

# 4

## PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

### 4.1 Overview

**Inflation continued to remain at mid-single digit levels in 2010.**

The annual average inflation as measured by the Colombo Consumers' Price Index (CCPI) (2002=100), which had decelerated since November 2008, reaching a low of 3.1 per cent in February 2010, moved upward gradually to 5.9 per cent in December 2010. Year-on-year inflation decelerated to 4.3 per cent in July 2010 from 6.5 per cent recorded in January 2010 but followed an increasing trend thereafter, moving gradually to reach 6.9 per cent in December 2010. The relatively low and stable level of inflation during the year was mainly attributable to the improved domestic supply conditions and supportive fiscal policies aided by the adjustment in import duties, and downward revisions in administered prices as well as the prudent monetary policy stance. In addition, the relatively stable exchange rate and improved productivity also helped lower price pressures during the year. Meanwhile, the core inflation, which is derived by excluding food and

energy items from the CCPI basket, followed a decelerating path both in terms of annual average and year-on-year bases in 2010.

**Nominal wages of employees in both the public and private sectors increased in 2010, with a substantial increase in wages in the formal private sector.** There was no upward revision in the wages of public sector employees during 2010. Employees in the public sector enjoyed higher nominal wages in 2010 when compared to 2009, entirely due to the adjustment in the Cost of Living Allowance (COLA) in November 2009. As a result, the overall nominal wage rate index of the central government employees increased by 3.3 per cent in 2010. There was a slight drop in real wage rate indices of all categories of public sector employees in 2010, as against the significant real wage increase enjoyed by them in 2009. The minimum wages for all three major categories of the formal private sector, namely, Agriculture, Industry and Commerce, and Services

sectors governed by the Wages Boards increased, raising the overall nominal wage rate index for the whole sector by 32.0 per cent in 2010 over the previous year. This sharp rise was led by the substantial increase in minimum wages of workers in the Agriculture sector, granted in January 2010. Formal private sector employees enjoyed increases in their real wages in 2010. Both the nominal and real wages of informal sector workers also increased in 2010.

**The rate of unemployment, which had been decelerating over the past few years, (except in 2009 when a temporary set-back occurred due to the global financial turmoil), declined further to 4.9 per cent in 2010 from 5.8 per cent in 2009, indicating the resurgence of the economy with the growing 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 shares of the Services and Agriculture sectors and the declining share of the Industry sector in total employment. The Services sector, which made the largest contribution to overall economic growth during the last few years, continued to dominate the generation of more employment opportunities in 2010 too. Meanwhile, the number of employers and self-employed workers grew during the year. However, a decline was observed in the number of public sector employees, private sector employees and unpaid family workers as compared to 2009. The implementation of various infrastructure

development projects; increased level of livelihood activities and creation of self-employment opportunities; and increased activities in the Services sector, particularly in the tourism industry with the dawn of peace, would have generated more employment opportunities. Meanwhile, the improvement in labour productivity observed during the last few years continued in 2010 as well. At the same time, departures for foreign employment, which continued to be a major source of foreign exchange earnings for the country, also increased significantly during 2010.

## 4.2 Prices

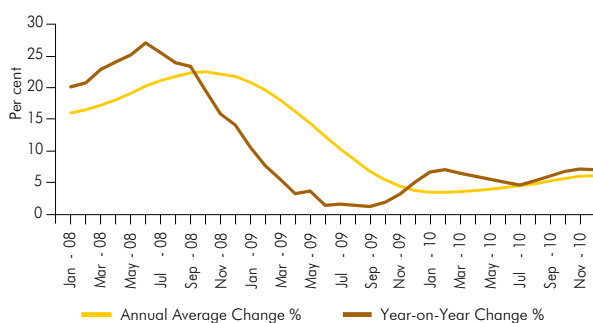
### Price Movements and Contributory Factors

#### Colombo Consumers' Price Index (CCPI)

**In 2010, the CCPI, the official consumer price index of the country, recorded a 5.9 per cent increase on an annual average basis and a 6.9 per cent increase on a year-on-year basis, by year end.** The annual average inflation rate gradually increased from a low level of 3.1 per cent in January to 5.9 per cent by end 2010. Overall, the Index rose by 14.8 index points from 213.5 in December 2009 to 228.3 in December 2010. During the course of 2010, the year-on-year change in the index recorded a marginal increase from 6.5 per cent in January 2010 to 6.9 per cent in February 2010 but decreased steadily thereafter to reach 4.3 per cent in July, before registering an upward movement since then to reach 6.9 per cent in December 2010.

Chart 4.1

Colombo Consumers' Price Index  
(2002=100)



**Price increases in domestically produced goods largely impacted on inflation during the year.** The contribution from domestically produced goods to the annual average inflation was 85.2 per cent in 2010, while that from imported items was 14.8 per cent. A similar trend was followed in the case of year-on-year inflation as well. Despite the contribution from domestically produced goods to inflation being yet dominant in the CCPI, its relative significance has been decelerating since March 2010.

Table 4.1

## Changes in Price Indices

Index	Average Index			Year-on-Year Percentage Change		Annual Average Percentage Change	
	2008	2009	2010 (a)	Dec. 2009/ Dec. 2008	Dec. 2010/ Dec. 2009 (a)	2009/2008	2010/2009 (a)
	CCPI (2002=100)	199.9	206.8	219.1	4.8	6.9	3.4
WPI	3,653.6	3,500.9	3,893.0	13.3	17.6	-4.2	11.2
GDP Deflator	298.3	315.8 (b)	338.8	-	-	5.9	7.3

(a) Provisional  
(b) Revised

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

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 annual average change in the Food sub-index increased continuously from 2.6 per cent at the beginning of the year to 6.8 per cent in December 2010. Overall inflation moved almost in line with the Food sub-index due to its dominance in the overall index. The Food sub-index contributed to 56.9 per cent of the annual average change in the overall CCPI during the year. The year-on-year increase of the Food sub-index was 10.0 per cent as at end 2010. The price increases of key items such as fish, vegetables, fruits, bread, sugar, egg, meat and meat products, coconut, coconut oil and condiments contributed to the increase in the Food sub-index.

The improved domestic supply conditions as well as the measures taken by the government to

curtail the increases in rice prices in December 2010 contributed to lower the average price of rice. Although the price of rice was relatively higher at the beginning of the year compared to 2009, mainly due to lower supply that prevailed in the market, it began to decline gradually thereafter as reaping of the bumper paddy harvest in the Maha season, especially in the Eastern Province commenced. However, prices of rice moved upward from October 2010 again, partly due to the increased demand for rice that resulted from the substitution effect caused by the high prices of wheat flour and bread. However, the price ceiling on rice imposed by the government w.e.f. 10 December 2010 helped curtail increases in prices. As a result of these developments, the price of rice, on average, declined by 4.5 per cent during 2010 compared to 2009.

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. 2008	Dec. 2009	Dec. 2010 (a)	Annual Average		Year-on-Year		
			2008	2009	2010 (a)				2009/ 2008	2010/ 2009 (a)	Dec. 2009/ Dec. 2008	Dec. 2010/ Dec. 2009 (a)	
Domestic	Rice - Samba	1kg	2.8	73.99	72.66	72.05	74.17	77.54	72.30	-1.8	-0.8	4.5	-6.8
	Rice - Kekulu (Red)	1kg	0.9	65.73	62.53	60.10	64.96	65.55	59.19	-4.9	-3.9	0.9	-9.7
	Rice - Kekulu (White)	1kg	0.6	63.55	61.74	54.33	64.02	63.19	57.93	-2.8	-12.0	-1.3	-8.3
	Rice - Nadu	1kg	0.5	65.16	63.53	60.81	66.95	67.88	60.95	-2.5	-4.3	1.4	-10.2
	Coconut (medium)	nut	5.4	29.56	26.01	33.64	24.85	29.64	47.18	-12.0	29.3	19.3	59.2
	Fish - Kelawalla	1kg	1.1	486.48	523.43	599.67	521.02	523.33	639.43	7.6	14.6	0.4	22.2
	Beans	1kg	0.5	119.60	114.99	137.22	109.66	134.22	157.17	-3.9	19.3	22.4	17.1
	Brinjals	1kg	0.2	86.05	76.25	87.12	93.13	103.70	105.75	-11.4	14.3	11.3	2.0
	Eggs	each	0.4	9.33	10.75	13.60	10.53	15.19	16.53	15.2	26.5	44.3	8.8
Imports	Sugar	1kg	1.1	63.03	81.97	93.74	64.45	88.50	99.61	30.0	14.4	37.3	12.6
	Milk Powder - Anchor	400g	3.8	274.46	251.73	234.35	268.57	225.00	244.00	-8.3	-6.9	-16.2	8.4
	Red Dhal	1kg	0.8	190.73	199.70	165.63	206.23	177.33	168.32	4.7	-17.1	-14.0	-5.1
	Wheat Flour	1kg	0.2	73.18	70.84	69.61	69.15	71.67	82.43	-3.2	-1.7	3.6	15.0

(a) Provisional

Source: Department of Census and Statistics

The average price of most varieties of vegetables increased substantially towards the end of 2010, on account of lower supply from the main producing areas, as a consequence of the adverse weather conditions. The average prices of coconut and coconut oil increased by 28.9 per cent and 24.0 per cent, respectively, in 2010 compared to 2009 due to the sharp drop in coconut production. The domestic prices of big onion, red onion and potato, on average, also increased moderately by 4.3 per cent, 3.3 per cent and 2.9 per cent, respectively, in 2010 compared to the previous year.

Prices of fish and seafood also remained high compared to the previous year recording an increase of 10.2 per cent, on average, largely due to increased demand and supply fluctuations. Despite the production of fish recording an average growth of 12.0 per cent during 2010, the price of most varieties of fish recorded increases in the range of 0.9-18.9 per cent in 2010, compared to 2009. Meanwhile, prices of

chicken and eggs increased by 13.8 per cent and 28.0 per cent, respectively, in 2010. Despite the price ceiling, the price of chicken fluctuated and reached a peak level in May 2010, but recorded a downward movement towards the end of the year with the reduction of the import duty on chicken.

The impact of increases in international commodity prices on domestic prices of key consumer items was mitigated to a certain extent by the reduction of imports related taxes. The average import price of crude oil decreased gradually from US dollars 77.79 per barrel in January 2010 to US dollars 73.53 per barrel in August, but increased rapidly thereafter to reach US dollars 90.37 per barrel in December 2010. Meanwhile, there were several duty revisions on fuel w.e.f. 23 November 2010. Accordingly, import or supply of petrol was exempted from Value Added Tax (VAT). Further, the full customs duty waivers, which had been granted on the importation of petrol and diesel, were reduced to Rs. 20 per litre (applicable duty rate is Rs. 15 per

Table 4.3

Administered Price Revisions of Key Items 2008 - 2010

Item	Unit	Price (Dec.) - Rs.			Percentage Change		
		2008	2009	2010	2009/2008	2010/2009	
Diesel	1 ltr.	70.00	73.00	73.00	4.3	0.0	
Kerosene	1 ltr.	50.00	51.00	51.00	2.0	0.0	
Petrol	1 ltr.	120.00	115.00	115.00	-4.2	0.0	
Gas - Shell/Litro (a)	12.5 kg	1,619.00	1,550.00	1,652.00	-4.3	6.6	
Gas - Laugfs	12.5 kg	1,403.00	1,421.00	1,540.00	1.3	8.4	
Furnace Oil (1000)	1 ltr.	52.70	52.70	52.70	0.0	0.0	
Furnace Oil (1500)	1 ltr.	31.70	32.70	32.70	3.2	0.0	
Furnace Oil (3500)	1 ltr.	25.00	26.00	26.00	0.0	0.0	
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	16.00	16.00	16.00	0.0	0.0
		Above 180 units	25.00	25.00	25.00	0.0	0.0
Water - Unit Charges	Tariff Block	00 to 05 units	1.25	3.00	3.00	140.0	0.0
		06 to 10 units	1.25	7.00	7.00	460.0	0.0
		11 to 15 units	2.50	15.00	15.00	500.0	0.0
		16 to 20 units	8.50	30.00	30.00	252.9	0.0
		21 to 25 units	30.00	50.00	50.00	66.7	0.0
		26 to 30 units	50.00	75.00	75.00	50.0	0.0
Bus Fare		-	-	-	5.3	0.0	

(a) Prices of 2010 denotes those of Litro.

Source: Central Bank of Sri Lanka

**BOX 9**

**Extreme Weather Conditions and their Impact**

A number of countries including Sri Lanka suffered from unusual weather conditions particularly during the latter part of 2010 and the early part of 2011. The floods and landslides that occurred during this period as a result of unusually heavy rains over Sri Lanka have caused significant damages to the houses, infrastructure facilities, agricultural crops and loss of human lives. Damages in countries like Australia, Brazil and Philippines were severe and are among the most costly natural disasters in those countries. Some experts are of the view that the “La Niña” condition which prevailed during this period may have had a relationship with these weather anomalies.

La Niña is typically defined as the below normal sea surface temperature in the central and eastern tropical Pacific Ocean. It is not typical for La Niña phenomenon to impact a country as far west to the Pacific Ocean as Sri Lanka. However, its impact upon weather patterns over the island is not totally rejected either, as the strong winds created by La Niña could interact with the normal northeast monsoon in Sri Lanka.

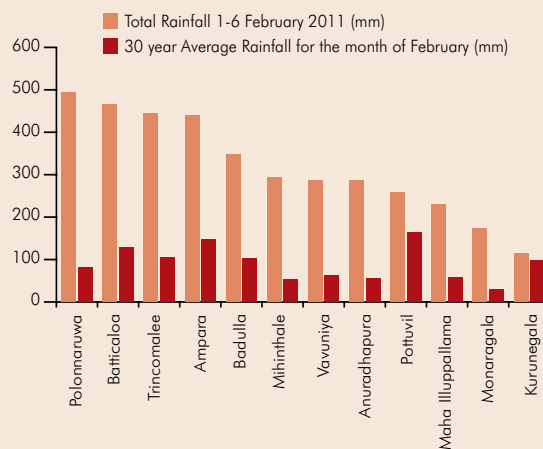
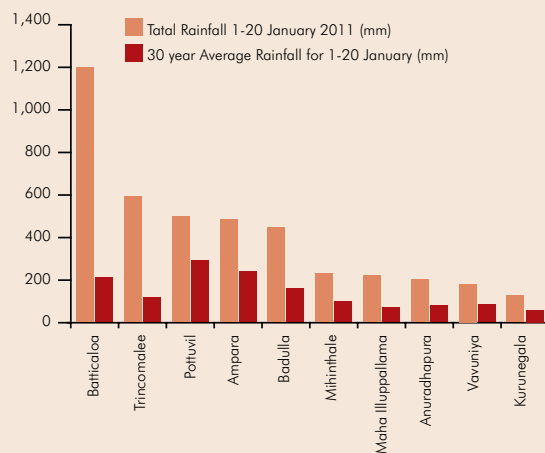
During the month of January and early February of 2011, several parts of the country recorded significantly high levels of rainfall and the eastern region suffered from severe floods. Almost all the tanks and reservoirs in that area were at spill levels and some were breached. Another abnormal phenomenon was the very low temperatures that were recorded in the country during January. In regions such as Batticaloa and Kurunegala, the temperatures fell below 18°C.

The Eastern and North Central provinces were badly affected by floods due to the heavy precipitation and the hill country was affected by severe landslides in January 2011. There were losses of human lives, majority of which was from the districts of Batticaloa, Ampara and Kandy<sup>1</sup>. A second spell of heavy precipitation was reported in the first week of February 2011. More than one million people were affected in the Eastern and North Central provinces and the total number of affected people throughout the country was beyond 1.2 million. As reported on

9 February 2011, more than 3,700 houses were fully damaged while more than 23,000 were partially damaged. In addition to the loss of lives, more than 140,000 people were displaced.

The economic impact of this natural disaster was significant in terms of crops and cultivated lands, requiring a significant amount of funds to recover from these damages. Rebuilding process of the damaged infrastructure system also required a lot of resources. The government allocated the required funds from the existing budgetary resources to provide relief to the affected people and to meet the

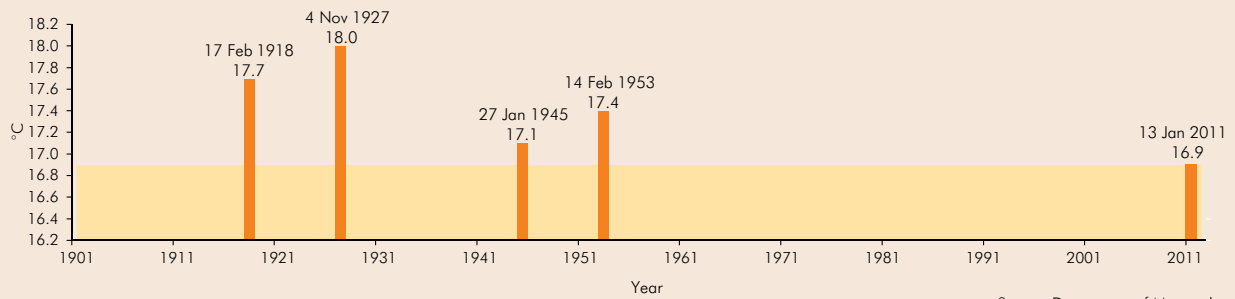
**Chart B 9.1** Heavy Rainfall in early 2011, Compared with 30 year Average



Source: Department of Meteorology

<sup>1</sup> As per the Situation Report of the Disaster Management Centre, dated 23 January 2011.

**Chart B 9.2** Low Temperature in Batticaloa During Early 2011, Compared with the Lowest Four Temperature Values Recorded Since 1901



Source: Department of Meteorology

cost of urgent rehabilitation work to restore normalcy in order to bring back normal life to the people. The government's emergency relief and rehabilitation programme was greatly successful, particularly in providing food, shelter and sanitation to the affected families.

Paddy cultivation in Ampara, Polonnaruwa, Anuradhapura and Batticaloa districts has been severely affected by the floods. In addition to the damage caused by the floods, the cold weather which persisted in most of the districts over the same period would degrade the paddy harvest and as a result, the 2010/11 Maha season crop would be lower. Other subsidiary food crops also suffered damages. The drop in harvest, destruction of food stocks and transportation difficulties impacted on food prices, particularly vegetable prices. Therefore, handling any short supply of food items and stabilizing the resulting increases in price levels is a challenge, in the context of escalating world food prices and shortage of world supply of food due to bad weather conditions experienced by many countries.

The government acted swiftly to restore normalcy in the affected areas and decided to earmark Rs. 33 billion for the proposed rehabilitation programme. Further,

it was decided to suspend all supplementary budget programmes in 2011, to use existing programmes by line ministries and agencies on the rehabilitation programme, to accelerate the food production drive including one million home gardens, to provide seeds free of charge and to extend the fertilizer subsidy scheme to growers of vegetables and all other crops. In addition, a task force was appointed to direct and monitor the implementation of a well coordinated and effective programme for restoration activities.

The adverse impact of these extreme weather conditions experienced in late 2010 and early 2011 created an extra burden to the government, and the government was confronted with new challenges of consolidating fiscal and macro economic achievements of the recent past. The success of facing these challenges would reflect in the level of economic resilience of the country.

#### References

[www.disasmin.gov.lk](http://www.disasmin.gov.lk); Ministry of Disaster Management, Sri Lanka.  
[www.dmc.gov.lk](http://www.dmc.gov.lk); Disaster Management Centre, Ministry of Disaster Management, Sri Lanka.  
[www.noaa.org](http://www.noaa.org); National Oceanic and Atmospheric Administration.

litre) and Rs.11 per litre (applicable duty rate is Rs. 4 per litre), respectively. However, these duty revisions on fuel did not have a direct impact on the CCPI, as there was no corresponding revision of retail prices during the course of the year. Therefore, the stable fuel prices that prevailed in the domestic market throughout the year helped contain the overall cost structure and thereby inflation in the economy to a greater extent.

**The revision of import duty pertaining to key food items during the year also had an impact on the CCPI.** The reduction of import duties on wheat flour by Rs. 10 per kg w.e.f. 22 December 2009 and milk powder by Rs. 50 per kg w.e.f. 01 December 2009 led to a decline in their domestic prices in 2010. Meanwhile, the import duty on wheat flour was revised upward on two occasions in April and June 2010. The total recoverable taxes

on importation of milk powder was reduced from Rs. 100 to Rs. 50 per kg w.e.f. 16 February 2010 while the price of the same increased by Rs. 19 per 400g in mid-2010. The average price of sugar increased substantially by 15.5 per cent in 2010, owing to the increase in the international price and an increase in the import duty by Rs. 4 per kg w.e.f. 21 June 2010. Similarly, the domestic price of dhal decreased considerably as a result of the price declines in the international market, in spite of the increase in the Special Commodity Levy (SCL) on the importation of dhal, w.e.f. 10 August 2010. The net impact of the above international price developments and duty changes led to a decrease in the average prices of dhal, milk powder and wheat flour in the domestic market by 17.4 per cent, 6.7 per cent and 1.7 per cent, respectively, in 2010 compared to 2009. Import and other duty revisions pertaining to red onion, big onion, potato, egg, meat of fowl and edible oil, during the year also had an impact on the CCPI. In addition, the slight appreciation of the rupee has had a favourable impact on the prices of imported items.

**Other significant contributions to the increase in the index came from the sub-indices of Housing, water, electricity, gas and other fuels; Health, and Education.** These sub-indices contributed 11.6 per cent, 11.3 per cent and 9.1 per cent, respectively, to the annual average increase in 2010. The increase in the sub-index of Housing, water, electricity, gas and other fuels resulted from the increase in LP gas prices during the year. LP gas prices increased, on average, by 11.3 per cent in 2010. The increase in the Health sub-group was mainly attributable to the price increases in the services provided by private hospitals, pharmaceuticals and specialist consultations. Increases in tuition fees caused the sub-index of Education to move upward. Meanwhile, all the other sub-groups of Clothing and footwear; Transport; Communication; Furnishing, household equipment and routine household maintenance; Recreation and culture; and Miscellaneous goods and services; provided contributions ranging from 0.9 per cent to 2.8 per cent to the annual average inflation.

**The annual average core inflation, which is derived by excluding food and energy items from the CCPI basket, declined gradually from 8.6 per cent in January to 6.3 per cent in December, 2010.** The year-on-year core inflation too declined from 7.9 per cent in January 2010 to 5.6 per cent in December 2010. In the core inflation, the contribution of Education and Health sub-groups significantly increased, on average, during 2010 due to the increase in tuition fees and charges for private medical services including medicine, and medical consultation fees.

**In order to reflect changes in household consumption patterns owing to the improvement in income levels and the changes in consumer tastes and preferences, the base year of CCPI is expected to be revised from 2002 to 2006/07 in 2011.** The Department of Census and Statistics (DCS) has completed the work relating to the revised CCPI, based on the Household Income and Expenditure Survey (HIES) conducted in 2006/07. The rebased CCPI is expected to replace the current 2002 based CCPI in mid-2011.

### Wholesale Price Index (WPI)

**Inflation at the primary market level, as measured by the WPI, showed a declining trend on an year-on-year basis during the first nine months of the year and reached 5.2 per cent in September 2010.** However, it reversed its trend thereafter and increased substantially to record a 17.6 per cent increase by year end.

**On an annual average basis, the WPI continued to move on an increasing path during the year reaching 11.2 per cent in December 2010 from a negative 2.5 per cent in January 2010.** The annual average increase of the sub-index for the Food category was 10.1 per cent. The sub-indices for Textile and footwear; Chemical and chemical products; Metal products; and Electrical appliances, declined on an annual average basis by 2.4 per cent, 13.6 per cent, 1.1 per cent and 0.4 per cent, respectively, in 2010. When the sector-wise classification of the

WPI is considered, prices in the Domestic and Export categories increased by 3.0 per cent and 28.7 per cent, respectively, on an annual average basis during the year, while prices in the Import category recorded a decline of 0.9 per cent. Price increases in cocoa, rubber products, cardamom, coconut, coconut oil, cinnamon and tea caused the increase in the Export group. When the end-use classification of the WPI is considered, prices in all three categories namely, Consumer, Intermediate and Investment increased by 9.9 per cent, 17.7 per cent and 0.9 per cent, respectively, on an annual average basis, by year end. Of these categories, the increases in the price of green gram, coconut, coconut oil, egg, sugar, fruits and vegetables contributed heavily to the increase in the Consumer category while the price increases of cocoa, rubber, cardamom and cinnamon contributed to the increase in the Intermediate category.

### GDP Deflator

The overall price change in the economy, as measured by the GDP deflator, rose by 7.3 per cent in 2010 compared with 5.9 per cent recorded in 2009. Both the Agriculture and Services sectors recorded relatively higher inflation rates of 9.2 per cent and 7.5 per cent, respectively, during the year, compared to the last year. The inflation in the Agriculture sector is considerably higher when compared to the lowest growth recorded in 2009. The lowest rate of inflation of 6.0 per cent during the year was in the Industry sector, in which inflation decelerated marginally from 6.3 per cent in 2009.

### 4.3 Wages

The nominal wages of both the public and private sector employees increased in 2010. Within the private sector, employees in both the formal and informal private sectors enjoyed increases in wages both in nominal and real terms. This increase was substantial among the employees in the formal private sector, whose wages are governed by the Wages Boards. Though there was no upward revision in the wages of public

**Table 4.4** Sectoral Deflators and GDP Deflator

Sector	Index			Percentage Change	
	2008	2009 (a)	2010 (b)	2009/2008 (a)	2010/2009 (b)
Agriculture	342.2	344.8	376.5	0.8	9.2
Industry	304.0	323.0	342.4	6.3	6.0
Services	285.1	304.7	327.6	6.9	7.5
<b>GDP</b>	<b>298.3</b>	<b>315.8</b>	<b>338.8</b>	<b>5.9</b>	<b>7.3</b>

(a) Revised  
(b) Provisional

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

sector employees during 2010, the annual average nominal wages registered an increase of 3.3 per cent in 2010, as a result of the adjustment in the COLA in November 2009. A decline in the real wage rate indices of all categories of the public sector employees was observed in 2010, as nominal wage increases were not sufficient to compensate for the increase in the price level in 2010.

### Public Sector Wages

The nominal wage rate indices of public sector employees recorded a modest increase in 2010. The last increase of the monthly COLA by Rs. 750 payable to employees in the Public Service, Provincial Public Service and Armed Forces was in November 2009. Accordingly, the monthly COLA payable to the public sector employees remained unchanged at Rs. 5,250 throughout 2010. Consequent to the increase in the monthly COLA in November 2009, the overall nominal wage rate index of the central government employees increased by 3.3 per cent compared to 9.4 per cent in 2009. Nominal wage rate indices of non-executive officers, minor employees and government school teachers rose by 3.1 per cent, 3.5 per cent and 3.3 per cent, respectively, in 2010 when compared to increases in the range of 8.9-10.0 per cent in 2009.

When the nominal wages were adjusted for inflation, there was a slight drop in real wage rate indices of all categories of public sector employees in 2010, as against the significant real wage increases enjoyed by them in 2009. Accordingly, non-executive officers, minor employees and government school teachers suffered real wage erosions of 2.6 per cent, 2.3 per cent and 2.5 per cent, respectively, in 2010



Table 4.5

## Wage Rate Indices

(December 1978=100)

Employment Category	Index						Percentage Change					
	Nominal			Real (a)			Nominal			Real (a)		
	2008	2009	2010 (b)	2008	2009	2010 (b)	2008	2009	2010 (b)	2008	2009	2010 (b)
<b>1. Government employees</b>												
Central government employees	4,116.1	4,502.8	4,651.6	150.4	159.0	155.1	7.5	9.4	3.3	-12.4	5.7	-2.5
Non-executives	3,749.5	4,082.4	4,210.4	137.0	144.2	140.4	7.3	8.9	3.1	-12.5	5.2	-2.6
Minor employees	4,494.7	4,943.5	5,116.1	164.2	174.6	170.6	7.7	10.0	3.5	-12.2	6.3	-2.3
Government school teachers	2,938.6	3,215.3	3,321.7	107.4	113.5	110.7	7.2	9.4	3.3	-12.5	5.7	-2.5
<b>2. Workers in Wages Boards Trades</b>												
All Wages Boards Trades	2,070.4	2,171.4	2,865.3	75.5	76.7	95.5	25.6	4.9	32.0	2.7	1.5	24.5
Workers in agriculture	2,286.6	2,349.4	3,327.6	83.5	83.0	110.9	25.5	2.7	41.6	2.6	-0.6	33.7
Workers in industry and commerce	1,877.5	2,054.0	2,198.9	68.5	72.5	73.2	23.3	9.4	7.1	0.9	5.9	0.9
Workers in services	1,370.8	1,545.8	1,673.3	49.9	54.6	55.7	29.7	12.8	8.2	6.0	9.3	2.0

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

(b) Provisional

Sources: Department of Labour  
Central Bank of Sri Lanka

as against real wage increases enjoyed by them in the range of 5.2-6.3 per cent in 2009. Consequently, the overall real wage rate index of central government employees recorded a decrease of 2.5 per cent over that of the previous year.

### Formal Private Sector Wages

**Nominal wages of the organised private sector as measured by the minimum wage rate indices of employees whose wages are regulated by Wages Boards increased substantially during 2010.** 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 41.6 per cent, 7.1 per cent and 8.2 per cent, respectively, in 2010. The increase was mainly attributable to the substantial increase in the minimum wage rate index of workers in the Agriculture sector, by 41.3 per cent granted in January 2010. Meanwhile, there were increases in nominal wage rate indices of the Agriculture sector (by 0.5 per cent) in July 2010, the Industry and Commerce sector (by 16.9 per cent), and the Services sector (by 19.8 per cent) in August 2010. As a combined outcome of the above mentioned developments during 2010, the overall wage rate index for the organised private sector recorded an increase of 32.0 per cent in 2010 over the previous year.

**When the nominal wage rate indices were adjusted for inflation, the formal private sector**

**employees in all three major categories enjoyed increases in their real wages in 2010, with the Agriculture sector in particular registering a significant wage increase in real terms.** Accordingly, minimum wage rate indices of the Agriculture, Industry and Commerce, and Services sectors increased in real terms by 33.7 per cent, 0.9 per cent and 2.0 per cent, respectively, in 2010. As a result, the overall real wage rate index for employees under the purview of the Wages Boards, on average, increased by 24.5 per cent in 2010, in real terms compared to 1.5 per cent increase in the previous year.

### Informal Private Sector Wages

**Information on the daily wages of the informal private sector revealed upward movements, at varied rates, in nominal terms.** Wages in the informal private sector, which fall outside the public and formal private sector, are collected under a regular survey carried out under the Country Wide Data Collection System (CWDCS), pertaining to the agriculture and building construction sectors. Generally, wages in the informal private sector tend to get adjusted to reflect both demand and supply conditions in the economy and the level of the reservation wage of labour. Accordingly, informal sector wages in the Agriculture and Construction sectors increased by 9.1 per cent and 7.3 per cent, respectively, in 2010 when compared to the previous year. Within the Agriculture sector, the average daily wages of

Table 4.6

## Informal Private Sector Daily Wages by Sector and Gender

Sector	Annual Average (Rs.)			Percentage Change			
	2008 (a)	2009 (a)	2010 (b)(d)	Nominal		Real (c)	
				2009	2010 (d)	2009	2010 (d)
<b>1. Agriculture Sector</b>							
<b>Tea</b>							
Male	440	488	543	10.9	11.3	7.2	5.0
Female	305	356	391	16.5	9.9	12.6	3.7
<b>Rubber</b>							
Male	500	532	588	6.5	10.5	2.9	4.3
Female	377	416	463	10.1	11.4	6.4	5.2
<b>Coconut (e)</b>							
Male	590	651	699	10.4	7.4	6.7	1.3
<b>Paddy</b>							
Male	562	613	658	9.1	7.3	5.5	1.3
Female	395	423	453	7.0	7.1	3.5	1.1
<b>2. Construction Sector (e)</b>							
<b>Carpentry</b>							
Master Carpenter - Male	844	934	1,002	10.6	7.3	6.9	1.3
Skilled and Unskilled Helper - Male	558	615	657	10.2	6.8	6.5	0.8
<b>Masonry</b>							
Master Mason - Male	837	925	995	10.5	7.6	6.8	1.5
Skilled and Unskilled Helper - Male	561	623	669	11.1	7.4	7.3	1.4

(a) Wage information were based on monthly wages from 90 data collection centres.

(b) Wage information for 2010 were based on monthly wages from 102 data collection centres.

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

(d) Provisional

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

Source: Central Bank of Sri Lanka

sub-categories of Rubber, Tea, Coconut and Paddy increased by 11.0 per cent, 10.7 per cent, 7.9 per cent and 7.3 per cent, respectively, in 2010 against 2009. The increases were relatively higher among the Tea and Rubber sub-sectors, probably due to the increased export prices in the international market, which enabled the producers to make higher payment to the respective workers, and the sharp increase in wages of workers in the formal sector plantations.

**Gains in the real wages of the employees in all the sub-categories in the Agriculture and Construction sectors were recorded in 2010.** Accordingly, the daily real wages of Rubber, Tea, Coconut and Paddy sub-sectors in the Agriculture sector, on average, increased by 4.7 per cent, 4.5 per cent, 1.8 per cent and 1.3 per cent, respectively. Meanwhile, the real wages of masonry and carpentry in the Construction sector recorded lower increases of around 1.5 per cent and 1.1 per cent, respectively. Overall, both the Agriculture and Construction sectors recorded lower increases in real wages around 3.0 per cent and 1.3 per

cent, respectively, in 2010 compared to real wage increases of 8.2 per cent and 6.9 per cent, recorded in 2009.

## 4.4 Population, Labour Force and Employment

### Population

The mid-year population is estimated at 20.65 million in 2010, an increase of 1.0 per cent compared with 1.1 per cent growth recorded in 2009. Except in Mulaitivu, population in all districts increased in 2010. High increases in population were recorded in Colombo, Kandy, Kurunegala, Ratnapura, Badulla, Gampaha, Galle, Anuradhapura and Ampara Districts, which together contributed to over 60 per cent of the overall growth in population in 2010.

### Labour Force

According to the QLFS, the labour force, which is defined as the economically active population aged 10 years and above, increased marginally to 8.11 million in 2010 from 8.07

**Table 4.7** District-wise Population

'000 Persons				
District	2009	2010 (a)	Change (a)	Percentage Change (a)
Colombo	2,521	2,553	32	1.3
Kandy	1,415	1,431	16	1.1
Ratnapura	1,113	1,125	12	1.1
Badulla	874	886	12	1.4
Kurunegala	1,550	1,563	13	0.8
Gampaha	2,165	2,177	12	0.6
Galle	1,074	1,084	10	0.9
Anuradhapura	820	830	10	1.2
Kalutara	1,128	1,135	7	0.6
Matara	831	839	8	1.0
Nuwara Eliya	755	761	6	0.8
Ampara	634	644	10	1.6
Batticaloa	537	543	6	1.1
Puttalam	770	779	9	1.2
Jaffna	607	611	4	0.7
Matale	490	497	7	1.4
Trincomalee	368	374	6	1.6
Hambantota	565	571	6	1.1
Moneragala	435	440	5	1.1
Polonnaruwa	405	410	5	1.2
Mulaitivu	154	148	-6	-3.9
Kilinochchi	154	156	2	1.3
Vavuniya	169	174	5	3.0
Kegalle	813	818	5	0.6
Mannar	103	104	1	1.0
<b>Total</b>	<b>20,450</b>	<b>20,653</b>	<b>203</b>	<b>1.0</b>

(a) Provisional  
Source: Registrar General's Department

million in the previous year.<sup>1</sup> The total labour force comprised of 7.71 million employed and 0.40 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, further decreased to 48.1 per cent in 2010 from 48.7 per cent in the previous year. This decrease was attributable to the appreciable decline in the female LFPR, which was estimated at 31.2 per cent in 2010 compared to 32.8 per cent in the previous year. Meanwhile, there was a marginal increase in the male LFPRs to 67.1 per cent in 2010 compared to 66.6 per cent in the previous year. Sector-wise LFPRs indicated that the rural sector participation was higher than that in the urban sector while the female participation in the urban sector was significantly lower than that of males. Similarly, the gender analysis of the LFPRs over the years had shown that the participation rate of males has been more than twice that of females, throughout the recent past, and female labour force participation has been declining over the last few years.

## Employment

According to the QLFS, the number of employed persons increased marginally by 1.4 per cent to 7.71 million in 2010 as compared to 7.60 million in 2009.<sup>2</sup> This could be attributed to the growing demand for employment consequent to the improved performance in all three major sectors of the economy.

**Table 4.8** Household Population, Labour Force and Labour Force Participation

Item	2008 (a)	2008 (b)	2009 (a)	2009 (b)	2010 (a)					2010 (b)				
					Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Household Population (c) '000 Persons	15,079	16,320	15,398	16,578	15,640	15,586	15,619	15,755	15,650	16,851	16,810	16,816	16,969	16,862
Labour Force '000 Persons	7,569	8,082	7,572	8,074	7,678	7,557	7,445	7,762	7,610	8,130	8,051	7,972	8,279	8,108
Employed	7,175	7,648	7,140	7,602	7,287	7,146	7,092	7,418	7,236	7,726	7,613	7,578	7,909	7,707
Unemployed	394	434	433	471	390	411	353	344	375	404	437	394	369	401
Labour Force Participation Rate (d) per cent	50.2	49.5	49.2	48.7	49.1	48.5	47.7	49.3	48.6	48.2	47.9	47.4	48.8	48.1
Male	67.9	67.8	66.7	66.6	67.8	67.6	67.1	66.7	67.3	67.3	67.3	67.1	66.9	67.1
Female	34.3	33.2	33.7	32.8	32.7	31.6	30.4	33.7	32.1	31.6	30.8	29.8	32.6	31.2

(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

<sup>1</sup> 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. Accordingly, the labour force data excluding the Northern Province has been used in the analysis, unless otherwise stated.

<sup>2</sup> The QLFS conducted by the DCS defines an employed person as one who is 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 absent from work due to illness, bad weather or labour disputes are also considered as employed.

Table 4.9

## Employment by Economic Activity

Sector	'000 Persons											Percentage of Total Employment				
	2009		2010 (a)					2010 (b)					2009		2010	
	(a)	(b)	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	(a)	(b)	(a)	(b)
Agriculture	2,319	2,476	2,456	2,299	2,197	2,462	2,354	2,600	2,439	2,367	2,672	2,520	32.5	32.6	32.5	32.7
Industry	1,823	1,910	1,835	1,696	1,756	1,821	1,777	1,911	1,795	1,850	1,910	1,867	25.5	25.1	24.6	24.2
Manufacturing	1,301	1,348	1,321	1,222	1,251	1,287	1,270	1,356	1,274	1,301	1,342	1,318	18.2	17.7	17.6	17.1
Construction (c)	522	562	514	474	506	534	507	555	521	549	568	548	7.3	7.4	7.0	7.1
Services	2,999	3,216	2,996	3,150	3,139	3,134	3,105	3,214	3,379	3,360	3,327	3,320	42.0	42.3	42.9	43.1
Trade and hotels, etc.	1,047	1,119	1,082	1,096	1,201	1,121	1,125	1,149	1,183	1,262	1,192	1,196	14.7	14.7	15.5	15.5
Transport, storage and communication	420	445	451	480	454	465	463	471	506	474	486	484	5.9	5.9	6.4	6.3
Finance, insurance and real estate	221	227	231	240	285	268	256	237	245	295	281	264	3.1	3.0	3.5	3.4
Personal services and other	1,311	1,426	1,232	1,333	1,199	1,281	1,261	1,357	1,445	1,330	1,367	1,375	18.4	18.8	17.4	17.9
<b>Total employment</b>	<b>7,140</b>	<b>7,603</b>	<b>7,287</b>	<b>7,146</b>	<b>7,092</b>	<b>7,418</b>	<b>7,236</b>	<b>7,726</b>	<b>7,613</b>	<b>7,578</b>	<b>7,909</b>	<b>7,707</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Percentage of Labour Force	94.3	94.2	94.9	94.6	95.3	95.6	95.1	95.0	94.6	95.1	95.5	95.0	-	-	-	-

(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

There was a change in the composition of the employed population, among the major industry groups between these two periods. Accordingly, the shares of the Agriculture and Services sectors in total employment recorded increases in 2010 while that of the Industry sector recorded a contraction. The Services sector, which made the largest contribution to the overall economic growth during the last few years, continued to dominate in generating more employment opportunities in 2010 as well. Accordingly, the share of the Services sector in total employment

increased to 43.1 per cent in 2010 from 42.3 per cent in the previous year. Within the Services sector, the increase in employment came mainly from the Personal Services and Other sector, primarily supported by the expansion of economic activity. Meanwhile, the share of employment in the Agriculture sector increased to 32.7 per cent in 2010 from 32.6 per cent in 2009, and that of the Industry sector decreased to 24.2 per cent in 2010 from 25.1 per cent in 2009. The drop in the share of employment in the Industry sector to the total employment was observed in both the Manufacturing and Construction sectors.

Table 4.10

## Status of Employment

Period	Per cent					
	Public Sector Employees	Private Sector Employees	Empl-oyers	Self-Employed	Unpaid Family Workers	Total
2008 (a)	14.9	41.1	3.0	30.2	10.8	100.0
2008 (b)	15.2	41.2	2.9	30.3	10.5	100.0
2009 (a)	15.2	42.1	2.7	29.0	11.0	100.0
2009 (b)	15.5	42.1	2.6	29.2	10.6	100.0
<b>2010 (Annual) (a)</b>	<b>13.9</b>	<b>41.3</b>	<b>2.7</b>	<b>31.5</b>	<b>10.7</b>	<b>100.0</b>
1st Quarter	13.5	41.5	2.4	31.6	11.0	100.0
2nd Quarter	13.9	42.3	2.7	30.4	10.6	100.0
3rd Quarter	14.1	41.2	3.2	31.8	9.8	100.0
4th Quarter	14.0	40.2	2.4	32.0	11.4	100.0
<b>2010 (Annual) (b)</b>	<b>14.3</b>	<b>41.2</b>	<b>2.6</b>	<b>31.5</b>	<b>10.4</b>	<b>100.0</b>
1st Quarter	14.2	41.4	2.4	31.4	10.7	100.0
2nd Quarter	14.1	42.2	2.6	30.7	10.3	100.0
3rd Quarter	14.6	41.1	3.1	31.7	9.5	100.0
4th Quarter	14.2	40.2	2.4	32.1	11.1	100.0

(a) Data exclude both Northern and Eastern provinces.

(b) Data exclude Northern Province.

Source: Department of Census &amp; Statistics

In terms of employment status, the share of own account workers increased in 2010, while that of employers remained at the same level as in 2009. However, the shares of the public sector employees, private sector employees and unpaid family workers declined, when compared to 2009. Despite the share of employment in the private sector declining in 2010, it continued to maintain its dominance, registering the major share of 41.2 per cent as against 14.3 per cent by the public sector. Meanwhile, in the self-employment category, which has been the second most prominent category, the number of employment opportunities generated was higher during the year. The growth in the number of employers and self-employed categories signifies

**Table 4.11** Public Sector Employment

Sector	2008	2009	2010 (a)	Percentage Change	
				2009/ 2008	2010/ 2009 (a)
Government (b)	990,410	1,047,041	1,027,179	5.7	-1.9
Semi-government (c)	261,318	266,543	271,923	2.0	2.0
<b>Public Sector</b>	<b>1,251,728</b>	<b>1,313,584</b>	<b>1,299,102</b>	<b>4.9</b>	<b>-1.1</b>

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

Source: Central Bank of Sri Lanka

the post-conflict increase in investors' confidence and growing opportunities in the economy.

## Unemployment

According to the QLFS, the unemployment rate decreased to 4.9 per cent in 2010 as compared to 5.8 per cent recorded in 2009, in line with the broad based growth in all the key sectors of the economy. The total number unemployed was estimated at 401,000 in 2010, compared to 471,000 in the previous year.

However, the continued youth unemployment, especially among educated youth, remains 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 11.6 per cent was among those with qualifications of GCE (A/L) and above, followed by those with GCE (O/L) qualifications (6.9 per cent). The increasing

trend in unemployment among those with GCE (A/L) and higher qualifications since 2008 is indeed an unfavourable development. The persistent mismatches between job opportunities in the market and aspirations and skills of the unemployed have partly caused this problem.

**The unemployment rate was high among the age group of 15–29 years as observed during the last few years.** However, according to the estimates of the QLFS, the unemployment rate among this age group decreased to 14.8 per cent in 2010 from 16.1 per cent in 2009. More precisely, the youth unemployment among the age group of 15–19 years and 20–29 years dropped to 20.3 per cent and 13.8 per cent, respectively, in 2010, from those of 20.9 per cent and 15.4 per cent, respectively, in 2009. The unemployment rate of 21.7 per cent recorded among young females was higher than that of 10.9 per cent among young males in 2010. However, both unemployment rates were lower than those of the previous year.

## Foreign Employment

Overseas job opportunities for Sri Lankans recovered well from the temporary set-back in 2009 and continued to be a major source of employment in 2010. Following the usual pattern, there was a continued increase in departures for foreign employment during the first three successive quarters of 2010 while a slight slowdown was registered in the last quarter of

**Table 4.12** Unemployment Rate (Unemployed as a percentage of Labour Force)

Category	2008 (a)	2008 (b)	2009 (a)	2009 (b)	2010 (a)					2010 (b)				
					Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
All	5.2	5.4	5.7	5.8	5.1	5.4	4.7	4.9	4.9	5.0	5.4	4.9	4.5	4.9
<b>By Gender</b>														
Male	3.6	3.7	4.3	4.3	3.5	4.2	3.4	2.9	3.5	3.4	4.1	3.6	2.9	3.5
Female	8.0	8.4	8.2	8.6	7.9	7.7	7.4	7.2	7.5	7.9	8.0	7.7	7.3	7.7
<b>By Age Group</b>														
15 - 19	20.6	20.8	21.2	20.9	21.6	24.2	18.7	19.8	21.1	20.2	22.1	18.2	20.5	20.3
20 - 29	13.2	13.7	15.1	15.4	14.5	14.9	13.1	12.2	13.7	14.3	14.9	13.8	12.3	13.8
30 - 39	3.1	3.1	3.6	3.7	2.9	3.2	3.0	3.4	3.1	2.8	3.1	3.1	3.4	3.1
40 and above	1.2	1.2	1.4	1.4	1.0	1.2	1.2	0.8	1.0	1.0	1.2	1.2	0.8	1.0
<b>By Educational Level</b>														
Grade 4/Year 5 and below	1.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Grade 5-9/Year 6-10	4.5	4.5	4.9	5.0	3.6	3.8	3.5	3.4	3.6	3.5	4.0	3.5	3.5	3.6
GCE (O/L)/NCGE	7.4	7.8	8.1	8.5	7.3	8.0	7.0	5.6	6.9	7.0	7.8	7.5	5.6	6.9
GCE (A/L)/HNCE and above	9.9	10.5	10.8	11.2	11.9	12.3	10.6	10.6	11.3	12.0	12.3	11.1	10.8	11.6

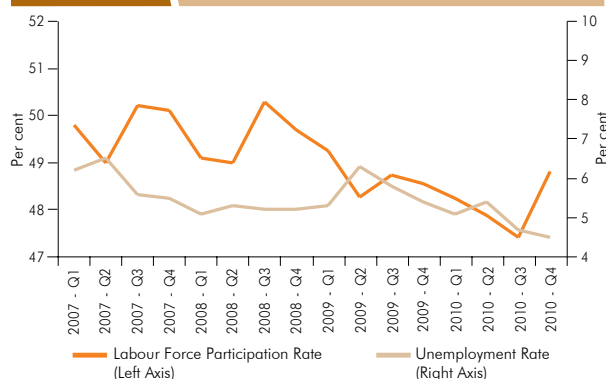
(a) Data exclude both Northern and Eastern provinces.

(b) Data exclude Northern Province.

Source: Department of Census and Statistics

Chart 4.2

## Trends in Labour Force &amp; Unemployment 2007-2010



Note: 2007 unemployment rate excludes Northern and Eastern provinces.

2010. The total number of departures for foreign employment in 2010 increased by 7.8 per cent to 266,445 compared to 247,126 departures in 2009. A decline in departures for overseas employment was observed in the categories of semi-skilled workers and housemaids. Meanwhile, a noticeable growth in migration for foreign employment was registered for professionals, middle level, clerical and related workers, and skilled labour as well as for unskilled labour categories.

**A number of policy measures were introduced by the relevant authorities in 2010 to attract more foreign employment opportunities, while enhancing the protection and welfare of Sri Lankan migrant workers and their families left behind.** Accordingly, a National Labour Migration Policy was developed in consultation

with the International Labour Organization (ILO), addressing major issues that relate to labour migration. The policy was mainly aimed at providing better governance and regulation of labour migration, effective protection and services for Sri Lankan foreign employees and, mobilising more contribution in terms of remittances and reintegration of returnees. Further, with a view to facilitating international relations with regard to migrant labour through bilateral agreements, MOUs, influencing policy making on migrant labour in host countries and better coordination of migrant labour affairs through Sri Lankan missions overseas, the Sri Lanka Bureau of Foreign Employment (SLBFE) was placed under the purview of the Ministry of External Affairs.

**In addition to the compulsory training programmes being conducted for female migrant employees, the SLBFE has commenced a five day compulsory male training programme for capacity building of male workers.** More importantly, a computer network has also been developed to maintain links with the head office and its district and regional offices and Sri Lankan Missions in labour receiving countries and local recruitment agents. Further, taking into consideration the valuable services being rendered by the recruitment agencies in deploying migrant workers for overseas jobs, the SLBFE organised a grading scheme, with the technical assistance of the Sri Lanka Standards Institution,

Table 4.13

## Departures for Foreign Employment

Employment	2008		2009		2010 (a)	
	Number	Per cent	Number	Per cent	Number	Per cent
<b>Total Placement</b>	<b>250,499</b>	<b>100.0</b>	<b>247,126</b>	<b>100.0</b>	<b>266,445</b>	<b>100.0</b>
<b>By Source</b>						
Licensed Agents	160,973	64.3	156,567	63.3	160,700	60.3
Other	89,526	35.7	90,559	36.7	105,748	39.7
<b>By Gender</b>						
Male	128,232	51.1	119,381	48.3	135,502	50.9
Female	122,267	48.9	127,745	51.7	130,946	49.1
<b>By Manpower Category</b>						
Professional	2,835	1.1	2,832	1.1	2,974	1.1
Middle Level	8,727	3.5	6,388	2.6	6,720	2.5
Clerical & Related	6,791	2.7	6,719	2.7	7,795	2.9
Skilled Labour	59,718	23.8	61,321	24.8	71,114	26.7
Semi Skilled Labour	5,326	2.1	6,015	2.4	4,857	1.8
Unskilled Labour	59,239	23.6	50,173	20.3	59,898	22.5
Housemaid	107,923	43.1	113,678	46.0	113,087	42.4

(a) Provisional

Source: Sri Lanka Bureau of Foreign Employment

to evaluate the performance of licensed foreign employment agencies and grant them with National Recognition. Further, the Ministry of Foreign Employment Promotion and Welfare has signed several bilateral agreements with some Arabian countries, such as Jordan, Libya, Qatar, Bahrain and United Arab Emirates (UAE), with the objective of enhancing protection and welfare of Sri Lankan migrant workers. These new measures along with many other welfare and protection schemes that are in place will have a positive impact on foreign employment in the future.

**The concerted efforts made by relevant authorities for more employment opportunities in countries outside the traditional markets and encouraging Sri Lankans to take up technically skilled employment resulted in changes in departures for foreign employment by the manpower category in 2010.** With these developments, the departure of housemaids, who continued to dominate the Sri Lankan foreign employment industry decreased further slightly by 0.5 per cent to 113,087 in 2010. Similarly, the relative significance of housemaids in the total departures for foreign employment also decreased to 42.4 per cent in 2010 from 46.0 per cent in 2009. However, the skilled as well as unskilled labour, and clerical and related worker groups recorded increases in the relative share of each manpower category as compared to 2009. In addition, there were remarkable increases in the number of departures in respect of skilled labour (by 9,793) and unskilled labour (by 9,725). However, the semi-skilled labour category decreased by 1,158 between the two years. Despite the increase in departures of the middle level employees, its relative significance in the total departures declined marginally during the year. However, there was an increase in male migration in 2010, against the temporary decline observed in 2009. Accordingly, male migration increased to 51 per cent in 2010 from 48 per cent of total departures in 2009. As a result, the gender composition of male to female departures registered a ratio of 51:49 in 2010 compared to that of 48:52, last year.

**The Middle Eastern region continued to dominate the foreign employment market, accounting for more than 90 per cent of the departures for foreign employment, with the majority consisting of housemaids.** Within the Middle East region, Saudi Arabia, Qatar, Kuwait and UAE accounted for 80.6 per cent of the total departures for foreign employment in 2010. Of these countries, departures to Saudi Arabia and Qatar, which alone contributed to 49.2 per cent of the total migrant workers in 2009, declined to 46.7 per cent in 2010, entirely due to the decrease in departures of migrant workers to Saudi Arabia. Accordingly, the substantial increase in departures to Qatar by 22.6 per cent in 2010 was partially offset by the decline in departures to Saudi Arabia by 8.9 per cent. Migration to Kuwait and UAE reported increases of 13.5 per cent and 6.3 per cent, respectively, in 2010, when compared to 2009. The bilateral agreements and MOUs entered into by the Ministry of Foreign Employment Promotion and Welfare with labour receiving countries namely, Kuwait, Oman, Jordan, Libya, Qatar, Bahrain and UAE for enhancing welfare and protection of migrant employees would make foreign employment more attractive. In addition, development of information sharing networks with different stakeholders in the industry and government to government recruitment systems will further improve the future employment opportunities overseas.

**Foreign employment continued to be an important and stable source of foreign currency inflows to the country.** As a result of the developments in migrant worker population, total foreign remittances received in 2010 increased

**Table 4.14** Foreign Employment Departures by Destination

Country	2009		2010 (a)		Change (a)	
	Number	Share	Number	Share	Number	Per cent
Qatar	43,744	17.7	53,632	20.1	9,888	22.6
Saudi Arabia	77,826	31.5	70,890	26.6	-6,936	-8.9
U A E	39,586	16.0	42,069	15.8	2,483	6.3
Kuwait	42,400	17.2	48,105	18.1	5,705	13.5
Other	43,563	17.6	51,749	19.4	8,186	18.8
<b>Total</b>	<b>247,119</b>	<b>100.0</b>	<b>266,445</b>	<b>100.0</b>	<b>19,326</b>	<b>7.8</b>

(a) Provisional

Source: Sri Lanka Bureau of Foreign Employment

by 23.6 per cent to US dollars 4,116 million, compared to US dollars 3,330 million received during the previous year. The efforts to explore new market opportunities in non-traditional markets, amendments to the relevant law to eradicate malpractices of the industry while safeguarding the interest of migrant workers, and implementation of other protection and welfare policy measures would lead to further improvements in overseas job opportunities and foreign exchange remittances to the country.

### Labour Productivity

**Overall labour productivity continued to improve in 2010, 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 6.6 per cent in 2010 over the previous year, to Rs. 343,300 per worker. The increase in productivity was attributed to the growth in productivity in the three key sectors of the economy, namely, the Industry sector (by 10.9 per cent), Agriculture sector (by 5.1 per cent) and Services sector (by 4.6 per cent) during the year.

**Enhancing productivity in all three major sectors of the economy would be important to achieve a higher economic growth, while containing inflationary pressures in the economy.** There is further room to increase the productivity in the Agriculture sector through use of improved seed varieties, new technologies and innovations, and mechanisation, which could be promoted through farmer awareness by way of an effective extension service. In addition, increasing

value addition by promoting agro-based processing industries, improving awareness on proper usage of fertilizer, rehabilitation of irrigation networks, and infrastructure facilities would also help increase the productivity in the Agriculture sector.

**Taking into account the contribution by the Industry sector to the national economy, the improvement of productivity in the Industry sector should also be given high priority.** To make Sri Lanka globally competitive, the Industry sector needs to be upgraded with new technology and be diverted towards value added niche products. Also, there should be an increased emphasis on research development and innovation, and improved infrastructure facilities, particularly the provision of uninterrupted power supply to eliminate non-productive time of machinery and reliable transport facilities to minimise unproductive worker time. Maintaining industrial peace is also important in this context. Given the plan to transform Sri Lanka into a major regional hub for Naval, Aviation, Commercial, Energy and Knowledge, it would be necessary to improve productivity in the Services sector on an urgent basis. For this purpose, at the very basic level it would be necessary to amend the school curriculum to ensure that students are equipped with Information Technology (IT), Language and other soft skills as well as knowledge on areas such as Accountancy when they leave school. For this purpose, capacity building of teachers is essential. A certification system should be introduced to ensure that private training facilities in IT are up to standard and obtaining of international qualifications by school leavers in this area should be encouraged, as the attracting of high value Business Process Outsourcing (BPO) activities will be constrained by the lack of skilled manpower. In the rapidly expanding tourism sector, emphasis should also be placed on capacity building of all stakeholders. For this purpose, it will be necessary to set up large scale training facilities for the hospitality industry. These measures are expected to improve the productivity in key sectors of the economy, and thereby contribute to a balanced economic growth.

Table 4.15

Labour Productivity by Major Economic Sector

	2008	2009	2010 (a)
<b>GDP at Constant(2002) Prices, Rs.million</b>	2,365,501	2,449,214	2,645,432
Agriculture	285,897	295,097	315,644
Industry	672,791	701,129	760,219
Services	1,406,813	1,452,988	1,569,569
<b>Labour Productivity, Rs.'000 per person (b)</b>	309.3	322.2	343.3
Agriculture	114.8	119.2	125.3
Industry	335.6	367.1	407.2
Services	446.1	451.8	472.8

(a) Provisional

Sources: Department of Census & Statistics

(b) Based on employment data excluding Northern Province.

Central Bank of Sri Lanka



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
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
<b>2009</b>	<b>2</b>	<b>300</b>	<b>300</b>	<b>6</b>	<b>4,720</b>	<b>7,365</b>	<b>8</b>	<b>5,020</b>	<b>7,665</b>
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	-	-	-	-	-	-	-	-	-
<b>2010 (b)</b>	<b>9</b>	<b>3,185</b>	<b>23,037</b>	<b>6</b>	<b>1,923</b>	<b>2,034</b>	<b>15</b>	<b>5,108</b>	<b>25,071</b>
1st Quarter	3	804	14,220	3	369	408	6	1,173	14,628
2nd Quarter	2	449	6,009	1	218	218	3	667	6,227
3rd Quarter	2	332	1,208	2	1,336	1,408	4	1,668	2,616
4th Quarter	2	1,600	1,600	-	-	-	2	1,600	1,600

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

(b) Provisional

Source: Department of Labour

## Labour Relations and Labour Market Reforms

**Maintaining better relationships and dialogue among parties at the workplace are important to improve industrial harmony.** Although, the number of strikes exceeded the number reported in 2009, 2010 is still the year with the second lowest number of strikes reported since 2000. The private sector reported 15 strikes in 2010, as a result of an increase in the number of strikes in the plantation sector. Total man-days lost also increased to 25,071 in 2010 compared to 7,665 in 2009. An increase in the industrial disputes in the plantation sector was the main reason that led to the higher number of strikes in 2010. There was also an increase in both the number of man-days lost and number of workers involved in the strikes in the plantation sector. Accordingly, the number of man-days lost

in the plantation sector increased to 23,037 in 2010 compared to 300 in 2009 while the total workers involved in the strikes increased to 3,185 in 2010 compared to 300 in 2009. The increase was mainly observed during the first quarter of the year, which reported 3 strikes involving 804 workers leading to 14,220 losses in man-days. The number of strikes in the rest of the private sector remained at 6, similar to that of the previous year. However, both the number of workers involved and the man-days lost by the rest of the private sector decreased substantially in 2010. Accordingly, total workers involved in these strikes decreased to 1,923 in 2010 from 4,720 in 2009 while man-days lost decreased to 2,034 from 7,365. This favourable development in the rest of the private sector is commendable. The continuing maintenance of a sound working environment is essential to improve industrial harmony, and to thereby increase investment and productivity in the country.