

UNEMPLOYMENT IN SRI LANKA : TRENDS, PROFILES AND ISSUES*

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Unemployment in the Economy : Levels and Trends

Out of Sri Lanka's current population of 17 1/2 million, over 13 million are in the working age. Around 7 million of such population are in the labour force. The latest estimates (excluding the troubled Northern and Eastern Provinces) classify 5.23 million (i.e. 86.2% of the total) as gainfully employed and 0.84 million (13.8%) as being in involuntary unemployment. (Quarterly Labour Force Survey, 4th Quarter, 1993).

Monitoring of change at the national level over the last decade is handicapped by the partiality of coverage of the more recent surveys which exclude the Northern and Eastern provinces where the prevailing security disturbances preclude successful enumeration. If a correction factor is used to estimate All-island levels from such QLFS data, the aggregate unemployment level would work out to between 0.9 - 1.0 million. This is an increase of more than 14% over the level of 786,000 reported for 1985/86.

Statistics on the extent of unemployment as compiled from different surveys are brought together in Table 1. Comparisons need to take due account of differences in definition, coverage and estimation procedures in the individual surveys. A distinguishing feature of the economy is that reported open unemployment rates have remained at double-digit level throughout the last 2 1/2 decades. Contributing to this phenomenon from the supply side was the expansion of the labour force in the 60s and 70s at around 3%, reflecting the coming of age of the baby boom generation of the post-war years (e.g. high birth rates of between 3-4% in the 1950s & 60s) and the rise in female labour force participation rates (which increased from 26/27 % in 1980 to 33% in 1985 and to 39% by early 1990). Between 1980/81 and 1990 the female labour force grew by 5.4% while the male labour force grew by less than 1% per annum. (Alailima, 1991).

Projections for 2000 A.D. estimate a work force of 8.4 million divided between sexes in the ratio of 5.9 million male : 2.5 million female. The annual addition to the labour force in the 90s is projected at between 140-162 thousands. (M/y H & WA, 1992). This implies a growth rate of around 2% per annum compared to the projected population growth of 1.1% per annum.

Employment Generation : 1970s and 1980s

The economy's employment performance over the decades has been uneven. Analysts have sought to explain such asymmetry with reference to the economy's uneven growth performance. (e.g. Kelly, 1993). The Population Censuses of 1971

* Based on a paper presented at the seminar on "Unemployment" held at NARESA on 29th July 1994.

and 1981 suggest employment in the economy to have grown by about 1.2% per annum on average during this decade. The 70s was a decade of uneven output (GDP) growth averaging around 3% a year in the first three quarters and subsequently picking up to an average of 6 1/2% per annum in the final quarter. Reflecting this pattern, unemployment worsened in the early years and subsequently saw some alleviation as the decade closed. This turn-around coincided with the economic policy reforms of late 1977 which made a radical break from the controlled and inward-oriented economic policy stance of the preceding decade and half.

Compared with the average position for the 70s, employment absorption in the 80s has been recorded at a higher level. Performance within the latter decade has shown variation, nevertheless. GDP growth averaged to 5.2% per annum in the first half but slipped subsequently to 3.0% p.a. in the second half. The slow down reflected the combined effect of global circumstances (recession, protectionism, second oil price hike etc.) as well as of internal adversities of bad weather (drought 1985/87, 1989; floods 1991 etc.) and the ethnic conflict/civil war situation which has lasted a full decade now. A continuous time series is not available on the employment and unemployment parameters, but, accompanying these output reversals, the indications are that as the decade progressed employment absorption decelerated from the levels recorded earlier at the dawn of the decade.

Identifying developments behind the ups and downs in employment performance, a major contribution to employment generation in the late 70s/early 80s came from the Government's large public investment programme and the expansion of private sector economic activity stimulated by the liberalisation strategy. Some reversals were experienced under the removal of protection hitherto enjoyed by local industry (e.g. textile manufacture) but were counter-balanced by gains in the expanding sectors. Employment in the Middle East which was aided by liberalised travel provided a further outlet to relieve pressure in the domestic market. The repatriation of Indian immigrant labour under the Indo-Sri Lanka Pact of 1964 and its amendments provided another relief mechanism.

By the mid-80s, some factors which had been pushing up employment had begun to lose their vigour and dynamism. The major construction phase of the Mahaveli programme was drawing to an end and no new projects were being commissioned. Deficit spending by the government had in 1980 hit a peak level of 24% of GDP and contributed substantially to inflation (e.g. an increase of 26.% in the Consumer Price Index in 1980). Some discipline in public spending was accordingly called for. Meanwhile, some decline had set in, in construction and in the hotel industry in a context of recession. Adding to the difficulties, ethnic and civil violence was disrupting normal economic activity. The adverse security situation led to set backs in civilian employment, but recruitment to security services developed into a major employment outlet for male youth.

A feature for concern is the slow down in employment generation suggested by the QLFS data for the early 90s. For 1991-1993 aggregate employment (North and east excluded) is reported at around 5 million. This slackening/stagnation coincides with the deceleration of GDP growth in 1991 and 1992 (4.6% in 90/91, 4.3% in 91/92) from the higher pace (6.2%) realized in 1990. Whether such set-back is a transitory phenomenon or a new trend needs to be ascertained carefully.¹ The phenomena could in part be a manifestation of the reversals in the labour market associated with the second phase of structural reforms (e.g. curtailment of the public sector).

The Challenge of Unemployment

The challenge before the economy on the job front can be illustrated by a simple statistical calculation. On current projections a little over a million persons (i.e. 730,000 males and 350,000 females) will enter the labour force over the period 1993 to 2000 AD. The annual addition would on this computation average to 150,000. This is the number of job outlets which would have to be generated - within or outside national frontiers - to prevent a deterioration of unemployment from its current levels. There is however the further backlog of 0.9 to 1 million persons in open unemployment in 1993. Adding this to the projected increment, the economy will need to provide employment outlets to the tune of 2 million (i.e. 286,000 per annum) over the 7 year period if the problem of unemployment is to be solved by 2000 A.D.. Work opportunities so created would also have to be in agreement with the supply characteristics of the labour force.

These computations also do not take into account the numbers in under-employment or additional persons that may be attracted to the labour market from non-labour market pursuits if job opportunities were to open up on a significant scale. Results from several household surveys (CFS, 78/79; LFSES, 80/81; QLFS 90 etc.), although not always compatible, suggest around a fifth of the employed as having an employment of less than the normal duration and looking for (or prepared to accept) additional work. Analysed by sector, these 'under-employed' show a heavy concentration in the primary sector (around 50%), followed by personal services and manufacturing (1990/91 surveys). Under-employment appears to be a persistent problem and would explain the low income position of a substantial slice of the working population - the working poor. A World Bank study in 1990 contends that poverty in Sri Lanka is not so much the result of unemployment as it is of low earnings.

“... the poor engage themselves in activities of low marginal productivity but are classified as 'employed' according to survey definitions of employment” (World Bank, 1990. p. 18).

1 The labour force figures in the Quarterly Labour Force Surveys do not include the country's security forces. Nor is outmigration for employment overseas captured in these statistics. These two have been major labour absorbing sectors/activities in recent years.

The breadth of the definition used for employment in the current surveys since 1985/86 (i.e. a person who worked for pay, profit or unpaid family gain for one hour or more during the preceding week) would have captured a large segment of underemployed within the numbers officially reported as employed. The need to enhance their productivity and earning capacity to bring a decent level of living within their reach requires little elaboration.

Table 1: Estimates of Unemployment in Sri Lanka.

Year	Source	Total	As % of Lab. Force
1973	Consumer Finance Survey Central Bank (CB)	1,000,000	24.0
1975	Labour & Land Utilisation Survey	984,000	19.9
1978/79	Consumer Finance Survey, CB	874,000	14.8
1980	Labour Force & Socio-Economic Survey, (Dept./C & S)	857,168	C 15.3
		863,529	U 15.1
1981	Census of Population	897,000	17.9
1981/82	Consumer Finance Survey, CB	609,000	11.7
1985/86	LFSE Survey, 1985/86	786,170	C 13.2
1986	Irwin (Estimate)	1,100,000	16.0
1990	Labour Force Surveys, 1st Quarter	1,005,081	C 14.4
		1,152,925	U 18.5
	Qrs 2,3,4 Av. (7 provinces)	953,795	C 15.8
1991	Av. 4 quarters (7 provinces)	861,680	C 14.7
1992	Av. 4 quarters (7 provinces)	845,957	C 14.6
1993	Av. 4 quarters (7 provinces)	830,910	C 13.8

Notes : LFS data from 2nd Quarter 1990 are in respect of 7 provinces only (i.e. exclude Northern and Eastern Provinces).

C = Current status (i.e. persons who did not work but were looking for or available for work during the past 4 weeks)

U = Usual status (i.e. persons available/looking for work during the major part of the economically active period of the past 12 months).

Sources : As indicated in the Table.

Unemployment entails resource waste. Apart from this dimension, a situation of having close upon a million of the country's work force in open unemployment and a further 20% or more of the employed labour force in underemployment has obvious implications for income distribution and poverty. Notwithstanding the controversies that surround the demarcation of a poverty line, research studies (Marga, 1981; Alailima, 1986; Gunaratne, 1985 etc.) have estimated a fifth or more of the total population as subsisting below the poverty threshold. Some place the figure higher, on the argument that almost 50% of the population qualified for Food Stamps.

An unduly long wait to secure a livelihood or the prospect of being eventually compelled to settle down to a job which is not in line with one's aptitudes/expectations also breeds frustration and could manifest itself in socially detrimental behaviour as demonstrated in the youth insurrections of 1971 and the late 80s. Situations of prolonged unemployment/underemployment similarly have adverse implications for personality development. From the point of saving and investment too, chronic unemployment has undesirable consequences when families have to divert funds for extended periods for maintaining their unemployed members. Recognition of the pressing nature of the issue is evident in the acknowledgement of the unemployment problem by the President of the Republic in 1977 as 'priority No. 1, priority No. 2 and priority No. 3'.

The Unemployed Work force : Structural Characteristics

Any serious attempt at alleviating unemployment requires an understanding of the characteristics of the job aspirants. The profile of unemployment as revealed by the latest Labour Force Surveys is summarised in Table 2 and as visible from the table, unemployment is skewed towards young, first-job seekers. The overwhelming majority (i.e. 78%) of the reported 0.8 million unemployed are below 30 years. 58% are in the 15-24 age cohort and as many as one-third of the 15-24 year-olds in the labour force are unemployed. For men unemployment rates peak in the 15-19 year age cohort, and for women, in the 20-24 age range. Most are looking for their first job.

By location, the countryside contains more than three-fourths of the unemployed but the rate of unemployment is higher in the urban sector (16%).

In the reported unemployment figures, females currently outnumber males. Over a fifth of the females in the labour force are unemployed compared to one in every ten males.

A distinguishing characteristic of the Sri Lankan profile is the high incidence of unemployment among educated groups. Over 46% of the unemployed possess qualifications of GCE OL or higher. For females the percentage is higher at 51% compared to 36% for males. What is also striking is that unemployment rates rise with the level of educational attainment (Table 2).

By duration, the picture that emerges from the surveys is that three-fourths or more of the openly unemployed remain in unemployment for 1 year or more.

A comparison of the profile of expectations of the labour market entrants with the occupational profile of the current employed labour force can provide useful insights for employment planning. Examining employment preferences, 30% of the unemployed desire employment in professional/ technical/clerical occupations. In the current employment profile these three categories comprise only 11% of all employed. In a predominantly agricultural economy where agriculture provides the livelihood for 40-45% of the labour force currently, the percentage that expressed an interest in a job in agriculture is marginal. The

surveys confirm the mismatch between job opportunities and job expectations repeatedly highlighted by studies on the unemployment issue. (e.g. ILO, 1971; Bowen, 1990; Kelly, 1993.)

Table 2 : Profile of Unemployment, 1993.

Sector :	Urban 20.6%	Rural 79.4%	= 100
(Unemp. rate :	Urban 16.1%	Rural 13.2%)	
Sex :	Male 46.7%	Female 53.3%	= 100
(Unemp. rate:	Male 9.7%	Female 21.7%)	
Duration of Unemp.	Less than 6 Months 14.4%	6 to less than 12 months 8.0%	12 months & more 77.6%
Age:	% of all unemployed (Av 1993)	Unemp. rate (%) (unemp/LF) (2nd Qr)	
0-14 yrs.	1.1	47.8	
15-19	20.2	38.6	
20-24	38.1	30.9	
25-29	18.7	18.4	
30-34	10.0	7.4	
35-39	5.3	8.3	
40-44	3.3	3.7	
45-49	1.6	1.6	
50-54	1.1	0.9	
55 & +	0.5	0.2	
All	100.0	13.6	
Education:			
No Schooling	1.3		
Below Gr. 4	7.0	(i.e. had only primary education)	
Gr 5-Gr 9	44.9		
GCE OL	28.8		
GCE AL & above	18.0		
	<u>100.0</u>		
By Job Desired		Per cent	
Managerial		0.6	
Professional		11.5	
Technical		4.2	
Clerical		14.6	
Sales & services		3.5	
Ag & fisheries		1.8	
Craft & related		21.1	
Plant & machine operators		4.3	
Elementary occupations		12.0	
Others		24.7	
		<u>100.0</u>	

Source: QLFS 1-4, 1993 (excludes Northern & Eastern Provinces)

In common with other labour surplus economies, the turnover among formal sector employed is low; once a job is secured, the tendency is to hold on to the job. This has an impact on the number of vacancies occurring in a year.

Trends in Employment 1980-90 : An analysis of profile

A disaggregated analysis of manpower absorption patterns during the last decade can throw some light on the profile of demand in the labour market in recent years and help to identify any mismatch between those seeking entry to the market and those absorbed in demand. Among the major trends in the employment situation as brought out by terminal data are :

- Increase in both the labour force and of employment by around 25% between the surveys of 1980 and 1990.

- The bulk of the incremental employment has been in agriculture (over 55%) followed by community, social and personal services, and manufacturing. More females are reported to have been absorbed into employment during the decade than males.

- Public sector employment (excluding recruitment to the security forces) experienced a contraction in share from around half of all paid employees in the early 80s to one-third by the 1990s. The private sector work force increased from 1.4 million to 2.2 million during the decade. Within manufacturing, employment in the private sector expanded to more than offset the corresponding contraction in the public sector.

- The employment profile featured only a marginal structural shift away from agriculture. Agriculture still contains over 40% of the work force. The share of Manufacturing has increased, albeit marginally (i.e. less than 3 percentage points).

- A large part of the increase in employment in the 1980s is reported to have come from own-account work and unpaid family work (i.e. informal sector). The share of own-account work remains high at around 25% throughout the decade while that of unpaid family work has increased from below 10% to around 13%.

- The rural sector witnessed a faster employment growth than the urban. The large part of this was in agriculture, however.

- A greater casualisation of the work force appears to have accompanied the expansion of employment. The Central Bank's Consumer Finance Survey of 1986/87 reports one half of the paid employees as being in casual employment. In the Labour Force Survey of 1980/81 the corresponding share was 41%. Along with this feature a concentration in traditional occupations of low status is visible in the occupational structure of new employment generated.

Employment Strategies : A Review

In their profile and content, strategies pursued for expanding output and employment in the economy have shown different leanings over time and between political regimes. One common thrust running through the years has been the emphasis on increased agricultural production. Although such concern was prompted by a combination of considerations, employment and income generation have been the prime motivations in a context where close upon half the work force still subsists on agriculture. Strategies have included supporting measures such as guaranteed floor prices for agricultural output, subsidised inputs and extension services, as well as large infrastructure programmes for irrigation and human settlement such as the Mahaveli River Diversion project.

The 1960s saw priorities moving towards industrial growth, with much of the early efforts concentrated in import substituting manufacture. This thrust was in line with the wave of enthusiasm which swept across the Third World during this decade in favour of industrialisation. On the broad policy front the approach during the 60s and most part of the 70s was one of an 'inward-looking' and 'controlled economy' stance which looked to the domestic market to provide the demand impulses for output and employment expansion.

Prompted by the turn of events in the international and domestic scene (harvest failure, food and energy price hikes, foreign exchange difficulties etc.) the thrust during the crisis years of the 70s shifted to a drive for increased self sufficiency and reduction of food imports. On the industrial front, the economy initiated in 1977 a break-away from the Import Substituting Industrialisation (ISI) model towards generating employment from labour-intensive exports coupled with a vigorous drive for attracting foreign investment. Together with large construction programmes (hydro-power, irrigation, FTZ infrastructure, housing etc.) an export promotion strategy for industry constituted the cornerstone of the new approach at the close of the 70s. On the broad policy front the reforms of 1977 marked a radical departure from the inward-oriented, regulated economy approach of the preceding 1 1/2 decades. The new strategy launched was a market-led, export-led and private sector-led growth stance.

Adverse developments such as domestic civil turbulence and the global recessionary trends interfered with the realisation of the planned goals on the output-employment fronts but some successes are on record, albeit with varying lags. The latest labour force survey statistics for 1993 have reported a reduced unemployment level of 13.8% from the levels of 15-16% reported for 1990. Survey data for 1985-90 point to a more balanced employment expansion between sectors as compared with the first half when employment outlets (domestic) showed a heavy concentration in Agriculture. The enhanced role of manufacturing in incremental employment generation implied for the second half of the 80s is to be noted. The Export Promotion Zone (EPZ) strategy since its initiation in the late 70s is reported to have opened up direct employment to the tune of around 100,000 by 1992. The substantial inflow of foreign investment has been a decisive factor behind such growth.

In the early 1990s however, a slowing down of the employment momentum in manufacturing is suggested by quarterly Labour Force Survey statistics. In contrast to the more sectorally balanced employment generation pattern in 1985-89, the early 90s suggest a lop-sided profile of having to rely heavily on the services sector to sustain the employment absorption effort. Whether this is a short term diversion or a longer term phenomenon needs to be monitored carefully.

The stabilisation/structural adjustment package of the post-reform era featured among other things a programme of privatisation and rationalisation/circumscription of the public sector and as elsewhere, this element of the structural adjustment package has generated some employment reversals in the labour market by way of early retirements and retrenchment. The restructuring entailed civil service reform which sought to reduce the public service cadre by 20% over a two year period through a programme of early retirement and a freeze on new recruitment. Under a 'golden handshake' package offered in 1990, 44,000 persons (or 13% of government employees) retired from service prematurely. Privatisation of public enterprises entailed similar golden handshakes. By mid-92 at least the major shareholding in 20 public ventures had been divested and 40 others were in various stage of divestiture. These included the Central Transport Board where retirements totalled around 50,000. Further rationalisation is contemplated in the public sector.

As for the employment generating potential of output, the elasticity of employment with respect to variation in GDP in Sri Lanka [Employment-Output Elasticity coefficient (EYE)] computed on macro-level data yields a higher value of 0.45 for 1980-90 compared to 0.23 for 1971-1981. This suggests a more labour intensive performance in the post-1977 period compared to the preceding decade. Comparing the 70s and the 80s, the intensity of labour absorption (EYE) in the 80s has been higher in Agriculture, Mining and quarrying, and in Transport, but slightly lower in Manufacturing. In 1991/2, however, QLFS data suggest manufacturing employment to have declined by 13% notwithstanding the reported gain of 9% in manufacturing output (MVA). The trends need to be ascertained and cross-checked with further data before firm conclusions are attempted.

Employment Policy : Current Leanings

Current policy on the employment front is moulded on the liberalised market economy model. In view of the tacit commitment to structural adjustment, the role of the public sector in the job generating effort will remain subdued. Further rationalisation of the public sector is contemplated. The major responsibility for generating employment will accordingly devolve on the private sector. Expansion of the private sector is being stimulated through infrastructure and other support (i.e. creating an enabling environment) with the expectation that its benefits will trickle down to the community at large.

Another significant feature of the current approach is the implicit reliance on overseas employment as a major employment outlet. A level of 100,000 jobs a year was targeted in the early 80s. Airport Surveys place the number leaving for overseas employment in 1992 and 1993 at over 120,000 a year.

Policy has nevertheless featured some interventionist action in respect of groups at the bottom end of the income ladder to whom the benefits of the liberalised economy strategy were slow to reach. These have been targeted for special programmes such as the JANASAVIYA under which the selected families are assisted over a two-year period with a monthly allowance of Rs. 1,458 per month for financing consumption needs and a saving component of Rs. 1,042 a month which adds up to an investable fund of Rs 25,000 at the end of the two-year period. Promotion of self employment is high up on the agenda as expressed for instance in the Mahaweli project and other land settlement schemes, the Janasaviya programme, and credit arrangements through the State Banks for self employment pursuits.

The Janasaviya programme is linked to a training cum production programme. The savings component of Rs 25,000 can be used as collateral for credit from banks and special credit windows have been opened to facilitate self-employment and small scale production.

Special employment creation schemes have also been launched on a limited scale by governmental and non-governmental agencies (NYSCO, Women's Bureau, Sarvodaya etc.). Taking industry to rural areas and providing employment within the work seeker's residence area are features of the government's current 200-Garment Factories programme.

Alleviation of Unemployment : Constraints and Issues

The thrust should be to step up the pace of employment generation through productive and viable economic activities and not 'make work' based on shallow political or other expediency. The issue as to why the rate of employment generation in the economy did not advance faster than it did has been approached from the angle of both demand and supply, and different explanations have been advanced.

Conventional approaches emphasise the role of capital accumulation. The weak position in respect of saving and investment is highlighted. Sri Lanka has a low rate of domestic saving below 15% of the GDP. In the post-reform years this has been supplemented by a substantial inflow of foreign aid, migrant transfers and a process of stimulating foreign investment to yield for 1980-90 an average capital formation rate of 25% of the GDP, but national savings have financed only 60% of the figure. This reasoning conceives unemployment as primarily demand-led and upholds enhancement of investment as a mandatory condition for expanding employment.

Promotion of foreign investment under the EPZ strategy and other incentives such as the promotion of a Stock Exchange are steps in the direction of easing the capital constraint and these measures have had some success in achieving the aims.

In rationalising investment, the government's defence expenditure commitments continue to be a binding constraint in a situation of a continuing civil war. Presenting the Budget speech, the Minister stated that the economy was capable of achieving an 8% growth rate in 1994, instead of the projected 6%, if the separatist war did not exist. Investment decisions have their time dimensions as well. Kelly (1992) refers to the more fundamental policy issue of how much to devote to reducing the burden of current unemployment versus how much to devote to structural reforms necessary to prevent unemployment in the future. Defence expenditure does generate employment but its implications (productivity, sustainability etc.) have to be evaluated differently.

Employment generation from a given level of capital formation would also be conditioned by its pattern of allocation between the capital-intensive and labour-intensive sectors. That a slower rate of employment creation could be a consequence of its allocation to the more capital intensive sectors of the economy is emphasised by Bowen (1990). Bowen perceives increased capital investment in labour intensive sectors of the economy as the most promising way of reducing total unemployment. In view of the relatively lower capital : output ratio of small scale units, a strategy of encouraging small entrepreneurs (e.g. providing them access to credit) is advocated.

Low productivity is the major constraint seen by Kelly (1992). It has its corollaries of underemployment and high unit labour cost. Escape from the current low productivity trap will require an improvement of worker performance in existing jobs and the creation of higher productivity jobs. 'It is not merely that labour must be utilised more effectively in production, it is also that production techniques and types of products (goods and services) must be upgraded.' (Kelly, 1993). A change in the product mix towards higher quality and higher value-added product lines is seen as a necessary development.

Glewwe's conclusions in 1987 carry the suggestion of unemployment as being 'government-induced', namely a situation of higher pay and conditions in public sector employment encouraging job aspirants to queue up for opportunities in the public sector. Bowen's econometric analysis (1990) found some evidence corroborating this hypothesis. This implies a conclusion that unemployment could be reduced by lowering wages in this sector. This contention has been subsequently challenged, however.

Another explanation for the phenomenon of persisting high unemployment is offered in what may be termed the 'Mismatch' theory of unemployment. The mismatch is particularly conspicuous between educational attainment and skill requirements. Having more persons with paper qualifications produced than are absorbed by the market seems to be a common South Asian phenomenon.

Bowen (1990) also highlights evidence of gender-determined occupational mismatch.

Although sometimes exaggerated, the mismatch version provides useful insights for policy in focusing on the need to lower barriers between labour markets and to improve incentives to move across them. It is imperative for structural mismatches to be addressed from the angles of both demand and supply.

On the supply side, policies to produce the 'correct' types require action on the education and training fronts, and a change in attitudes/social perspectives to go with it. The issue of educational reform has been the subject of numerous committees and many volumes of reports. The restricted curriculum offered in schools and the use of academic qualifications as a screening device for employment continues to attract students to academic/class room type of courses in preference to the vocational/technical track. Despite the highly limited intake into tertiary institutions, the slim chances of finding a commensurate employment outlet at the secondary school level also has the effect of pushing many students to continue schooling beyond secondary education to test their luck in the tertiary pools'.

Successive governments have tried reforming the system to bring it in line with the manpower needs of the economy but the gap between the world of work and the system of education still remains as conspicuous as ever. Currently a Technical and Vocational Education Commission (TVEC) has been entrusted with the task of instituting reform. Forecasting training needs has been a major problem in the manpower planning exercises.

The respective roles of the public and private sectors has been an important issue in addressing the question of skill training. On the part of the entrepreneur community the traditional expectation has been for the schools and tertiary institutions to provide them with trained human inputs who can be put on the job straightaway. Traditionally there has been very little sharing of the skill training function by prospective employers.

The aversion on the part of employers is partly due to the lack of a binding commitments of the employee to remain with the establishment so that the training costs borne by the employer could be recouped. A greater participation of the employer community in skill development should be fostered. Although counter to the principles of the liberalised economy, a deviation could be made to provide for service-bonding of employees in the Contract of Training if the employer has to incur a substantial training cost.

A Skills Development Fund on the model of the Singapore scheme is contemplated for joint funding of training.

The importance of giving due publicity to programmes of training and the need for dissemination of information to prospective trainees on availability and cost should be emphasised.

Successful management of the supply constraint would also require a parallel realignment of attitudes and aspirations. A slow process of change is evident in attitudes over time. Compared to several years ago, an interest is now visible among those with the basic paper qualifications to supplement them with some vocational/professional training or experience (e.g. English language competence, typing, word processing, computing, electronics etc.) in order to improve their market prospects.

Evidence of greater regional and occupational mobility is also visible in recent years in the labour market. Distinctions in language and dress (and even in social standing) between white-collar and manipulative jobs are gradually fading from what they were several decades ago. Some reorientation of job expectations and attitudes on the part of job aspirants away from the traditional options/preferences is also evident. Females with secondary level educational qualifications moving into manipulative assembly line jobs in industry (e.g. manufacture of garments) and household employment in the Middle East provide some evidence of attitudes/social values undergoing change. The edge that middle level white-collar pay held over manual work has been eroded away over the years under across-the-board adjustments in Dearness Allowance payments.

A greater interest is evident in recent years for acquisition of technical/vocational training. The opening up of employment outlets in the Middle East for non-white collar skills (e.g. construction industry, transport industry, machine operators, mechanics, maintenance and repair work, nursing, para-medical work etc.) has contributed very positively to a change of attitudes.

From the practical angle, the many legal constraints on employers and the escalation of labour cost are cited in concerned circles as constraints to expansion of employment. Attention is drawn to the high proportion of fixed costs in total labour costs.² The high levels of employee absenteeism and the generous leave facilities enjoyed by workers are highlighted by employer organisations as inflating the cost of labour substantially. Apart from the monetary costs, attention is also called by employers to the many legal constraints imposed on them by legislation at various times for protecting labour interests. Provisions in the Termination of Employment Act of 1971, have been a major bone of contention. High labour cost (including costly litigation, costly termination etc.) combined with low productivity can have a deterrent effect on employers in recruitment and to induce economy in manpower use where possible.³

² E.g. Employer's contributions to the mandatory Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) which inflate his wage bill by 15%.

³ A claim is also made by informal sector enterprises that the consumption component of Rs. 1,458 given to Janasaviya recipients is close to the average earnings of the majority of lower occupational categories in formal employment and that this arrangement has led to upward pressure on wages in micro-enterprises.

Employment and output growth was sustained by a high level of government spending in the late 70s/early 80s. In the light of the government's declared commitment to the structural adjustment/rationalisation path, prospects of the public sector playing the role of a major labour absorption agent (as in the 70s) will have to be duly discounted in the years ahead. In the labour market the implications of this will be stronger in the case of persons with secondary and tertiary level qualifications aspiring for professional and clerical jobs in sheltered sectors. Females are likely to be affected more.

The pace of labour absorption in the coming years would depend on how private enterprise will rise up to its new exalted role and responsibilities. The prospects have also to be assessed in an environment of stiffening competition in the market and rapid technological change.

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