3	1.8	1.3	1.4	1.6	1.9
Transport, storage & communication					4.8	5.2	5.7	6.6	6.1	6.5	6.0	6.1	5.8	5.5	6.4	5.7	6.4
Financial intermediation and real estate, etc.					2.6	2.8	2.5	3.3	3.1	3.1	3.3	3.3	3.4	3.4	3.1	3.4	3.2
Public administration & defence, compulsory social security					8.1	7.6	7.1	6.9	5.7	6.2	6.5	6.3	6.6	6.5	6.5	7.2	7.1
Education					3.5	3.8	3.5	3.8	3.9	3.7	4.2	4.3	4.3	3.7	4.4	3.9	4.1
Health & social work					1.3	1.4	1.4	1.8	1.5	1.7	1.5	1.5	1.5	1.6	1.6	2.0	1.7
Other community, social & personal service activities, etc					1.7	1.6	1.6	1.8	1.7	1.5	1.8	1.6	2.0	1.7	1.8	1.2	1.7
Private households with employed persons					1.4	1.1	1.0	0.7	1.1	1.2	1.2	1.2	1.2	1.2	1.1	1.4	1.4
Miscellaneous labour work					4.9	4.9	4.1	3.8	2.5	3.1	2.1	2.4	2.4	1.9	1.9	1.9	2.8
Industries not adequately described					0.3	0.8	1.3	1.0	0.3	0.3	0.2	0.2	0.3	0.1	0.1	0.1	0.0

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

## II.6.2. Employment by industry (% of total employment), both sexes (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>											32.4	31.7	29.8	34.4	33.8	33.7	31.8
<b>Industry</b>											26.3						
<b>Services</b>											41.3						
Manufacturing											18.5	18.2	19.0	18.6	18.2	17.5	17.6
Construction, mining & quarrying, electricity, gas & water											7.7	8.1	8.3	7.3	7.3	7.1	8.1
Wholesale & retail trade, etc.											12.9	13.5	13.5	12.2	12.3	12.9	12.5
Hotels & restaurants											1.4	1.3	1.8	1.2	1.5	1.6	1.9
Transport, storage & communication											5.9	5.9	5.7	5.6	6.3	5.6	6.3
Financial intermediation and real estate, etc.											3.2	3.2	3.3	3.3	2.9	3.2	3.1
Public administration & defence, compulsory social security											6.7	6.6	6.7	7.0	6.6	7.4	7.1
Education											4.3	4.5	4.5	3.7	4.4	4.3	4.2
Health & social work											1.6	1.6	1.5	1.6	1.5	1.9	1.7
Other community, social & personal service activities, etc											1.9	1.8	2.0	1.7	2.0	1.4	1.8
Private households with employed persons											1.1	1.1	1.1	1.2	1.0	1.4	1.4
Miscellaneous labour work											2.2	2.3	2.4	2.2	2.0	2.0	2.6
Industries not adequately described											0.2	0.2	0.3	0.1	0.1	0.1	0.0

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

## II.7.1 Employment by industry ('000s), male (excluding Northern and Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>	1435	1338	1402	1262	1391	1382	1344	1267	1331	1316	1378	1299	1310	1462	1442	1474	1316
<b>Industry</b>	842	560	948	958	941	998	1078	1158	1189	1225	1226	1225	1280	1237	1160	1170	1173
<b>Services</b>	1700	2179	1875	2015	2052	2105	2074	2112	2076	2103	2047	2118	2087	1962	2019	2005	2076
Manufacturing					568	594	659	688	682	702	715	697	748	744	674	681	650
Construction, mining & quarrying, electricity, gas & water					374	405	420	471	507	523	510	529	533	493	486	489	523
Wholesale & retail trade, etc.					655	633	644	624	717	688	679	722	701	656	638	666	641
Hotels & restaurants					90	92	91	81	93	85	75	69	100	57	72	83	93
Transport, storage & communication					293	324	358	426	408	435	402	414	384	377	434	383	419
Financial intermediation and real estate, etc.					115	133	115	164	156	152	163	164	156	176	155	168	155
Public administration & defence, compulsory social security					387	377	348	340	295	308	345	336	338	348	357	342	370
Education					71	92	83	67	87	79	88	100	84	82	86	90	82
Health & social work					34	41	34	52	45	49	43	39	48	40	45	57	46
Other community, social & personal service activities, etc					86	80	78	82	87	78	88	83	92	86	90	60	72
Private households with employed persons					29	24	21	6	16	27	21	22	27	19	15	34	30
Miscellaneous labour work					274	273	237	223	158	187	135	157	144	118	121	118	167
Industries not adequately described					18	36	67	46	16	16	9	14	14	4	4	5	2
<b>Total</b>	<b>3976</b>	<b>4077</b>	<b>4226</b>	<b>4234</b>	<b>4384</b>	<b>4485</b>	<b>4497</b>	<b>4538</b>	<b>4597</b>	<b>4644</b>	<b>4651</b>	<b>4643</b>	<b>4677</b>	<b>4661</b>	<b>4621</b>	<b>4649</b>	<b>4565</b>

Note: Aged 15+. Excluding Northern & Eastern provinces. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

## II.7.2. Employment by industry (% of total), male (excluding Northern and Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>	36.1	32.8	33.2	29.8	31.7	30.8	29.9	27.9	29.0	28.3	29.6	28.0	28.0	31.4	31.2	31.7	28.8
<b>Industry</b>	21.2	13.7	22.4	22.6	21.5	22.3	24.0	25.5	25.9	26.4	26.4	26.4	27.4	26.5	25.1	25.2	25.7
<b>Services</b>	42.7	53.4	44.4	47.6	46.8	46.9	46.1	46.6	45.2	45.3	44.0	45.6	44.6	42.1	43.7	43.1	45.5
Manufacturing					12.9	13.2	14.6	15.2	14.8	15.1	15.4	15.0	16.0	16.0	14.6	14.6	14.2
Construction, mining & quarrying, electricity, gas & water					8.5	9.0	9.3	10.4	11.0	11.3	11.0	11.4	11.4	10.6	10.5	10.5	11.5
Wholesale & retail trade, etc.					14.9	14.1	14.3	13.8	15.6	14.8	14.6	15.6	15.0	14.1	13.8	14.3	14.1
Hotels & restaurants					2.1	2.1	2.0	1.8	2.0	1.8	1.6	1.5	2.1	1.2	1.6	1.8	2.0
Transport, storage & communication					6.7	7.2	8.0	9.4	8.9	9.4	8.6	8.9	8.2	8.1	9.4	8.2	9.2
Financial intermediation and real estate, etc.					2.6	3.0	2.6	3.6	3.4	3.3	3.5	3.5	3.3	3.8	3.4	3.6	3.4
Public administration & defence, compulsory social security					8.8	8.4	7.7	7.5	6.4	6.6	7.4	7.2	7.2	7.5	7.7	7.4	8.1
Education					1.6	2.1	1.8	1.5	1.9	1.7	1.9	2.2	1.8	1.8	1.9	1.9	1.8
Health & social work					0.8	0.9	0.8	1.2	1.0	1.1	0.9	0.8	1.0	0.8	1.0	1.2	1.0
Other community, social & personal service activities, etc					2.0	1.8	1.7	1.8	1.9	1.7	1.9	1.8	2.0	1.8	1.9	1.3	1.6
Private households with employed persons					0.7	0.5	0.5	0.1	0.3	0.6	0.4	0.5	0.6	0.4	0.3	0.7	0.7
Miscellaneous labour work					6.2	6.1	5.3	4.9	3.4	4.0	2.9	3.4	3.1	2.5	2.6	2.5	3.7
Industries not adequately described					0.4	0.8	1.5	1.0	0.3	0.3	0.2	0.3	0.3	0.1	0.1	0.1	0.0

Note: Aged 15+. Excluding Northern & Eastern provinces. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.8.1. Employment by industry ('000s), female (excluding Northern and Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>	909	828	851	759	842	834	854	789	939	877	952	957	818	1022	1012	961	901
<b>Industry</b>	477	441	538	529	515	533	581	627	699	646	661	665	653	640	686	625	628
<b>Services</b>	639	685	665	690	758	737	745	824	850	860	894	867	942	854	912	979	892
Manufacturing					502	516	564	604	679	627	638	637	622	624	670	608	599
Construction, mining & quarrying, electricity, gas & water					13	18	17	23	20	19	23	28	31	16	16	17	29
Wholesale & retail trade, etc.					182	174	169	188	237	243	244	249	250	223	252	271	225
Hotels & restaurants					27	20	24	34	36	33	29	25	26	34	31	33	36
Transport, storage & communication					16	21	22	22	23	22	24	21	27	21	27	25	26
Financial intermediation and real estate, etc.					54	52	51	62	65	63	73	72	84	70	68	75	66
Public administration & defence, compulsory social security					137	127	130	125	106	125	118	112	131	117	112	179	126
Education					157	157	154	187	190	180	211	209	221	181	233	191	201
Health & social work					48	50	59	69	64	67	68	69	62	74	67	85	71
Other community, social & personal service activities, etc					24	23	32	39	37	27	41	34	49	39	43	27	44
Private households with employed persons					64	52	47	42	64	60	63	62	59	69	63	71	71
Miscellaneous labour work					43	47	40	34	22	33	18	11	25	20	15	20	26
Industries not adequately described					4	15	19	22	6	7	5	2	9	6	1	2	1
<b>Total</b>	<b>2025</b>	<b>1954</b>	<b>2055</b>	<b>1977</b>	<b>2114</b>	<b>2105</b>	<b>2180</b>	<b>2240</b>	<b>2488</b>	<b>2383</b>	<b>2507</b>	<b>2489</b>	<b>2413</b>	<b>2515</b>	<b>2610</b>	<b>2565</b>	<b>2421</b>

Note: Aged 15+. Excluding Northern & Eastern provinces. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

## II.8.2. Employment by industry (% of total), female (excluding Northern and Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>	44.9	42.4	41.4	38.4	39.8	39.6	39.2	35.2	37.7	36.8	38.0	38.5	33.9	40.6	38.8	37.5	37.2
<b>Industry</b>	23.6	22.6	26.2	26.8	24.3	25.3	26.7	28.0	28.1	27.1	26.4	26.7	27.1	25.4	26.3	24.4	25.9
<b>Services</b>	31.5	35.0	32.4	34.9	35.8	35.0	34.2	36.8	34.2	36.1	35.6	34.8	39.0	33.9	34.9	38.2	36.8
Manufacturing					23.7	24.5	25.9	27.0	27.3	26.3	25.5	25.6	25.8	24.8	25.7	23.7	24.7
Construction, mining & quarrying, electricity, gas & water					0.6	0.8	0.8	1.0	0.8	0.8	0.9	1.1	1.3	0.6	0.6	0.7	1.2
Wholesale & retail trade, etc.					8.6	8.3	7.7	8.4	9.5	10.2	9.7	10.0	10.4	8.9	9.7	10.6	9.3
Hotels & restaurants					1.3	0.9	1.1	1.5	1.4	1.4	1.2	1.0	1.1	1.4	1.2	1.3	1.5
Transport, storage & communication					0.8	1.0	1.0	1.0	0.9	0.9	0.9	0.8	1.1	0.8	1.0	1.0	1.1
Financial intermediation and real estate, etc.					2.5	2.5	2.3	2.8	2.6	2.7	2.9	2.9	3.5	2.8	2.6	2.9	2.7
Public administration & defence, compulsory social security					6.5	6.0	5.9	5.6	4.3	5.2	4.7	4.5	5.4	4.7	4.3	7.0	5.2
Education					7.4	7.5	7.1	8.3	7.6	7.6	8.4	8.4	9.2	7.2	8.9	7.4	8.3
Health & social work					2.3	2.4	2.7	3.1	2.6	2.8	2.7	2.8	2.6	2.9	2.6	3.3	2.9
Other community, social & personal service activities, etc					1.2	1.1	1.5	1.8	1.5	1.1	1.6	1.4	2.0	1.6	1.7	1.1	1.8
Private households with employed persons					3.0	2.4	2.1	1.9	2.6	2.5	2.5	2.5	2.4	2.8	2.4	2.8	3.0
Miscellaneous labour work					2.0	2.2	1.8	1.5	0.9	1.4	0.7	0.5	1.0	0.8	0.6	0.8	1.1
Industries not adequately described					0.2	0.7	0.9	1.0	0.2	0.3	0.2	0.1	0.4	0.2	0.0	0.1	0.0

Note: Aged 15+. Excluding Northern & Eastern provinces. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.9.1. Employment, by level of education ('000s) both sexes (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	1949	1866	1905	1733	1911	1864	1890	1624	1570	1483	1452	1383	1345	1578	1502	1478	1394
Grade 6 - 10 (lower-secondary)	2349	2407	2573	2536	2647	2773	2684	2811	3315	3357	3428	3407	3387	3425	3494	3494	3307
GCE O-level	1042	1094	1055	1102	1027	1053	1122	1257	1189	1096	1132	1172	1144	1071	1143	1040	1156
GCE A-level	522	525	598	693	730	722	795	836	801	870	904	941	933	856	888	963	874
Degree and above	140	140	150	148	182	178	186	250	209	222	240	230	280	247	204	239	255
Total	6001	6031	6280	6212	6498	6590	6677	6778	7084	7027	7157	7132	7090	7177	7231	7213	6986

### II.9.2. Employment, by level of education ('000s) both sexes (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)											1587	1487	1488	1722	1652	1625	1551
Grade 6 - 10 (lower-secondary)											3620	3576	3565	3662	3674	3655	3501
GCE O-level											1209	1263	1206	1144	1222	1116	1219
GCE A-level											957	993	988	915	929	1010	912
Degree and above											257	245	296	272	214	265	269
Total											7629	7565	7543	7716	7691	7671	7451

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics



### II.9.3. Employment, by level of education ('000s) male (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	1246	1219	1235	1120	1255	1233	1195	1056	965	934	903	869	861	956	926	883	881
Grade 6 - 10 (lower-secondary)	1680	1765	1873	1873	1926	2018	1971	2043	2313	2380	2382	2351	2407	2388	2382	2465	2284
GCE O-level	680	725	703	757	702	733	780	837	763	727	749	776	772	706	743	677	770
GCE A-level	291	283	333	404	402	400	449	465	448	485	491	520	488	489	466	506	495
Degree and above	79	85	83	80	99	101	102	135	108	119	125	127	149	122	103	118	135
Total	3976	4077	4226	4234	4384	4485	4497	4538	4597	4644	4651	4643	4677	4661	4621	4649	4565

### II.9.4. Employment, by level of education ('000s) female (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	703	647	670	613	656	631	695	568	606	549	549	514	484	622	576	595	513
Grade 6 - 10 (lower-secondary)	669	642	700	664	721	755	714	768	1002	977	1046	1056	980	1037	1112	1030	1023
GCE O-level	361	369	353	345	325	320	341	419	425	369	383	396	373	365	400	363	386
GCE A-level	231	242	265	289	328	322	346	371	354	385	413	421	445	367	421	457	378
Degree and above	61	55	67	67	84	77	84	115	101	103	115	103	131	125	101	121	120
Total	2025	1954	2055	1977	2114	2105	2180	2240	2488	2383	2507	2489	2413	2515	2610	2565	2421

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.10.1. Employment, by level of education (% of total) both sexes (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	32.5	30.9	30.3	27.9	29.4	28.3	28.3	24.0	22.2	21.1	20.3	19.4	19.0	22.0	20.8	20.5	20.0
Grade 6 - 10 (lower-secondary)	39.1	39.9	41.0	40.8	40.7	42.1	40.2	41.5	46.8	47.8	47.9	47.8	47.8	47.7	48.3	48.4	47.3
GCE O-level	17.4	18.1	16.8	17.7	15.8	16.0	16.8	18.5	16.8	15.6	15.8	16.4	16.1	14.9	15.8	14.4	16.5
GCE A-level	8.7	8.7	9.5	11.2	11.2	11.0	11.9	12.3	11.3	12.4	12.6	13.2	13.2	11.9	12.3	13.3	12.5
Degree and above	2.3	2.3	2.4	2.4	2.8	2.7	2.8	3.7	2.9	3.2	3.4	3.2	4.0	3.4	2.8	3.3	3.6

### II.10.2. Employment, by level of education (% of total) both sexes (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)											20.8	19.7	19.7	22.3	21.5	21.2	20.8
Grade 6 - 10 (lower-secondary)											47.4	47.3	47.3	47.5	47.8	47.6	47.0
GCE O-level											15.8	16.7	16.0	14.8	15.9	14.5	16.4
GCE A-level											12.5	13.1	13.1	11.9	12.1	13.2	12.2
Degree and above											3.4	3.2	3.9	3.5	2.8	3.4	3.6

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.10.3. Employment, by level of education (% of total) male (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	31.3	30.7	29.2	26.4	28.6	27.5	26.6	23.3	21.0	20.1	19.4	18.7	18.4	20.5	20.0	19.0	19.3
Grade 6 - 10 (lower-secondary)	42.3	44.4	44.3	44.2	43.9	45.0	43.8	45.0	50.3	51.2	51.2	50.6	51.5	51.2	51.6	53.0	50.0
GCE O-level	17.1	18.2	16.6	17.9	16.0	16.3	17.4	18.5	16.6	15.6	16.1	16.7	16.5	15.1	16.1	14.6	16.9
GCE A-level	7.3	7.1	7.9	9.6	9.2	8.9	10.0	10.3	9.7	10.4	10.6	11.2	10.4	10.5	10.1	10.9	10.9
Degree and above	2.0	2.1	2.0	1.9	2.2	2.3	2.3	3.0	2.4	2.6	2.7	2.7	3.2	2.6	2.2	2.5	3.0

### II.10.4. Employment, by level of education (% of total) female (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	34.7	33.1	32.6	31.0	31.1	30.0	31.9	25.3	24.4	23.0	21.9	20.6	20.1	24.7	22.1	23.2	21.2
Grade 6 - 10 (lower-secondary)	33.0	32.8	34.1	33.6	34.1	35.9	32.7	34.3	40.3	41.0	41.7	42.4	40.6	41.2	42.6	40.1	42.3
GCE O-level	17.8	18.9	17.2	17.4	15.4	15.2	15.7	18.7	17.1	15.5	15.3	15.9	15.4	14.5	15.3	14.1	15.9
GCE A-level	11.4	12.4	12.9	14.6	15.5	15.3	15.9	16.5	14.2	16.1	16.5	16.9	18.4	14.6	16.1	17.8	15.6
Degree and above	3.0	2.8	3.3	3.4	4.0	3.7	3.8	5.1	4.0	4.3	4.6	4.1	5.4	5.0	3.9	4.7	5.0

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.11.1. Status in employment ('000s) both sexes (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Wage and salaried workers (employees), private	2481	2617	2702	2781	2895	2923	3150	3133	2992	3007	2947	2886	2914	2954	3034	2993	3005
Wage and salaried workers (employees), public	875	876	844	864	875	887	849	898	955	969	1070	1068	1085	1060	1067	1123	1058
Employers	113	120	147	143	182	171	189	187	222	200	212	220	218	191	218	196	200
Own-account workers	1745	1717	1790	1779	1864	1949	1875	2017	2189	2139	2168	2262	2145	2161	2103	2056	1998
Unpaid family workers	787	701	796	645	683	660	615	544	727	712	761	696	728	810	808	847	725
Total	6001	6031	6280	6212	6498	6590	6677	6778	7084	7027	7157	7132	7090	7177	7231	7213	6986

### II.11.2. Status in employment ('000s) both sexes (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Wage and salaried workers (employees), private											3148	3082	3098	3172	3241	3165	3214
Wage and salaried workers (employees), public											1164	1170	1170	1177	1140	1231	1133
Employers											221	232	227	200	227	201	213
Own-account workers											2311	2370	2301	2318	2254	2209	2147
Unpaid family workers											784	711	747	849	830	864	743
Total											7629	7565	7543	7716	7691	7671	7451

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.11.3. Status in employment ('000s) male (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Wage and salaried workers (employees), private	1666	1799	1866	1907	1969	2003	2128	2182	2016	2100	2023	1999	2016	2006	2073	2120	2083
Wage and salaried workers (employees), public	566	567	534	547	555	561	518	538	565	561	621	623	614	630	616	601	619
Employers	100	109	131	133	164	153	168	169	201	184	194	201	202	173	202	168	176
Own-account workers	1394	1373	1435	1419	1494	1558	1487	1506	1622	1602	1611	1657	1633	1623	1531	1540	1510
Unpaid family workers	251	228	261	228	202	209	196	142	193	198	201	163	211	230	199	220	177
Total	3976	4077	4226	4234	4384	4485	4497	4538	4597	4644	4651	4643	4677	4661	4621	4649	4565

### II.11.4. Status in employment ('000s) female (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Wage and salaried workers (employees), private	815	818	837	874	926	920	1022	950	976	907	924	887	897	949	962	873	923
Wage and salaried workers (employees), public	310	309	311	317	320	325	331	359	390	408	449	445	471	431	451	521	439
Employers	13	11	17	10	17	18	21	18	21	17	17	19	16	18	17	28	23.3
Own-account workers	351	344	355	360	370	391	389	511	567	537	557	605	512	538	572	516	488
Unpaid family workers	536	473	535	417	481	451	418	401	534	515	560	532	517	580	609	627	548
Total	2025	1954	2055	1977	2114	2105	2180	2240	2488	2383	2507	2489	2413	2515	2610	2565	2421

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.12.1. Status in employment (% of total employment) both sexes (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Wage and salaried workers (employees), private	41.3	43.4	43.0	44.8	44.6	44.4	47.2	46.2	42.2	42.8	41.2	40.5	41.1	41.2	42.0	41.5	43.0
Wage and salaried workers (employees), public	14.6	14.5	13.4	13.9	13.5	13.5	12.7	13.2	13.5	13.8	15.0	15.0	15.3	14.8	14.8	15.6	15.2
Employers	1.9	2.0	2.3	2.3	2.8	2.6	2.8	2.8	3.1	2.9	3.0	3.1	3.1	2.7	3.0	2.7	2.9
Own-account workers	29.1	28.5	28.5	28.6	28.7	29.6	28.1	29.8	30.9	30.4	30.3	31.7	30.3	30.1	29.1	28.5	28.6
Unpaid family workers	13.1	11.6	12.7	10.4	10.5	10.0	9.2	8.0	10.3	10.1	10.6	9.8	10.3	11.3	11.2	11.7	10.4

### II.12.2. Status in employment (% of total employment) both sexes (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Wage and salaried workers (employees), private											41.3	40.7	41.1	41.1	42.1	41.3	43.1
Wage and salaried workers (employees), public											15.3	15.5	15.5	15.2	14.8	16.0	15.2
Employers											2.9	3.1	3.0	2.6	3.0	2.6	2.9
Own-account workers											30.3	31.3	30.5	30.0	29.3	28.8	28.8
Unpaid family workers											10.3	9.4	9.9	11.0	10.8	11.3	10.0

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.12.3. Status in employment (% of total employment) male (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Wage and salaried workers (employees), private	41.9	44.1	44.1	45.0	44.9	44.7	47.3	48.1	43.8	45.2	43.5	43.1	43.1	43.0	44.9	45.6	45.6
Wage and salaried workers (employees), public	14.2	13.9	12.6	12.9	12.7	12.5	11.5	11.9	12.3	12.1	13.3	13.4	13.1	13.5	13.3	12.9	13.6
Employers	2.5	2.7	3.1	3.1	3.7	3.4	3.7	3.7	4.4	4.0	4.2	4.3	4.3	3.7	4.4	3.6	3.9
Own-account workers	35.1	33.7	34.0	33.5	34.1	34.7	33.1	33.2	35.3	34.5	34.6	35.7	34.9	34.8	33.1	33.1	33.1
Unpaid family workers	6.3	5.6	6.2	5.4	4.6	4.7	4.4	3.1	4.2	4.3	4.3	3.5	4.5	4.9	4.3	4.7	3.9

### II.12.4. Status in employment (% of total employment) female (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Wage and salaried workers (employees), private	40.2	41.8	40.7	44.2	43.8	43.7	46.9	42.4	39.2	38.1	36.8	35.6	37.2	37.7	36.8	34.0	38.1
Wage and salaried workers (employees), public	15.3	15.8	15.1	16.0	15.1	15.4	15.2	16.0	15.7	17.1	17.9	17.9	19.5	17.1	17.3	20.3	18.1
Employers	0.6	0.6	0.8	0.5	0.8	0.8	0.9	0.8	0.8	0.7	0.7	0.8	0.7	0.7	0.6	1.1	1.0
Own-account workers	17.3	17.6	17.3	18.2	17.5	18.6	17.8	22.8	22.8	22.5	22.2	24.3	21.2	21.4	21.9	20.1	20.1
Unpaid family workers	26.5	24.2	26.1	21.1	22.7	21.4	19.2	17.9	21.5	21.6	22.3	21.4	21.4	23.1	23.3	24.4	22.6

Note: Aged 15+

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.13.1. Employment in informal sector ('000s) both sexes (excluding Northern & Eastern provinces)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture	1922	1834	1932	1879	1735	1745	1978	1868	1748	2065	2046	2103	1857
Industry	1060	1078	1028	1108	1055	1106	1045	1058	1034	1033	987	1022	1001
Services	1397	1443	1317	1462	1378	1475	1459	1337	1364	1242	1325	1306	1386
Total	4379	4356	4277	4449	4168	4325	4482	4263	4145	4341	4358	4431	4244

### II.13.2. Employment in informal sector ('000s) both sexes (excluding Northern province)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture			2074					2004	1868	2232	2194	2255	2012
Industry			1120					1131	1123	1145	1080	1099	1103
Services			1414					1413	1460	1349	1435	1398	1497
Total			4608					4547	4450	4727	4708	4753	4611

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics



### II.13.3. Employment in informal sector ('000s) male (excluding Northern & Eastern provinces)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture	1167	1134	1178	1131	1091	1078	1234	1114	1113	1245	1239	1318	1135
Industry	755	780	745	837	755	794	734	765	759	761	696	740	718
Services	1064	1097	980	1127	1052	1102	1105	1007	1020	930	961	945	1040
Total	2986	3010	2902	3095	2898	2974	3074	2886	2891	2936	2897	3003	2893

### II.13.4. Employment in informal sector ('000s) female (excluding Northern & Eastern provinces)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture	755	701	754	748	644	667	744	754	635	820	807	785	722
Industry	305	298	283	270	300	312	311	294	275	272	291	282	283
Services	332	347	337	335	326	372	353	330	344	313	364	361	346
Total	1393	1346	1374	1353	1270	1351	1408	1378	1254	1405	1462	1428	1351

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

#### II.14.1. Employment in informal sector (%) both sexes (excluding Northern & Eastern provinces)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture	43.9	42.1	45.2	42.2	41.6	40.3	44.1	43.8	42.2	47.6	47.0	47.5	43.8
Industry	24.2	24.8	24.0	24.9	25.3	25.6	23.3	24.8	24.9	23.8	22.6	23.1	23.6
Services	31.9	33.1	30.8	32.9	33.1	34.1	32.5	31.4	32.9	28.6	30.4	29.5	32.7
Informal employment as % of total employment	61.8	62.0	59.8					59.8	58.5	60.5	60.3	61.4	60.8

#### II.14.2. Employment in informal sector (%) both sexes (excluding Northern province)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture								44.1	42.0	47.2	46.6	47.5	43.6
Industry								24.9	25.2	24.2	22.9	23.1	23.9
Services								31.1	32.8	28.5	30.5	29.4	32.5
Informal employment as % of total employment								60.1	59.0	61.3	61.2	62.0	61.9

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.14.3. Employment in informal sector (%) male (excluding Northern & Eastern provinces)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture	39.1	37.7	40.6	36.5	37.6	36.2	40.2	38.6	38.5	42.4	55.2	43.9	39.2
Industry	25.3	25.9	25.7	27.0	26.1	26.7	23.9	26.5	26.2	25.9	19.9	24.6	24.8
Services	35.6	36.4	33.7	36.4	36.3	37.1	36.0	34.9	35.3	31.7	24.9	31.5	36.0
Informal employment as % of total employment	65.0	64.8	62.4	66.8	63.2	64.0	65.2	62.2	61.8	63.0	62.7	64.6	63.4

### II.14.4. Employment in informal sector (%) female (excluding Northern & Eastern provinces)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture	54.2	52.1	54.9	55.3	50.7	49.3	52.8	54.7	50.7	58.4	42.8	55.0	53.4
Industry	21.9	22.2	20.6	20.0	23.6	23.1	22.1	21.3	21.9	19.4	24.0	19.7	21.0
Services	23.8	25.8	24.5	24.7	25.7	27.6	25.1	24.0	27.4	22.3	33.2	25.3	25.6
Informal employment as % of total employment	56.0	56.5	54.8	57.4	55.8	55.4	57.3	55.3	52.0	55.9	56.0	55.7	55.8

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.15.1. Unemployment ('000s), (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+	609	589	517	537	624	579	587	522	492	446	394	382	398	396	398	408	470
Both sexes, 15-24	382	380	330	358	418	381	375	330	280	253	214	217	216	206	215	208	241
Both sexes, 25+	227	210	186	179	206	198	212	193	212	193	180	165	182	190	183	200	229
Male, 15+	276	294	259	280	309	285	287	255	226	210	175	158	177	184	181	198	228
Male, 15-24	185	201	183	201	220	201	191	168	138	127	100	95	97	105	104	102	119
Male, 25+	90	94	77	79	89	84	96	87	87	82	75	64	80	79	77	95	109
Female, 15+	333	295	257	257	315	294	301	267	267	237	218	224	221	212	217	210	243
Female, 15-24	196	179	147	157	197	180	184	162	141	126	113	122	119	101	111	106	123
Female, 25+	137	116	110	100	118	114	117	106	125	110	105	102	102	111	106	104	120

### II.15.2. Unemployment ('000s), (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+											433	410	435	449	438	450	496
Both sexes, 15-24											235	232	234	234	239	233	255
Both sexes, 25+											198	178	201	216	198	217	241

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.16.1. Unemployment rate (%), (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+	9.2	8.9	7.6	8.0	8.8	8.1	8.1	7.2	6.5	6.0	5.2	5.1	5.3	5.2	5.2	5.4	6.3
Both sexes, 15-24	26.0	26.2	23.1	25.9	27.9	26.9	26.1	25.2	21.6	21.2	18.5	19.5	18.2	18.0	18.3	19.2	23.2
Both sexes, 25+	4.4	4.1	3.5	3.3	3.7	3.4	3.6	3.2	3.4	3.1	2.8	2.6	2.9	2.9	2.8	3.1	3.6
Male, 15+	6.5	6.7	5.8	6.2	6.6	6.0	6.0	5.3	4.7	4.3	3.6	3.3	3.6	3.8	3.8	4.1	4.7
Male, 15-24	20.9	21.7	20.0	22.7	23.8	23.0	21.6	20.5	17.5	17.1	14.2	14.3	13.4	14.4	14.8	15.1	18.7
Male, 25+	2.7	2.7	2.2	2.2	2.4	2.1	2.5	2.2	2.2	2.0	1.8	1.5	1.9	1.9	1.9	2.3	2.6
Female, 15+	14.1	13.1	11.1	11.5	13.0	12.3	12.1	10.7	9.7	9.0	8.0	8.3	8.4	7.8	7.7	7.6	9.1
Female, 15-24	33.8	33.9	28.5	31.6	34.3	33.3	33.2	33.1	28.2	28.1	25.3	27.2	26.0	24.4	23.7	25.9	30.3
Female, 25+	7.7	6.7	6.1	5.7	6.4	6.1	6.1	5.2	5.6	5.1	4.6	4.5	4.7	4.8	4.5	4.4	5.3

### II.16.2. Unemployment rate (%), (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Both sexes, 15+											5.4	5.1	5.5	5.5	5.4	5.5	6.2
Both sexes, 15-24											18.8	19.3	18.2	19.0	18.8	19.8	22.6
Both sexes, 25+											2.9	2.6	3.0	3.1	2.9	3.1	3.5

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.17.1. Unemployment ('000s), by level of education, both sexes (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	49	38	27	28	36	30	39	28	22	19	16	14	24	19	9	16	32
Grade 6 - 10 (lower-secondary)	254	234	225	210	247	227	219	194	206	183	162	144	158	157	189	157	199
GCE O-level	166	172	135	147	157	149	147	149	131	98	90	80	94	92	94	101	109
GCE A-level	130	133	121	136	166	154	164	147	123	133	109	124	108	108	94	121	113
Degree and above	10	12	9	16	17	19	19	4	10	13	17	20	14	20	13	13	17
Total	609	589	517	537	624	579	587	522	492	446	394	382	398	396	398	408	470

### II.17.2. Unemployment ('000s), by level of education, both sexes (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)											19	19	28	20	11	18	32
Grade 6 - 10 (lower-secondary)											170	150	169	166	196	168	212
GCE O-level											101	87	104	104	110	114	115
GCE A-level											124	134	119	135	107	136	120
Degree and above											18	20	15	24	13	14	18
Total											433	410	435	449	438	450	496

Note: Aged 15+. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.17.3. Unemployment ('000s), by level of education, male (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	26	21	17	19	20	19	24	17	14	12	9	4	17	11	5	8	19
Grade 6 - 10 (lower-secondary)	142	135	135	136	152	130	129	114	110	104	91	73	92	88	113	87	119
GCE O-level	68	86	68	71	76	79	76	73	60	51	38	33	42	44	33	53	64
GCE A-level	34	48	38	49	57	52	53	48	38	41	34	45	25	36	29	43	26
Degree and above	5	4	2	6	4	5	5	3	3	1	3	3	2	4	3	7	0
Total	276	294	259	280	309	285	287	255	226	210	175	158	177	184	181	198	228

### II.17.4. Unemployment ('000s), by level of education, female (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	22	17	9	9	17	12	15	11	8	7	7	10	7	8	4	7	13
Grade 6 - 10 (lower-secondary)	112	99	90	74	95	97	90	81	96	79	70	71	66	68	76	69	80
GCE O-level	97	86	67	76	81	70	71	75	71	47	52	47	52	47	61	49	45
GCE A-level	96	85	83	87	110	102	111	99	85	92	75	79	83	72	65	78	88
Degree and above	5	7	7	10	13	14	14	1	7	11	14	18	12	16	10	7	17
Total	333	295	257	257	315	294	301	267	267	237	218	224	221	212	217	210	243

Note: Aged 15+. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.18.1. Unemployment (% of total), by level of education, both sexes (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	8.0	6.5	5.1	5.3	5.8	5.2	6.7	5.4	4.5	4.3	4.2	3.6	6.1	4.8	2.2	3.8	6.7
Grade 6 - 10 (lower-secondary)	41.8	39.7	43.5	39.0	39.5	39.3	37.2	37.2	41.8	41.0	41.1	37.6	39.6	39.6	47.4	38.4	42.4
GCE O-level	27.2	29.2	26.1	27.3	25.2	25.8	25.0	28.5	26.7	22.1	22.9	21.0	23.7	23.2	23.5	24.8	23.1
GCE A-level	21.4	22.6	23.5	25.3	26.7	26.5	28.0	28.2	25.0	29.8	27.6	32.5	27.1	27.4	23.6	29.7	24.1
Degree and above	1.7	2.0	1.8	3.0	2.8	3.2	3.2	0.8	2.0	2.8	4.3	5.3	3.5	5.0	3.3	3.3	3.7

### II.18.2. Unemployment (% of total), by level of education, both sexes (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)											4.5	4.5	6.5	4.4	2.4	3.9	6.4
Grade 6 - 10 (lower-secondary)											39.3	36.6	38.7	37.0	44.7	37.3	42.8
GCE O-level											23.4	21.2	23.9	23.2	25.2	25.3	23.1
GCE A-level											28.6	32.7	27.3	30.0	24.6	30.3	24.1
Degree and above											4.2	5.0	3.6	5.3	3.1	3.2	3.7

Note: Aged 15+. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics



### II.18.3. Unemployment (% of total), by level of education, male (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	9.6	7.0	6.7	6.8	6.3	6.5	8.4	6.6	6.1	5.8	5.3	2.5	9.7	6.1	2.5	4.1	8.3
Grade 6 - 10 (lower-secondary)	51.7	46.0	51.9	48.5	49.3	45.8	44.9	44.5	48.8	49.4	52.2	46.2	51.7	48.1	62.2	44.2	52.3
GCE O-level	24.8	29.1	26.0	25.2	24.7	27.8	26.4	28.7	26.7	24.5	21.7	21.1	23.6	24.1	17.9	26.6	28.2
GCE A-level	12.2	16.4	14.7	17.4	18.4	18.3	18.7	19.0	17.0	19.6	19.2	28.5	13.9	19.6	15.9	21.7	11.2
Degree and above	1.7	1.4	0.8	2.1	1.3	1.7	1.7	1.1	1.3	0.6	1.6	1.7	1.1	2.1	1.5	3.4	0.0

### II.18.4. Unemployment (% of total), by level of education, female (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	6.7	5.9	3.6	3.6	5.3	4.0	5.0	4.1	3.1	3.0	3.3	4.3	3.3	3.8	1.9	3.5	5.2
Grade 6 - 10 (lower-secondary)	33.6	33.5	35.0	28.7	30.0	33.0	29.9	30.1	35.8	33.5	32.2	31.5	30.0	32.2	35.1	32.9	33.1
GCE O-level	29.2	29.3	26.1	29.7	25.6	23.8	23.6	28.2	26.7	19.9	23.8	20.8	23.7	22.4	28.2	23.2	18.4
GCE A-level	28.9	28.8	32.4	34.0	34.8	34.5	36.8	37.0	31.7	38.8	34.3	35.4	37.6	34.1	30.0	37.2	36.1
Degree and above	1.6	2.5	2.9	4.0	4.2	4.7	4.6	0.5	2.6	4.8	6.4	7.9	5.4	7.5	4.8	3.2	7.2

Note: Aged 15+. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.19.1. Unemployment rate, by level of education, both sexes (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	2.4	2.0	1.4	1.6	1.9	1.6	2.0	1.7	1.4	1.3	1.1	1.0	1.8	1.2	0.6	1.0	2.2
Grade 6 - 10 (lower-secondary)	9.8	8.9	8.0	7.6	8.5	7.6	7.5	6.5	5.8	5.2	4.5	4.0	4.5	4.4	5.1	4.3	5.7
GCE O-level	13.7	13.6	11.3	11.8	13.3	12.4	11.6	10.6	9.9	8.2	7.4	6.4	7.6	7.9	7.6	8.9	8.6
GCE A-level	19.9	20.2	16.9	16.4	18.6	17.5	17.1	15.0	13.3	13.3	10.7	11.7	10.4	11.2	9.6	11.2	11.5
Degree and above	6.8	7.7	5.9	9.9	8.7	9.5	9.1	1.6	4.5	5.4	6.5	8.1	4.7	7.4	6.0	5.3	6.4

### II.19.2. Unemployment rate, by level of education, both sexes (excluding Northern province)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)											1.2	1.2	1.9	1.1	0.6	1.1	2.0
Grade 6 - 10 (lower-secondary)											4.5	4.0	4.5	4.3	5.1	4.4	5.7
GCE O-level											7.7	6.4	7.9	8.4	8.3	9.3	8.6
GCE A-level											11.5	11.9	10.7	12.8	10.4	11.9	11.6
Degree and above											6.7	7.7	5.0	8.1	5.9	5.1	6.3

Note: Aged 15+. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.19.3. Unemployment rate, by level of education, male (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	2.1	1.7	1.4	1.7	1.5	1.5	2.0	1.6	1.4	1.3	1.0	0.5	2.0	1.2	0.5	0.9	2.1
Grade 6 - 10 (lower-secondary)	7.8	7.1	6.7	6.8	7.3	6.1	6.1	5.3	4.5	4.2	3.7	3.0	3.7	3.6	4.5	3.4	4.9
GCE O-level	9.1	10.6	8.8	8.5	9.8	9.7	8.8	8.0	7.3	6.6	4.8	4.1	5.1	5.9	4.2	7.2	7.7
GCE A-level	10.4	14.6	10.3	10.8	12.4	11.5	10.6	9.4	7.9	7.8	6.4	8.0	4.8	6.9	5.8	7.8	4.9
Degree and above	5.6	4.7	2.3	6.9	4.0	4.5	4.4	2.1	2.7	1.1	2.2	2.1	1.3	3.0	2.5	5.4	-

### II.19.4. Unemployment rate, by level of education, female (excluding Northern & Eastern provinces)

												2008				2009	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
Grade 5 and below (primary)	3.1	2.6	1.4	1.5	2.5	1.8	2.1	1.9	1.4	1.3	1.3	1.9	1.5	1.3	0.7	1.2	2.4
Grade 6 - 10 (lower-secondary)	14.3	13.3	11.4	10.0	11.6	11.4	11.2	9.5	8.7	7.5	6.3	6.3	6.3	6.2	6.4	6.3	7.3
GCE O-level	21.2	19.0	16.0	18.1	19.9	17.9	17.2	15.3	14.3	11.3	11.9	10.6	12.3	11.5	13.3	11.9	10.3
GCE A-level	29.4	26.0	23.9	23.2	25.0	23.9	24.2	21.1	19.3	19.3	15.4	15.9	15.8	16.5	13.4	14.7	18.8
Degree and above	8.2	12.0	9.9	13.3	13.7	15.3	14.2	1.1	6.4	9.9	10.8	14.7	8.4	11.3	9.3	5.2	12.7

Note: Aged 15+. Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.20.1. Underemployment ('000s), (excluding Northern & Eastern provinces)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q1	Q3	Q4	Q1	Q2
Both sexes, 15+	379	317	299	275	283	353	358	287	266	269	372	287	287
Both sexes, 15-24	62	55	55	46	46	53	74	55	56	53	57	53	48
Both sexes, 25+	317	263	244	229	237	300	285	233	210	217	316	234	238
Male, 15+	221	182	168	153	168	206	203	168	158	150	198	146	158
Male, 15-24	42	35	36	30	29	40	43	37	34	38	36	32	32
Male, 25+	179	147	132	123	138	166	160	131	124	111	162	114	125
Female, 15+	158	135	130	122	116	148	156	120	108	120	174	141	129
Female, 15-24	20	19	19	16	17	14	31	18	22	14	20	21	16
Female, 25+	138	116	112	106	99	134	125	102	86	106	154	120	113

### II.20.2. Underemployment ('000s), (excluding Northern province)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q1	Q3	Q4	Q1	Q2
Both sexes, 15+			308					290	281	281	387	295	306
Both sexes, 15-24			57					56	55	55	62	54	53
Both sexes, 25+			251					234	226	226	326	241	253

Note: Shaded cells indicate insufficient sample size for statistically robust estimate.

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.21.1. Underemployment rate (%), (excluding Northern & Eastern provinces)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q1	Q3	Q4	Q1	Q2
Both sexes, 15+	5.4	4.5	4.2	3.9	4.1	5.0	5.0	4.0	3.8	3.8	5.2	4.0	4.1
Both sexes, 15-24	6.2	5.8	5.8	4.7	4.9	5.8	7.9	6.1	5.8	5.6	5.9	6.0	6.1
Both sexes, 25+	5.2	4.3	3.9	3.8	4.0	4.9	4.6	3.7	3.4	3.5	5.0	3.7	3.9
Male, 15+	4.8	3.9	3.6	3.3	3.7	4.4	4.3	3.6	3.4	3.2	4.3	3.1	3.5
Male, 15-24	6.4	5.7	6.0	4.7	4.7	6.6	6.9	6.4	5.3	6.1	6.0	5.6	6.3
Male, 25+	4.5	3.6	3.3	3.1	3.5	4.1	3.9	3.2	3.1	2.8	4.0	2.8	3.1
Female, 15+	6.4	5.7	5.2	5.2	5.1	6.1	6.3	4.8	4.5	4.8	6.7	5.5	5.3
Female, 15-24	5.7	6.0	5.6	4.7	5.2	4.3	9.8	5.5	6.5	4.5	5.7	6.8	5.7
Female, 25+	6.5	5.6	5.1	5.2	5.1	6.3	5.8	4.7	4.1	4.8	6.8	5.3	5.3

### II.21.2. Underemployment rate (%), (excluding Northern province)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q1	Q3	Q4	Q1	Q2
Both sexes, 15+			4.0					3.8	3.7	3.6	5.0	3.8	4.1
Both sexes, 15-24			5.6					5.7	5.2	5.5	5.9	5.7	6.0
Both sexes, 25+			3.8					3.6	3.5	3.4	4.9	3.6	3.8

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

### II.22.1. Output per worker (constant 2002 rupees, thousands), by industry

											2008				2009	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2
<b>Agriculture</b>	<b>107.0</b>	<b>104.7</b>	<b>112.8</b>	<b>104.6</b>	<b>107.2</b>	<b>108.0</b>	<b>117.6</b>	<b>113.3</b>	<b>121.3</b>	<b>122.7</b>	<b>140.0</b>	<b>128.8</b>	<b>126.3</b>	<b>97.9</b>	<b>133.6</b>	<b>129.1</b>
<b>Industry</b>	<b>430.4</b>	<b>312.0</b>	<b>305.3</b>	<b>314.8</b>	<b>313.1</b>	<b>304.7</b>	<b>305.7</b>	<b>312.7</b>	<b>339.5</b>	<b>356.6</b>	<b>355.2</b>	<b>328.1</b>	<b>369.1</b>	<b>375.3</b>	<b>381.1</b>	<b>362.8</b>
Manufacturing				282.8	283.2	270.3	271.7	272.1	296.7	305.6	313.9	283.0	314.7	311.0	333.8	313.6
Construction, mining & quarrying, electricity, gas & water				403.4	391.7	400.9	394.6	417.5	444.6	486.4	454.1	437.7	515.4	547.3	501.8	474.1
<b>Services</b>	<b>292.0</b>	<b>352.1</b>	<b>329.0</b>	<b>336.0</b>	<b>357.5</b>	<b>384.7</b>	<b>393.0</b>	<b>424.8</b>	<b>449.4</b>	<b>478.5</b>	<b>461.7</b>	<b>457.0</b>	<b>514.1</b>	<b>483.5</b>	<b>466.9</b>	<b>471.7</b>
Trade and hotels, etc.				411.4	467.2	498.7	528.0	483.8	529.8	565.5	532.4	528.3	624.2	584.0	524.0	541.7
Transport, storage & communication				561.9	556.0	554.4	514.3	603.1	628.3	727.8	717.3	704.9	810.6	686.6	793.6	692.0
Finance, insurance & real estate				772.1	785.5	923.0	724.6	804.1	898.5	873.0	864.1	863.8	835.2	934.0	873.2	989.7
Personal services & other				179.5	179.4	192.0	202.2	<b>236.4</b>	238.2	247.8	236.5	244.7	261.4	249.1	238.7	256.0
<b>Total</b>	<b>250.0</b>	<b>254.5</b>	<b>253.3</b>	<b>251.8</b>	<b>263.0</b>	<b>273.7</b>	<b>286.5</b>	<b>295.1</b>	<b>317.7</b>	<b>330.5</b>	<b>331.7</b>	<b>323.4</b>	<b>341.9</b>	<b>324.9</b>	<b>333.1</b>	<b>334.9</b>

Note: GDP data prior to 2003 have been rebased from 1996 base year to produce a consistent series. Quarterly data have been annualized. Employment data from Statistical Annex table II.5.1 have been used for the purpose of the productivity calculations.

Source: Central Bank of Sri Lanka and Department of Census and Statistics

### II.23.1. Median real earnings per hour worked (constant 2002 rupees)

				2007				2008				2009	
	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q1	Q3	Q4	Q1	Q2
Both sexes	39.1	44.6	52.4	41.7	45.3	44.6	45.8	50.0	54.7	52.1	52.5	55.6	62.5
Men	43.6	49.1	57.1	46.9	48.8	50.0	50.0	54.0	58.3	58.9	58.3	60.0	67.0
Women	29.2	35.4	41.7	31.4	35.3	35.2	37.5	41.7	45.5	41.3	41.7	45.0	46.9

Note: Excluding Northern & Eastern provinces

Source: Sri Lanka Labour Force Survey, Department of Census and Statistics

