

Socio- Economic and Political Perspectives of Sri Lanka During 1975- 90

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Introduction

This essay surveys the changes that have taken place in Sri Lanka since 1975, and how these changes have affected socio-economic and political perspectives. Firstly, it examines the implications of increasing population, coupled with an expansion of school enrolments and accompanying unemployment among youth, which contributed to unsettled economic and political conditions in the 1980's. Secondly, it looks into the defects of the Trade Liberalisation Policy introduced in 1977 and the performance of the economy during the period which followed.

In post-1975 Sri Lanka, though significant reforms had been introduced in the political and economic structure, these appeared not to have addressed the soaring unemployment among youth, despite the fact that it had been a serious problem for more than a decade. This issue came to the forefront in the eighties when the problem of unemployment was linked to youth unrest, disrupting economic activity and causing political uncertainties. The youth revolt of the late 1980's was more serious than that of the 1971 insurrection, both of which were organised by the JVP. The ethnic conflict in the North, where Tamil militants calling for a separate state took to arms and the youth revolt in the rest of the country had a direct bearing on the economy, as resources had to be diverted for defence expenditure. Even though it has been claimed that the former is primarily for political reasons, it appears that in both cases, economic factors have contributed to youth unrest. For nearly seven

years both groups resorted to violence against the state causing political and economic instability. The youth revolt led to total breakdown in law and order and a state of political crisis.

In the economic sphere, with the Trade Liberalisation Policy, there was rapid economic growth, a rise in the rate of investment, an increase in industrial exports and a reduction in unemployment. But this was short-lived, and by the mid-eighties, this growth and development could not be sustained. In the late eighties, there were three successive years of virtual economic stagnation, leading to an economic crisis.

Thus both politically and economically, the eighties have been the most traumatic period in the recent history of Sri Lanka.

Population and Labour Force

Sri Lanka's population has more than doubled since 1950 from around 8 million to 13.5 million in 1975 reaching 16.8 million by 1989. The low projection for all ages for the year 2001 is 20 million while the high projection is 21.3 million (1).

The annual rate of growth of the population, which was 1.9 per cent in 1975, increased to 2.2 per cent in 1980 and by 1989, the population was increasing at the rate of 1.3 per cent per annum. The average annual rate of growth of the population for the period 1975-1989 was 1.9 per cent, which was relatively a high rate of growth. Therefore, despite the declining trend in the rate of population growth the size of the annual additions has remained in the region of 200,000.

In 1971, about 22.5 per cent lived in urban areas and 77.5 per cent were in rural areas, while in 1985, 21.4 per cent were in urban areas and the rest in rural areas. Thus during 1971-85, there had been no considerable variation in the sectoral distribution of the population.

During 1971-85, the labour force which was at 4.4 million, increased to 5.9 million and out of the total labour force, 67.2 per cent were males and 32.8 per cent were females (2). Compared with the past, the present labour force is swollen with those who have higher educational qualifications and attainments. The labour force projection for 1991 and 2001 is 7.5 million and 9.1 million respectively (3).

The increase in population had been mirrored in both the school enrolments and the demand for higher education.

School Enrolments

In 1981, Sri Lanka's literacy levels had reached 87.2 per cent compared with 78.5 per cent in 1971 (4). Thus the overall level approached 90 per cent by the early 1980's. Female literacy is not as far below male literacy as it was several decades ago.

In 1981, out of 3,371,860 persons who were in the age group 5-14 years, 2,831,960 attended school. In the country as a whole, this was about 84 per cent, compared with 65 per cent in 1971. By 1988, the total number of pupils attending school was 3,938,062 (5). Thus Sri Lanka has made substantial progress in the schooling of young children, although universal attendance is yet to be achieved.

The number of students who applied to sit for the GCE (Ordinary level) examination in 1975 was 323,323. By 1989 this number had increased to 555,624 (6). Thus during the period 1975-89 the number of students increased by 72 per cent.

The number of students who applied to sit for the GCE (Advanced level) examination during 1975-89 increased by about 200 per cent.

Year	Number of candidates
1975	48,432
1980	153,803
1985	104,158
1989	144,808

In 1989, out of 555,624 who sat for GCE (Ord. level) examination, only 144,808 qualified to continue with their studies. The rest were dropouts who looked for other avenues of self-advancement, or joined the ranks of the unemployed. According to past statistics, nearly 80 per cent dropped out of the formal education system before, or after completing the GCE (Ord. Level) examination. Only about 1.5 per cent enter universities.

University Enrolments

At present there are nine full-fledged universities including the Open university. The following table shows the increase in university enrolments since 1975 (7).

Year	Number admitted	Number eligible
1975	3,942	15,023
1980	4,857	29,698
1986	6,208	24,004
1987	6,143	31,079
1988	6,100	34,491

During 1975-88, the number eligible for university admission increased by about 130 per cent, while admissions increased by 55 per cent.

In 1988, about 140,160 sat for the GCE (Adv. Level) examination, out of which 34,491 were eligible for university admission. But the actual number admitted to universities was 6100. The rest turned away in disappointment at not being able to continue their studies and many also left in frustration as their chances of finding employment were not great. Among university graduates, those who graduated in Arts and Humanities had little hope of gaining employment. Partly as a result of this, universities became centres of youth unrest in the country, universities remained closed for most of the period between 1987 and 1989 (inclusive). During 1987-89, universities were opened twice, but had to be closed due to interruptions by some of the students.

During the past decade, among the unemployed, there was an increase in the number of persons with secondary and higher qualifications. For instance, in 1985, 37.5 per cent of those with GCE (Ord. Level) were unemployed, while the figures for Advanced Level and degree were 44.1 per cent and 23.2 per cent respectively. In 1989, there were gradu-

ates who had been unemployed for more than seven years. Among them were 520 medical graduates who had been unemployed for two years. By mid-1990, there were 8000 graduates registered as unemployed.

During the 80's large numbers of young people were leaving schools and universities with employment expectations, but were disillusioned when they could not find employment. Thus there was an imbalance between the demand and the availability of jobs. This raised the level of educational qualifications needed for employment.

Unemployment

During the period 1978-80, the rate of unemployment showed a declining trend. From 24 per cent in 1977, the unemployment rate dropped to 15 per cent by 1978/79. By 1982, unemployment had fallen to around 600,000 which was about 12 per cent of the labour force (8). The reduction of the incidence of unemployment during 1978-82 can be attributed to increased economic activity, employment created in the Free Trade Zone and significant emigration, particularly to the Middle-East.

The number of unemployed increased during the years which followed and by 1986/87 the unemployment rate was around 17 per cent (9). The vast majority of the unemployed belonged to the age group 14-25 years.

Nearly 70 per cent of the unemployed were in the rural sector. This was due to the fact that most of the employment creating economic activities were largely concentrated in the urban sector. In some of the rural districts unemployment had in fact, increased because of declining rural activity and movement of resources to urban sectors.

Unemployment figures (in '000s) for selected years

1975	986.0
1978	1,005.7
1980	857.1
1985	840.2

Unemployment continued to rise and by 1988, the unemployment figure had risen

to 1.2 million which is about 18-20 per cent of the labour force (10).

If jobs are to be created for the one million already unemployed and also for young people coming into the labour force, it has been estimated that the economy will have to grow at an average rate of 10 per cent per annum. With a growth rate of 2.3 per cent in 1989, it seems very unlikely that this target can be achieved.

With increasing population the unemployment situation became acute. The mismatch between education and employment and the gradual decline in avenues of employment caused chronic unemployment among the young.

In the 80's, increasing unemployment among the youth caused frustration and unrest and culminated in widespread violence, destruction of property and loss of human life. In the late 1980's, the youth who revolted, sought to wrest political power by force and terrorism, bringing about a state of anarchy.

By the end of September 1989, the military offensive against the hard-core insurgents was at an end and the country returned to normalcy. A presidential Commission on Youth was appointed in October 1989 to inquire into the causes of youth discontent and unrest. The Commission found deficiencies in the educational structure and to avoid future insurrections proposed reforms as a matter of urgency (11).

One of the major problems which the report highlighted was the lack of coordination between education and employment in Sri Lanka. This was given as the primary reason for youth unrest and it was suggested that this problem be dealt with effectively by the educational system to avoid future repetitions.

Economic Performance

In 1977, with the introduction of the Trade Liberalisation Policy, Sri Lanka experienced unprecedented growth. But this growth momentum was short-lived.

Reforms promulgated in 1977 advocated an increasingly greater role for market forces, for the private sector and for removal of controls on economic ac-

tivity, thus creating an open market economy. The implementation of new economic policies coincided with a higher economic growth rate which averaged more than 6 per cent per annum during 1978-80 period.

In 1980, even though the growth rate was 5.5 per cent, which was less than that projected, it was higher than the average increase in the past decade. The slow growth had been attributed to the low level of production in the plantation sector, poor performance in the manufacturing sector and the virtually stagnant construction sector..

The growth rate in 1985 increased by 5.3 per cent compared with 5.1 per cent increase in the previous year. During the period 1978-86, the average rate of growth of the real GDP was 5.5 per cent. By 1987, the growth rate had declined to 1.5 per cent, and the average for 87-88 was a mere 2 per cent, the lowest since 1971 (12). The following year showed an increase of 2.7 per cent. In 1989, which was worst affected by civil disturbances and work stoppages, a growth rate of 2.3 per cent was recorded (13). Economic growth under post-1977 economic reforms has been mainly attributed to the expansion of the service sector, as the growth of the construction sector was short-lived, while the agricultural and manufacturing sectors were highly volatile (14). During the period 1978-84, nearly two-thirds of the increase in GDP had originated in this sector. After 1985, with a slackening off in the service sector, there was an overall slowing down in the economy.

During the years preceding 1989, economic growth had been restrained due to:

(a) **Declining international price levels for primary commodities.** The prices of Sri Lanka's traditional exports tea, rubber and coconuts were at their lowest levels since the World War II. In addition, rubber and coconut production recorded a decline during 1987-88. Prior to 1978, these three crops which had earned about 85 per cent of the total export earnings of the country declined to about 37 per cent in 1987 (15). Sri Lanka is still dependent on primary products for economic viability.

(b) **Ethnic conflict and civil disturbances.** This had a twofold effect. Firstly, it affected tourism which is an important foreign exchange earner. Secondly, the increasing cost to the economy which had been estimated at Rs. 50-55 billion.

(c) **Increasing allocations from the budget for defence expenditure.** The defence expenditure for 1990 was 10.2 billion while the estimated figure for the 1991 budget is 11 billion. In 1989, the second highest vote (Rs. 8.9 billion) was for defence which was 8.3 per cent of total expenditure. In 1987 and 1988, it was 16.8 per cent and 11.5 per cent, respectively.

(d) **Adverse weather conditions.** The prolonged drought in the North Central, North Western and Southern provinces reduced agricultural production to low levels, resulting in a higher import level of rice in 1989. The severe floods in the Western and Sabaragamuwa provinces also caused damage to crops.

(e) **Weakened balance of payments situation.** Sri Lanka's terms of trade deteriorated steadily from 1978. The garment industry, which is the main export-oriented industry, was adversely affected by import quotas set by developed countries. Garments and tea are Sri Lanka's largest exports, and account for 55 per cent of the country's export earnings.

In addition to the above, other constraints on economic growth were: a growing current account deficit, large interest payments on government debt, a decline in external assistance and lower than expected levels of productivity resulting from massive investment programmes undertaken in the past.

All these factors had serious effects on Sri Lanka's economic performance during the past few years.

Conclusion

In Sri Lanka, during the late eighties, there were signs of a political crisis as well as an economic crisis. The ethnic conflict, terrorist activities by the JVP, slowing down of economic activity and so on caused political and economic instability.

Increasing unemployment among the young led to youth revolt in the late 1980's. Towards the end of 1989, the youth revolt was subdued. This was followed by the appointment of a Presidential Commission to look into the causes of youth unrest. Its report was published early this year. Since then, certain steps have been taken by the Minister of Education and Higher Education and the University Grants Commission to reorganise the educational structure.

With the Trade Liberalisation Policy in 1977, there was growth and development. But during the late 1980's the general economic environment weakened and since then economic performance declined. The average growth rate for the three years 1987-89 was a mere 2 per cent compared with an average growth rate of about 6.6 per cent over the three years from 1978-80. The growth momentum of the Open Economy could not be maintained and economic growth reached unprecedented low levels.

As with slow economic growth, unemployment also slackened in the late 1980's equalising pre-1975 levels. Post-1977 reforms were particularly urban biased and were not focussed on rural districts which became 'breeding grounds' for youth unrest.

In addition to internal constraints on the economy, exogenous factors such as weakened balance of payments, deteriorating terms of trade, declining prices for traditional exports etc., as well, contributed to the slowing down of the economy.

Towards the end of 1990, the Gulf crisis made matters worse for the shrinking economy. Oil prices soared, remittances from Middle-East workers declined and tea exports were disrupted (45.1 per cent of tea production were exported to the Middle-East), causing balance of payments problems. The rising oil prices and the UN-imposed trade embargo had a severe effect on the demand for exports of Sri Lanka.

Thus, the uncertainties and instability of the 1980's manifested themselves in political and economic crises, causing a deterioration in the social and economic infrastructure of the country.

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