

Chapter 4

PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

4.1 Overview

The deceleration in inflation witnessed towards the end of 2008 continued further in 2009, due to favourable developments in both demand side and supply side factors.

The rate of inflation, as measured by the Colombo Consumers' Price Index (CCPI) (2002=100), decelerated to 4.8 per cent in December 2009, on an year-on-year basis, from its peak level of 28.2 per cent recorded in June 2008. The effect of stringent monetary policy adopted by the CBSL during the previous two years and the decline in commodity prices in the international market coupled with improved domestic supply conditions and the downward revision of administered prices, aided the rapid deceleration in inflation. Inflationary pressure exerted through increase in wages of public and private sector employees was contained through favourable developments in supply side factors, enhanced labour productivity as well as the prudent monetary policy pursued by the CBSL. The gradual increase in the point-to-point inflation towards the last quarter of 2009, from 0.7 per cent in September to 4.8 per cent in December 2009 was mainly a result of the dissipation of the impact of the high base in 2008. Meanwhile, the annual average inflation rate, which had been decelerating continuously from the peak

of 23.4 per cent in October 2008, reached a single digit level of 8.5 per cent in August 2009 and further declined markedly to 3.4 per cent in December 2009. This was the lowest annual average (end year) inflation rate recorded since 1985. Meanwhile, the core inflation, which measures the price movement of non-food and non-energy items of the CCPI basket, too followed a decelerating trend throughout the year reaching 5.9 per cent on an year-on-year basis in December 2009 from 15.7 per cent in December 2008. The annual average core inflation also declined to 9.2 per cent in December 2009 as compared to 13.6 per cent in December 2008.

Both the nominal and real wages of all three sectors, namely the public sector, formal private sector and informal private sector increased in 2009, compared to the previous year. With the upward adjustments of the Cost of Living Allowance (COLA) in January and November 2009 by Rs. 1,000 and Rs. 750 respectively, the nominal wage rate indices of all categories of public sector employees increased by around 9.4 per cent in 2009. Public sector employees further benefitted from the decelerating inflation experienced throughout the year, leading to a real wage increase of around 5.7

per cent in 2009, against the real wage decline in 2008. Similarly, the minimum wages for three major categories of the formal private sector, governed by the Wages Boards Trades increased, raising the overall nominal wage rate index for the whole sector by 4.9 per cent. As a result of the gradual deceleration in inflation, they too enjoyed a real wage increase of 1.6 per cent, on average, during the year. Following a similar trend, both the nominal and real wages of informal sector workers also increased in 2009.

The rate of unemployment which had been declining over the past few years recording the lowest level in 2008, began to increase mainly due to the adverse impact of the global recession, on several sectors of the economy. Since the third quarter of 2009, however, the rate of unemployment started to decline indicating the resurgence of the economy with the ongoing economic activities and gradual recovery in the global economy. Meanwhile, there was a change in the composition of employment among the major industry groups, with the increasing dominance of the Services sector and the declining share of the Industry sector in total employment. Public sector employment, private sector employment and unpaid family workers grew during the year. However, a decline was observed in the self-employed and employer categories. The ongoing and planned infrastructure development projects are likely to create more employment opportunities. Increased activities in the Agriculture sector, particularly in the Northern and the Eastern Provinces would also generate employment opportunities. Meanwhile, the improvement in labour productivity in recent years continued. At the same time, foreign employment, which amounted to one

fourth of the total domestically employed population, continued to contribute significantly to the economy in terms of foreign exchange earnings.

4.2 Prices

Price Movements and Contributory Factors

Colombo Consumers' Price index (CCPI)

The CCPI, the official consumer price index of the country, recorded a 4.8 per cent increase on an year-on-year basis and a 3.4 per cent increase on an annual average basis, the lowest end year annual average rate recorded for a period of more than two decades. The Index rose by 9.8 index points from 203.7 in December 2008 to 213.5 in December 2009. The point-to-point change in the index decreased steadily from 10.7 per cent in January to 0.7 per cent in September 2009, reaching the lowest level recorded in more than five years. It then increased gradually to reach 4.8 per cent in December 2009. The annual average inflation rate continued its declining trend throughout the year from the peak level of 23.4 per cent in October 2008.

The decline in inflation in 2009 was consequential upon both the demand and supply side factors.

On the demand side, stringent monetary policy measures implemented during the last two years supported to curtail demand pressures in the economy. Favourable developments on the supply side, increased productivity as well as prudent monetary policy measures helped to curtail any demand pressure, which would have arisen as a consequence of the increase in wages of public and private sector employees. Improved domestic supply conditions, mainly from the Northern and the Eastern Provinces and the decline in international commodity prices as well as the stable exchange rate lowered the price pressure on the CCPI during the year.

Price increases in domestically produced goods, which on average accounted for around 72.6 per cent of total monthly consumption expenditure in 2009, largely impacted on inflation during the year. The contribution from domestically produced goods to the year-on-year

Chart 4.1 Colombo Consumers' Price Index (2002=100)

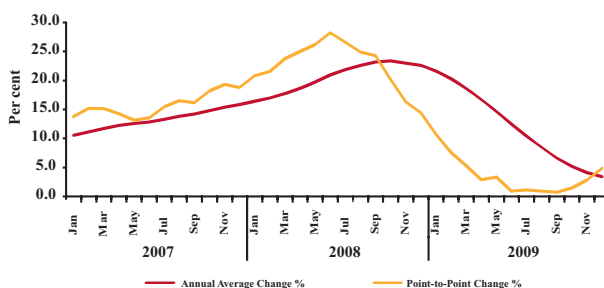


Table 4.1

Changes in Price Indices

Index	Average Index			Point-to-Point Percentage Change		Annual Average Percentage Change	
	2007	2008	2009(a)	Dec. 2008/ Dec. 2007	Dec. 2009/ Dec. 2008(a)	2008/2007	2009/2008(a)
	CCPI(2002=100)	163.1	199.9	206.8	14.4	4.8	22.6
WPI	2,924.4	3,653.6	3,500.9	0.7	13.3	24.9	-4.2
GDP Deflator	256.4 (b)	298.3	315.1	-	-	16.3	5.7

(a) Provisional
(b) Revised

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

inflation increased from 75.4 per cent in January 2009 to 100.6 per cent in December 2009, while that from imported items declined from 24.6 per cent in January 2009 to -0.6 per cent in December 2009, in line with the rapid easing of commodity prices in the international market.

The major contribution to inflation came from the Food and non-alcoholic beverages sub-index, which has the highest weight of 46.7 per cent in the CCPI. The point-to-point change in the Food sub-index decreased rapidly from 10.2 per cent at the beginning of the year to -1.1 per cent in April 2009, but increased thereafter, reaching 6.0 per cent in December 2009. Overall inflation moved almost in line with the Food-sub index due to its dominance in the overall index. The Food sub-index contributed 40.1 per cent to the annual average change in the overall CCPI during the year. The annual average

increase of the Food sub-index was 2.8 per cent as at end 2009. The price increases in fish, lime, garlic, big onions and red onions, sugar, dhal, potatoes and eggs were the key items which contributed to the increase in the Food sub-index.

The decline in average prices of certain domestic agricultural products, especially of rice, pulses, vegetables and coconuts, due to the increase in domestic supply conditions contributed to lower the price pressure. Despite paddy prices recording increases in the middle and the end of the year due to supply shortages resulting from the bad weather conditions that affected the Yala harvest, the average price of rice declined by 2.1 per cent during 2009 compared to 2008. Satisfactory 2008/2009 Maha harvest, the price ceiling imposed by the government on rice, and duty exemption on rice imports towards the end of the year, helped

Table 4.2

Retail Prices of Key Imported and Domestically Produced Items

Item	Unit	CCPI (2002=100) Weight %	Price - Rs.						Percentage Change				
			Annual Average			Dec. 2007	Dec. 2008	Dec. 2009(a)	Annual Average		Point-to-Point		
			2007	2008	2009(a)				2008/2007	2009/2008(a)	Dec. 2008/ Dec. 2007	Dec. 2009/ Dec. 2008(a)	
Domestic	Rice - Samba	kg	2.8	50.98	76.53	76.57	63.71	78.64	82.41	50.1	0.1	23.4	4.8
	Rice - Kekulu (Red)	kg	0.9	44.56	64.65	63.64	55.32	66.38	66.78	45.1	-1.6	20.0	0.6
	Rice - Kekulu (White)	kg	0.6	38.78	60.66	59.85	51.68	62.63	63.22	56.4	-1.3	21.2	0.9
	Rice - Nadu	kg	0.5	44.45	65.29	65.44	56.99	68.43	69.45	46.9	0.2	20.1	1.5
	Coconut (medium)	Nut	5.4	21.83	28.88	23.02	27.83	24.87	27.53	32.3	-20.3	-10.6	10.7
	Fish - Kelawalla	kg	1.1	407.10	471.50	510.18	414.72	490.07	502.60	15.8	8.2	18.2	2.6
	Beans	kg	0.5	83.51	102.60	95.41	82.93	110.27	116.04	22.9	-7.0	33.0	5.2
	Brinjals	kg	0.2	52.12	64.57	60.03	55.99	81.49	82.53	23.9	-7.0	45.5	1.3
	Eggs	One	0.4	9.31	10.16	11.44	11.64	11.55	14.53	9.1	12.6	-0.8	25.8
Imports	Sugar	kg	1.1	54.30	63.58	82.09	53.21	66.12	88.12	17.1	29.1	24.3	33.3
	Milk Powder - Anchor	400g	3.8	189.32	274.63	254.30	268.82	267.32	232.77	45.1	-7.4	-0.6	-12.9
	Red Dhal	kg	0.8	103.80	189.11	199.37	117.64	205.31	177.66	82.2	5.4	74.5	-13.5
	Wheat Flour	kg	0.2	55.36	73.86	71.75	66.12	71.81	70.62	33.4	-2.9	8.6	-1.7

(a) Provisional

Source : Central Bank of Sri Lanka

rice price to decline. The prices of vegetables were also relatively lower compared to the previous year, although increases were reported in certain months of the year. The domestic price of potato, on average, increased by 19.5 per cent in 2009 compared to the previous year, due mainly to the decreased supply resulting from the unfavourable weather conditions that prevailed in potato growing areas. The average price of coconut and coconut oil decreased by 22.2 per cent and 24.0 per cent, respectively, in 2009 compared to 2008.

The average price of fish and seafood increased by around 4.4 per cent during 2009 largely due to increased demand and supply fluctuations. Nevertheless, in line with the commencement of the fishing season in July and the relaxation of limitations on fishing in the Northern and Eastern coastal areas, the fish supply increased since June 2009 and the prices of fish moderated.

The administrative price revisions effected during the year has had an impact on the price of both domestically produced and imported goods. The fuel price reductions effective from end December 2008 (petrol by Rs. 10, diesel by Rs. 10 and kerosene by Rs. 2 per litre) has had a direct and indirect impact on prices. However, the upward adjustment of the price of petrol, diesel and kerosene by Rs. 10, Rs. 3 and Re. 1 per litre, respectively, in July 2009 in line with the increase in the import price of crude oil from US dollars 41.71 per barrel in January 2009 to US dollars 72.8 per barrel in June 2009, exerted a slight upward pressure on prices during the rest of the year. The impact of the reduction of the price of petrol by Rs. 15 per litre w.e.f. December 30, 2009 would be felt in 2010. Meanwhile, the LP gas prices were revised on six occasions in 2009. The price of a 12.5 kg cylinder of LP gas of Shell and Laugfs was reduced by Rs. 166 (9.3 per cent) and Rs. 276 (16.4 per cent), to

Table 4.3

Administered Price Revisions in 2008 and 2009

Item	Unit	Price (Dec.) - Rs.			Percentage Change	
		2007	2008	2009	2008/2007	2009/2008
Cigarettes (Gold-leaf)	Each	14.00	16.00	18.00	14.3	12.5
Cigarettes (Bristol/Viceroy)	Each	12.00	13.00	14.00	8.3	7.7
Coconut Arrack	750 ml	525.00	550.00	610.00	4.8	10.9
Extra Special Arrack	750 ml	450.00	500.00	565.00	11.1	13.0
Diesel	1 ltr.	75.00	70.00	73.00	-6.7	4.3
Kerosene	1 ltr.	68.00	50.00	51.00	-26.5	2.0
Petrol	1 ltr.	117.00	120.00	115.00	2.6	-4.2
Gas- Shell	12.5kg	1,313.00	1,619.00	1,550.00	23.3	-4.3
Gas- Laugfs	12.5kg	1,248.00	1,403.00	1,421.00	12.4	1.3
Furnace Oil (1000)	1 ltr.	52.70	32.70	42.70	-38.0	30.6
Furnace Oil (1500)	1 ltr.	51.70	31.70	41.70	-38.7	31.5
Furnace Oil (3500)	1 ltr.	46.65	25.00	36.65	-46.4	46.6
Electricity - Fixed Charges	Tariff Block					
	First 30 units	60.00	60.00	60.00	0.0	0.0
	31 - 60 units	90.00	90.00	90.00	0.0	0.0
	61 - 90 units	120.00	120.00	120.00	0.0	0.0
	91 - 180 units	180.00	180.00	180.00	0.0	0.0
	Above 180 units	240.00	240.00	240.00	0.0	0.0
Electricity - Unit Charges	Tariff Block					
	First 30 units	3.00	3.00	3.00	0.0	0.0
	31 - 60 units	4.70	4.70	4.70	0.0	0.0
	61 - 90 units	7.50	7.50	7.50	0.0	0.0
	91 - 180 units	14.00	16.00	16.00	14.3	0.0
	Above 180 units	19.80	25.00	25.00	26.3	0.0
Bus Fare		-	-	-	17.6	5.3

Source : Central Bank of Sri Lanka

Box 6**Introducing a New Core Inflation Measure for Sri Lanka**

4

PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

Concept, Measures and International Practices

Price stability, which refers to achieving and maintaining a low and stable level of inflation, is the prime objective of many central banks. In order to achieve price stability, central banks conduct monetary policy with a forward looking perspective as monetary policy actions affect inflation with a time lag. ‘Headline inflation’¹ is the widely used measure of inflation for the conduct of monetary policy as it is a simple and easily understood measure. Headline inflation includes all price movements including those driven by seasonality, changes in government taxes, and international commodity prices. By including all items, particularly items with high price volatility, headline inflation tends to be inherently noisy, not reflecting changes and the directions in the underlying rate of inflation.

Therefore, although headline inflation provides useful information for setting and conducting monetary policy, policymakers are required to understand underlying trends in prices driven by demand pressures in the economy, as otherwise it could lead to wrong policy decisions, which could adversely affect macroeconomic stability. Hence, policymakers are required to track the persistent or underlying movements in price to better calibrate their monetary policy decisions. The measure of ‘core inflation’ provides such information about underlying inflationary trends.

Although the term ‘core inflation’ is widely used in contemporary monetary policy literature, there is no commonly accepted theoretical definition for it. Bryan and Cecchetti (1993), for example, suggest that ‘core inflation relates to the growth rate of the money supply’. Quah and Vahey (1995) define core inflation as ‘...that component of measured inflation that has no medium to long-run impact on real output’, while Blinder (1997) identifies core inflation with the ‘durable’ part of inflation. Mishkin (2007) defines core inflation as ‘a measure of inflation that excludes the rate of increase of prices for certain volatile components in price indices.’

Since core inflation cannot be directly observed, several alternative methods have been proposed to

measure core inflation.² Empirical studies have found that core inflation measures derived using different methodologies yield different outcomes that can be used for different purposes in the conduct of monetary policy. Amongst the various methodologies, the most commonly used approach to measure core inflation is the exclusion method. The main advantages of exclusion based core inflation measures are, their availability on a timely basis, transparency, simplicity, and comparability. However, removing items on an arbitrary basis can be viewed as the main drawback of exclusion based measures of core inflation.

Measuring Core Inflation in Sri Lanka

Actions taken by the Central Bank of Sri Lanka (CBSL) to achieve the price stability objective is mainly guided by the movement of average changes and year-on-year changes in the Colombo Consumers’ Price Index (CCPI) compiled by the Department of Census and Statistics (DCS). However, headline inflation in Sri Lanka is subject to large variations resulting mainly from excessive fluctuations in food prices and administratively decided changes in energy and transport prices. Major fluctuations in food prices due to changes in weather conditions and the impact of external price shocks that create transitory movements in the CCPI persist only for a temporary period. In addition, administered prices, which mainly include energy and transport, do not respond to monetary policy actions and one-off changes of such prices tend to distort general price trends. Such volatile items account for a significant percentage of the price index, thereby generating erratic movements in the overall index³. This situation warrants monitoring core inflation measures, which are free from high volatility and abnormal shocks, in order to trace underlying inflation trends in Sri Lanka.

CBSL has been using several core inflation measures to facilitate the conduct of monetary policy. In 1997, CBSL compiled the first series for core inflation which was derived by removing items with administered prices from the CCPI (1952 =100). Since then,

1 Headline inflation refers to the rate of change in the consumer price index and measures the total inflation within an economy.

2 A detailed analysis of the methods used to compile core inflation measures is presented in the Box Article on ‘Core Inflation’ Central Bank Annual Report 2006.

3 For instance, the first 10 most volatile items account for approximately 19 per cent of the total index, while the first 20 most volatile items account for about 40 per cent of the total index.

several attempts were made to improve the measure of core inflation based on different techniques and some of these measures were published for the information of the general public. With the revision to the CCPI (2002 = 100) by the DCS in 2007, a new core inflation measure was derived by removing the entire food and energy categories of the total index and has been published since early 2008.

With a view to improving the methodology and introducing a new core inflation measure along with the proposed revision to the CCPI based on the Household Income and Expenditure Survey 2006/07, CBSL has compiled a series of core inflation measures based on international best practices, while addressing several weaknesses of the existing measure. These measures were evaluated based on statistical properties⁴. The results indicate that different measures fulfill different properties of a representative core inflation measure, and provide a reliable guide to the trends in underlying inflation.

When comparing the relative performance of alternative core inflation measures, exclusion appears to be the most appropriate method for measuring core inflation in Sri Lanka. Accordingly, a new core inflation measure was derived by excluding 'fresh food, rice, coconut, energy and transport' categories from the headline index. Excluding only these categories was considered appropriate given the high volatility in fresh food prices, such as fish, vegetables, and fruit and also some other food prices like rice and coconut and administratively determined energy and transport prices. This measure broadly complies with international best practices, particularly with regard to the extent of exclusion and the items excluded. It also fulfils many statistical criteria of a representative core inflation measure and broadly follows the general trend in headline inflation.

⁴ Statistical criteria outlined in the literature such as volatility of core inflation, long-run relationships and causalities between headline inflation, core inflation and money supply and the predictive power of core inflation measures were examined.

Rs.1,619 and Rs.1,403 respectively, w.e.f. December 31, 2008. As a result of the net impact of the six price revisions in 2009 (from both distributors), the domestic price of Shell gas declined by 4.3 per cent to Rs.1,550 and the price of Laugfs gas increased by 1.3 per cent to Rs.1,421, by end of the year.

In line with the decline in international commodity prices, local prices of key consumer items also declined. Decrease in freight charges at the beginning of the year also might have contributed

The new core inflation measure is expected to facilitate the conduct of monetary policy by CBSL, as it provides greater information about persistent movements in inflation than headline inflation. Also, given its simplicity and computability, this measure would be better understood by the general public, thus helping to manage expectations. However, as price stability ultimately involves controlling overall headline inflation, CBSL would continue to pay attention to headline inflation, while monitoring the trends in core inflation to ensure a thorough and careful analysis of the forces which drive inflation dynamics in the economy.

Table B 6.1

Movements in Headline and Core Inflation Measures (% Change)

Period	Headline Inflation		Core Inflation			
	Year-on-year	Annual Average	Current Measure 1/		New Measure 2/	
			Year-on-year	Annual Average	Year-on-year	Annual Average
Dec-04	13.0	9.0	9.9	9.1	9.7	8.2
Dec-05	7.4	11.0	9.2	10.3	8.5	10.8
Dec-06	13.5	10.0	8.6	8.5	12.4	9.7
Dec-07	18.8	15.8	8.1	7.7	17.0	12.8
Dec-08	14.4	22.6	15.7	13.6	13.3	19.5
Mar-09	5.3	18.7	14.2	15.2	8.1	16.7
Jun-09	0.9	12.5	7.7	15.2	6.3	12.9
Sep-09	0.7	6.6	5.4	12.1	5.8	9.1
Dec-09	4.8	3.4	5.9	9.2	5.8	7.0

^{1/} Excludes Food and Energy Categories of CCPI (2002=100), accounts for 54.9 per cent of the total index.

^{2/} Excludes Fresh Food, Rice, Coconut, Energy and Transport Categories of CCPI (2002=100), accounts for 31.1 per cent of the total index.

References :

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towards the decline in the prices. Accordingly, the average import price of wheat flour, milk powder, palm oil and vegetable oil declined. However, the price of dhal and sugar increased in the international market in line with supply shortages of the same. To stabilize their domestic prices, the government imposed a price ceiling on these commodities at the beginning of April 2009. The price ceiling was removed from May 01, 2009. The government also made arrangements to sell several key food

items at a lower price through co-operative stores. Accordingly, the price of sugar, dhal and canned fish was reduced w.e.f. November 07, 2009. Further, the import tax on milk powder and wheat flour were reduced by Rs.15 and Rs.10 per kg respectively, w.e.f. July 20, 2009 and December 18, 2009.

New taxes and levies also have had an impact on prices. The introduction of a new tax 'Fixed Line Subscriber Levy' on telephone usage w.e.f. January 15, 2009 and the Nation Building Tax of 1 per cent w.e.f. March 2009 had a direct impact on the CCPI. The Nation Building Tax was increased to 3 per cent effective from May 2009. The increase in water tariff by the National Water Supply and Drainage Board effective from February 15, 2009 also contributed to the increase in the price index.

Other significant contributions to the increase in the index came from the sub-indices of Health, Recreation and culture, and Education which contributed 19.3 per cent, 10.7 per cent and 9.3 per cent, respectively, to the annual average increase in 2009 despite the weights attached to them being relatively low. The increase in the Health sub-index was mainly attributed to the price increases in the services by private hospitals, pharmaceuticals, specialist consultations and medical laboratory services. Increases in hotel charges and tuition fees caused the sub-indices of Recreation and culture, and Education to move upward. Meanwhile, the Transport sub-group recorded a negative contribution of 2.1 per cent to the annual average inflation. The downward revisions in fuel prices and public transport charges caused the Transport sub-group to contribute negatively to inflation. The contribution of all the other sub-groups ranged from 1.9 per cent to 6.6 per cent.

The base year of CCPI is expected to be revised from 2002 to 2006/2007 in 2010. In order to reflect more recent changes in household consumption pattern owing to improvement in income levels and the changes in consumer tastes and preferences, the DCS has initiated action to update the basket of items and their weights in the CCPI, based on the Household Income and Expenditure Survey (HIES) conducted in 2006/2007. The updated version of the CCPI is expected to be released in 2010.

Wholesale Price Index (WPI)

Inflation at the primary market level as measured by the WPI showed high volatility in 2009. On a point-to-point basis a deflationary trend was observed during the first nine months of 2009. The point-to-point increase of the WPI which was at a peak level of 42.1 per cent in May 2008, decelerated rapidly to -0.4 per cent in September 2009. The trend reversed thereafter and by end 2009 the point-to-point increase of the WPI reached 13.3 per cent.

On an annual average basis, the WPI declined by 4.2 per cent as at end 2009. The annual average increase of the sub-index for the food category was 0.6 per cent. The sub-indices for Petroleum, Metal products, Electrical products and Miscellaneous products declined on an annual average basis by 22.8 per cent, 7.6 per cent, 1.0 per cent and 24.4 per cent, respectively in 2009. When the source-wise classification of the WPI is considered, prices in the Domestic category increased modestly by 3.5 per cent on an annual average basis during the year, while prices in the Import and Export categories recorded declines of 10.9 per cent and 6.7 per cent, respectively, indicating that it was mainly international price developments that exerted downward pressure on the WPI. Price declines in wheat grain, wheat flour, kerosene, diesel, petrol and milk powder contributed to the decline in the prices in the Import group, while price declines in coconut, coconut oil and rubber caused the decline in the Export group. When the end-use classification of the WPI is considered, prices in the Intermediate group dropped sharply by 21.8 per cent on an annual average basis, at end year while prices in both the Consumer and Investment categories registered increases of 2.6 per cent and 2.4 per cent, respectively. The decline in the prices of tobacco, wheat grain, kerosene, diesel, cocoa, rubber and insulated wire were responsible for the decline in prices in the Intermediate category.

GDP Deflator

The GDP deflator, which is an alternative measure of inflation, indicated a deceleration in the overall price increase in 2009 to 5.7 per cent as compared to 16.3 per cent recorded in 2008. In

Table 4.4 Sectoral Deflators and GDP Deflator

Sector	Index			Percentage Change	
	2007(a)	2008	2009(b)	2008/2007(a)	2009/2008(b)
Agriculture	260.7	342.2	341.7	31.3	-0.2
Industry	266.1	304.0	322.9	14.2	6.2
Services	249.3	285.1	304.2	14.4	6.7
GDP	256.4	298.3	315.1	16.3	5.7

(a) Revised
(b) Provisional

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

contrast to the trend observed in the last two years, the Agriculture sector recorded the lowest inflation rate of -0.2 per cent, as against the highest rate of 31.3 per cent recorded in 2008. The highest inflation rate of 6.7 per cent was recorded in the Services sector in 2009, which however was significantly lower compared to 14.4 per cent recorded by this sector in 2008. The inflation in the Industry sector also decreased to 6.2 per cent in 2009 compared to 14.2 per cent in 2008.

4.3 Wages

The wages of both the public and private sector employees, reported increases in nominal terms in 2009. Wage rate indices of the public sector, minimum wage rate indices of the formal private sector (whose wages are governed by the Wages Boards Trades) and the daily wages of the informal private sector, reported increases in nominal terms in 2009 as compared to the previous year. Simultaneously, these employees enjoyed an

increase in their real wages too in 2009, due mainly to the deceleration in inflation.

Public Sector Wages

Real wages of the public sector increased in 2009. With the declining inflation and the increase in nominal wages on account of the adjustment in the monthly COLA paid to public sector employees on two occasions during the year, a significant gain in real wage rate indices of all categories of public sector employees was observed in 2009, as against the real wage losses suffered by them in 2008. The increase in the nominal wage rate indices of public sector employees, which includes wages of non-executive employees, school teachers and minor employees, was due mainly to the enhancement of the monthly COLA for public sector employees by Rs.1,000 and Rs.750 w.e.f. January 2009 and November 2009, respectively. With these upward revisions, the monthly COLA payable to all employees in the Public Service, Provincial Public Service and Armed Forces, rose from Rs. 3,500 to Rs. 5,250 in 2009. Similarly, the monthly COLA payable to public servants, who are drawing daily paid emoluments, was also increased from Rs. 116.66 to Rs. 150 in January 2009 and further to Rs.175 in November 2009. Mainly due to these increases, the overall nominal wage rate index of government employees, increased by 9.4 per cent. Accordingly, on average, wage indices of non-

Table 4.5**Wage Rate Indices**

Employment Category	Index						Percentage Change					
	Nominal			Real (a)			Nominal			Real (a)		
	2007	2008	2009(b)	2007	2008	2009(b)	2007	2008	2009(b)	2007	2008	2009(b)
(December 1978=100)												
1. Government employees												
Central government employees	3,828.4	4,116.1	4,502.9	171.6	150.4	159.0	21.5	7.5	9.4	5.0	-12.4	5.7
Non-executives	3,493.4	3,749.5	4,082.4	156.6	137.0	144.2	22.4	7.3	8.9	5.7	-12.5	5.3
Minor employees	4,172.7	4,494.7	4,943.5	187.0	164.2	174.6	20.5	7.7	10.0	4.1	-12.2	6.3
Government school teachers	2,740.0	2,938.6	3,215.3	122.8	107.4	113.5	18.9	7.2	9.4	2.7	-12.5	5.7
2. Workers in Wages Boards Trades												
All Wages Boards Trades	1,648.8	2,070.4	2,171.4	73.6	75.5	76.7	21.4	25.6	4.9	4.1	2.6	1.6
Workers in agriculture	1,821.4	2,286.6	2,349.4	81.3	83.5	83.0	16.2	25.5	2.7	-0.3	2.6	-0.6
Workers in industry and commerce	1,522.4	1,877.5	2,054.0	67.9	68.5	72.5	39.6	23.3	9.4	19.6	0.9	5.8
Workers in services	1,057.1	1,370.8	1,545.8	47.1	49.9	54.6	35.6	29.7	12.8	16.0	5.9	9.4

(a) Real wage rate indices are based on CCPI (2002=100)
(b) Provisional

Sources : Department of Labour
Central Bank of Sri Lanka

executive officers, minor employees and government school teachers in 2009 rose by 8.9 per cent, 10.0 per cent and 9.4 per cent, respectively, in nominal terms compared to the range of 7-8 per cent in 2008. As a combined outcome of the developments in nominal wage increases and deceleration in inflation, the government employees enjoyed an increase in their real wages during 2009. Accordingly, non-executive officers, minor employees and government school teachers enjoyed real wage increases of 5.3 per cent, 6.3 per cent and 5.7 per cent, respectively in 2009 compared to the real wage losses incurred in the range of 12.2 – 12.5 per cent in 2008. Consequently, the overall real wage rate index of central government employees increased by 5.7 per cent over the previous year.

Formal Private Sector Wages

Movements of wages of the formal private sector are monitored through the minimum wage rate indices that cover only the minimum wages of employees whose wages are administered by regulations under the Wages Boards Trades. The minimum wage rate indices in the three major

categories of the formal private sector, namely, Agriculture, Industry and Commerce, and Services increased in nominal terms by 2.7 per cent, 9.4 per cent and 12.8 per cent, respectively, in 2009, while the overall wage rate index for the whole sector recorded an increase of 4.9 per cent over 2008. The increase was mainly attributable to the increases in minimum wages of workers in the Industry and Commerce sector and the Services sector in July 2008.

When the nominal wage rate indices were adjusted for inflation, employees in Industry and Commerce, and Services sectors enjoyed an increase in their real wages in 2009. The overall real wage rate index for employees in Wages Boards Trades, on average, increased by 1.6 per cent in 2009 over the previous year, mainly due to the sharp deceleration in the inflation rate. Employees in the Services sector and Industry and Commerce sector enjoyed a significant increase in their real wages by 9.4 per cent and 5.8 per cent, respectively, during the year under review. However, the real wages of employees in the Agriculture sector decreased marginally by 0.6 per cent during 2009, compared to an increase of 2.6 per cent in the previous year.

Table 4.6

Informal Private Sector Daily Wages by Sector and Gender (a)

Sector	Annual Average (Rs.)			Percentage Change			
	2007	2008	2009(c)	Nominal		Real (b)	
				2008	2009(c)	2008	2009(c)
1. Agriculture Sector							
Tea							
Male	375	440	496	17.4	12.6	-4.2	8.8
Female	263	305	356	16.1	16.5	-5.2	12.6
Rubber							
Male	389	500	532	28.4	6.5	4.8	2.9
Female	277	377	416	36.3	10.1	11.2	6.4
Coconut (d)							
Male	479	590	652	23.1	10.5	0.5	6.8
Paddy							
Male	456	562	615	23.2	9.4	0.5	5.8
Female	336	395	423	17.6	7.0	-4.0	3.5
2. Construction Sector (d)							
Carpentry							
Master Carpenter - Male	732	844	932	15.3	10.4	-5.9	6.7
Skilled and Unskilled Helper- Male	479	558	617	16.6	10.6	-4.9	6.9
Masonry							
Master Mason - Male	727	837	935	15.1	11.7	-6.1	8.0
Skilled and Unskilled Helper- Male	474	561	627	18.4	11.7	-3.4	8.0

(a) Wage Information were based on monthly wages from 90 centres.

(b) Real wage percentage changes are based on CCPI (2002=100).

(c) Provisional

(d) Female participation is minimal in the Coconut and Construction sectors.

Source : Central Bank of Sri Lanka

Informal Private Sector Wages

Wages in the informal private sector which are compiled based on a regular survey increased in nominal terms for all activities. Generally, wages in the informal sector tend to get adjusted to reflect both demand and supply conditions in the economy and the level of the reservation wage of labour. The information on the daily wage of the informal private sector for the Agriculture and Construction sectors, collected under the Country Wide Data Collection System (CWDCS), revealed a nominal growth in wages in 2009. Informal sector wages in the Agriculture and Construction sectors increased by 10.0 per cent and 11.1 per cent, respectively, in 2009 compared to the previous year. Within the Agriculture sector, the average daily wage of the sub-categories of Paddy, Coconut, Rubber and Tea increased by 8.4 per cent, 10.1 per cent, 8.0 per cent and 14.2 per cent, respectively in 2009 against 2008. The rate of increase in the daily wage of the sub-categories in the Agricultural sector varied partly due to the diversity among the different activities and the supply of labour. In addition, the demand made by these workers for a higher daily wage, in order to maintain their real wage at a certain level also had an impact on wage rates. Similarly, the increase in prices of certain export items, especially, tea and rubber towards the latter part of the year, enabled producers to make higher payment for the service of labour rendered. A significant increase in the real wages of the employees in all the sub-categories in the Agriculture sector and Construction sector were recorded in 2009. Accordingly, the daily real wage of Tea, Rubber, Coconut and Paddy sub-sectors in the Agricultural sector on average increased by 10.4 per cent, 4.4 per cent, 6.5 per cent and 4.8 per cent, respectively. Meanwhile, the wage for carpentry and masonry in the Construction sector recorded an increase of around 7 - 8 per cent in real terms, respectively, possibly due to the shortage of skilled workers in certain areas. This was a notable improvement against the real wage losses suffered by these workers in 2008.

1 The levels and trends of labour force, employment and unemployment in Sri Lanka are based on the Quarterly Labour Force Survey (QLFS) conducted by the DCS. The coverage of the QLFS was extended to the Eastern Province in the first quarter of 2008. Though the DCS plans to expand its sample coverage to the entire country, the Northern Province was not covered fully by the QLFS during the last few years due to the unsettled conditions prevailing in some districts of this province. Accordingly, the labour force data excluding the Northern Province has been used in the analysis, unless otherwise stated.

4.4 Population, Labour Force and Employment

Population

The mid-year population is estimated at 20.45 million in 2009, an increase of 1.1 per cent compared with 1.0 per cent growth recorded in 2008. Population in all districts increased in 2009. High increases in population were recorded in Colombo, Kandy, Kurunegala, Ratnapura, Gampaha, Badulla, Galle and Anuradhapura Districts, which together contributed over 55 per cent to the overall growth in 2009.

Labour Force

According to the QLFS¹, the labour force, which is defined as the economically active population aged 10 years and above, decreased marginally by 0.1 per cent to 8.07 million in 2009 compared to 8.08 million in the previous year. Meanwhile,

Table 4.7

District-wise Population

'000 Persons				
District	2008	2009(a)	Change(a)	Percentage Change(a)
Colombo	2,488	2,521	33	1.3
Kandy	1,396	1,415	19	1.4
Ratnapura	1,099	1,113	14	1.3
Badulla	861	874	13	1.5
Kurunegala	1,535	1,550	15	1.0
Gampaha	2,152	2,165	13	0.6
Galle	1,063	1,074	11	1.0
Anuradhapura	809	820	11	1.4
Kalutara	1,118	1,128	10	0.9
Matara	822	831	9	1.1
Nuwara Eliya	749	755	6	0.8
Ampara	624	634	10	1.6
Batticaloa	530	537	7	1.3
Puttalam	760	770	10	1.3
Jaffna	603	607	4	0.7
Matale	483	490	7	1.4
Trincomalee	361	368	7	1.9
Hambantota	558	565	7	1.3
Moneragala	430	435	5	1.2
Polonnaruwa	400	405	5	1.3
Mulaitivu	150	154	4	2.7
Kilinochchi	150	154	4	2.7
Vavuniya	167	169	2	1.2
Kegalle	807	813	6	0.7
Mannar	102	103	1	1.0
Total	20,217	20,450	233	1.1

(a) Provisional

Source: Registrar General's Department

Table 4.8

Household Population, Labour Force and Labour Force Participation

Item	2007 (a)	2008 (a)	2008 (b)	2009 (a)					2009 (b)				
				Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Household Population (c) '000 Persons	15,048	15,079	16,320	15,353	15,348	15,475	15,415	15,398	16,569	16,493	16,667	16,585	16,578
Labour Force '000 Persons	7,489	7,569	8,082	7,659	7,469	7,626	7,536	7,572	8,160	7,961	8,122	8,051	8,074
Employed	7,042	7,175	7,648	7,251	6,999	7,184	7,125	7,140	7,710	7,465	7,642	7,593	7,602
Unemployed	447	394	434	408	470	442	411	433	450	496	480	459	471
Labour Force Participation Rate (d) per cent	49.8	50.2	49.5	49.9	48.7	49.3	48.9	49.2	49.2	48.3	48.7	48.5	48.7
Male	67.8	67.9	68.0	67.4	66.5	66.3	66.5	66.7	67.2	66.0	66.2	66.5	66.6
Female	33.4	34.3	33.0	34.3	32.8	34.3	33.5	33.7	33.3	32.0	33.2	32.9	32.8

(a) Data exclude both Northern and Eastern Provinces.

(b) Data exclude Northern Province.

(c) Aged 10 years and above.

(d) Labour force as a percentage of household population aged 10 years and above.

Source: Department of Census and Statistics

the labour force, excluding both the Northern and the Eastern Provinces, remained at the same level of 7.57 million in 2009.

The total labour force comprised of 7.60 million employed and 0.47 million unemployed persons. Meanwhile, the labour force participation rate (LFPR), which is the ratio of the labour force to the total population aged 10 years and above, decreased to 48.7 per cent in 2009 from 49.5 per cent in the previous year. This decrease was seen in both male and female LFPRs which were reported at 66.6 per cent and 32.8 per cent, respectively. The gender analysis of the LFPR over the years had shown that

the participation rate of males has been almost twice that of females, throughout the recent past.

Employment

According to the QLFS, the number of employed persons² decreased by 0.6 per cent to 7.60 million in 2009 as compared to 7.65 million in 2008. This decline was due to the weaker demand for labour resulting from the general slowdown in economic activities during the year. Similarly, the number of employed persons excluding both the Northern and the Eastern Provinces, also marginally decreased by 0.5 per cent to 7.14 million in 2009 compared to 7.18 million in the previous year.

Table 4.9

Employment by Economic Activity

Sector	'000 Persons								Percentage of Total Employment									
	2007 (a)			2008 (a)			2008 (b)		2009 (a)					2009 (b)				
	2007 (a)	2008 (a)	2008 (b)	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	2007 (a)	2008 (a)	2008 (b)	2009 (a)	2009 (b)
Agriculture	2,202	2,344	2,490	2,460	2,227	2,292	2,295	2,319	2,613	2,383	2,426	2,481	2,476	31.3	32.7	32.6	32.5	32.6
Industry	1,874	1,888	2,005	1,806	1,804	1,833	1,848	1,823	1,894	1,914	1,912	1,921	1,910	26.6	26.3	26.2	25.5	25.1
Manufacturing	1,331	1,355	1,414	1,297	1,251	1,308	1,349	1,301	1,349	1,310	1,353	1,380	1,348	18.9	18.9	18.5	18.2	17.7
Construction (c)	543	533	590	509	552	526	499	522	546	604	559	541	562	7.7	7.4	7.7	7.3	7.4
Services	2,966	2,943	3,154	2,985	2,969	3,059	2,982	2,999	3,202	3,168	3,304	3,191	3,216	42.1	41.0	41.2	42.0	42.3
Trade and hotels, etc.	1,051	1,028	1,095	1,055	996	1,086	1,050	1,047	1,113	1,074	1,172	1,115	1,119	14.9	14.3	14.3	14.7	14.7
Transport, storage and communication	457	426	448	408	445	407	418	420	430	467	437	447	445	6.5	5.9	5.9	5.9	5.9
Finance, insurance and real estate	215	236	241	243	221	216	204	221	246	229	222	210	227	3.1	3.3	3.2	3.1	3.0
Personal services and other	1,243	1,253	1,370	1,280	1,307	1,349	1,514	1,362	1,413	1,398	1,473	1,419	1,426	17.7	17.5	17.9	19.1	18.8
Total employment	7,042	7,175	7,648	7,251	6,999	7,184	7,125	7,140	7,710	7,465	7,642	7,593	7,603	100.0	100.0	100.0	100.0	100.0
Percentage of labour force	94.0	94.8	94.6	94.7	93.7	94.2	94.5	94.3	94.5	93.8	94.1	94.3	94.2					

(a) Data exclude both Northern and Eastern Provinces.

(b) Data exclude Northern Province.

(c) Mining and quarrying, electricity, gas and water categorised under Construction.

Source: Department of Census and Statistics

² The QLFS conducted by the DCS defines an employed person as one who engaged in some kind of work for pay, profit or family gain (unpaid) during the survey period. According to the status of employment, persons working as paid employees, employers, own account workers (self-employed), or unpaid family workers during the survey period were considered as employed persons in the QLFS. This includes persons with a job but not at work during the survey period. Employees temporarily absent from work due to illness, bad weather or labour disputes are also considered as employed.

Table 4.10 Status of Employment

Period	Public Sector Employees	Private Sector Employees	Employers	Self-Employed	Unpaid Family Workers	Per cent
						Total
2007 (a)	13.8	42.7	2.8	30.4	10.3	100.0
2008 (a)	14.9	41.1	3.0	30.3	10.8	100.0
2008 (b)	15.2	41.2	2.9	30.3	10.5	100.0
2009(Annual)(a)	15.2	42.1	2.7	29.0	11.0	100.0
1st Quarter	15.5	41.4	2.7	28.4	12.1	100.0
2nd Quarter	15.1	43.0	2.9	28.6	10.5	100.0
3rd Quarter	15.7	42.5	2.9	28.1	10.7	100.0
4th Quarter	14.5	41.6	2.3	31.0	10.6	100.0
2009(Annual)(b)	15.5	42.1	2.6	29.2	10.6	100.0
1st Quarter	16.0	41.1	2.6	28.7	11.6	100.0
2nd Quarter	15.2	43.1	2.9	28.8	10.1	100.0
3rd Quarter	16.0	42.8	2.8	28.1	10.4	100.0
4th Quarter	14.8	41.4	2.3	31.1	10.4	100.0

(a) Data exclude both Northern and Eastern Provinces. Source: Department of Census and Statistics
 (b) Data exclude Northern Province.

There was a change in the composition of employed population, among the major industry groups between these two periods. The share of the Services sector, in total employment increased to 42.3 per cent in 2009 from 41.2 per cent in the previous year. The Services sector made the largest contribution to the total economic growth during the reference period furthering this increase. The increase in employment in the Services sector was mainly seen in the Personal services, and Trade and hotel services categories. Meanwhile, the share of employment in the Agriculture sector remained unchanged at 32.6 per cent in 2009. However, the share of employment in the Industry sector declined from 26.2 per cent to 25.1 per cent during the year. The drop in contribution of employment in the Industry sector to the total employment was due mainly to the lower employment in the Manufacturing and Construction sectors.

Table 4.11 Public Sector Employment

Sector	2007	2008	2009(a)	Percentage Change	
				2008/2007	2009/2008(a)
Government (b)	937,494	990,410	1,047,041	5.6	5.7
Semi-government (c)	259,116	261,318	266,543	0.8	2.0
Public Sector	1,196,610	1,251,728	1,313,584	4.6	4.9

(a) Provisional Source: Central Bank of Sri Lanka
 (b) Central Government, Local Government and Provincial Councils
 (c) State Corporations, Statutory Boards and State Authorities

In terms of employment status, the share of the public sector employees, private sector employees and unpaid family workers increased in 2009, while that of employers and own account workers declined, as compared to 2008. The employment in the private sector, which had the major share of 42.1 per cent as against 15.5 per cent in the public sector, continued its dominance in generating employment opportunities during 2009.

Unemployment

The declining trend in the unemployment rate over the past few years reversed since the first quarter of 2009, due largely to the slowdown of economic activities corresponding to the global economic crisis. According to the QLFS, the unemployment rate increased to 5.8 per cent in 2009 as compared to 5.4 per cent recorded in 2008. The total number unemployed was estimated at 471,000 for 2009, which was higher than that of 434,000 in the previous year. Meanwhile, the unemployment rate, excluding both the Northern and the Eastern Provinces, also increased to 5.7 per cent from that of 5.2 per cent between the two periods. However, recovery of the domestic economy, planned and ongoing development projects, reconstruction, resettlement and rehabilitation programmes in the Northern and the Eastern Provinces, coupled with expected global recovery would generate a higher level of employment opportunities in 2010. In fact, unemployment in the last two quarters of the year declined gradually indicating that a recovery is under way.

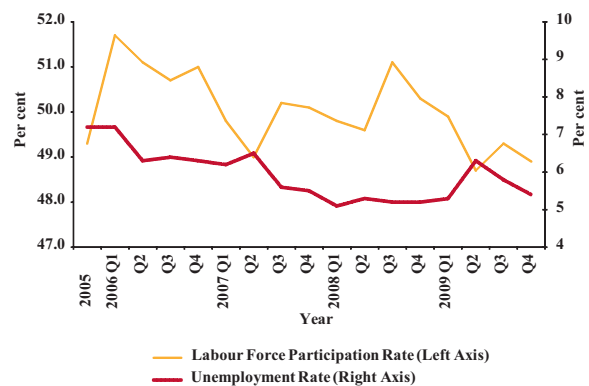
Chart 4.2 Trends in Labour Force & Unemployment 2005-2009

Table 4.12

Unemployment Rate (Unemployed as a percentage of Labour Force)

Category	2007(a)	2008(a)	2008(b)	2009 (a)					2009 (b)				
				Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
All	6.0	5.2	5.4	5.3	6.3	5.8	5.4	5.7	5.5	6.2	5.9	5.7	5.8
By Gender													
Male	4.3	3.6	3.7	4.1	4.7	4.4	3.9	4.3	4.2	4.6	4.4	4.0	4.3
Female	9.0	8.0	8.4	7.5	9.1	8.1	8.1	8.2	7.9	9.2	8.6	8.7	8.6
By Age Group													
15 - 19	21.6	20.6	20.8	17.8	26.6	20.4	20.3	21.2	18.3	25.0	20.6	19.7	20.9
20 - 29	15.0	13.2	13.7	14.8	15.5	15.3	14.7	15.1	15.2	15.2	15.5	15.7	15.4
30 - 39	3.3	3.1	3.1	3.5	4.1	3.9	3.1	3.6	3.3	4.3	3.9	3.3	3.7
40 and above	1.3	1.2	1.2	1.1	1.7	1.4	1.3	1.4	1.2	1.6	1.4	1.3	1.4
By Education Level													
Grade 4/Year 5 and below	1.3	1.1	-	-	-	-	-	-	-	-	-	-	-
Grade 5-9/Year 6-10	5.2	4.5	4.5	4.3	5.7	5.2	4.4	4.9	4.4	5.7	5.3	4.5	5.0
GCE(O/L)/NCGE	8.2	7.4	7.8	8.9	8.6	8.5	6.5	8.1	9.3	8.6	9.1	6.9	8.5
GCE(A/L)/HNCE and above	11.8	9.9	10.5	10.1	10.4	10.3	12.5	10.8	10.6	10.4	10.2	13.4	11.2

(a) Data exclude both Northern and Eastern Provinces.

(b) Data exclude Northern Province.

Source: Department of Census and Statistics

The continuation of youth unemployment, especially among educated youth has been a matter of concern. This problem was even more acute among educated females than educated males. In terms of the unemployment rate by level of education, the highest unemployment rate of 11.2 per cent was among those with qualifications of GCE (A/L) and above, followed by those with GCE (O/L) qualifications (8.5 per cent). The persistent mismatches between job opportunities in the market and aspirations of the unemployed have partly caused this problem.

The unemployment rate was more acute among the age group of 15 – 24 years as observed during the last few years. According to the estimates of the QLFS, the unemployment rate among this age group increased to 21.3 per cent from 18.8 per cent in 2008. The unemployment rate of young females was 27.9 per cent as compared to that of 17.1 per cent among young males.

Foreign Employment

Overseas job opportunities continued to be a vital source of employment in 2009. The steady increase in foreign employment over the past several years, contributed significantly to foreign exchange earnings while reducing pressure on the unemployment problem in Sri Lanka. However, departures for foreign employment showed a slight

slowdown in the first quarter of 2009 but recovered from this temporary set back from the second quarter of 2009. This decline was due mainly to the reduced demand for workers from overseas, as a result of the global recession. The total number of departures for foreign employment in 2009 was 247,119 compared to 250,499 departures in 2008. The decline in overseas employment was observed in categories of professional, middle level, clerical and related, and unskilled workers.

A number of proactive measures were taken by the relevant authorities in 2009, to generate more employment opportunities and to create a better working environment with enhanced social benefits for Sri Lankan migrants. Such measures include the amendment of the Sri Lanka Bureau of Foreign Employment (SLBFE) Act No. 21 of 1985, for the purposes of curbing illegal practices in the industry and for preventing exploitation of migrant workers in the hands of different parties including recruitment agents. Another important policy implementation by the SLBFE during 2009 was the decentralising of SLBFE services through the opening of Provincial offices in Badulla, Anuradhapura and Kandy. Similarly, under the 'Negenahira Navodaya Programme', SLBFE district centres were established in Trincomalee and Batticaloa. Further, fixing of minimum salaries especially for unskilled categories were also made

Table 4.13

Departures for Foreign Employment

Employment	2007		2008		2009(a)	
	Number	Per cent	Number	Per cent	Number	Per cent
Total Placements	218,459	100.0	250,499	100.0	247,119	100.0
By Source						
Licensed Agents	146,515	67.1	160,973	64.3	156,720	63.4
Other	71,944	32.9	89,526	35.7	90,399	36.6
By Gender						
Male	103,482	47.4	128,232	51.1	119,276	48.3
Female	114,977	52.6	122,267	48.9	127,843	51.7
By Manpower Category						
Professional	1,653	0.8	2,835	1.1	2,820	1.1
Middle level	3,962	1.8	8,727	3.5	6,392	2.6
Clarial & Related	4,551	2.1	6,791	2.7	6,706	2.7
Skilled Labour	50,263	23.0	59,718	23.8	61,230	24.8
Semi Skilled Labour	3,499	1.6	5,326	2.1	6,036	2.4
Unskilled Labour	52,176	23.9	59,239	23.6	50,158	20.3
Housemaid	102,355	46.9	107,923	43.1	113,777	46.0

(a) Provisional

Source: Sri Lanka Bureau of Foreign Employment

during the year in order to uplift the working standards of migrant workers. Meanwhile, supervision by Sri Lanka missions was strengthened to prevent abuse at work sites. Another important action initiated by the SLBFE during the year was the organization of a comprehensive database to facilitate the various stakeholders, including migrant workers and job aspirants abroad. These measures, together with the expected welfare and promotion programmes for migrant workers and enhancement of SLBFE services to the Eastern and the Northern parts of the island to be implemented in 2010, will have a positive impact on foreign employment in the future.

Foreign employment continued to be an important and stable source of foreign currency inflows to the country. According to the SLBFE, the Sri Lankan migrant population is around 1.8 million. Of the total migrant worker population, female migrant workers dominated, registering a major share of 70 per cent in 2009. The persistently increasing trend observed in male migration over the last few years reversed in 2009 and declined to 48 per cent from 51 per cent of total departures in 2008. Accordingly, the gender composition of male to female departures registered a ratio of 48:52 of total migration in 2009 compared to that of 51:49, last year. The departure of housemaids increased by 5.4 per cent to 113,777 in 2009 from 107,923 in 2008. Further, the SLBFE continued to explore new opportunities in the non-traditional markets targeting increased job opportunities in countries

outside the Middle Eastern region. Total foreign remittances received in 2009 increased by 14.1 per cent to US dollars 3,330 million, compared to US dollars 2,918 million received during the previous year. The ending of the decades-long conflict, the efforts to explore new market opportunities in non-traditional markets, attempts to streamline procedures and implementation of country specific training programmes to prepare job aspirants to suit labour market requirements abroad would lead to further improvement in overseas job opportunities and foreign exchange remittances to the country.

The Middle Eastern region continued to dominate the foreign employment market, accounting for more than 90 per cent of the total migrant workforce, with the majority consisting of housemaids. Within the Middle East region, Saudi Arabia, Doha Qatar, Kuwait and U.A.E. accounted of 82.4 per cent of the total departures for foreign employment in 2009. Of these countries, departures to Saudi Arabia and Doha Qatar, which alone contributed 49.2 per cent to the total migrant workers, increased by 15.4 per cent and 10.8 per cent, respectively, while that to Kuwait and U.A.E. reported declines of 9.7 per cent and 22.5 per cent, respectively in 2009 compared to that of 2008. The share of housemaids in departures for foreign employment increased to 46 per cent in 2009 compared to 43 per cent in the previous year. The Memorandum of Understanding to be entered into by the SLBFE with labour receiving countries namely,

Table 4.14

Foreign Employment Departures by Destination

Country	2008		2009(a)		Change(a)	
	Number	Share	Number	Share	Number	Per cent
Qatar	39,476	15.7	43,744	17.7	4,268	10.8
Saudi Arabia	67,441	26.9	77,826	31.5	10,385	15.4
U A E	51,097	20.5	39,586	16.0	-11,511	-22.5
Kuwait	46,941	18.7	42,400	17.2	-4,541	-9.7
Other	45,544	18.2	43,563	17.6	-1,981	-4.3
Total	250,499	100.0	247,119	100.0	-3,380	-1.3

(a) Provisional

Source: Sri Lanka Bureau of Foreign Employment

Kuwait, Oman, Jordan and Lebanon for welfare and protection of migrant employees at the work place would make foreign employment more attractive. In view of enhancing the benefits that the country gains from foreign employment, further efforts are required to address the issues relating to health and occupational safety of migrant workers, while also addressing social implications, arising out of foreign employment.

Labour Productivity

Overall labour productivity continued to improve in 2009, following the trend observed over the last few years. Labour productivity, measured in terms of GDP per worker (at constant prices of 2002) increased by 4.2 per cent in 2009 over the previous year to Rs. 322,200 per worker. The increase in productivity was attributed mainly to the

Table 4.15

Labour Productivity by Major Economic Sector

	2007	2008	2009(a)
GDP at Constant (2002) Prices, Rs.million	2,232,656	2,365,501	2,449,304
Agriculture	265,870	285,897	294,921
Industry	635,199	672,791	701,129
Services	1,331,587	1,406,813	1,453,254
Labour Productivity, Rs.'000 per person	317.0 (b)	309.3 (c)	322.2 (c)
Agriculture	120.7 (b)	114.8 (c)	119.1 (c)
Industry	339.0 (b)	335.6 (c)	367.0 (c)
Services	449.0 (b)	446.1 (c)	451.8 (c)

(a) Provisional

Sources: Department of Census and Statistics

(b) Based on employment data excluding both Northern and Eastern Provinces.

Central Bank of Sri Lanka

(c) Based on employment data excluding Northern Province.

growth in productivity in the Industry (by 9.4 per cent) and Agriculture (by 3.7 per cent) sectors, while the productivity in the Services sector reported a marginal increase of 1.3 per cent during the year. The greater mechanisation of agriculture may have contributed towards increasing the productivity. However, there is further room to enhance the productivity in the Agriculture sector, through increasing extension services, use of improved seed varieties, technology and mechanisation. Further, strengthening of value addition agro-based processing industries would help to develop the cultivation of food crops on a sustainable basis. The continuous increase in labour productivity is encouraging and would help to achieve higher economic growth, while containing inflationary pressures in the economy.

Table 4.16

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
2006	19	196,520	4,821,394	34	13,283	72,513	53	209,803	4,893,907
2007	8	1,468	6,089	17	6,079	36,109	25	7,547	42,198
2008	34	34,014	41,525	17	3,917	24,130	51	37,931	65,655
1st Quarter	-	-	-	6	1,649	12,359	6	1,649	12,359
2nd Quarter	4	491	1,037	4	754	1,254	8	1,245	2,291
3rd Quarter	22	31,648	33,609	4	870	955	26	32,518	34,564
4th Quarter	8	1,875	6,879	3	644	9,562	11	2,519	16,441
2009(b)	2	300	300	6	4,720	7,365	8	5,020	7,665
1st Quarter	2	300	300	3	3,095	6,190	5	3,395	6,490
2nd Quarter	-	-	-	3	1,625	1,175	3	1,625	1,175
3rd Quarter	-	-	-	-	-	-	-	-	-
4th Quarter	-	-	-	-	-	-	-	-	-

(a) Includes semi-government institutions and all other private institutions.

Source: Department of Labour

(b) Provisional

Labour Relations and Labour Market Reforms

A welcome development was the decline in the number of strikes in the private sector to 8 in 2009 compared to 51 in the last year. Similarly, the total man-days lost in 2009 also declined substantially to 7,665 compared to 65,655 in 2008. The number of strikes in the plantation sector declined to 2 in 2009 compared with 34 in 2008. The total man-days lost and workers involved also decreased significantly due to improved industrial harmony among the employers, workers and trade unions. The number of strikes in the rest of the private sector declined to 6

in 2009 compared to 17 in the corresponding period of the previous year. Although the total workers involved in these strikes, increased from 3,917 to 4,720 during 2009, loss of man-days declined dramatically by 69 per cent to 7,365 as compared to 24,130 in the previous year. This favourable development was a combined result of a number of factors such as better relationships among parties, greater transparency in management practices and maintenance of a better social dialogue at the work place to improve industrial harmony. The continuous maintenance of a sound working environment is essential to encourage investment and improve productivity in the country.