

International Migration Programme

International migration and employment in the post-reforms economy of Sri Lanka¹

Piyasiri Wickramasekara

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Foreword

The ILO working paper series, ‘International Migration Papers’ aims to disseminate the results of research on relevant and topical labour migration issues among policy makers, administrators, social partners, civil society, the research community and the media. Its main objective is to contribute to an informed debate on how best to address labour migration issues within the overall agenda of decent work, taking into account the shared concerns of countries of origin and destination for ensuring good governance of labour migration, protection of rights of migrant workers and their families, and maximising development benefits of migration for the benefit of all parties involved - origin countries, destination countries and migrant workers themselves.

In this paper on *International migration and employment in the post-reforms economy of Sri Lanka*, Mr. Piyasiri Wickramasekara, Senior Migration Specialist, International Migration Programme of the ILO, reviews the impact of market oriented economic reforms in Sri Lanka since 1977 on international migration with particular focus on its linkages with local employment and labour markets. The study finds that the potential impact on domestic employment and unemployment was moderated by several factors. A good number of migrants were already employed locally. Migrating female domestic workers were often not active in the local labour market. Overseas employment also did not cater to the employment needs of educated unemployed youth who mostly did not have the skills demanded abroad. Moreover, overseas migration as it evolved could not be considered decent work for a large number of migrants in view of the exploitative and poor working conditions and low wages. Yet some positive effects on the national labour market can be observed: spillover effects of remittances; vacancies created by those departing; jobs created in ancillary services of travel, recruitment industry, housing, real estate, and banking and financial services; and emancipation of women from unpaid household work into the foreign labour market.

Protection issues surfaced from the inception of large outflows of migrants highlighting that the migration process could not be left entirely to market forces. The author shows that there has however, been a lag in developing appropriate policies, and legislative and regulatory frameworks. The government has recently elaborated a comprehensive national labour migration policy focusing on three areas – good governance, protection and empowerment of workers and promoting development benefits. The major challenges lie in enforcement of this policy framework and action plan. The author concludes that migration policies and strategies need to be effectively linked with a long term vision where decent jobs for the local population have to be generated at home promoting migration by choice – rather than by poverty and need.

We hope that this paper will contribute to the efforts of constituents to better analyze the implications of the process of labour migration for national employment and labour markets, and support them in the design and implementation of policies and programmes that serve to maximise the development benefits of migration, and protection of migrant workers.

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March 2010

Ibrahim Awad
Director
International Migration programme

Abstract

The open economy reforms in Sri Lanka coincided with large scale migration flows from Asian countries including Sri Lanka to the Middle East region triggered by the Gulf oil boom of the early 1970s. The economic reforms facilitated freer migration flows by easing foreign travel, liberalizing foreign exchange controls, and promoting the role of the private sector in recruitment and placements. In the recent past, migration pressures also seem to have increased due to globalization, migrant community networks, ethnic conflict, limited legal avenues for migration, and a sluggish home economy.

The government provided an enabling framework through the enactment of the Sri Lanka Bureau of Foreign Employment Act of 1985 and the creation of the Sri Lanka Bureau of Foreign Employment as a specialized one stop agency for administering foreign employment. Yet protection issues surfaced from the inception highlighting that the process cannot be left entirely to market forces. While migration absorbed local workers, the net impact on the domestic labour market has been moderated by several factors. A good number of migrant workers may have been drawn from the ranks of the employed. Those departing as housemaids were often not active in the labour market. Overseas migration could not be considered decent work for a large number of migrants in view of the exploitative and poor working conditions and low wages received. Most jobs have been also for temporary periods. Similarly migration did not cater to the educated unemployed youth who were queuing for public sector jobs. Some of the unemployed were absorbed into free trade zones, especially female youth, which may have reduced some migration pressures.

Yet some positive effects on the labour market can be observed: multiplier effects of remittances; vacancies created by those departing; jobs created in ancillary services of travel, recruitment industry, housing, real estate, and banking and financial services; and emancipation of women from unpaid household work into the labour market.

There has however, been a lag in developing appropriate policies, and legislative and regulatory frameworks. Market oriented policies generally result in governance and protection issues. The ratification of the 1990 International Convention on the Protection of the Rights of All Migrant Workers and their Families was a step in the right direction, but no related legislation has been changed in line with the provisions of the Convention up to now.

The government has recently elaborated a comprehensive national labour migration policy focusing on three elements – good governance, protection and empowerment of workers and development benefits. The major challenges however lie in enforcement of this policy framework and action plan which involves revision of the legislative and regulatory framework, achieving the desired skill profile of migration, and promoting the protection of workers. Policies and strategies also need to be finely balanced with a long term vision where decent jobs for the local population need to be generated at home promoting migration by choice – rather than by poverty and need.

Introduction²

The government elected in 1977 opted for a significant departure in Sri Lanka's economic development strategies and policies when the country launched market oriented economic reforms. The paper reviews international labour migration, and its interactions with the economy and the labour market. The first section summarizes the main features of the evolution of economic strategies, particularly since 1977 which have a bearing on migration. It is followed by a brief overview of migration trends in the post-reform era. The next section reviews the impact of migration on local employment, the labour market and development trends. The main challenges in relation to migration and policy responses are highlighted next. The final chapter draws some policy implications from the analysis.

² The author is grateful to Ms. Katerina Liakopoulou and Ms. Elisa Fornale of the International Migration Programme, ILO, Geneva, for research and editorial assistance in the preparation of this paper.

1. Methodological and data issues

1.1 Typologies of migration from Sri Lanka

Emigration from Sri Lanka can be classified in several ways:

- *Permanent and temporary migration:* most of the skilled outflows since the 1950s have been for permanent migration to developed countries. With the Gulf boom since 1973, a distinct stream of temporary migration involving contract workers emerged, mainly to the Middle Eastern countries.
- *Migration according to gender:* The gender dimension is important because of different choice sets and problems faced by male and female workers.
- *Motives of migration:* Most people from Sri Lanka migrate for employment, which constitutes labour migration. Some may migrate as asylum seekers to seek refugee status in foreign destinations. The ethnic conflict situation in the country has encouraged such migration in the past, especially since the late 1970s. This probably accounts for the large Tamil diaspora populations currently in Australia, Canada, the United Kingdom, France and Switzerland. Many who leave as refugees or asylum seekers often do so in clandestine or irregular situations through support of networks of previous migrants to those countries. Some may not be refugees in the sense of fleeing from actual or perceived persecution, but may use the refugee and asylum seeker window as a convenient way of entering destination countries for economic reasons when legal opportunities for migration are limited. The total refugee population of Sri Lankans abroad has fallen from 122,287 in 1997 to 108,139 in 2005, while asylum applicants have shown a drastic decline from 18,324 in 1997 to 6,298 in 2005 (UNHCR, 2008).
- *Migration according to skill profile:* The main distinction is between skilled and low skilled migration. Destination countries may welcome skilled migrants but are reluctant to admit low skilled workers and when they do so, the admissions may be only for temporary periods. The system of contract labour migration from Sri Lanka to the Gulf countries is a good example of low skilled migration.
- *Regular and irregular migration:* Those who use legal channels for migration with proper documentation are workers in regular status. But there are some who try to migrate in clandestine ways falling into irregular migration situations in the process. Trafficking and smuggling constitute one extreme of this irregular migration spectrum. Increasing visa restrictions for Sri Lankan passport holders in many Western countries, and the Re-Admission agreement signed with the European commission point to the perception of Sri Lanka as a potential source of irregular migration in destination countries. 1,658 persons were arrested at the airport prior to departure between 2000-2008 while 16,291 Sri Lankans have been deported by various countries for violation of immigration rules (IPS 2009: 70-71).

While it is not possible to find reliable information for all these categories, the bulk of Sri Lankan emigration is for employment which is well-documented. The next section looks at data issues.

1.2 Some observations of the available data and information on migration

The primary source of information on international migration in Sri Lanka is the Sri Lanka Bureau of Foreign Employment which maintains a registration system for migrant workers leaving for overseas employment. It was only from 1995 that the data collection was made mandatory. Yet this source underestimates total migration for several reasons. First some workers migrate without registering with the Bureau. During 2002 to 2007, those using direct sources accounted for between 25 to 33 per cent of total migrants (Research Division, SLBFE)³. Second some of the registered workers may not actually depart for foreign countries although the numbers cannot be significant. Third the system primarily captures those who migrate through the private recruitment agencies. But many skilled workers may migrate on their own after directly securing jobs. Similarly those who first leave the country as students for higher studies, and then get employed abroad are not recorded as migrants. Fourth most of the data collected relate to outflow information, and there is no system for monitoring return migration as in many other countries. Fifth, irregular migration also occurs to some extent, but no reliable data exists. Finally, there are no reliable estimates of the transnational communities of Sri Lankans in different countries (Sri Lankan diaspora). The migrant stock data compiled by the SLBFE is also incomplete based on some undisclosed assumptions about returns and renewals.

Airport records were used during 1992-93 to estimate migration for overseas employment, which showed a high level of unregistered workers departing, but the system was discontinued given the high processing costs. The 1994 outflow data reported in recent SLBFE statistics (SLBFE, 2008) are particularly suspect since it shows a very sharp fall without any valid reason provided - a clear outlier from the observed trend (Appendix Table A1). It may probably reflect poor transition from airport survey data to administrative sources. Periodic censuses and sample surveys may provide some additional information. But Sri Lankan censuses mainly record internal migration. The labour force survey modules in Sri Lanka also do not contain migration information. The Central Bank Household Surveys (conducted at five-yearly intervals) contain some questions on migrant employment and remittances, but the small size of the sample may restrict generalizations. A National Centre for Migration Statistics (NCMS) was specially created as a unit of the Department of Census and Statistics in January 2008 with the intention of improving migration data collection through inter-agency cooperation in Sri Lanka.⁴ Yet it seems to have generated little new data apart from those produced by the SLBFE.

These data limitations would affect the extent to which meaningful analysis and interpretations about Sri Lankan migration can be made. I have relied mainly on the data series since 1993 when systematic data collection commenced with an adjustment for the unreliable 1994 figures, based on earlier series of the SLBFE (reported in Yapa, 1995).⁵

³ See Table: <http://www.statistics.gov.lk/NCMS/RepNTab/Tables/SLBFE/Table85.pdf>

⁴ <http://www.statistics.gov.lk/NCMS/en/index.shtml>

⁵ The SLBFE 2007 Statistical Yearbook figures of outflows for (male – 16,377; female- 43,791; total – 60,168) have been replaced by earlier data reported by SLBFE for the same year (male – 21,329; female- 108,698; total – 130,027) as reported in Yapa (1995).

2. Summary of economic reforms and their links with international migration

2.1 Overview of economic policies and trends

Sri Lanka inherited a fairly robust economy at Independence in 1947, but the following years saw the rapid erosion of this sound economic base. The economic policies from the mid-fifties were based on extensive government intervention in the economy and import substitution reinforced by protectionist policies. In the absence of high growth, and poor trade prospects, the economy found itself in the doldrums by the early 1970s. Economic stagnation, increasing poverty and high unemployment especially among youth, continued into the 1970s.

The change in government in 1977 paved the way for a major departure in economic policies. Various aspects of this process have been well-documented (Kelegama, 2004). Athukorale and Rajapathirana (2000) have succinctly documented the economic liberalisation programmes of Sri Lanka following the 1977 political changes. Trade and foreign direct investment (FDI) reforms were the key element of the economic liberalisation reform package. The most important aspect of the new FDI (Foreign Direct Investment) policy was the setting up of the Greater Colombo Economic Commission (GCEC) in 1978 with wide-ranging power to establish and operate Economic Processing Zones – free trade zones. Investment protection agreements and double taxation relief agreements with the major investing countries reinforced this policy. However, the liberalisation reforms in Sri Lanka since 1977 have clearly been partial in nature since they were not accompanied by liberalisation, comprehensive reforms or a firm commitment to macroeconomic prudence (Athukorale and Rajapathirana, 2000). This led to a second-wave liberalisation package since 1990 with concurrent liberalisation of domestic commodity, financial and labour markets, introduction of an outward oriented investment policy framework, and maintenance of macroeconomic stability. Internal labour market reforms in Sri Lanka did not go very far since the mid-1970s due to strong trade union pressures. The termination of employment law has been a bone of continuing contention but reforms had been withdrawn because of strong trade union pressure. The political changes in 1994 however, did not result in a reversal of these open economy policies.

This is also confirmed by globalization trends in Sri Lanka. The KOF globalization index (a composite of economic social and political globalization measures) shows Sri Lanka as the most globalized in South Asia scoring 54.46 out of a maximum Index value of 100, with India and Pakistan close behind (Dreher, 2006; Dreher Axel et al, 2008). The Sri Lanka globalization index has also almost doubled between 1975 and 2006 – showing the impact of economic and other reforms. Still Sri Lanka ranks as the 113th country out of 208 countries and territories in terms of the Globalization Index in 2006.

Table 1: Sri Lanka: Globalization trends

Year	Overall globalization index	Economic globalization index (a)	Actual flows index (ai)	Restrictions index (aii)	Social globalization (b)	Political globalization (c)
1970	24.89	18.78	26.88	12.08	27.53	30.64
1977	28.81	21.24	29.17	14.68	26.81	44.84
1985	31.27	28.59	39.11	19.88	27.37	42.35
1990	30.44	29.08	39.50	20.46	27.31	38.01
1995	37.16	39.73	47.86	33.01	29.02	46.57
2000	50.87	49.68	48.53	50.63	42.11	67.65
2006	54.46	50.40	48.32	52.11	46.47	74.72

Sources: Dreher, Axel, 2006; Dreher, Axel; Noel Gaston and Pim Martens, 2008.

Sri Lanka's reforms were able to achieve reasonable growth initially and achieve some diversification in the economy with growth in manufacturing following the reforms. Yet the achievements in recent years have fallen short of expectations. Mounting war expenditures, declining tourist earnings, macroeconomic instability coupled with rising inflation and balance of payments problems, and weak foreign reserves, the abolition of MFA quotas, an inefficient public sector and a weak private sector have all contributed to low growth. At the same time, the allocation of public sector jobs continued to be highly politicized and administered through political patronage thereby undermining market signals. Lakshman (2004) notes the resort to political mechanisms instead of market mechanisms in a context of inadequate growth and limited opportunities.

The World Bank (2007: 11) has summed up the situation as follows.

“Sri Lanka is once again at a crossroads. The country has the potential to achieve higher growth and faster poverty reduction, as envisaged under Mahinda Chintana, given its level of human development and integration with global markets. However, to achieve this will require addressing remaining structural constraints and managing immediate downside risks associated with the escalation of the conflict and rising inflation”.

The ending of the insurgency in mid 2009 has now paved the way for a breakthrough on the economic front.

2.2 Labour migration from Sri Lanka

2.2.1 Implications of economic reforms for migration

The major implications of liberalization for migration for overseas employment were in the following areas.

- Relaxation of foreign exchange and travel restrictions, easing of passport issues, and elimination of exit permits. This made foreign travel far easier for all categories including students proceeding abroad.
- Opening up of the private sector and the economy meant more foreign business travel.
- Increased inflow of tourists and growth of diasporas networks and contracts under

-
- economic liberalization programmes.
 - The vast growth of the private sector recruitment industry as a result of economic reforms, who could match demand for workers from abroad with local supply.
 - Government legislation and regulations paving the way for regulation of foreign employment and creation of the Sri Lanka Bureau of Foreign Employment.

Thus the main impact of the reforms was to open up the economy so that it could better integrate with globalizing forces. As discussed above, it is not clear to what extent this succeeded because the same period saw a number of problems including the rise of the Tamil insurgency which probably acted as a deterrent on foreign investment, tourism and other growth factors.

2.2.2 Phases of labour migration from Sri Lanka

There is scant data on migration from Sri Lanka for the pre-reform period. Soysa (undated) and ILO-ARTEP (1985) provide some information on the early period. One can roughly divide the migration experience since the 1950s into four phases.

a. 1950s to early 1970s

This period can be broadly characterized as one of gradual increase of migration of skilled persons. In the fifties, professionals left the island in search of employment abroad in small streams. Since the late sixties brain drain tended to intensify due to a variety of factors. The changeover to national languages from English as the medium of instruction in schools and universities, pervasive state regulation of the economy, controls on the external sector including on foreign exchange, imports and travel, and political unrest acted as drivers of the increasing outflow of professionals and highly skilled persons. (Karunatilake, 1987; Korale, 2004).

In this period, mobility abroad was largely confined to the educated groups creating shortages in the field of medicine and engineering, and university staffing. The government opted for strict travel restrictions to curb this outflow using an exit permit system, restricted passport issues and endorsements. Despite these restrictions, appreciable numbers of professionals left the Island. As Karunatilake (1987) noted, the very existence of restrictions prompted many qualified persons to explore devious ways and means of leaving the country. The high outflow of skilled persons from Sri Lanka led to the appointment of a Cabinet Sub-committee in 1974 to report on the problem (Government of Sri Lanka, 1974).

b. Mid-1970s to late 1980s: Gulf migration dominated by male workers

The second period roughly commences with the post-reform era. It is indeed a coincidence that economic reforms in Sri Lanka also were initiated in 1977 with the election of a more conservative government as opposed to the centre-leftist regime that preceded it. The market oriented reforms facilitated the opportunities opened by the Middle East oil boom when the Middle Eastern countries started massive infrastructure projects for modernization of their economies with resulting demand for migrant labour. The difference in this period is that the bulk of the openings were for low skilled male workers in construction, and small enterprises. As David Soysa (Undated) pointed out: *“The liberalization of the economy in July 1977 and restoration of the right to travel outside the country assisted the migratory process”*. At the same time, migration of professionals continued given the high demand from the Middle East and also ethnic unrest within the country encouraging outmigration of professionals under regular and irregular situations.

c. Third phase from early 1990s to about 2000: female dominated migration

With the completion of the construction phase in the Gulf countries, there was a further demand for various services relation to maintenance and the service sector such as tourism, catering and the hotel industry. The growth in the demand for domestic servants or housemaids took off at this time, and Sri Lanka was one of the first to benefit from the trend. Female migration reached 100,000 or more after 1993, and has maintained this level although the growth rate of female migration was low. There was also demand for skilled migrants from both within Asia, the Gulf and developed countries.

d. Fourth phase from 2001 to date

Male migration has grown faster than female migration since the early 1990s, and reached an average of 41 per cent during 2001-2008. Now the shares are more or less equal.

The Sri Lankan migration system has now attained maturity spanning over almost three decades. There is a felt need for greater diversification of destinations, and skills, especially in recent years.

3. Sri Lanka's migration profile and trends

Sri Lanka is primarily a labour source country, or in more popular jargon a 'labour sending country'.⁶ It has been a source of labour for foreign employment for several decades, particularly from the onset of the Gulf oil boom in the early 1970s. Sri Lanka shares several common features with other Asian labour sending countries: predominantly temporary migration, migrant skill profile dominated by semi-skilled and low-skilled workers and feminisation of migration (Wickramasekara, 2002).

The first outflows related mainly to the migration of skilled persons on a permanent basis, but the Gulf boom created a large demand for low skilled workers on temporary contracts. The outflow gathered high momentum following liberalization of travel in 1977 with the open economy policies. The profile of labour migration is discussed below subject to the caveats mentioned above. Since 1995, the annual numbers departing for overseas employment have been above 150,000. Table 2 shows the averages for sub periods and the changing shares of males and females in total outflows. The share of male migration fell sharply since the first period, and has picked up only in the period 2001-08.

Table 2: Departures for foreign employment by sex, 1986-2007 – Annual averages for sub-periods

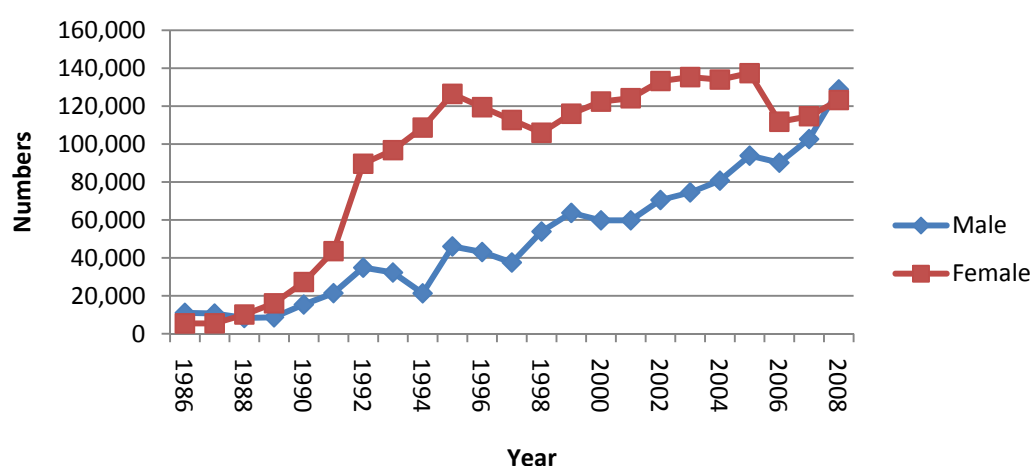
Year	Male		Female		Total
	No.	%	No.	%	
1986-1989	9,665	51.0	9,269	49.0	18,934
1990-1994	25,051	25.5	73,190	74.5	98,241
1995-2000	50,678	30.2	117,170	69.8	167,848
2001-2008	87,632	40.9	126,731	59.1	214,363

Source: SLBFE - Calculated from Appendix Table A1

Chart 1 show these trends clearly and the increasing convergence of female and male migrant numbers in recent years. While male migration has been rising consistently there is a tapering off of female migrant outflows.

⁶ The term 'labour sending country' may not be appropriate in a primarily market driven situation: some governments maintain that they do not 'send' workers and that it is mostly done by the private sector. The paper uses 'low-skilled' workers in place of 'unskilled' in line with ILO usage.

Chart 1: Outflow of migrant workers by sex, 1986-2008



Another indicator is the number of households reporting migrants: a Central Bank survey showed that 60 out of 1,000 households had an overseas worker although the number seems to have declined from 1996/97 (Table 3). The average for the urban sector has seen a marked decline. What is more interesting is that internal migration seems to be less important with only 29 persons per 1,000 households in 2003/04 although it has increased since 1996/97 (15 persons per 1000 households).⁷

Table 3: External migration (number per 1000 households)

Source	All island	Urban	Rural	Estate
CFSES, 1996/77	63	115	56	42
CFSES, 2003/04	60	68	60	49

Source: Central Bank of Ceylon, Consumer Finances and Socioeconomic Survey reports, (CFSES)

The role of labour migration in the economy is also conveyed by the growth in the total stock of Sri Lankan migrants abroad. The cumulative impact of migration over the years has led to the emergence of a large stock of Sri Lankan migrant workers abroad. From about 40,000 in the early 1980s, it reached half a million in 1995 and is now more than three times the 1995 level at 1.8 million. The data cannot be highly reliable since it is based on certain assumptions regarding annual returns and departures (which are not explained). Housemaids comprise 50 per cent of the total stock. The estimate probably relates largely to temporary migrant stocks, and may not include diaspora communities in developed countries.

⁷ See the following table on the Central Bank of Sri Lanka webpage:
http://www.cbsl.gov.lk/pics_n_docs/10_publication/docs/cfs/table_04.pdf.

Table 4: Estimated stock of Sri Lankan migrants abroad, 1993-2008

-Year	Migrant stock overseas	Year	Migrant stock overseas	Year	Migrant stock overseas
1993	460,000	1999	785,000	2005	1,221,763
1994	500,000	2000	853,000	2006	1,447,707
1995	550,000	2001	932,500	2007	1,642,655
1996	600,000	2002	970,000	2008	1,792,368
1997	710,000	2003	1,003,600		
1998	740,000	2004	1,068,776		

Source: SLBFE, Statistical Yearbook 2007.

- **High share of low skilled migration**

The concentration of labour migration in low skilled categories is another major challenge with related problems of protection, low remuneration and resulting low remittances. The data provided in Table 5 show that the SLBFE seems to use its own skill classification scheme which seems different from the ILO 1988 International Standard Classification of Occupations (ISCO, 1988). The group ‘middle level and clerical and related’ seems to include technicians and other skilled workers while a separate ‘skilled’ category is also included.⁸ It is indeed confusing to include the latter category (skilled) which is not technically mutually exclusive with professional and middle level groups. If we add these to professional and middle levels and clerical and related (which together account for 5-7 per cent), a total estimate of skilled outflows can be obtained. The share has been fluctuating between 20 to 30 per cent, and has come closer to the higher limit in the last couple of years or so. Housemaids are shown as a separate category from the low skilled although they form part of the same. The share of housemaids has declined from a peak of 68 per cent in 1966 to 43 per cent in 2008. With housemaids added, the low skilled category comprised 73 per cent in 2007. The SLBFE has added another category termed ‘semi-skilled’ since 2007.

⁸ See following table for the detailed classification of occupations:
<http://www.statistics.gov.lk/NCMS/RepNTab/Tables/SLBFE/Table75.pdf>

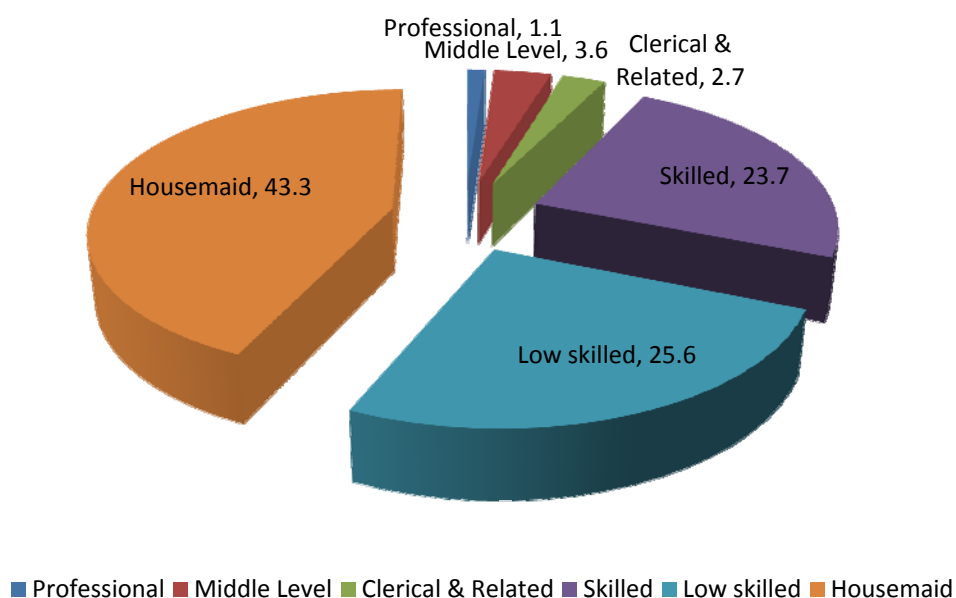
Table 5: Migrant workers deployed by skill level, 1995-2008

Year	Professional	Middle level	Clerical & related	Skilled	Low skilled	Housemaid	Total	
	%	%	%	%	%	%	Total	%
1995	0.5	1.4	2.7	15.8	13.6	66.0	172,489	100
1996	0.4	1.2	2.1	14.9	13.5	67.90	162,576	100
1997	0.4	1.1	2.4	16.3	13.7	66.1	150,283	100
1998	0.4	1.8	3.1	19.9	21.4	53.4	159,816	100
1999	0.7	1.8	3.5	20.7	24.3	49.0	179,735	100
2000	0.5	2.1	3.2	20.0	19.6	54.6	182,188	100
2001	0.7	2.0	3.3	20.0	18.1	55.9	184,007	100
2002	0.7	2.2	3.6	22.3	17.9	53.3	203,773	100
2003	0.7	3.6	3.2	22.8	21.1	48.6	209,846	100
2004	0.9	3.0	3.1	21.4	20.1	51.5	214,709	100
2005	0.6	3.5	3.3	20.2	18.1	54.3	231,290	100
2006	1.0	3.3	3.9	22.3	20.2	49.3	201,948	100
2007	0.8	1.8	2.1	22.8	*25.5	46.8	217,306	100
2008	1.1	3.6	2.7	23.7	*25.6	43.3	252,021	100

*Including the category of semi-skilled introduced from 2007.

Source: SLBFE, Statistical Yearbook 2008

Chart 2: Stock of migrants by skill level – 2008 (per cent)



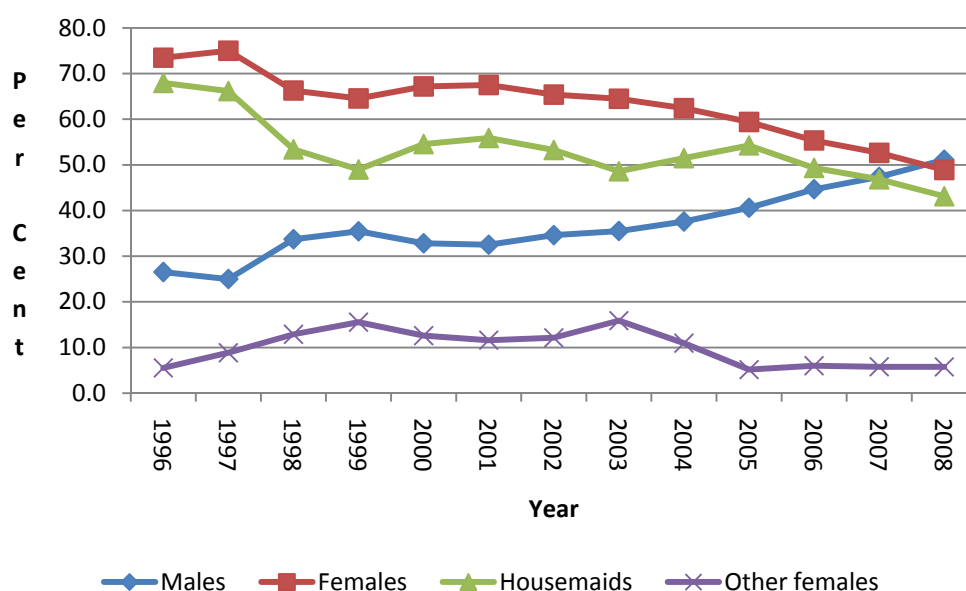
- **High share of female migration**

Sri Lanka has been one of the leading countries in the Asian region in terms of high female migration together with Indonesia and the Philippines. In South Asia Sri Lanka is the only country where females account for more than half of total migrants. Moreover most female migrants are low skilled domestic workers – indicated as housemaids in the statistics - one of the most vulnerable categories in destination countries, particularly in the Gulf countries. They may come from housewife, unemployed and unpaid family worker categories, but there is no data on their labour market status prior to departure. There is a clear trend for a rise in the share of male migrant workers for the period 1997-2007 leading to convergence of male and female flows (Chart 3). The declining number of housemaids in recent years is also a clear trend.

- **Narrow range of destination areas with concentration in the Gulf region**

The narrow range of destinations of migrant labour is another issue with high dependence of Sri Lanka on the Gulf countries as the major destination. It is consistent with the situation in South Asia in contrast to Southeast Asia. Most South Asian countries still rely on the Gulf as the major destination for their migrant workers. In 2007, the Gulf Cooperation Council countries accounted for 86 per cent of Sri Lankan migrant workers with Saudi Arabia, Kuwait, UAE, and Qatar together accounting for 82 per cent. Although there are some other destinations for Sri Lankan workers - the Republic of Korea, Cyprus, Malaysia, Singapore, Italy and Hong Kong SAR – the numbers admitted to these countries are still too low to affect the domination of GCC countries.

Chart 3: Shares of female and male migrant workers, 1996-2008



- **Phenomenal growth in the migration industry and migration infrastructure**

The Sri Lanka Bureau of Foreign Employment (SLBFE) Act set up the SLBFE in 1985 as a one stop organisation for all foreign employment related activities, and for regulation of the process of migration and recruitment agencies (Government of Sri Lanka, 1985). Two related institutions were also set up: the Sri Lanka Foreign Employment Agency (SLFEA) to manage public sector placement functions and the

Association of Licensed Foreign Recruitment Agencies (ALFEA) to coordinate activities of private recruitment agencies.

With the economic reforms, there was rapid growth of recruitment agencies, particularly since the mid 1990s. There are now almost 700 licensed agencies in addition to thousands of subagents (mostly individuals operating informally and independently) in rural areas, who have links with ALFEA members. The SLBFE has mandated that four ALFEA members to sit on the SLBFE Board.

Table 6: Sri Lanka: Licensed recruiting agencies, end of year, 1985-2007

Year	Number	Year	Number	Year	Number
1985	139	1993	250	2001	528
1986	124	1994	322	2002	538
1987	115	1995	477	2003	524
1988	182	1996	464	2004	581
1989	192	1997	520	2005	582
1990	220	1998	385	2006	607
1991	237	1999	500	2007	691
1992	273	2000	445	2008	626

Source: SLBFE Statistical Handbook 2007

The Ministry of Labour was responsible for administration of foreign employment up to end of 2006 when the Government established a new ministry - the Ministry of Foreign Employment Promotion and Welfare (MFEPW) in January, 2007. The MFEPW took over the management of the two state agencies – the SLBFE and the SLFEA.

4. Migration and labour market interactions

The objective here is to examine the contribution of migration as a safety valve for domestic unemployment. A number of writers have held that migration has become a major source of employment for Sri Lanka. (Arunathilake et al, 2009; Rodrigo 2006; Kageyama, 2006; Karunaratne, 2006).

The open economy policies and liberalization in the post 1978 era has affected the labour market in Sri Lanka in a positive way. The reforms consisted of doing away with the public employment system (job bank and employment exchange system) and replacing it by more market driven forces under the general scheme of liberalization, and reducing the role of public sector as a source of employment by privatization and downsizing. The growth of the private sector and the economy generated a large number of jobs, particularly, in free trade zone areas and the export-oriented garment industry. Table 7 shows that total employment grew faster than the total labour force. Both female labour force and female employment growth rates were higher than corresponding rates for men. In regard to migration outflows, the picture is reversed with female migration growing much slower than male migration in both periods. This may also indicate the small starting base of male migration. Even in 1993 female migration was close to 100,000, and since 1994, it has ranged between 108,000 to 134,000. In the last two years particularly it has shown a decline. Male migration however, has almost tripled between 1993 and 2007. Total migrant outflow has recorded an annual growth rate of 3.7 per cent in the period 1993-2007, but has slowed down in the period since 2000.

Table 7: Growth rates of labour force, employment and migrant

		Outflows by sub-periods		
		1993-1999	2000-2007	1993-2007
Migrant Outflow	Male	13.2	8.1	9.1
	Female	1.3	-1.1	1.2
	Total	4.5	2.5	3.7
Labour force	Male	1.5	1.7	2.0
	Female	2.4	2.7	2.4
	Total	1.8	2.0	2.2
Employment	Male	2.2	1.9	2.7
	Female	4.2	3.1	3.3
	Total	2.8	2.3	2.7

Note: All growth rates have been estimated by least squares regression. Source data from Tables A1 and A2.

4.1 Is the labour market situation improving?

Before analysing the interaction between foreign employment trends and the labour market, it would be useful to look at recent trends in labour market. There has been much analysis of the unemployment and labour market trends in Sri Lanka (Nanayakkara, 2004; Heltberg and Vodopivec, 2004; Lakshman, 2004). The major trend is that the unemployment rate has significantly declined from the 1990s when Sri Lanka had one of the highest unemployment rates in the region. The rate of unemployment between 1992

and 2008 has declined from 13.8 per cent in 1993 to 5.2 per cent in the last quarter of 2008 (LMIU online data).

Chart 4 Unemployment rates by sex, 1993-2008



But the overall unemployment figure hides several other important dimensions.

- Female unemployment is much higher than that of males; often more than double that of male unemployment although the gap has narrowed since the mid-1990s. In the first quarter of 2009, the unemployment rate reported for females is 7.9 percent and 4.2 percent for males (DCS 2009). Growth in the garment and textile industries and the demand for housemaids in the Gulf and elsewhere has contributed to reducing the pressure of female unemployment.
- Youth unemployment is much higher than the overall unemployment rate. Unemployed youth (aged 15 – 24) represent around 57 per cent of the total unemployed in the country. Youth unemployment rate (15 – 24 yrs) reported for first quarter 2009 is 19.8 per cent compared to the overall rate of 5.5 per cent (DCS, 2009). In 1998, the share of youth unemployment in total unemployment was 63 per cent which declined to 57 per cent in year 2007 (Table A3). Youth unemployment in Sri Lanka is high compared to international levels, and has remained as a critical social and political issue for policy makers (YEN-NAP, 2006; Lakshman, 2004).

Table 7a: Youth: average annual growth rates of labour force, employment and unemployment (in %)

Variable		1993-1999	2000-2007	1993-2007
Labour Force	Male	-0.5	-2.3	-0.4
	Female	2.1	-0.6	0.0
	Total	0.5	-1.7	-0.2
Employment	Male	2.0	-1.6	1.2
	Female	3.0	-0.4	1.0
	Total	2.3	-1.2	1.1
Unemployment	Male	-2.5	-5.1	-3.9
	Female	-4.1	-1.4	-2.0
	Total	-3.1	-3.4	-3.0

Source: All estimates by least squares regression based on LMIU data reported in Table A3

- Educated unemployment is high in Sri Lanka. The share of unemployed persons with G.C.E.(A/L) and above educational attainments was 14 per cent in total male employed persons in 1998 and went up to 20.3 per cent in 2007. Similarly unemployment among educated females is higher than that of males.
- High share of informal employment in total employment growth. The reduction in open unemployment has been accompanied by a steady movement of economic activity from the formal to the informal sector, which now accounts for nearly 70 per cent of employment in Sri Lanka. The Ten Year Plan (Government of Sri Lanka 2007) noted that the vast majority of workers (70 per cent) worked in the unorganized or informal sector; sometimes in conditions of partial employment, often without adequate access to decent wages or social security protection. The export processing sector in Sri Lanka has also been characterized as mainly a secondary labour market with poor conditions of work and limited social protection (NAP-YEN 2006).

4.2 Contribution of migration to employment in Sri Lanka

4.2.1 Migration and employment links

The direct impact of migration on employment in a given year is the number of migrant workers departing. This has averaged about 200,000 in the last few years although the gender composition has gradually been changing in favour of male workers. The recent experience suggests that a plateau has been reached in regard to the total outflow of workers in the last three years. In contrast both Bangladesh and India have recorded sharp increases in migrant number recently.⁹ It is not clear whether this is due

⁹ For instance, foreign employment which fluctuated between 200,000-300,000 during 2000 to 2005, jumped to 379,240 in 2006 and then saw a phenomenal increase to 832,363 in 2007 and 879,952 in 2008, according to the Bangladesh official data provided by the Ministry of Expatriate Welfare and Overseas Employment. In India, the outflow was 455,456 in 2003, which has steadily risen to 809,453 by 2007.

to better coverage of statistics or the result of their promotional campaigns. At the same a number of Sri Lankan workers who have completed their contracts return. Thus what matters for the labour market is net migration (annual outflow minus annual returns). However, there are no reliable data to estimate return migration. Table 8 relates migration to some important labour market indicators. As a proportion of the total population, migration has averaged about one per cent and in relation to labour force, it has hovered between two and three per cent in the past two decades. It should be noted that both the labour force and employment figures refer to the national level, and by definition exclude workers migrating for foreign employment (Nanayakkara, 2004). Outflow of workers as a ratio of labour force and employment shows major differences for men and women with the latter ranging from 4-6 per cent while for men the range is between one and two. The minor differences between the employment and labour force ratios may reflect the high labour force participation rates for both groups.

Table 8: Outflows of workers in relation to selected labour market indicators

Year	Total outflow as % of population	Male outflow as % of male labour force	Female outflow as % of female labour force	Total outflow s % of total labour force	Male outflow as % of male employment	Female outflow as % of female employment	Total outflow as % of total labour force
1993	0.7	0.8	4.7	2.1	0.9	6.1	2.1
1994	0.7	0.5	5.4	2.1	0.6	6.8	2.1
1995	1.0	1.1	6.2	2.8	1.2	7.6	2.8
1996	0.9	1.0	5.9	2.6	1.1	7.1	2.6
1997	0.8	0.9	5.4	2.4	1.0	6.5	2.4
1998	0.9	1.3	4.5	2.4	1.3	5.2	2.4
1999	0.9	1.4	5.1	2.7	1.6	5.9	2.7
2000	1.0	1.3	5.3	2.7	1.4	5.9	2.7
2001	1.0	1.3	5.5	2.7	1.4	6.3	2.7
2002	1.1	1.5	5.5	2.9	1.6	6.3	2.9
2003	1.1	1.4	5.4	2.7	1.5	6.2	2.7
2004	1.1	1.5	5.0	2.7	1.6	5.7	2.7
2005	1.2	1.7	5.1	2.8	1.8	5.8	2.8
2006	1.0	1.9	4.0	2.7	2.0	4.5	2.7
2007	1.1	2.1	4.4	2.9	2.2	4.8	2.9

Yet some commentators have related the Sri Lankan migrant stock abroad to the local labour force and employment suggesting a much higher contribution of migration (Rodrigo 2006; Karunaratne 2006, Arunatilake et al, 2009). As noted above, it is not clear to what extent the stock estimates are reliable. The annual changes have been in the range of 200,000 in the last three years or so compared too much lower increments in previous years. But this is not consistent with the annual changes in outflows. There is a further implicit assumption that all the migrants included in the stock are also engaged in work. The estimate here is different from the diaspora concept because it probably does not include those permanently settled abroad.

The migrant stock to population ratio has more than tripled between 1993 and 2007. Table 9 provides related indicators. The ratio of migrant stock to labour force and employment do not show much difference because of the high labour force participation rates as noted above. Here also one can observe an almost tripling of the relevant ratios during the period. Now out-migration amounts to about one fifth of the labour force and close to a quarter of local employment. The most dramatic indicator is the ratio of the migrant stock to local unemployment – as expected given the divergent trends in the two variables.

Table 9: Stock of migrants and labour market indicators

Year	Migrant stock overseas	Migrant stock as % of total population	Migrant stock as % of total labour force	Migrant stock as % of total employment	Migrant stock as % of total unemployment
1993	460,000	2.6	7.6	8.8	55.4
1994	500,000	2.8	8.2	9.5	62.7
1995	550,000	3.0	9.0	10.3	73.4
1996	600,000	3.3	9.6	10.8	85.2
1997	710,000	3.8	11.3	12.7	107.9
1998	740,000	3.9	11.1	12.2	121.1
1999	785,000	4.1	11.8	12.9	132.9
2000	853,000	4.5	12.5	13.6	164.9
2001	932,500	5.0	13.8	15.0	173.6
2002	970,000	5.1	13.6	14.9	155.0
2003	1,003,600	5.2	13.1	14.3	156.6
2004	1,068,776	5.5	13.3	14.5	160.2
2005	1,221,763	6.2	15.0	16.3	196.0
2006	1,447,707	7.3	19.1	20.4	293.4
2007	1,642,655	8.2	21.9	23.3	367.5

Source: computed from SLBFE data on migrant stocks and LMIU data on employment.

The other direct and indirect effects of overseas migration on employment also need to be considered in analysing the total impact of migration on employment. Migration has helped generate outlets for direct employment in supporting activities such as recruitment agencies, sub-agent services, travel services, banking, and insurance and in other supporting services. Yet no information is readily available on these contributions. Migrant remittances would generate direct employment and also indirect employment through its contribution to the investment and growth. A recent estimate of remittances suggests that with a 10 percent growth in remittances/GDP ratio will lead to a 1.8 percent growth in per capita GDP (Raihan, 2009). Growth in the GDP will generate employment depending on the employment elasticity with respect to GDP which has averaged 0.403 during 1993-2007 suggesting that a one per cent growth in GDP will induce 0.4 per cent growth in employment.

A countervailing factor is the temporary nature of most migration outflows, which may not represent sustainable employment opportunities. The gross migration outflows need to be adjusted for return flows every year to assess the extent of net migration. If one assumes that net migration amounts to 70 per cent of the gross outflows, overseas employment may be only about 150,000 per annum judging by recent figures. Some

returning workers may be re-hired, but the available data does not enable us to estimate these numbers unlike in the Philippines.

International migration should be discussed in relation to internal or rural-urban migration as well. The 2007 World Bank Poverty Assessment study (World Bank, 2007b) contains a detailed discussion of internal migration and its impact on poverty. Rural urban migration is common in Sri Lanka when youth migrate to the cities for better prospects. In Sri Lanka, a majority of the work force who migrate from rural areas to urban centers are employed in the informal sector in low-status, casual jobs, in the construction industry and the Free Trade Zones (Hettige and Mayer, 2002:3; Sivananthiran, undated). There is however, no information to suggest that internal migration serves as a stepping stone for international migration for these youth.

The nature of unemployment, particularly youth unemployment also needs to be assessed in analyzing its linkages with migration. Although unemployment has declined during the 1990s, it still is in the range of eight per cent of the labour force. It is also largely an issue of youth unemployment as highlighted earlier. Unemployment in Sri Lanka has been explained in different ways. One explanation is in terms of the skill mismatch hypothesis which argues a divergence between the type of skills produced by the Sri Lankan education system and labour market needs. The ILO Seers report of 1971 aptly described this as an issue of “matching employment expectations with aspirations” (ILO, 1971). Another popular explanation is the queuing hypothesis which argues that Sri Lanka’s unemployment is voluntary because youth wait for ‘good’ jobs and in the meanwhile depend on family income. The third explanation is in terms of rigidities in the labour market resulting from outdated labour legislation, particularly the Termination of Employment Act which makes it difficult for enterprises to shed jobs even in times of crisis.

The Ten Year plan (Government of Sri Lanka, 2007) explains this phenomenon of queuing as follows: *“Especially among the more educated and relatively more affluent youth, the problem of “voluntary unemployment” exists, implying a conscious decision to wait for a job that matches personal preferences and career expectations instead of taking up an existing and often well-paid employment offer”*. Heltberg and Vodopovic (2004: 29) also conclude that Sri Lanka’s unemployment is mainly a queuing phenomenon, not a poverty phenomenon. If this is the case, most of the unemployed may not be looking for outside employment, and they are also not a labour pool to be considered in selecting overseas migrants. It also may weaken any correlation of unemployment with migration outflows.

4.2.2 Unemployment and migrant outflows

What is the relationship between migration and unemployment? Table 10 provides information on numbers of unemployed and outflows of migrant workers by sex. Theoretically overseas employment should reduce the pressure on the local labour market. It also may create new vacancies for the unemployed if already employed persons migrate. What is relevant is net migration, not gross outflows as noted earlier.

Some have argued that migration had contributed to the reduction of the backlog of unemployment as far back as between 1978 and 1982 (Gunatilleke, 1986: 193, cited in Kageyama, 2006). But the volume of migration was not high during this period in any case. Karunaratne (2006) maintains that structural changes in employment and unemployment in recent years is very important to study to understand migration patterns. He argued that the labour market had operated by creating many push factors for international migration such as low real wages, high unemployment and

underemployment rates, discrimination in terms of gender, age, and sectors in Sri Lanka, but he provides no convincing evidence in regard to the issue of discrimination.

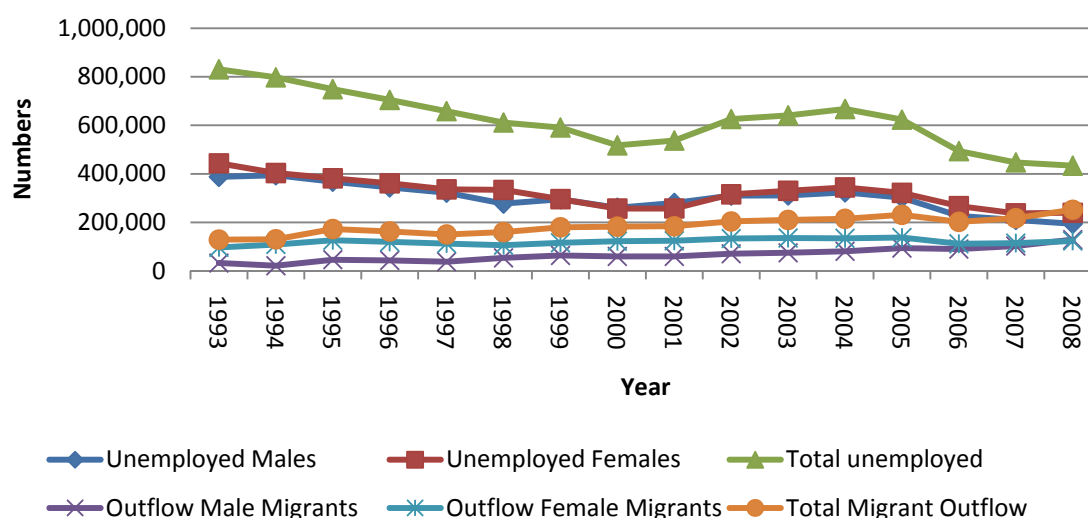
Table 10: Unemployment and migration 1993-2007

Year	Unemployed (number)			Outflows of migrants (number)		
	Males	Females	Total	Males	Females	Total
1993	387,663	443,247	830,910	32,269	96,807	129,076
1994	394,289	403,302	797,591	21,329	108,698	130,027
1995	367,656	381,364	749,020	46,021	126,468	172,489
1996	343,741	360,864	704,605	43,112	119,464	162,576
1997	322,168	336,112	658,280	37,552	112,731	150,283
1998	277,491	333,795	611,286	53,867	105,949	159,816
1999	295,217	295,629	590,846	63,720	116,015	179,735
2000	260,120	257,048	517,168	59,793	122,395	182,188
2001	280,139	257,107	537,246	59,807	124,200	184,007
2002	310,421	315,546	625,967	70,522	133,251	203,773
2003	310,723	330,238	640,961	74,508	135,338	209,846
2004	323,471	343,853	667,324	80,699	134,010	214,709
2005	301,597	321,744	623,341	93,896	137,394	231,290
2006	226,664	266,775	493,439	90,170	111,778	201,948
2007	209,721	237,300	447,021	102,629	114,677	217,306

Source: Unemployment data from the Labour Market Information Unit, Ministry of Labour Relations and Employment; migration outflows from SLBFE.

Figure 4 does not show much relationship between migration trends and unemployment trends with unemployment falling faster than the growth in migrant numbers.

Chart 5 Unemployed numbers and outflows of migrant workers



Annual outflows of workers as a ratio of unemployment have increased almost three times between 1993 and 2007 (Table 11). The increase in the ratio is much more pronounced for male migration though the male and female ratios show a high degree of convergence over the years. This is easily explained because unemployment has generally fallen while migrant outflows have been increasing over the period. Currently annual outflows are about half the volume of unemployment.

Table 11: Migration and unemployment indicators

Year	Male migration as % of male unemployment	Female migration as % of female unemployment	Total migration as % of total unemployment
1993	8.3	21.8	15.5
1994	5.4	27.0	16.3
1995	12.5	33.2	23.0
1996	12.5	33.1	23.1
1997	11.7	33.5	22.8
1998	19.4	31.7	26.1
1999	21.6	39.2	30.4
2000	23.0	47.6	35.2
2001	21.3	48.3	34.3
2002	22.7	42.2	32.6
2003	24.0	41.0	32.7
2004	24.9	39.0	32.2
2005	31.1	42.7	37.1
2006	39.8	41.9	40.9
2007	48.9	48.3	48.6

Source: Calculated from Tables A1 and A2.

- *Are migrants drawn from the unemployed?*

While we do not have information on the former occupations or employment status of migrant workers from the country, it is generally known that a good proportion of professionals, skilled and semi skilled persons are those who were already employed before migration. This especially applies to male workers who were either in the private or public sectors or self employed like technicians, carpenters, masons, etc. It is unlikely that mere unemployment pressures without requisite work experience can guarantee jobs abroad because previous work experience is an important requirement for many of these jobs except elementary occupations such as domestic work.

- *Are migrant domestic workers (Housemaids) participants in the local labour market?*

Some of the most important category of migrant workers - female migrant domestic workers - were probably not in the local labour market prior to departure for overseas jobs and would have been categorised as housewives. Therefore, it is unlikely that they have been recorded as unemployed. In the labour force surveys, they may not satisfy the “actively seeking work criterion”. However, if they were enumerated as unpaid family worker or unemployed, they would have formed part of the labour force. Apart from a

few surveys there is little information to ascertain the labour market status of the migrants, whether at the time of their departure as well as on their return. Jayatissa and Rodrigo (1989) stated that:

“If these female migrants constitute a voluntarily unemployed group, both in the pre-migration phase as well as after return, the labour market implications of the migratory flows will be considerably different from a pattern where migrants come from the ranks of employed and remain so.”

Therefore, migration may not have contributed much to addressing the unemployment problem in a direct manner.

- *Has migration been a solution to the youth unemployment problem?*

According to the National Youth Action Plan (YEN-NAP, 2006), while some studies indicate that young people are willing to migrate in search of higher earnings, others indicate that young people are unwilling to take up the risk of overseas employment. Similarly it is unlikely that overseas employment attracted educated youth in a major way as argued above. While the age distribution shows the youthful nature of the migrants, it is however, unlikely that the bulk of the social science and arts graduates or the Advance Level qualified and above could find jobs in this area. Nananyakkara (2004) states: *“[i]t has not eased the high unemployment among the educated youth, because majority of the job opportunities in the FTZ and abroad especially in the Mid-East are mainly for less educated females.”* Even the local private sector has been reluctant to employ the arts and social sciences graduates who were thought of as lacking practical and employable skills although the prejudice may have largely emanated from their lack of knowledge of English. Work experience is also necessary for skilled jobs abroad which confirms the fact that even skilled migrant workers came from the ranks of the employed.

Table 12 shows the correlation coefficients between migrant numbers and other labour market indicators. Of course, this correlation may not indicate causality. It is interesting that male unemployment and total unemployment have significant negative correlations with male migration and total migration respectively. Female unemployment however, is not significantly correlated although it has the expected negative sign.

Table 12: Correlation of migration outflows with selected labour market indicators, 1993-2007

%	%	Male migration	Female migration	Total migration
Male labour force	Pearson Correlation	.856**	.710**	.915**
	Sig. (2-tailed)	0	0.003	0
	N	15	15	15
Female labour force	Pearson Correlation	.936**	0.448	.875**
	Sig. (2-tailed)	0	0.094	0
	N	15	15	15
Total labour force	Pearson Correlation	.906**	.630*	.922**
	Sig. (2-tailed)	0	0.012	0
	N	15	15	15
Male employment	Pearson Correlation	.892**	.683**	.932**
	Sig. (2-tailed)	0	0.005	0
	N	15	15	15
Female employment	Pearson Correlation	.954**	0.447	.888**
	Sig. (2-tailed)	0	0.095	0
	N	15	15	15
Total employment	Pearson Correlation	.935**	.606*	.935**
	Sig. (2-tailed)	0	0.017	0
	N	15	15	15
Male unemployment	Pearson Correlation	-.771**	-0.106	-.621*
	Sig. (2-tailed)	0.001	0.708	0.013
	N	15	15	15
Female unemployment	Pearson Correlation	-.698**	-0.281	-.633*
	Sig. (2-tailed)	0.004	0.311	0.011
	N	15	15	15
Total unemployment	Pearson Correlation	-.746**	-0.2	-.638*
	Sig. (2-tailed)	0.001	0.474	0.01
	N	15	15	15

Source: Based on Tables A1 and A2.

Note: *Significant at 17% Level; **significant at 10% Level

4.3 Issues in migration and development

A detailed discussion of migration and development linkages in Sri Lanka is not possible within the scope of this paper. I have outlined some of these issues in a previous paper, and shall provide a summary of points only here (Wickramasekara, 2008).

4.3.1 Remittances

One of the most tangible benefits of economic reforms and liberalisation is the phenomenal growth in remittances resulting from migration overseas. Migrant remittances have been a major source of foreign exchange in Sri Lanka from beginning of the oil boom in the 1970s. Table 13 relates remittances to some macroeconomic indicators. They have more than doubled between 2001 and 2006 in dollar terms, and now exceed two billion US dollars annually. Remittances also represent the second highest foreign exchange earner next to garments and textiles followed by tea exports and tourism (Central Bank of Sri Lanka, 2007).

Migrant remittances now account for about eight per cent of GDP. The bulk of the remittances are from the Middle East and its share has hovered between 50 to 60 per cent of total remittances for most of the period (Chart 6).

These represent the officially recorded remittances, and earlier studies indicated that the share of informal remittances was not large (Jayatissa and Rodrigo, 1989; Lakshman et al, 1993). A recent IPS study (Arunatilake et al, 2009) claims that remittances sent through informal channels are estimated to be around 50 per cent, and that the share had grown rapidly in recent years. Yet the study provides any firm evidence to support this point. The general tendency however, in most countries recently has been to channelling of remittances into more regular channels following the 9/11 developments. Some type of money laundering for the Sri Lankan insurgent movement is plausible, especially in the pre-9/11 period.

Table 13: Importance of migrant remittances: Indicators

Year	Remittances US\$ million	Remittance as % of GDP	FDI as % of Remittances	ODI as % of Remittances	Remittances as % of exports	Remittances as % of imports	Remittances per capita US\$	Remittances/ outgoing migrant US\$	Remittances per migrant stock US\$
1993	632	6.1	30.8	104.6	22.1	15.8	3582	489,634	137,391
1994	715	6.1	23.3	84.0	22.3	15.0	3996	549,886	143,000
1995	809	6.2	6.9	68.5	21.3	15.2	4461	469,015	147,091
1996	852	6.1	14.1	57.1	20.8	15.7	4647	524,063	142,000
1997	942	6.2	45.7	35.2	20.3	16.1	5073	626,817	132,676
1998	1023	6.5	18.9	41.5	21.3	17.4	5449	640,111	138,243
1999	1072	6.8	16.5	24.5	23.3	17.9	5629	596,434	136,561
2000	1166	7.1	14.8	23.6	21.1	15.9	6104	639,998	136,694
2001	1185	7.5	14.5	28.0	24.6	19.8	6304	643,997	127,078
2002	1309	7.7	15.0	26.3	27.9	21.4	6887	642,381	134,948
2003	1438	7.6	15.9	47.1	28.0	21.6	7469	685,264	143,284
2004	1590	7.7	14.6	32.0	27.6	19.9	8168	740,351	148,731
2005	1991	8.2	13.7	59.8	31.4	22.5	10122	860,694	162,937
2006	2185	7.7	22.0	36.2	31.7	21.3	10986	1,081,848	150,912
2007	2527	7.8	23.9	23.3	33.1	22.4	12627	1,162,738	153,818

Sources: Calculations based on macroeconomic data on remittances, GDP, ODI and FDI from World Development Indicators 2009; Import and export data from Central bank of Sri Lanka 2008 Annual Report- Special statistical appendix.

The positive impact of migrant remittances on Sri Lanka has been well-documented (Lasagabaster, Maimbo and Hulugalle 2005, Leuth and Ruiz-Arranz, 2007; Aunatilake et al, 2009). Leuth and Ruiz-Arranz (2007) have documented the significant impact of migrant remittances on recipient households, country's development prospects, maintaining macroeconomic stability, mitigating the impact of adverse shocks, and reducing poverty, Kageyama (2006) comes to the rather obvious conclusion that migration and remittances are not the sole solution of poverty alleviation, and that appropriate policies are also needed to address the unexpected adverse effects.

4.3.2 Transnational communities of Sri Lankans abroad

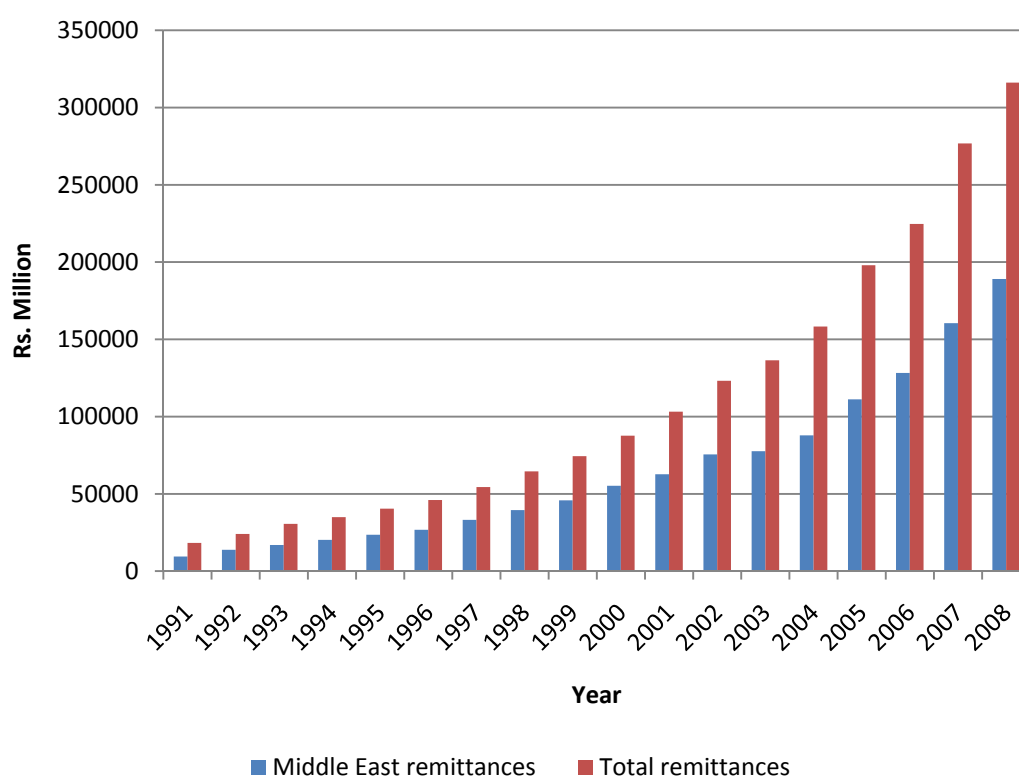
The SLBFE original objectives touch on some of the diaspora contributions: a. to receive donations and contributions from Sri Lankans employed outside Sri Lanka and use such them for the welfare of families left behind; b) to undertake investments on behalf of Sri Lankans employed outside Sri Lanka; and, c) to undertake programmes for the rehabilitation of Sri Lankans who return to Sri Lanka after employment outside Sri Lanka. It is only in the last area that the SLBFE has made some progress in attempting re-integration programmes mostly for returnees from the Gulf.

Current policies in many origin countries focus on overseas communities of nationals as seen by the example of India in establishing a Ministry for Overseas Indian Affairs. The IOM and UNDP (TOKTEN) have implemented limited programmes to bring back skilled persons for short periods to Sri Lanka. The Sri Lanka Ministry of Science and Technology also made a similar attempt in the past (Wickramasekara, 2008). The Sri Lanka Development Bonds introduced by the Government is another example. But these are ad hoc efforts, and a more clear policy needs to be devised.

There is not much evidence of the positive contributions of the diaspora community although the response during the time of the Tsunami was very encouraging. The potential of this option has been made much complex by the conflict situation in Sri Lanka with some ethnic diaspora groups providing means to sustain the conflict¹⁰. Following the successful campaign against the insurgency, the Sri Lankan President has made an appeal for the diaspora to return and make contributions for development o the country. It may however, take some time before a positive response can be felt.

¹⁰ Newland, K. and E. Patrick (2004). Beyond Remittances: The Role of Diaspora in Poverty Reduction in their Countries of Origin, A Scoping Study by the Migration Policy Institute for the Department of International Development, Washington DC, Migration Policy Institute, July 2004.

Chart 6 Sri Lanka migrant remittances, 1991-2008



Source: Central Bank of Sri Lanka data reported in SLBFE Statistical handbook 2008

- *Prospects for expanding overseas migration from Sri Lanka and diversification of skill profiles and destinations of migrant workers, especially of women workers*

The government has accepted skill diversification as a policy goal in relation to overseas migration (MFEPW, 2008). This strategy needs to be coordinated well with the major ministries providing education and training. One example is the emphasis on training for migration of care givers and nurses overseas who can command much better wages and protection. At the same time, attempts must be made to divert unemployed youth into diversified channels. It has been proposed that the National Action Plan on Youth Employment must integrate migration as a specific strategy (Abeysekera-Van Dort, 2006).

The issue of the brain drain has been a cause of major concern in Sri Lanka for policy makers and planners. This is clear from the appointment of a Cabinet committee in 1974 to look into the brain drain issue (Government of Sri Lanka, 1974). The Commission dealt with trends and causes and made a number of recommendations, some of which were implemented (Karunatilake, 1987).

Sri Lankan skilled migration has traditionally been to settler countries – Australia, Canada and New Zealand - and to the UK and the USA. The flow accelerated with the liberalization of Australian and Canadian talent migration schemes. At the same time, some students and those sent for training may have stayed overseas. The Middle East flow is dominated by low skilled and semi skilled workers, but it is known that a sizeable number of professionals also go on contract basis to the Gulf countries. Although these are short term contracts lasting 2-3 years, professionals usually enjoy the benefit of regular renewals and therefore, probably form part of the diaspora.

Since 2007, the Sri Lankan Government has placed particular emphasis on increasing the migration of skilled workers and reducing the outflow of low skilled workers (including women workers who are employed as housemaids). The Ten Year Plan (Government of Sri Lanka, 2007) highlighted 'safe, skilled migration' as the basic strategy to guide overseas labour migration. It specifically referred to areas such as nursing, shipping, computer science, teaching, and other higher skilled occupations, by entering into bilateral agreements with labour receiving nations. The National Labour Migration Policy (MFEPW, 2008) states: “[T]he State shall set in place processes for providing skills to workers and promoting the migration of skilled labour, while paying attention to the need for critical skills at home, and promoting circulation of skills.” This policy of emphasis on migration of skilled persons has raised some concerns whether it would serve to accelerate brain drain from the country. Arunatilake et al (2009) have questioned the wisdom of promoting skilled migration “given labour shortages in some sectors of the economy, particularly those in the health and construction sectors.” To effectively address this issue, one however needs to look at the issue in a broader framework of human resource development in the country, trends in the outflow of skilled migrants, their returns and circulation, and contributions to the economy while abroad.

5. Major challenges facing Sri Lanka

The migration problems facing Sri Lanka are not different from those confronted by other South Asian or major countries of origin in Asia (Wickramasekara, 2002; 2010). These can be summarised under the three heads – governance, protection and development issues as highlighted in a previous review of Sri Lankan migration (Wickramasekara, 2007) and the National Labour Migration Policy (MFEPW 2008).

5.1 Governance issues

The open economy reforms meant that the state role in labour migration was mainly promotional and facilitative. Against this background, the private sector assumed an increasing role as highlighted above with a major migration industry and infrastructure developed. A major governance issue concerns the role of private sector recruitment agencies with malpractices of some agencies and sub-agents leading to high costs of migration and vulnerability of migrant workers. The ALFEA has a code of conduct developed in the 1980s, but there is no evidence of any adherence to the code by members of ALFEA being monitored.

The transfer of responsibility on migration from the Ministry of Labour to a separate Ministry for Foreign Employment Promotion and Welfare has implications for governance. On the one hand, the Ministry of Labour would have been in a better position to address migrant worker problems since migration for employment is a labour market and decent work issue, and social partners have an important role to play. On the other hand, a dedicated Ministry can be expected to devote more attention and resources to the issue of foreign employment. This is also consistent with the trend in South Asia.

Governance issues are more prominent in destination countries, particularly in the Middle East where migrant workers are at the mercy of private employers and sponsors with little government intervention. One step towards rectifying this is the signing of bilateral agreements and Memoranda of understanding. Sri Lanka has managed to do so with a number of countries (Bahrain, Jordan, Libya, Qatar, and UAE in the Gulf, and the Republic of Korea and Malaysia).¹¹ While they may not necessarily ensure a high degree of protection with the private sector mainly responsible for recruitment and treatment of migrant workers, it is indeed a step in the right direction (Wickramasekara, 2005). The model employment contract is another good initiative but lacks teeth in the destination countries. Sri Lanka along with other major Asian countries of origin also faces difficulties in enforcing minimum standards given conditions in the international labour market with competition from other labour source countries.

The legislative framework for overseas migration needs to be revised in the light of new developments. The SLBFE Act of 1985 and the Regulations were enacted more than 24 years ago with only minor amendments in 1994. The following are some of the views in this respect.

- Protection issues have not figured high in the original act although regulation of private employment agencies and welfare activities were expected to ensure protection. Some vulnerable categories, especially domestic migrant workers, have emerged demanding special attention. The 2006 UN Common Country Assessment

¹¹ Information supplied by the SLBFE.

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- for Sri Lanka noted the need for the Government to address the problem of human rights violations and exploitation faced by migrant workers both prior to departure and in receiving countries. It noted, among other things, the exploitation by recruiting agents/sub-agents and the poor working conditions (UN CCA, 2006, 14).
- The legislation and policies are not gender-sensitive. The report of the Committee on the Rights of Women Migrant Workers has suggested that the SLBFE act be amended to include provisions that require the state to apply gender sensitive criteria in policy formulation, among other things (Human Rights Commission of Sri Lanka, 2005). The National Labour Migration Policy has a specific provision to this effect.
 - The legislation does not reflect compliance with the ratified 1990 International Convention. The ratification in 1996 has been a formality with no attempt to modify legislation. The UNESCO report by Iredale and Piper (2005) and NGOs including the Human Rights Commission of Sri Lanka and the Migrant Services Centre have made specific suggestions in this respect. The report of the Sri Lanka Government on the International Convention to the UN Migrant Workers Committee has addressed some of these issues (CMW, 2008).
 - Migrant workers, trade unions and NGOs need to be represented on the board of the SLBFE in addition to recruitment agencies who are already represented.

The lack of policy coherence and coordination in migration issues is another concern with different ministries handling different responsibilities. Foreign employment promotion policies need to be consistent with general development planning policies of the government and coordinated with policies of other concerned ministries such as finance and planning, foreign affairs (immigration and emigration), education, vocational training and health, child development and women empowerment, among others. The National Labour Migration Policy (MFEPW, 2008) recognized this, and proposed an inter-ministerial coordination body.

5.2 Protection issues

As reiterated in the National Policy for Decent Work in Sri Lanka (MLRFE, 2007)¹², migration under risky and unsafe conditions is common despite all safeguards introduced. The basic problem is that there are inadequate opportunities for migration for low skilled workers. High migration costs and lack of awareness of migrant workers about conditions in host economies increase the vulnerability of workers.

Poor conditions of work and abuse and exploitation of migrant workers while in employment abroad are other challenges, which are less amenable to national policy interventions. Housemaids are among the most vulnerable categories in this respect. The National Policy for Decent work (MLFER, 2007) refers to the poor quality of migrant work in low-skilled jobs such as domestic workers/house maids. It adds: *“Given the inherently difficult working conditions associated with these types of jobs, the over reliance on low skilled employment makes decent work principles unrealistic in practice”*.

The analysis of complaints lodged at the SLBFE by migrant workers, indicate the nature of problems experienced while working abroad (Del Rosairo, 2008).

¹² Ministry of Labour Relations and Foreign Employment, National Policy for Decent Work in Sri Lanka, August 2006, Colombo.

Countries of origin face inherent limitations in trying to protect their nationals overseas. Sri Lanka has tried to address the problem through several means: pre-departure orientation and training, especially for housemaids; strict regulation of recruitment agency operations; negotiation of MOUs with destination countries; welfare funds for migrant workers; welfare facilities for families left behind; consular and labour attaché functions in overseas missions with large concentrations of migrant workers; and, an effective complaints mechanism. While the issues of protection are complex, and the government has improved its record over the years.

5.3 Lack of strong links between migration and development

I have discussed some of the issues relating to this aspect above. What is important to highlight is that migration alone cannot be considered a long term development strategy. It is not a solution to issues of low development, poverty and unemployment at home. The NLMP (MFEPW, 2008) recognized this by highlighting that employment for migration should be part of the overall agenda of creating decent work for all citizens and the development of a globally employable workforce. In the long run, Sri Lanka needs to ensure that there is sustainable growth and development at home which can generate decent work opportunities to citizens. This will ensure that migration occurs by choice, and not by need, as stressed by the Global Commission on International Migration (GCIM, 2005).

6. Conclusions

The preceding analysis has focused on labour migration from Sri Lanka through its various phases, and the changing nature of migration flows and policies relating to male-female migration, skilled-low skilled migration, and the regulatory and normative frameworks. The post-1977 economic reforms and liberalization coincided with the Gulf economic boom which facilitated migrant outflows.

It is clear that Sri Lanka is likely to continue as a country of origin for some time in the foreseeable future given the slow growth in incomes and employment.

Data limitations prevent a meaningful analysis of labour migration on the economy. The major impact of migration for the Sri Lanka economy has been expressed in terms of contributions to employment and remittances. It has been argued here that migration has not been a durable solution to problems of unemployment because a good portion of migrants were already employed or not active in the labour market. Most overseas employment is of a temporary nature, and cannot also be considered offering decent work conditions.

The post-1970s period also coincided with active talent migration schemes by several countries including Australia, Canada, New Zealand and the USA. The global trend is for attracting skilled migrants while offering limited and temporary opportunities to low skilled migrants. Sri Lanka is now emphasizing migration of skilled persons, but it needs careful coordination with local labour market needs and human resource development policies.

Like most countries of origin, Sri Lanka has faced a dilemma between promotion of labour migration and protection of national workers overseas. Migrant labour should enjoy their labour and human rights wherever they work, and the open economy model cannot address protection issues. Therefore protection of workers from the free play of market forces and good governance are major issues confronting Sri Lanka's labour migration. The formulation and adoption of a national labour migration policy is indeed a major step in this direction, but its application and enforcement through appropriate legislative and regulatory frameworks is a major need. Thus, Sri Lanka has a major unfinished agenda in terms of governance, protection and development which all stakeholders have to address and contribute in the medium- to long-term. Policies and strategies also need to be finely balanced with a long term vision where decent jobs for the local population need to be generated at home promoting migration by choice – rather than by poverty and need.

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Table A1: Departures for foreign employment by sex, 1986-2006

Year	Male		Female		Total
	No.	%	No.	%	
1986	11,023	67	5,433	33	16,456
1987	10,647	66	5,480	34	16,127
1988	8,309	45.1	10,119	54.9	18,428
1989	8,680	35.1	16,044	64.9	24,724
1990	15,377	36.1	27,248	63.9	42,625
1991	21,423	33	43,560	67	64,983
1992	34,858	28	89,636	72	124,494
1993	32,269	25	96,807	75	129,076
1994	21,329	16.4	108,698	83.6	130,027
1995	46,021	26.7	126,468	73.3	172,489
1996	43,112	26.5	119,464	73.5	162,576
1997	37,552	25	112,731	75	150,283
1998	53,867	33.7	105,949	66.3	159,816
1999	63,720	35.5	116,015	64.5	179,735
2000	59,793	32.8	122,395	67.2	182,188
2001	59,807	32.5	124,200	67.5	184,007
2002	70,522	34.6	133,251	65.4	203,773
2003	74,508	35.5	135,338	64.5	209,846
2004	80,699	37.6	134,010	62.4	214,709
2005	93,896	40.6	137,394	59.4	231,290
2006	90,170	44.7	111,778	55.3	201,948
2007	102,629	47.2	114,677	52.8	217,306
2008	128,821	51.1	123,200	48.9	252,021

Source: Sri Lanka Bureau of Foreign Employment, Statistical Handbook 2008: 1994 figures from Yapa (1995)

Table A2: Labour force and employment, 1993-2007

Year	Labour Force			Employed (Numbers)			Unemployed (Numbers)		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
1993	3,989,442	2,042,942	6,032,384	3,601,779	1,599,695	5,201,474	387,663	443,247	830,910
1994	4,072,937	2,005,927	6,078,864	3,678,648	1,602,625	5,281,273	394,289	403,302	797,591
1995	4,068,607	2,037,530	6,106,137	3,700,951	1,656,166	5,357,117	367,656	381,364	749,020
1996	4,200,888	2,041,002	6,241,890	3,857,147	1,680,138	5,537,285	343,741	360,864	704,605
1997	4,184,255	2,081,906	6,266,161	3,862,087	1,745,794	5,607,881	322,168	336,112	658,280
1998	4,281,995	2,378,527	6,660,522	4,004,504	2,044,732	6,049,236	277,491	333,795	611,286
1999	4,402,714	2,270,782	6,673,496	4,107,497	1,975,153	6,082,650	295,217	295,629	590,846
2000	4,474,597	2,325,715	6,800,312	4,214,477	2,068,667	6,283,144	260,120	257,048	517,168
2001	4,529,016	2,243,818	6,772,834	4,248,877	1,986,711	6,235,588	280,139	257,107	537,246
2002	4,705,585	2,439,796	7,145,381	4,395,164	2,124,250	6,519,414	310,421	315,546	625,967
2003	5,144,206	2,509,510	7,653,716	4,833,483	2,179,272	7,012,755	310,723	330,238	640,961
2004	5,372,897	2,688,457	8,061,354	5,049,426	2,344,604	7,394,030	323,471	343,853	667,324
2005	5,436,362	2,704,985	8,141,347	5,134,765	2,383,241	7,518,006	301,597	321,744	623,341
2006	4,837,307	2,761,454	7,598,761	4,610,643	2,494,679	7,105,322	226,664	266,775	493,439
2007	4,862,788	2,626,107	7,488,895	4,653,067	2,388,807	7,041,874	209,721	237,300	447,021

Source: LMIU, Online Labour Statistics, Labour Market Information Unit, Ministry of Labour and employment Relations, Government of Sri Lanka. <http://www.lmi.lk/lmidata/statistics.php>

Table A3: Youth: Labour force, employment and unemployment, 1993-2007.

Year	Male youth labour force	Female youth labour force	Total youth labour force	Male youth employed	Female youth employed	Total youth employed	Male youth unemployed	Female youth unemployed	Total youth unemployed	Male youth unemployment rate	Female youth unemployment rate	Total youth Unemployment rate
1993				587,090	340,735	927,825	246,166	207,883	454,049	29.5	37.9	32.9
1994				610,656	296,486	907,142	256,682	218,993	475,675	29.6	42.5	34.4
1995	904,704	501,748	1,406,452	632,502	311,070	943,572	272,202	190,678	462,880	30.1	38.0	32.9
1996	937,056	489,625	1,426,681	673,866	292,296	966,162	263,190	197,329	460,519	28.1	40.3	32.3
1997	826,720	551,762	1,378,482	612,953	348,337	961,290	213,767	203,425	417,192	25.9	36.9	30.3
1998	876,712	590,506	1,467,218	660,863	391,737	1,052,600	215,849	198,769	414,618	24.6	33.7	28.3
1999	913,262	506,694	1,419,956	675,573	359,268	1,034,841	237,689	147,426	385,115	26.0	29.1	27.1
2000	918,163	479,139	1,397,302	735,679	331,263	1,066,942	182,484	147,876	330,360	19.9	30.9	23.6
2001	904,232	498,444	1,402,676	701,290	345,374	1,046,664	202,942	153,070	356,012	22.4	30.7	25.4
2002	909,034	568,316	1,477,350	723,030	377,726	1,100,756	186,004	190,590	376,594	20.5	33.5	25.5
2003	1,008,850	597,978	1,606,828	781,932	405,482	1,187,414	226,918	192,496	419,414	22.5	32.2	26.1
2004	1,015,843	617,817	1,633,660	788,112	394,092	1,182,204	227,731	223,725	451,456	22.4	36.2	27.6
2005	977,143	543,889	1,521,032	780,333	342,315	1,122,648	196,810	201,574	398,384	20.1	37.1	26.2
2006	792,787	500,755	1,293,542	654,384	359,496	1,013,880	138,403	141,259	279,662	17.5	28.2	21.6
2007	745,051	449,425	1,194,476	617,869	323,134	941,003	127,182	126,291	253,473	17.1	28.1	21.2

Source: LMIU, Online Labour Statistics, Labour Market Information Unit, Ministry of Labour and employment Relations, Government of Sri Lanka. <http://www.lmi.lk/lmidata/statistics.php>