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PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

4.1 Overview

During 2019, the general price level, as measured by official price indices, moved in tandem with the prices of Volatile Food items, which declined during the first three months of the year and increased thereafter recording considerably higher prices towards the latter part of the year. Price pressures stemming from supply shortages in certain food items during the year were partially mitigated by timely reduction of some administered prices and duties on imported food items. The significant increase in food prices witnessed towards the latter part of the year was mainly due to supply shortages caused by adverse weather conditions that prevailed especially in major cultivating areas. However, the reduction of the VAT rate and telecommunication levy, and removal of NBT in December 2019 made a favourable impact on the general price level. Reflecting these movements, headline inflation, as measured in terms of the year-on-year change in National Consumer Price Index (NCPI, 2013=100), mostly remained in low single digit levels, while the year-on-year change in Colombo Consumer Price Index (CCPI, 2013=100), mostly remained within the range of 4.0-6.0 per cent in 2019. Meanwhile,

both NCPI and CCPI based year-on-year core inflation, which reflect the underlying inflation in the economy, remained broadly in mid-single digit levels in 2019. Inflation expectations of the corporate sector mostly remained below mid-single digit levels, aligning well with the trends of headline inflation. The population growth moderated in 2019 compared to the growth rate of 1.1 per cent recorded for the past three years consecutively. Accounting for the largest share of elderly dependents within the South Asian region, Sri Lanka's ageing population remains a major challenge, which requires prompt policy intervention. Although the female labour force participation rate (LFPR) improved in 2019 in line with increase in the overall labour force, Sri Lanka remains among the top 20 countries with the highest gender gaps in the LFPR. The overall unemployment rate rose to 4.8 per cent in 2019, the highest since 2010, mainly due to the sluggish economic conditions that prevailed in the country in the aftermath of the Easter Sunday attacks. Meanwhile, unemployment among females, youth and educationally qualified persons continued to remain at high levels, despite the concerns of labour shortages across

many sectors, underscoring the need for reforms in the tertiary and vocational education system to address the skill mismatch as well as to produce a potent labour force suited for future employment demand. Moreover, departures for foreign employment declined further in 2019 continuing the trend observed since 2015, while a significant decline of departures for foreign employment is anticipated in 2020 amidst the spread of the COVID-19 pandemic.

4.2 Prices

Movements of the General Price Level

The movement of the general price level as measured by the Consumer Price Indices (CPIs), largely followed the price behaviour of the items in the Food category, which mostly recorded increases during the year. Meanwhile, prices of the items in the Non-food category increased continuously during the first nine months of the year, of which the major contribution to the movement of the general price level was observed in January 2019 and declined thereafter. Accordingly, the National Consumer Price Index (NCPI, 2013=100),¹ exhibited a continuous increasing trend from April onwards during the year 2019. With an exception observed in July 2019, the Colombo Consumer Price Index (CCPI, 2013=100), also demonstrated a trend similar to that of the NCPI.

During 2019, prices of the items in the Food category, which moved in line with prices of Volatile Food² items, declined till March and increased thereafter. The declining trend of the prices of the items in the Food category was largely supported by the price decreases seen in Volatile

Food items such as vegetables, coconut, rice, potatoes and onions. However, prices of Volatile Food items increased continuously from April 2019 onwards due to intermittent price increases in rice, vegetables, fresh fish, potatoes, onions and fruits arising from limited supply conditions. Meanwhile, prolonged rainy conditions prevailed in the latter part of 2019 causing severe crop damages, instigated substantial increases in vegetable prices in December 2019. When observing the price movement of the selected Volatile Food items, prices of rice varieties eased off during the first four months of 2019, as a result of the bumper harvest in the 2018/19 Maha season. However, owing to supply shortages, prices of rice varieties increased especially during the latter part of the year, compelling the government to impose a Maximum Retail Price (MRP) of Rs. 98 on both Nadu and Samba rice varieties with effect from 19 December 2019. The price of coconut recorded its lowest level since 2016 supported by the substantial recovery in coconut production, yet prices were increased towards the end of 2019. The prices of potatoes remained at a higher level than that of the previous year, partially due to the upward revision to Special Commodity Levy (SCL) by Rs. 30 per kilogramme with effect from 08 February 2019 and the shortfall in supply in off seasons. However, the government reduced the SCL to Rs. 25 per kilogramme with effect from 25 December 2019 to lessen prices of potatoes, which were rising from November 2019. Further, the price of big onions increased from April 2019 onwards, moderately due to the upward revision of the SCL by Rs. 20 per kilogramme with effect from 22 May 2019. However, in view of protecting the consumer from escalating big onion prices observed in September 2019, owing to the export ban on big onions imposed by India, this SCL was revised downward to Rs. 1 per kilogramme with effect from 03 October 2019. In addition, red onion prices, which remained at stable levels during

¹ The Department of Census and Statistics (DCS), compiles two consumer price indices, namely, the National Consumer Price Index (NCPI, 2013=100) and the Colombo Consumer Price Index (CCPI, 2013=100) on a monthly basis. The NCPI demonstrates the price movements of selected consumer items of households at the national level, while the CCPI reflects the same of the urban households in Colombo District.

² Volatile Food includes rice, meat, fresh fish and sea food, coconut, fresh fruits, vegetables, potatoes, onions and selected condiments.

the most part of 2019, recorded a sharp increase in the last quarter of the year. Meanwhile, the prices of fresh fish indicated an overall increasing trend during 2019, mainly due to limited fishing activities caused by weather related factors.

Within the Food category, prices of the items excluding Volatile Food items displayed an overall increasing trend during 2019. A price revision was imposed on imported milk powder

after a year, revising the price of a 400g packet upwards by Rs. 25 with effect from 16 March 2019, followed by two further upward revisions of Rs. 5 and Rs. 20 with effect from 02 August 2019 and 24 September 2019, respectively, considering price developments in the world market. However, a downward price revision was made by reducing the same by Rs. 15 with effect from 09 December 2019. Meanwhile, the prices of dhal and sugar

Figure 4.1
Price Movement of Selected Food and Non-food Items - 2019

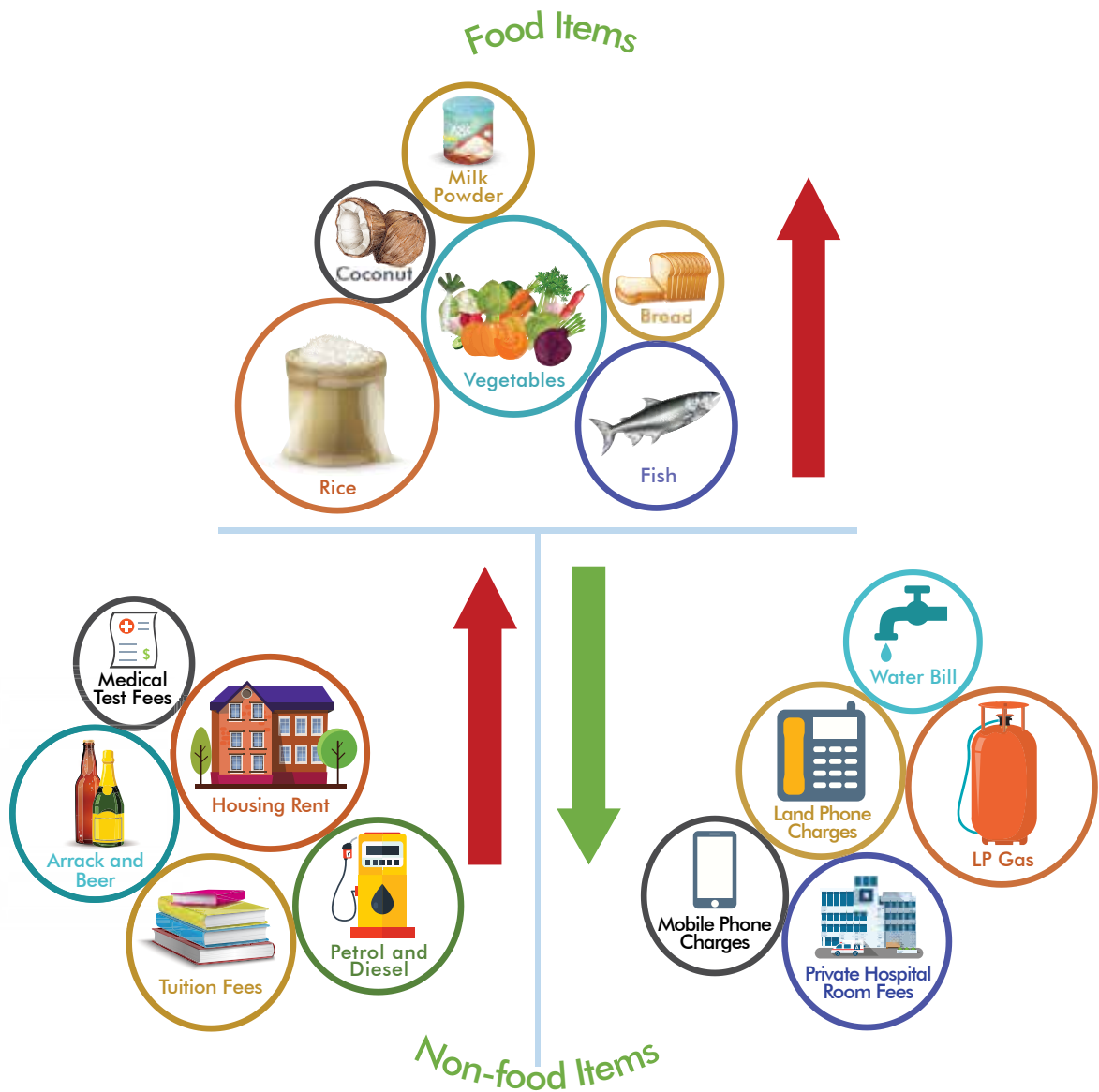


Table 4.1
All Island Retail Prices of Key Domestically Produced and Imported Items

Item	Unit	Annual Average				
		Price - Rs.			Percentage Change	
		2017	2018	2019	2018/ 2017	2019/ 2018
Domestic Rice - Samba	1 kg	98.48	107.75	102.34	9.4	-5.0
Kekulu (Red)	1 kg	84.91	79.09	78.15	-6.9	-1.2
Kekulu (White)	1 kg	83.23	79.64	82.19	-4.3	3.2
Nadu	1 kg	90.85	88.87	88.58	-2.2	-0.3
Up-country Vegetables - Beans	1 kg	204.42	237.22	212.76	16.0	-10.3
Carrot	1 kg	204.41	246.07	192.96	20.4	-21.6
Cabbage	1 kg	141.66	150.16	136.92	6.0	-8.8
Beetroot	1 kg	151.91	160.05	150.29	5.4	-6.1
Low-country Vegetables - Brinjals	1 kg	138.12	142.60	142.91	3.2	0.2
Ladies Fingers	1 kg	131.18	140.58	133.74	7.2	-4.9
Ridge Gourd	1 kg	167.35	166.90	156.29	-0.3	-6.4
Bitter Gourd	1 kg	216.50	209.89	213.69	-3.1	1.8
Coconut (medium)	nut	62.96	64.03	43.01	1.7	-32.8
Fish - Tuna	1 kg	961.15	1,001.05	1,047.24	4.2	4.6
Eggs	each	14.24	16.26	19.45	14.2	19.6
Big Onion	1 kg	127.99	115.52	145.08	-9.7	25.6
Red Onion	1 kg	272.08	189.15	205.02	-30.5	8.4
Potatoes	1 kg	155.38	151.61	182.45	-2.4	20.3
Imports Sugar	1 kg	107.15	106.25	104.09	-0.8	-2.0
Red Dhal	1 kg	173.31	142.63	141.46	-17.7	-0.8
Wheat Flour	1 kg	88.57	89.17	91.00	0.7	2.1
Big Onion	1 kg	114.88	106.72	127.36	-7.1	19.3
Red Onion	1 kg	248.42	181.47	215.80	-26.9	18.9
Potatoes	1 kg	111.95	102.39	123.11	-8.5	20.2

Source: Department of Census and Statistics

remained stable during the period under review. The annual average price of wheat flour was at Rs. 91, though a MRP of Rs. 87 per kilogramme of wheat flour was effective from 20 February 2015. Hence, to encourage importation of wheat flour by more importers, the government removed the consolidated tax of Rs. 36 per kilogramme on imported wheat flour, replacing it with a SCL of Rs. 8 with effect from 14 December 2019.

Prices of items in the Non-food category followed an overall increasing pattern during 2019, with a slight decrease towards the end of the year. The sharp monthly increase in the Non-food category recorded at the beginning of the year was the highest increase observed after November 2016. It is noteworthy that this was caused by the significant increase in housing rent, which occupies

a substantial share in both CPI baskets. Further, as per the pricing formula introduced in 2018, domestic fuel prices underwent several price revisions in 2019, exhibiting an overall increasing trend. Accordingly, petrol (92 octane) and auto diesel prices of Ceylon Petroleum Corporation (CPC), which were at Rs. 123 and Rs. 99, respectively, at the beginning of the year, increased to Rs. 137 and Rs. 104, respectively, towards the end of 2019. However, the price of a 12.5kg LP gas cylinder was revised downwards by Rs. 240 with effect from 04 October 2019. Meanwhile, increases in tuition fees for both primary and secondary education were observed at the beginning of the year followed by an increase in international school fees in September 2019. The reduction of VAT rate and telecommunication levy, and the removal of NBT with effect from 01 December 2019, triggered declines in water

bills, phone and internet charges, private hospital room charges and car insurance premiums. Prices of arrack, beer and cigarette, which increased in March 2019 due to the upward revision of excise duty on cigarettes and liquor under the budget 2019 continued to remain at elevated levels throughout the year as the price decreases induced by the reductions in VAT rate and removal of NBT in December 2019 were nullified by the subsequent increase in excise duty.

Consumer Price Indices

National Consumer Price Index

The NCPI followed an increasing trend during 2019 from 127.3 index points in January 2019 to 135.0 index points in December 2019 except in February and March, which recorded monthly decreases. Prices of items in the Food category mostly contributed to the month-on-month movement of the NCPI, the lone exception being January 2019, where the observed increase was solely driven by prices of items in the Non-food category triggered by the increase in housing rent. The month-on-month declines of the NCPI observed in February and March were attributed to the decreases in prices of items in the Food category, whereas the increases observed afterwards till September were caused by

Figure 4.2
Contribution to Year-on-Year Percentage Change in NCPI - 2019

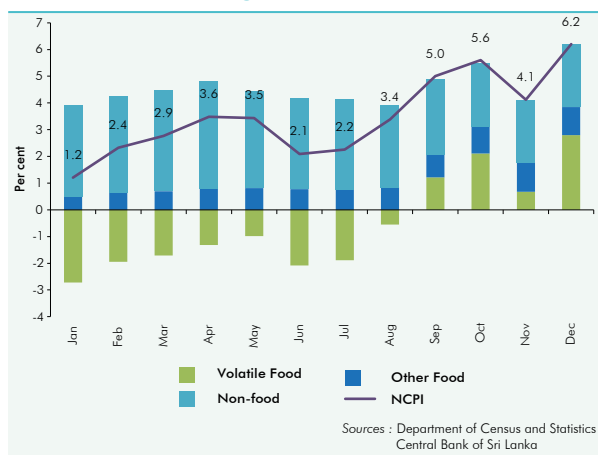
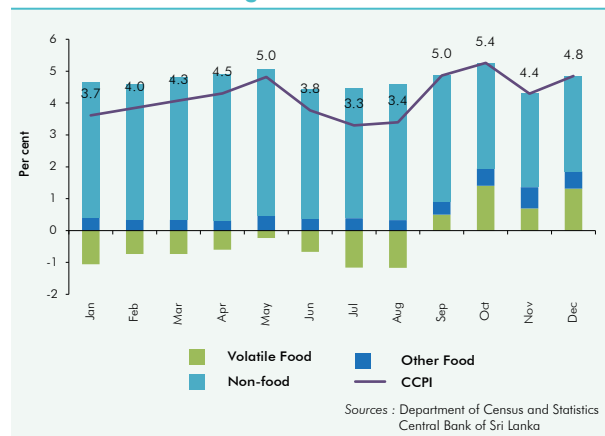


Figure 4.3
Contribution to Year-on-Year Percentage Change in CCPI - 2019



the price movements of items in both Food and Non-food categories. However, the NCPI increased in the remainder of 2019 owing to the monthly increases of prices of the items in Food category.

Colombo Consumer Price Index

The CCPI recorded 127.4 index points in January 2019 and reached 132.4 index points in December 2019, with the movement mainly driven by the behaviour of the Food category during the year. However, the month-on-month movements in the CCPI in January and August were attributed to the higher prices of items in the Non-food category and the movements observed in February, March, July and during October to December were driven by the behaviour of the Food category. Meanwhile, month-on-month escalations in the CCPI observed from April to June and in September were attributable to the increases in prices of items in both Food and Non-food categories.

Headline Inflation

In 2019, the headline inflation as measured by the year-on-year change in the NCPI followed an overall increasing trend, while remaining in low single digit levels in the first eight months of the year. Afterwards, it fluctuated around the mid-single digit level in September and October

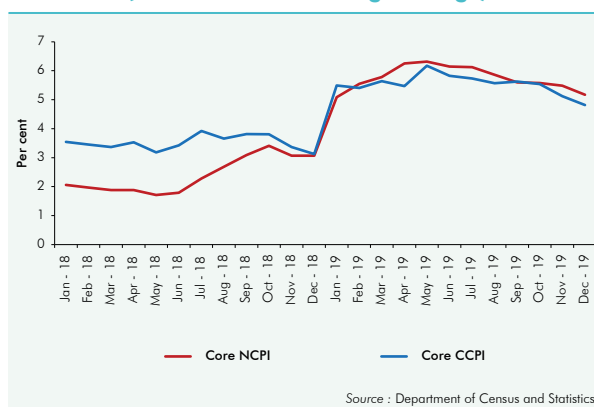


and declined to 4.1 per cent in November 2019. Thereafter, the NCPI based inflation reached 6.2 per cent in December 2019, recording the highest since 2017. Similarly, the year-on-year CCPI based headline inflation exhibited an overall increasing trend during the year, mostly remaining within the range of 4.0-6.0 per cent and indicating twin peaks in May and October. Accordingly, the year-on-year CCPI based headline inflation accelerated from 3.7 per cent in January 2019 to 5.0 per cent in May 2019, before declining to 3.3 per cent in July 2019. The CCPI based headline inflation increased thereafter reaching 5.4 per cent in October 2019 and recorded 4.4 per cent and 4.8 per cent in November and December 2019, respectively. Both the NCPI and CCPI based headline inflation elevated to higher levels in December 2019 mainly due to higher food prices resulting from supply disruptions and crop damages caused by weather disturbances. In addition, the NCPI based annual average headline inflation remained relatively stable, yet followed an increasing trend during the year, recording 1.8 per cent in January 2019 and reaching 3.5 per cent in December 2019. Meanwhile, the annual average CCPI based headline inflation remained steady during 2019, recording 4.1 per cent in January 2019 and reaching 4.3 per cent in December 2019.

Core Inflation

The year-on-year core inflation, which reflects the demand driven underlying inflation in the economy, elevated in January 2019 mainly due to the increase in housing rentals and remained broadly in mid-single digit levels thereafter. The year-on-year NCPI based core inflation moved on an increasing trend from 5.1 per cent in January 2019 to 6.3

Figure 4.4
Movements of Core Inflation
(Year-on-Year Percentage Change)

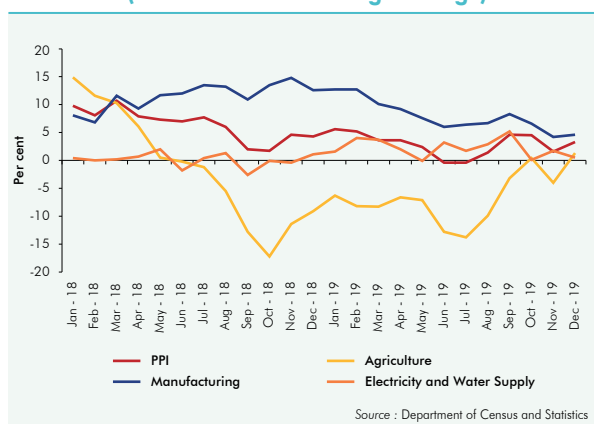


per cent in April 2019 and remained unchanged in May 2019. Afterwards, it declined to 6.1 per cent in June 2019 and reached 5.2 per cent in December 2019. Moving mostly similar to NCPI, the CCPI based year-on-year core inflation, increased to 5.5 per cent in January 2019 and reached 4.8 per cent in December 2019.

Producer Price Inflation

The producer price inflation measured by the year-on-year change in the Producer's Price Index (PPI, 2013 Q4=100) displayed an overall declining trend during 2019, moving from 5.6 per cent in January 2019 to 3.6 per cent in December 2019. In contrast, producer

Figure 4.5
Movements of Producer Price Inflation
(Year-on-Year Percentage Change)



price inflation in the agriculture sub-sector increased from -6.3 per cent in January 2019 to 1.5 per cent in December 2019. However, producer price inflation in the manufacturing, and electricity and water supply sub sectors demonstrated overall decreases with mixed movements during the year, recording 12.7 per cent and 1.6 per cent, respectively, at the beginning of the year and reaching 4.9 per cent and 0.0 per cent, respectively, by the end of 2019.

GDP Deflator

The GDP deflator, which measures the price movements of all domestically produced goods and services in the economy, decreased during 2019 compared to the previous year, mainly due to subdued price movements observed in agriculture, industry and services related activities. Accordingly, the overall GDP deflator decreased to 2.2 per cent in 2019 compared to 4.3 per cent in 2018. The agriculture sector deflator declined from 2.4 per cent, in 2018, to -2.7 per cent, in 2019, while the industry sector deflator decreased from 5.7 per cent in 2018 to 4.9 per cent in 2019. Furthermore, the services sector deflator followed on, decreasing from 5.0 per cent, in 2018, to 4.2 per cent in 2019.

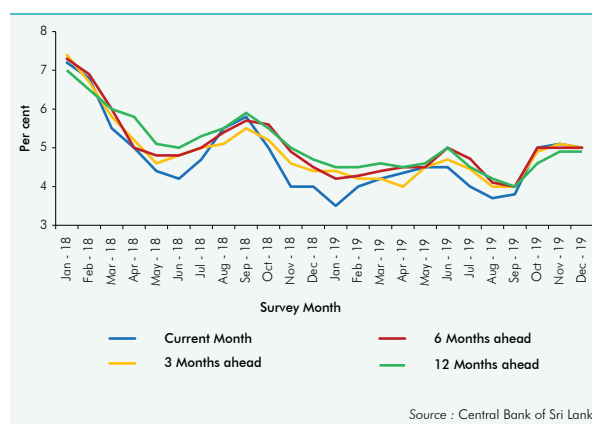
Table 4.2
GDP Deflator and Sectoral Deflators

Sector	Index (2010=100)			Percentage Change	
	2017 (a)	2018 (a)	2019 (b)	2018 / 2017 (a)	2019 / 2018 (b)
Agriculture	162.6	166.5	161.9	2.4	-2.7
Industry	142.2	150.4	157.7	5.7	4.9
Services	140.7	147.7	153.9	5.0	4.2
GDP	142.4	148.6	151.8	4.3	2.2

(a) Revised
(b) Provisional

Source: Department of Census and Statistics

Figure 4.6
Inflation Expectations - Corporate Sector



Inflation Expectations

Aligning well with the trends of actual inflation as reflected by the official price indices, inflation expectations of the corporate sector remained mostly below the mid-single digit level. Meanwhile, the inflation expectations of the household sector, remained around the upper bound of the 4.0-6.0 per cent range. The gaps between long-term and short-term inflation expectations of the corporate as well as the household sector narrowed during the period. Fuel price adjustments, political instability of the country fuelled by the Easter Sunday attacks and increase in government expenditure due to elections were noteworthy factors that influenced high inflation expectations of both corporate and household sectors. Nevertheless, the removal of number of taxes, including PAYE and NBT, the reduction in VAT and favourable domestic supply side conditions were cited as main reasons for their low inflation expectations.

4.3 Wages

During 2019, real wages in the public and informal private sectors increased marginally, while that of the formal private sector showed an erosion, compared to 2018. Therefore, the demand pressure arising from wages on the general price level remained subdued during the year.

Table 4.3
Wage Rate Indices

Employment Category	Index				Percentage Change			
	Nominal		Real		Nominal		Real	
	2018	2019	2018	2019	2018	2019	2018	2019
1. Public Sector Employees								
Overall Public Sector (2016=100)	100.2	104.9	91.1(a)	92.1(a)	0.2	4.7	-1.9	1.1
Primary Level Officers	100.0	103.9	90.9(a)	91.2(a)	0.0	3.9	-2.1	0.3
Secondary Level Officers	100.0	104.0	90.9(a)	91.3(a)	0.0	4.0	-2.1	0.5
Tertiary Level Officers	100.2	108.0	91.1(a)	94.8(a)	0.2	7.7	-1.9	4.0
Senior Level Officers	103.4	117.4	94.0(a)	103.1(a)	3.4	13.5	1.2	9.6
2. Formal Private Sector Employees								
Overall Wages Boards Trades (1978 Dec=100)	4,155.2	4,275.5	94.0(b)	92.8(b)	0.6	2.9	-3.5	-1.3
Workers in Agriculture	4,748.8	4,784.5	107.5(b)	103.8(b)	0.3	0.8	-3.9	-3.4
Workers in Industry and Commerce	3,545.3	3,796.6	80.2(b)	82.4(b)	2.5	7.1	-1.7	2.7
Workers in Services	2,331.2	2,659.3	52.7(b)	57.7(b)	0.8	14.1	-3.4	9.4
3. Informal Private Sector Employees								
Overall Informal Private Sector (2012=100)	169.5	180.0	135.0(a)	138.5(a)	13.2	6.2	10.8	2.6
Agriculture	172.6	188.1	137.4(a)	144.7(a)	14.3	9.0	11.9	5.3
Industry	173.0	182.3	137.8(a)	140.3(a)	11.6	5.4	9.2	1.8
Services	164.8	174.2	131.2(a)	134.1(a)	14.3	5.7	12.0	2.2

(a) Based on NCPI (2013=100)
(b) Based on CCPI (2006/07=100)

Sources: Department of Labour
Central Bank of Sri Lanka

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Public Sector Wages

The fourth tranche of the special allowance and the interim allowance of Rs. 10,000 was added to the basic salary of the public sector employees in 2019. In addition, a new non-pensionable monthly interim allowance of Rs. 2,500 was granted to all public sector employees under the Public Administration Circular 09/2019 with effect from 01 July 2019. As a result, the nominal wages of public sector employees, as measured by the annual average change in the Public Sector Wage Rate Index (2016=100),³ increased by 4.7 per cent in 2019 compared to 2018. Accordingly, real wages of public sector employees increased by 1.1 per cent in 2019, compared to 2018, reversing the continuous real wage erosion observed during the past three years. Further, the process of adding

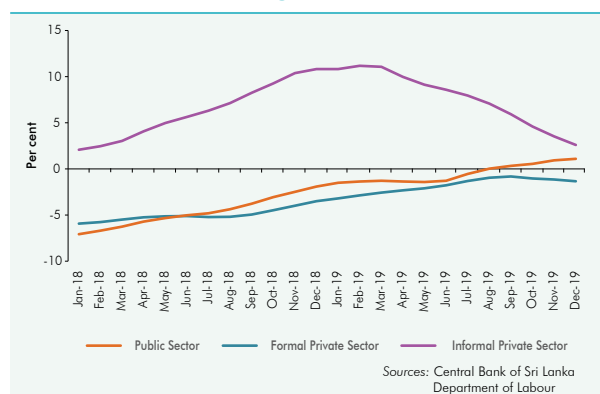
³ Public sector wage rate index was rebased to 2016 (from 2012) in order to capture the changes introduced to the public sector salary structure by the Public Administration Circular No. 03/2016 issued by the Ministry of Public Administration and Management on 25 February 2016.

the special allowance and the interim allowance to the basic salary of the public sector employees was completed with the final adjustment made in January 2020.

Private Sector Wages

Nominal wages of employees in the formal private sector, as measured by the annual average change in the Minimum Wage Rate Index (1978 December=100) of employees whose wages are governed by the Wages Boards Trades, increased by 2.9 per cent in 2019. This was mainly driven by the increase of minimum wages in brick and tile manufacturing, coconut manufacturing, hosiery manufacturing, match manufacturing and motor transport trades with effect from February 2019. However, the real wages of employees in the formal private sector declined moderately by 1.3 per cent during 2019, compared to the decline of 3.5 per cent recorded in 2018. Meanwhile, in early 2019, workers in the plantation sector initiated a strike demanding a minimum daily wage of Rs. 1,000 and consequently

Figure 4.7
Annual Average Change in
Real Wage Rate Indices



the basic daily wage was increased to Rs. 700 from Rs. 500. However, due to termination of the attendance and productivity allowances that were paid to workers of the plantation sector, the corresponding increase in gross salary amounted to Rs. 20 only.

Growth in both nominal and real wages was observed in the informal private sector, in 2019.

Wages in the informal sector are mostly determined by the demand and supply in the labour market. Accordingly, nominal wages of the informal private sector employees, as measured by the annual average change in the Informal Private Sector Wage Rate Index (2012=100), increased moderately by 6.2 per cent in 2019, compared to the increase of 13.2 per cent in the previous year. Nominal wages in all three sub-sectors, namely, agriculture, industry and services increased by 9.0 per cent, 5.4 per cent and 5.7 per cent, respectively, during the period under review. Overall, real wages of employees in the informal private sector also increased by 2.6 per cent in 2019.

4.4 Population, Labour Force and Employment

Population

The mid-year population in Sri Lanka was estimated at 21.8 million in 2019 as per the mid-year population estimates compiled by the Registrar General's Department. The population

growth rate moderated to 0.6 per cent in 2019 from 1.1 per cent recorded for the past three consecutive years, due to the drop in net-migration during the period. In terms of the growth in population, the highest contributions to the total population growth in 2019 were from the Colombo and Ampara districts, while the lowest contribution was from the Mullaitivu district. Meanwhile, the Colombo and Gampaha districts continued to account for the highest share of the mid-year population. In line with the population growth, the population density also increased marginally to 348 people per square kilometre in 2019, from 346 people per square kilometre in 2018. Following the same trend observed in the recent years, the female population

Table 4.4
District-wise Population and Density (a) (b)

District	2018		2019	
	Population '000 Persons	Density	Population '000 Persons	Density
Colombo	2,439	3,608	2,448	3,621
Gampaha	2,409	1,796	2,417	1,802
Kalutara	1,281	813	1,284	815
Kandy	1,468	766	1,476	770
Matale	519	266	522	267
Nuwara Eliya	763	447	768	450
Galle	1,124	695	1,130	699
Matara	858	676	863	680
Hambantota	655	262	661	265
Jaffna	613	660	617	664
Mannar	109	58	111	59
Vavuniya	187	100	189	102
Mullaitivu	96	40	97	40
Kilinochchi	126	105	129	107
Batticaloa	570	218	575	220
Ampara	719	170	728	172
Trincomalee	421	166	426	168
Kurunegala	1,711	370	1,719	372
Puttalam	825	286	832	289
Anuradhapura	930	140	937	141
Polonnaruwa	436	142	440	143
Badulla	873	309	880	311
Moneragala	491	89	496	90
Ratnapura	1,163	359	1,171	362
Kegalle	884	525	887	526
Total	21,670	346	21,803	348

(a) Provisional

Source: Registrar General's Department

(b) The mid-year population data are based on the Census of Population and Housing - 2012.

continued to remain higher than the male population during the period under review. In 2019, the crude birth rate and crude death rate were estimated at 14.6 per 1,000 persons and 6.6 per 1,000 persons, respectively.

The share of elderly dependents in Sri Lanka is considered to be the highest in the South Asian region. In 2019, the age category of 65 years and above amounted to 7.8 per cent of the mid-year population. This is expected to grow further with dropping fertility rates as exhibited through the continuous declining trend in crude birth rates since 2013 and with growing life expectancy leading towards an inevitable age transition in Sri Lanka. This demographic shift and the consequent changes in income and consumption patterns, economic growth and public finance are expected to pose a considerable burden on the workforce in aiding the elderly dependents. In this context, it is essential to retain the retirees within the economy and provide them with financial independence by way of increasing their re-employability in less intensive employment, while reskilling the youth to transfer towards more intensive employment.

Labour Force

The labour force, which is the economically active population,⁴ rose by 204,252 to 8.592 million in 2019 from 8.388 million reported in 2018, recording a growth of 2.4 per cent. This growth was largely driven by the increase in the labour force in the rural sector, which accounted for the highest share of the total labour force. Moreover, both male and female labour forces increased during 2019 compared to the previous year. Accordingly, the female labour force increased by 3.9 per cent and contributed to 56 per cent of the total increase in the labour force during the reference period. In

⁴ Economically active population consists of persons who are employed or unemployed during the reference period of the Quarterly Labour Force Survey conducted by the DCS.

Table 4.5
Household Population, Labour Force and Labour Force Participation (a) (b)

Item	2018	2019 (c)				
		Q1	Q2	Q3	Q4	Annual
Household Population '000 Persons	16,196	16,328	16,399	16,458	16,511	16,424
Labour Force '000 Persons	8,388	8,583	8,623	8,593	8,569	8,592
Employed	8,015	8,183	8,203	8,155	8,181	8,181
Unemployed	373	400	420	438	387	411
Labour Force Participation Rate (d)	51.8	52.6	52.6	52.2	51.9	52.3
Male	73.0	73.4	73.4	72.9	72.2	73.0
Female	33.6	34.9	34.6	34.1	34.3	34.5

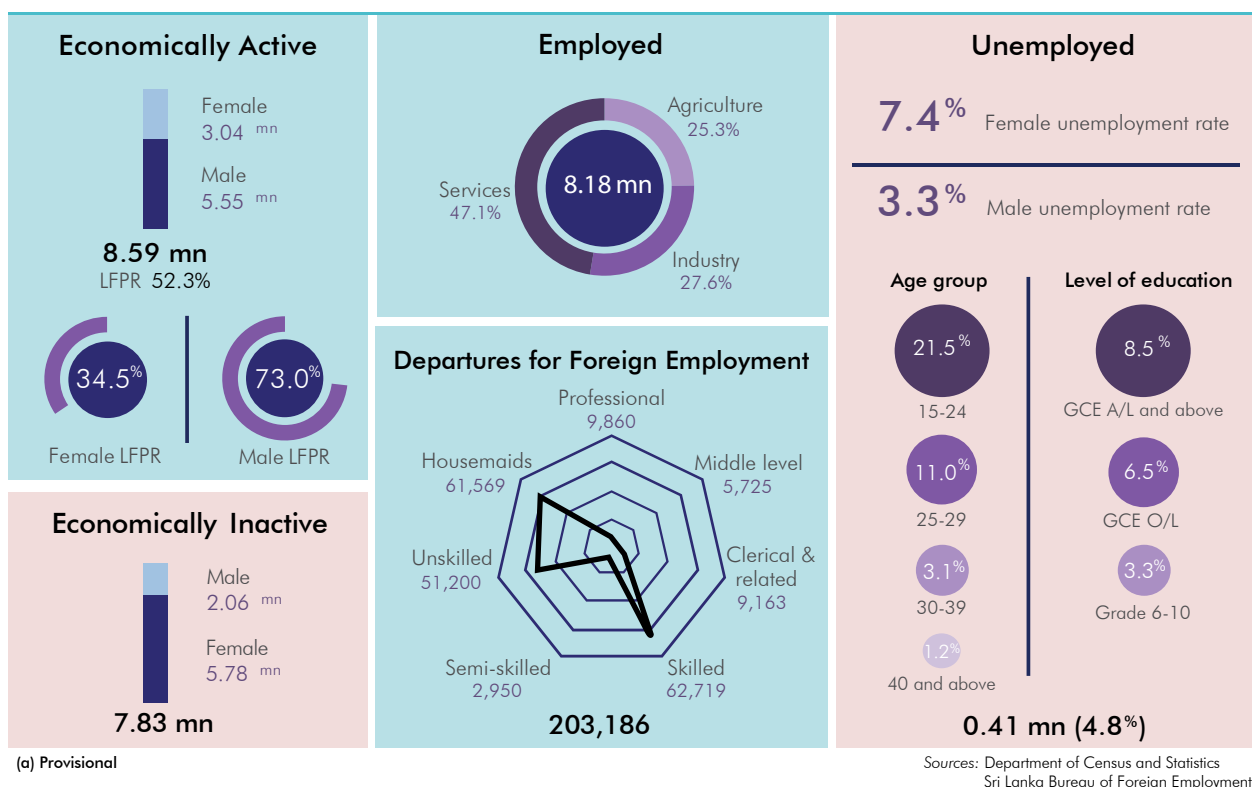
(a) Household population aged 15 years and above
 (b) In July 2016, the Department of Census and Statistics published a re-weighted and revised labour force data series for 2011 onwards.
 (c) Provisional
 (d) Labour force as a percentage of household population

Source: Department of Census and Statistics

terms of the sector-wise female labour force, a notable increase was observed in the urban sector, while marginal increases were observed in rural and estate sectors. Moreover, the male labour force increased by 1.6 per cent and contributed to 44 per cent of the total increase in the labour force during the reference period. The male labour force in the estate sector increased at a rate of 9.3 per cent followed by the rural sector, which grew at a rate of 2.3 per cent. The male labour force in the urban sector recorded a decline of 3.1 per cent during the reference period.

The Labour Force Participation Rate (LFPR), which is the ratio of the labour force to the household population, improved in 2019. Accordingly, the LFPR increased marginally to 52.3 per cent during the period under review from 51.8 per cent recorded in 2018, driven by the increase in the female LFPR. The increase in the female labour force and the decline in economically inactive females led the female LFPR to increase to 34.5 per cent in 2019 from 33.6 per cent in 2018. Meanwhile, the male LFPR remained unchanged at 73.0 per cent in 2019

Figure 4.8
Labour Market - 2019 (a)



due to the increase in the number of economically inactive males despite the increase in the male labour force.

The gender gap in the LFPR decreased to 38.5 per cent in 2019 from 39.4 per cent in the previous year. Nevertheless, Sri Lanka is still among the 20 countries that hold the highest gender gaps in LFPR, worldwide. Even though statistics indicate higher education levels in Sri Lankan females than their counterparts, their participation in Science, Technology, Engineering and Mathematics (STEM) related education is considered to be at an unsatisfactory level, impeding the active participation of females in economic activities. According to the University Grants Commission (UGC), in 2018, among the females graduated from the universities and other higher educational institutions established under the Universities Act No. 16 of 1978, as amended, more than 55 per cent

were from the Arts stream, while only 5 per cent were from the Computer Science and Engineering streams. In this context, strong attention is needed to enhance STEM related skills of the females of Sri Lanka, to improve their employability thereby enabling them to actively participate in the development process of the country.

Figure 4.9
Trends in Labour Force and Unemployment (2014 - 2019)

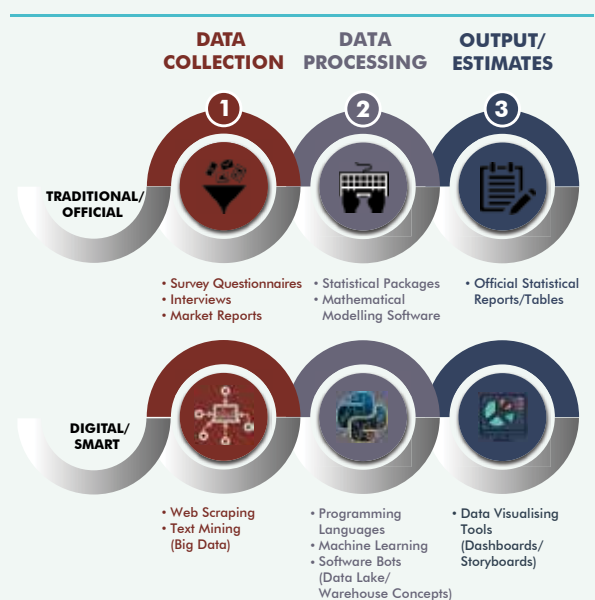


BOX 8

Breaking Stereotypes: How Digitalisation will Impact the Traditional Process of Statistics

The traditional role of statisticians has evolved over time gradually without major changes. The process of statistics generally includes stages of data collection, data processing and dissemination of final estimates/outcome (Figure B 8.1). Until recently, the most common advancements in the field of statistics focused mainly on the use of statistical software in data processing, while stages of data collection and dissemination of final results remained static. Rapid developments in information technology, however, challenged the traditional role of statisticians as certain statistical functions are becoming increasingly complex.

Figure B 8.1
Traditional vs. Smart Statistics



Meanwhile, data collection methods continued to evolve over time without being a limiting factor in the process of statistics. Traditional methods such as survey through questionnaires, one-to-one or phone interviews and secondary data from published sources are still being used as official sources for statistics produced by any organisation due to their reliability and customisability. However, over time, these traditional data collection methods experienced constraints not because of intrinsic features of such methods, but due to the widening horizons of digitalisation coupled with high frequency data generated through various means and platforms. These high frequency data get accumulated in various formats around cyber space, but, until recently, alternative uses of such data have not been adequately explored.

Data processing plays a vital role in obtaining a refined set of estimates, which is used for decision-making. Data collected using traditional methods and processed manually are currently being analysed using

various statistical packages. Mathematical modelling software is commonly being used to build up statistical relationships among variables. 'Official Statistics', which are national level statistical outcomes, comprise key economic indicators and a series of estimates related to economic activities. Around the world, this process of compiling official statistics is followed under various limitations and assumptions in assessing the status of an economy. Despite its limitations, the traditional process of compiling statistics has gained validation and reliability over time as it is based on scientific methodology.

The term 'Big Data' came to light in this backdrop when the traditional statistical process was challenged by a wave of digitalisation, coupled with the rise of information and communication technologies. In simple terms, digitalisation of the economy refers to the use of digital technology for various economic activities and Big Data refers to the accumulation of high frequency data from non-traditional sources for the use of economic agents. Despite that these concepts originated in early 2000's, most of the terminology used in relation to Big Data lack universally accepted definitions¹. Nevertheless, its usage seems to have encompassed over a wider spectrum as different online platforms on the World Wide Web generate a large part of Big Data while cashier terminals of supermarkets, automated vending machines, surveillance camera units, etc., also gather massive volumes of data on a daily basis. This data is originally recorded for a particular purpose and Big Data becomes a by-product of that process. Because of its recording frequency, such data becomes an incredible source, which outperforms most of the traditional data sources used in the statistical process in terms of volume and speed.

How digitalisation has influenced official statistics

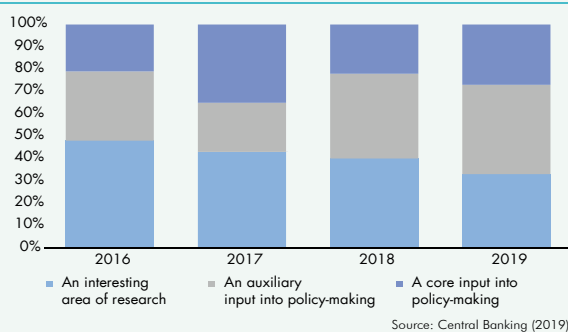
With the emergence of Big Data, one of the concerns raised by users was its eligibility to replace official statistics. As most of the data used in the statistical processes are primarily collected for a designated purpose, relying on secondary data through unorthodox means is still a challenging move to be taken by statisticians. In the present context, statistics generated using these unconventional data is called 'Smart Statistics' and are used as an alternative stream to complement official statistics. One of the benefits of maintaining a supportive stream of statistics is that it can help to validate official statistics, and also over time smart statistics will contribute towards continuously improving the quality of the entire statistical process

¹ History of Big Data - Available at: https://www.sas.com/en_us/insights/big-data/what-is-big-data.html

within an organisation. For instance, a survey on Big Data in central banks² carried out in 2019 shows that central banks around the world have identified Big Data as an auxiliary input into policy-making processes (Figure B 8.2).

The biggest impact of digitalisation on the statistical universe is its capability to transform a highly fractionalised and disconnected organisation in terms of data sharing into a centralised data warehouse, which promotes a brand new ‘data culture’ among all the members. Digitalisation demands everyone who uses the data to know the entire process of statistics, which extends from data collection to final estimates. In the case of central banks, the analytical departments will need to equip their staff with necessary programming skills to exploit the Big Data available in their ‘Data Lake’³. Anyone who has access to the Data Lake, irrespective of their area of expertise, will need the skill-set of a data analyst to get the maximum benefit from digitalisation.

Figure B 8.2
Big Data in central banks - Central Banking Survey (2019)



What digitalisation has in offer for statisticians

Digitalisation contributes to the field of statistics at each stage of its traditional process, from data collection to the final outcome. The traditional data collection methods would be replaced/supported by data digitally collected using methods such as Web Scraping and Text Mining. Web Scraping, in simple terms, refers to the process of extracting specific data available on relevant web sites by using programming software. Central banks around the world have started projects on scraping price and other data recorded on various web sites to support their monetary policy-setting process, which include forecasting inflation using price data, labour force dynamics of the economy through various job market web sites, and identifying the unorganised sector contribution to the national output through web sites related to Barter/Sharing economy.

² Big data in central banks (2019 Survey results). Available at: <https://www.centralbanking.com/central-banks/economics/data/4508326/big-data-in-central-banks-2019-survey-results>

³ Data Lake – A system or a repository of data stored in its natural/raw format. Available at: <https://aws.amazon.com/big-data/datalakes-and-analytics/what-is-a-data-lake/>

Text Mining is another digital technique, which is commonly used to evaluate the momentum of a community before or after a certain policy change takes place. This technique can identify a pool of key words related to people’s sentiments and track such words on various social media platforms to identify the frequency of their use. This will provide an estimate on the direction of public expectations of a policy or any other targeted phenomenon.

Ongoing projects of central banks, which use web scraping and text mining are focused on different areas. The Sveriges Riksbank (Central Bank of Sweden) uses data scraped from grocery retailers’ websites as a tool of error correction in inflation forecasting. The Central Bank of Armenia collects house prices displayed online by real estate agents to compile a house price index. The Deutsche Bundesbank (Central Bank of Germany) uses web data to capture depositors’ sentiments by means of text mining the queries related to the term “deposit insurance”, which provides them with an understanding about the depositors’ confidence in the banking sector of Germany. The European Central Bank, the Bank of England (Central Bank of the United Kingdom), the Banque de France (Central Bank of France) and other regulatory institutions around the world have started various projects in the area of Big Data and digitalisation, as the use of Big Data collected through web scraping and text mining is often advantageous over the conventional survey data because of the high velocity and high volume.

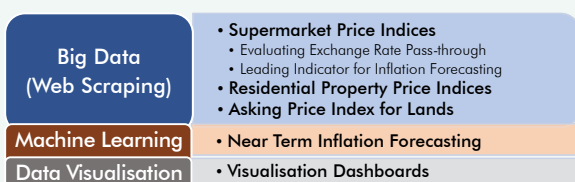
The contribution of digitalisation to the data processing stage is the most sophisticated and complicated element of the entire process of smart statistics. One of the differences between the traditional job of statisticians and the digital process is that both data collection and processing run on software using programming languages thereby leading to limited manual intervention in the digital process. In an advanced setting, the human element would be further reduced with the use of ‘Machine Learning’ and ‘Artificial Intelligence’ that will capture algorithms in data and carryout analytical tasks autonomously.

Data visualisation is the final stage of the statistical process, which converts the statistical estimates to graphical and other means of presentation. Official statistics, which are traditionally presented through tables, reports and graphs will be generated using tools such as visualising dashboards, which graphically and illustratively present the key statistical estimates. These dashboards are interactive and could be tailored to the needs of individual users. Central banks in their transformation towards being digital are exploring the potential of using these visualising dashboards for managerial decision-making in the policy-setting process.

Digital footprint: Smart statistics in the Central Bank of Sri Lanka

The Central Bank of Sri Lanka (CBSL) also embarked on its digitalisation journey in the field of statistics with a few pilot projects (Figure B 8.3). The high exchange rate volatility observed during the latter part of 2018, underscored the need to assess the degree of exchange rate pass-through to the consumer items. In this regard, CBSL took initiatives to adopt web scraping to collect prices of imported food and beverage items posted online on a daily basis. With the success of this project, CBSL increased the number of food and beverage items, of which the prices are collected by web scraping daily, as a pilot project to develop a leading indicator to strengthen the inflation forecasting process.

Figure B 8.3
Smart Statistics Projects



Since early 2019, in order to overcome the bottlenecks in data collection for compilation of the Land Price Index, which was based on valuations obtained from the Government Valuation Department semi-annually for residential, commercial and industrial lands in Colombo District, CBSL launched a pilot project to collect the market prices of properties advertised online, through web scraping on a monthly basis. Accordingly, CBSL is developing an Asking Price Index for lands in Colombo District and intends to expand it to the entire country. Moreover, a House Price Index for residential housing properties covering the entire country and a Condominium Price Index covering properties in the Colombo District are being compiled using scraped data. Additionally, a House Rental Price Index is also expected to be constructed using web scraped data to understand the status of the rental market and its impact on household expenditure dynamics.

CBSL has initiated another pilot project for forecasting near-term inflation using Machine Learning by employing a multi-step time series with Long Short-Term Memory (LSTM). The bank further uses visualisation dashboards to present the national accounting estimates, which are annually compiled for the provincial level. The use of visualisation dashboards is becoming popular within CBSL as they complement the official statistical reports used for decision-making.

Challenges for central banks and Way forward

With the rise of digitalisation across economies, central banks are concerned with the use of data analytics and other technologies for the policy-setting process. One of the key challenges in digitalising the statistical processes is to develop the skill-set within organisations for economists, statisticians, mathematicians to use the specific software/programming languages and the top management to be 'tech-savvy'. Digitalisation of statistics will demand individuals with a strong mathematical background to solve complex issues and open up opportunities for data scientists to be a part of statistical departments.

Digitalisation will require changes to the existing regulatory and infrastructure frameworks to facilitate adoption of new technologies. Access rights to privately owned web spaces in terms of legality and possible blockage imposed by the administrators of such web sites are also key concerns. Access rights to some domains are already given at a premium and the cost effectiveness of paying for such data is another concern for statisticians as traditional data collection methods could be relatively inexpensive in certain instances.

Another commonly discussed issue is the reliability of data extracted from secondary sources. Irrespective of the high volumes and velocity, regulators are reluctant to base policy decisions entirely on digital sources. It is identified that statisticians in public agencies have an agitation towards using certain web-based technologies mostly because of disclosure risks and cyber security threats. Most of these technologies demand 'Cloud-based' data warehousing, which may enhance exposure to data security risk.

Developing economies such as Sri Lanka will have to focus on establishing digital infrastructure platforms and regularising the use of digital technology in economic activities by introducing governance frameworks, which is a priority area even for CBSL at present. Considering these limitations and challenges faced by the central banks worldwide, digitalisation of statistical processes is still at its early stages of the life cycle, and central banks carry the view of using it as an alternative stream rather than fully migrating to smart statistics. However, the transformation is already happening at a faster rate. Therefore, conventional statistical processes will need to be geared to embrace the new challenges ahead, to ride the tide together with the rest of the world.

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Employment

The employed population increased by 2.1 per cent to 8.181 million in 2019 compared to 8.015 million in the previous year. In terms of sectoral employment, the services sector, which is the foremost employment generator, accounted for 47.1 per cent of the total employment followed by the industry and agriculture sectors contributing to 27.6 per cent and 25.3 per cent of the total employment, respectively, during the period. Meanwhile, employment in all three sectors showed an increase in 2019 from 2018, where the services sector accounted for the highest share of 71.4 per cent of the total increase in employed population.

The employed population in the categories of the public sector, private sector and own account workers increased during 2019 compared to the previous year. In terms of the employment status, the employed population is categorised into two major categories, namely, waged and salaried workers (employees) and the self-employed. The employees category is further categorised into public sector and private sector, while the self-employed category is categorised into employers, own account workers and contributing family workers. Out of these categories, the highest contribution to the total increase in the employed population during the reference period was from the waged and salaried workers, for which both public and private sector employees

Table 4.6
Employment by Economic Activity (a) (b) (c)

Sector	'000 Persons						Percentage of Total Employment	
	2018	2019 (d)					2018	2019 (d)
		Q1	Q2	Q3	Q4	Annual		
Agriculture	2,044	2,019	1,991	2,063	2,215	2,072	25.5	25.3
Industry	2,239	2,313	2,319	2,205	2,197	2,258	27.9	27.6
Mining and Quarrying	62	70	70	48	56	61	0.8	0.7
Manufacturing	1,464	1,531	1,548	1,475	1,463	1,504	18.3	18.4
Construction, Electricity, Gas, Steam and Air Conditioning Supply, Water Supply, Sewerage, Waste Management and Remediation Activities	713	712	701	682	679	693	8.9	8.5
Services	3,732	3,851	3,893	3,887	3,769	3,850	46.6	47.1
Wholesale and Retail Trade, Repair of Motor Vehicles and Motor Cycles	1,141	1,138	1,150	1,159	1,091	1,134	14.2	13.9
Transport and Storage	502	487	536	519	516	514	6.3	6.3
Accommodation and Food Services Activities	238	236	228	229	236	232	3.0	2.8
Information and Communication	55	67	66	69	55	64	0.7	0.8
Financial and Insurance Activities	173	218	168	194	172	188	2.2	2.3
Professional, Scientific and Technical Activities	86	85	97	70	109	90	1.1	1.1
Administrative and Support Service Activities	167	209	213	199	199	205	2.1	2.5
Public Administration and Defence, Compulsory Social Security	434	443	464	461	376	436	5.4	5.3
Education	425	413	400	431	460	426	5.3	5.2
Human Health and Social Work Activities	143	158	190	157	172	169	1.8	2.1
Other (e)	366	398	381	398	383	390	4.6	4.8
Total employment	8,015	8,183	8,203	8,155	8,181	8,181	100.0	100.0
Percentage of Labour Force	95.6	95.3	95.1	94.9	95.5	95.2		

(a) Based on the International Standard Industrial Classification (ISIC) - Revision 4

(b) Household population aged 15 years and above

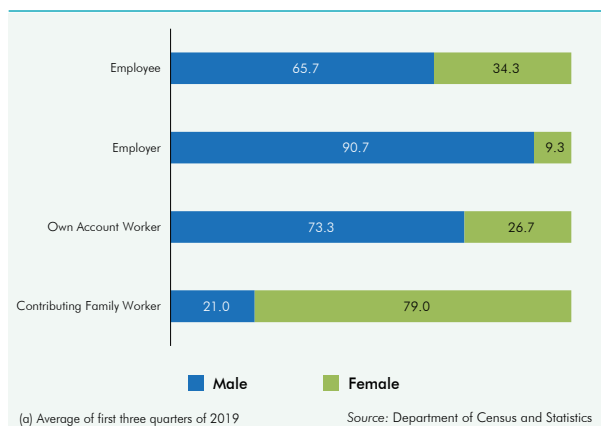
(c) In July 2016, the Department of Census and Statistics published a re-weighted and revised labour force data series for 2011 onwards.

(d) Provisional

(e) This includes activities of households as employers; real estate; arts, entertainment and recreation; and extra territorial organisations and bodies.

Source: Department of Census and Statistics

Figure 4.10
Distribution of Employment Status by Gender - 2019 (a)



together contributed to 63.6 per cent of the total increase in the employed population. In addition, own account workers contributed to 43.9 per cent of the total increase in the employed population. Meanwhile, the number of employers and contributing family workers declined by 5.4 per cent and 0.05 per cent, respectively, during 2019 compared to the previous year. In terms of the share in the employed population, the share of public sector employees and own account workers increased, while that of private sector employees, employers and contributing family workers decreased during the reference period. Nevertheless, the private sector continued to remain the main employment generator in Sri Lanka representing the largest share of 43.0 per cent followed by own account workers, which accounted for 32.5 per cent of the total employment.

As per the Public Sector Employment Survey conducted by the Central Bank, total public sector employment increased to 1.434 million at the end of 2019, compared to 1.424 million in 2018. This includes employees in ministries, departments, district secretariats, divisional secretariats, provincial councils and semi-government institutions. A considerable growth is anticipated in public

Table 4.7
Public Sector Employment

Sector	2018 (a)	2019 (b)	Percentage Change
			2019/ 2018 (b)
Government (c)	1,179,649	1,187,402	0.7
Semi Government (d)	244,497	246,748	0.9
Public Sector	1,424,146	1,434,150	0.7

(a) Revised
(b) Provisional
(c) Central Government, Local Government and Provincial Councils
(d) State Corporations, Statutory Boards and State Authorities

Source: Central Bank of Sri Lanka

sector employment in 2020 as well, with the government initiatives on offering public sector employment for graduates and those who are from low income families with qualifications below GCE O/L.

Even though education is the foundation towards employability, a significant portion of youth in Sri Lanka still do not receive adequate formal, tertiary and vocational education. Even though Sri Lanka provides free primary and secondary education for every child, tertiary and other higher education opportunities in the country are inadequate to address the knowledge and skill gaps of the labour force. Supporting the fact, statistics of the UGC confirms that only around 20 per cent of GCE A/L qualified students get the opportunity to enter into the universities and other higher educational institutions established under the Universities Act No. 16 of 1978, as amended, in Sri Lanka. The rest, who are unable to connect with other tertiary and vocational education institutes due to lack of awareness, affordability as well as uneven distribution of those institutes, are left behind and pushed towards easy short-term earnings and informal employments. This underutilised labour force is one key reason for labour shortages in industries such as construction and tourism, where those entities are compelled to import labour from

other countries. Under these circumstances, it is essential to improve human capital utilisation in Sri Lanka by way of directing the potential labour force towards available opportunities, while widening the capacity of the tertiary and vocational education system.

Unemployment

The unemployed population increased by 10.4 per cent to 0.411 million in 2019, compared to 0.373 million reported in the previous year. This increase was primarily driven by the increase in the unemployed male population by 13.0 per cent during the reference period, besides the increase in the unemployed female population by 8.3 per cent. Meanwhile, the overall unemployment rate increased to 4.8 per cent in 2019 from 4.4 per cent recorded in the previous year. Correspondingly, the male and female unemployment rates increased considerably by 0.3 per cent each to 3.3 per cent and 7.4 per cent, respectively, during 2019 compared to the previous year. The female unemployment rate continued to remain at a significantly high level, which was more than twice the male unemployment rate, doubting the adequacy of employability skills within the female labour force of the country.

Figure 4.11
Unemployment Rate (%)

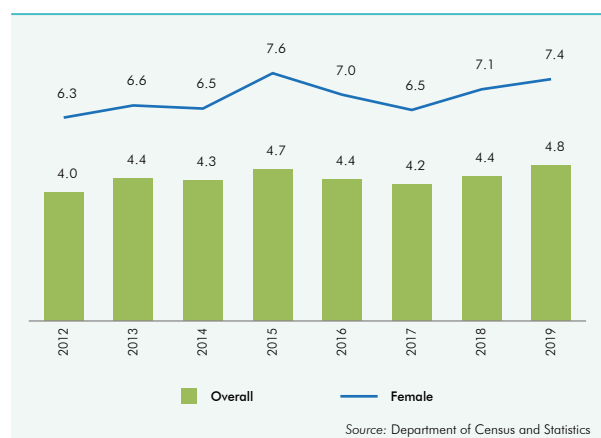


Table 4.8
Unemployment Rate (a) (b)

Category	2018	2019 (c)				
		Q1	Q2	Q3	Q4	Annual
All	4.4	4.7	4.9	5.1	4.5	4.8
By Gender						
Male	3.0	3.4	3.4	3.3	3.2	3.3
Female	7.1	6.9	7.5	8.5	6.9	7.4
By Educational Level						
Grade 5 and below
Grade 6-10	2.9	2.9	3.0	3.4	3.4	3.3
GCE (O/L)	5.2	6.0	6.5	7.7	5.6	6.5
GCE (A/L) and above	9.1	7.9	9.5	8.7	7.7	8.5
By Age Group (Years)						
15-19	26.5	23.3	27.8	24.3	29.1	26.0
20-24	20.1	21.0	17.8	23.1	19.2	20.3
25-29	10.4	9.0	12.6	11.8	10.4	11.0
30-39	3.0	3.0	3.3	3.2	2.9	3.1
40 and above	0.7	1.2	1.1	1.2	1.1	1.2

(a) Household population aged 15 years and above

Source: Department of Census and Statistics

(b) In July 2016, the Department of Census and Statistics published a re-weighted and revised labour force data series for 2011 onwards.

(c) Provisional

Unemployment rate among most of the age categories increased during 2019 compared to the previous year. Youth (15-24 years) unemployment rate, which continued to be at higher levels, recorded 21.5 per cent during 2019, which was a marginal increase from 21.4 per cent recorded during the previous year. In addition, it is noteworthy that the youth category accounted for the highest share, of 49 per cent, of the total unemployed population during the reference period. More than one fifth of the youth labour force being unemployed indicates the urgent need of capitalising the unutilised capacity in the youth on economic growth and development of the country by properly directing them to fill gaps in the labour market. Meanwhile, the age categories of 25-29 years, 30-39 years and 40 years and above reported unemployment rates of 11.0 per cent, 3.1 per cent and 1.2 per cent, respectively, during the reference period.

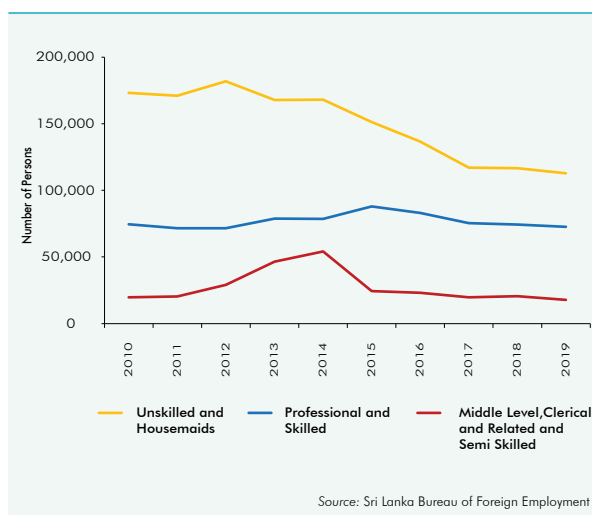
In terms of the education level, the GCE A/L and above category continued to record the highest unemployment rate, which was 8.5 per cent, during 2019. Moreover, it

accounted for 42 per cent, the highest share of the total unemployed population during the reference period. Meanwhile, the unemployment rates of the GCE O/L and Grade 6-10 categories stood at 6.5 per cent and 3.3 per cent, respectively, during 2019. The prevailing high level of youth unemployment among the educationally qualified in Sri Lanka is attributable to shortfalls in producing a labour force that meets the demand of the labour market. According to the statistics of the UGC for the year 2018, 48 per cent of the total graduate output of universities and other higher educational institutions established under the Universities Act No. 16 of 1978, as amended, were from the Arts stream, whereas only 4 per cent were from the Computer Science stream, clearly reflecting the misalignments between the output of the higher education system and labour market requirements in Sri Lanka. This shortfall of producing a youth labour force with employability skills is expected to widen further with the changes in the employment landscape in line with developments in contemporary technologies. On this note, with the view of developing an efficient and effective human resource pool that can contribute towards a dynamic economic growth and development of the country, there is a pressing need for reforms in the higher education system in order to integrate the industry needs and national development plans of Sri Lanka.

Foreign Employment

Continuing the trend observed since 2015, departures for foreign employment weakened further in 2019. The departures for foreign employment declined by 3.9 per cent to 203,186 in 2019 from 211,459 in 2018. This decline was mainly caused by the decline in male departures for foreign employment by 5.8 per cent to 122,201 in 2019 from 129,774 in 2018. In addition, female

Figure 4.12
Departures for Foreign Employment by Skills



departures for foreign employment also declined marginally by 0.9 per cent to 80,985 in 2019 from 81,685 in 2018. Meanwhile, departures for foreign employment under all skill categories except for the professional category and the semi-skilled category declined in 2019. The decline observed in the middle level, clerical and related, skilled and unskilled categories during the reference period were also mostly instigated by the decline in male departures. It is noteworthy that the decline in the skilled category, which was by 6.5 per cent compared to 2018, contributed to 52.4 per cent of the total decline in departures for foreign employment in 2019. Moreover, the housemaid category, which declined by 5.2 per cent compared to 2018, contributed to 40.7 per cent of the total decline in departures in 2019. Despite the decline, the housemaid and unskilled categories still account for the majority of the departures for foreign employment. Meanwhile, the significant increase of 36.8 per cent in the professional category and the increase of 6.5 per cent in the semi-skilled category during the reference period were mainly driven by male departures, particularly, by those who were aged between 30-34 years.

Table 4.9
Departures for Foreign Employment

Employment	2017		2018		2019 (a)	
	Number	% Share	Number	% Share	Number	% Share
Total Placement	211,992	100.0	211,459	100.0	203,186	100.0
By Source						
Licensed Agents	68,319	32.2	66,924	31.6	69,379	34.1
Other	143,673	67.8	144,535	68.4	133,807	65.9
By Gender						
Male	139,268	65.7	129,774	61.4	122,201	60.1
Female	72,724	34.3	81,685	38.6	80,985	39.9
By Manpower Category						
Professional	6,379	3.0	7,210	3.4	9,860	4.9
Middle Level	7,127	3.4	7,748	3.7	5,725	2.8
Clerical & Related	9,271	4.4	10,021	4.7	9,163	4.5
Skilled Labour	68,980	32.5	67,053	31.7	62,719	30.9
Semi Skilled Labour	3,297	1.6	2,770	1.3	2,950	1.5
Unskilled Labour	61,054	28.8	51,719	24.5	51,200	25.2
Housemaid	55,884	26.4	64,938	30.7	61,569	30.3

(a) Provisional

Source: Sri Lanka Bureau of Foreign Employment

The Middle East region continued to remain the main foreign employment destination for Sri Lanka accounting for around 85.0 per cent of the total departures for foreign employment. Accordingly, 97.0 per cent under the housemaid category and 71.8 per cent under the unskilled category were concentrated in Middle Eastern countries such as Saudi Arabia, Qatar, Kuwait and the UAE. In terms of gender-wise departures, 80.0 per cent of male departures for foreign employment and 92.5 per cent of female departures for foreign employment were concentrated in the Middle East region. Meanwhile, a downfall in departures for foreign employment is anticipated in 2020, resulting from the travel restrictions, amidst the spread of the COVID-19 pandemic in the Middle East region.

Sri Lanka should focus more towards catering to the international labour demand related to the professional, skilled and semi-skilled categories in light of the decline in demand for low skilled labour in the international labour market. The recent developments in technology, which have revolutionised the way of work, have a considerable impact on migrant workers. Accordingly, the displacement of blue-collar jobs due to automation and robotics and emergence of digital collar jobs have reformed the skills

demand in labour markets. In addition, there is a structural transformation in the international labour market in terms of remote as well as temporary work assignments. In this context, Sri Lanka has been experiencing a continuous decline in worker remittances since 2017 in line with the decline in worker remittances from the Middle East region, where the majority of Sri Lankan housemaids and unskilled workers are concentrated. Worker remittances being one of the major sources of foreign exchange earnings that have a large impact on the Sri Lankan economy, more weight should be given to improve digital and high tech skills of the domestic workers in order for them to become more competitive in the international labour market.

The Sri Lanka Bureau of Foreign Employment (SLBFE) continued to implement measures to regulate the migration process, protect and empower migrants and their families and link migration with the development process, with the vision of becoming the best choice for competent human resources in the overseas market. Accordingly, ensuring trustworthy foreign employment for Sri Lankan migrant workers, the SLBFE conducted 252 raids on illegal recruitment activities and filed

Table 4.10
Foreign Employment Departures by Destination

Country	2018		2019 (a)		Change (a)	
	Number	% Share	Number	% Share	Number	Per cent
Saudi Arabia	35,866	17.0	35,478	17.5	-388	-1.1
Qatar	50,774	24.0	40,785	20.1	-9,989	-19.7
Kuwait	46,951	22.2	43,089	21.2	-3,862	-8.2
U A E	32,836	15.5	32,866	16.2	30	0.1
Other	45,032	21.3	50,968	25.1	5,936	13.2
Total	211,459	100.0	203,186	100.0	-8,273	-3.9

(a) Provisional

Source: Sri Lanka Bureau of Foreign Employment

461 court cases against non-licensed persons who were engaged in foreign employment business as well as the licensed agencies that violated the law, during 2019. As welfare and protection measures, in 2019, the SLBFE paid Rs. 132.33 million as insurance premium on behalf of 201,806 migrant workers and Rs. 104.46 million for 2,885 persons under the insurance scheme with regard to repatriation, death claims and medical claims for dependents, incurred a cost of Rs. 121.59 million in awarding scholarships to 4,846 children of migrant workers, provided financial assistance for 66 needy migrant workers utilising the Workers' Welfare Fund (WWF) of the SLBFE and repatriated a total of 40 migrant workers due to the issues they encountered during their stay abroad utilising Rs. 1.29 million of the WWF and Rs. 0.92 million under the insurance scheme. In addition, the SLBFE repatriated 1,669 stranded migrant workers through Sri Lanka missions in labour receiving countries without financial involvement during 2019. In order to upgrade the quality of domestic labour, the SLBFE provided the NVQ level III qualification for 5,981 job seekers. Furthermore, a specified skilled worker recruitment programme was implemented following the memorandum of corporation (MOC) between the governments of Sri Lanka and Japan signed in 2019 to provide employment opportunities for Sri Lankan skilled workers in Japan covering 14 occupational categories during 2019. Currently, a database of eligible persons is being prepared to be sent to Japan. In addition, the SLBFE sent 115 technical

interns to Japan during 2019 under the MOC signed between governments of Sri Lanka and Japan in 2018 for sending Sri Lankan job seekers to Japan as technical interns.

Labour Relations and Labour Market Reforms

Labour relations in the private sector improved during 2019 compared to 2018 with the decline in number of strikes and number of workers involved in strikes. However, the number of man days lost due to strikes increased by 10.7 per cent during the period under review compared to 2018. As per the data reported by the Department of Labour, the number of strikes, workers involved in strikes and man days lost due to strikes in the plantation sector declined significantly during 2019 compared to the previous year. In semi-government institutions and other private institutions, the number of strikes and the number of workers involved in strikes declined, though man days lost due to strikes increased in 2019 compared to the previous year. A total of 18 strikes were reported in private sector industries during 2019, of which 7 were related to the plantation sector and the rest were related to semi-government institutions and other private institutions. Overall, 6,952 workers were involved in strikes in 2019, of which 28.1 per cent were from the plantation sector and 71.9 per cent were from semi-government institutions and other private institutions. Meanwhile, a total of 54,919 man days were lost due to strikes during 2019, of which

Table 4.11
Strikes in Private Sector Industries

Year	Plantation			Other (a)			Total		
	No. of Strikes	Workers Involved	Man Days Lost	No. of Strikes	Workers Involved	Man Days Lost	No. of Strikes	Workers Involved	Man Days Lost
2016	26	11,185	85,637	15	10,167	18,690	41	21,352	104,327
2017	12	1,885	5,643	21	9,027	54,436	33	10,912	60,079
2018 (b)	29	6,545	33,212	22	5,610	16,406	51	12,155	49,618
1st Quarter	6	886	6,152	7	1,706	5,791	13	2,592	11,943
2nd Quarter	6	1,073	6,606	2	690	4,170	8	1,763	10,776
3rd Quarter	7	703	3,759	8	1,010	3,191	15	1,713	6,950
4th Quarter	10	3,883	16,695	5	2,204	3,254	15	6,087	19,949
2019 (c)	7	1,952	28,218	11	5,000	26,701	18	6,952	54,919
1st Quarter	3	807	2,521	9	4,748	26,197	12	5,555	28,718
2nd Quarter	2	939	24,393	1	152	304	3	1,091	24,697
3rd Quarter	2	206	1,304	1	100	200	3	306	1,504
4th Quarter	-	-	-	-	-	-	-	-	-

(a) Includes semi government institutions and other private institutions

(b) Revised

(c) Provisional

Source: Department of Labour

51.4 per cent was in the plantation sector and 48.6 per cent was in semi-government institutions and other private institutions. In addition to these strikes, the publicly available data revealed a number of strikes in sectors such as health, customs, postal, education and transportation, which had a negative impact on the daily lives of the general public and the social and economic activities of the country.

Several measures were taken by the Ministry of Skills Development, Employment and Labour Relations to improve industrial harmony during 2019. Accordingly, during the meetings of National Labour Advisory Council, it was agreed to amend sections 2(a) of the Wages Board Ordinance No. 27 of 1941 to provide for the trade union dues check off to be made an authorised deduction and the National Minimum Wage of Workers Act No. 3 of 2016 to increase the minimum wage by Rs. 2,500. It was also proposed to establish a mechanism to fix wages with technical assistance from International Labour Organization (ILO). Further, Sri Lanka ratified the protocol 29 (P29) of 2014 to the forced labour convention (C29), 1930, which provides guidelines for member countries to address gaps in implementation of convention and to strengthen the measures to achieve effective and sustained suppression of forced or

compulsory labour. In addition, the Department of Labour continued to conduct social dialogue awareness programmes to improve employee-employer relationships at factory floor level as well as an island-wide competition on the basis of social dialogue and workplace cooperation to award the best work-places in the plantation, manufacturing, garment and services sectors. Moreover, several amendments/legal provisions were also introduced in the sphere of labour relations. Accordingly, an amendment was brought into the Wages Board Ordinance No. 27 of 1941 to enhance and regularise contract employment. In addition, several regulations related to the registration of factories and approval of factory buildings, registration and examination of steam boilers and other pressure vessels, protection of workers from excessive noise and general standard of lighting were introduced to Factories Ordinance No. 45 of 1942 to improve the health and safety of the working environment. Amendments to the Employees Provident Fund Act No. 15 of 1958 for making employer mandated to furnish information with regard to A, B, H forms to Department of Labour and the Employment of Women, Young Persons and Children Act No. 47 of 1956 to increase the minimum age of employment from 14 to 16 years, giving coherence to increasing compulsory education up to 16 years are in progress.

Labour Productivity

Labour productivity measured in terms of Gross Value Added (GVA) (in 2010 prices) per hour worked increased to Rs. 513.39 per hour worked in 2019 compared to Rs. 503.04 per hour worked in 2018. Accordingly, the overall labour productivity improved by 2.1 per cent in 2019 compared with 2018. Increase in the GVA in all three sectors, namely agriculture, industry and services, and decrease in hours worked in agriculture and industry sectors contributed towards this increase in the overall labour productivity. In terms of the level of productivity, the services sector exhibited the most efficient use of labour resource, recording the highest labour productivity level of Rs. 624.58 per hour worked, followed by the industry sector with labour productivity level of Rs. 540.70 per hour worked. Even though a gradual increase in labour productivity could be observed in the agriculture sector, it recorded the lowest labour productivity level of Rs. 192.87 per hour worked during 2019.

Agriculture sector in Sri Lanka is still considered to be highly labour intensive, despite the gradual decline of the share of

Table 4.12
Labour Productivity by Major Economic Sectors

	2018 (a)	2019 (b)
Gross Value Added at Constant (2010) Prices, Rs.mn	8,779,434	8,976,825
Agriculture	683,816	687,857
Industry	2,540,315	2,608,211
Services	5,555,303	5,680,757
Labour Productivity, Rs. per Hour Worked	503.04	513.39
Agriculture	186.98	192.87
Industry	524.14	540.70
Services	620.78	624.58

(a) Revised
(b) Provisional

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

employment. In this context, moving towards high tech agriculture from the traditional agriculture is essential to address the issues relating to high labour dependency and inefficiencies in resource usage in the agriculture sector. Moreover, with the emergence of the new challenge of COVID-19 pandemic, disruption in global food supply chains has surfaced the need of improving agriculture productivity in Sri Lanka more than before, as Sri Lankan economy depends on some major agricultural imports due to self-insufficiency and high cost associated with the agriculture produces in Sri Lanka.