

On December 8 2009, the Sri Lankan Ministry of Labour Relations and Manpower, Central Bank and Department of Census and Statistics released a joint report on "Labour and Social Trends in Sri Lanka 2009", which was produced with technical and financial support from the ILO. The report provides a broad review of major trends in labour and social conditions in Sri Lanka, and also looks ahead to 2020 with informed projections, likely scenarios and policy implications.

This was the first report of its kind in the country, as it brought together the three key agencies responsible for the production of macroeconomic and labour market data and analysis in the country. The collaborative effort resulted in a comprehensive and timely analysis of economic and labour market conditions and of the key factors driving economic growth and labour market outcomes. The Minister of Labour, Central Bank Governor and Director-General of the Department of Census and Statistics participated in the launch in Colombo, which was well-attended by national media, tripartite constituents, and leading academics and policymakers.

The Regional Economic and Social Analysis (RESA) unit of the ILO Regional Office for Asia and the Pacific backstopped the work as part of an effort to assist countries in the production of national reports on labour market trends. The overarching aim of this effort is to increase capacity at the national level to monitor labour market trends and increase evidence-based policy formulation towards the promotion of decent work for all. RESA has also supported two Labour and Social Trends reports in Indonesia and reports are forthcoming in Nepal and Viet Nam.

The first chapter of the report provides an overview of recent macroeconomic developments, labour market trends and key social issues facing the country. It finds that Sri Lanka's healthy economy growth in recent years was driven in good part by growth in the services sector, which reflects a shift to higher value added products. With regard to labour market trends, the chapter finds that young people are staying longer in education and yet the highly educated are over represented in the unemployed, suggesting a shortfall in demand for educated workers. Low rates of female labour force participation, employment, high unemployment and a persistent wage disparity between the sexes, are evidence that females are at a distinct disadvantage in the labour force. Poverty remains a pressing issue, with nearly 15 per cent of all Sri Lankans below the poverty line. Poverty in rural areas is particularly rife, accounting for 82 per cent of Sri Lanka's poor. Related to this, 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.

The second chapter focuses on the impact of the global economic crisis in Sri Lanka. External trade is the main channel through which the international crisis is impacting on Sri Lanka's economy. While most sectors managed to post positive (though much reduced) growth, the mining and quarrying, trade and hotels, and electricity, gas and water industries contracted in the first quarter of 2009. Unemployment is not the main channel through which workers have been affected, as there has not been a statistically significant increase in the unemployment rate. However, in the first quarter of 2009, there were steep employment losses in the construction sector and moderate employment losses in the manufacturing and wholesale and retail trade industries. In the second quarter of 2009, 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.

The report finds that Sri Lanka lacks adequate mechanisms to transfer incomes to those likely to be worst affected by the crisis and recommends 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 the country's national system of social assistance.

The final chapter looks ahead to 2020 and identifies key challenges and opportunities for realizing decent work in Sri Lanka. Selected policy recommendations include: 1) reviewing labour market policies with the aim of ensuring that workers have fundamental protections and firms compete on a level playing field, while not unduly constraining growth prospects; 2) initiating dialogue on the country's "peace dividend", with an overarching goal of identifying productive investments that yield long-term benefits, such as improving infrastructure and boosting agricultural productivity; 3) promoting marketable skills development across the primary, secondary and tertiary education levels; and 4) bolstering the country's body of gender- and age-specific labour market information and analysis (LMIA).

Source: [Labour and Social Trends in Sri Lanka](#) 2009; Colombo, Ministry of Labour Relations and Manpower, 2009