

# 4

## PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

### 4.1 Overview

**Inflation remained in single digits for the fifth consecutive year in 2013 and decelerated further during the year to reach a benign mid-single digit level in December 2013.** This is, by far, the longest period that inflation has continuously remained at single digit levels over the last four decades. Annual average headline inflation, as measured by the Colombo Consumers' Price Index (CCPI) (2006/07=100), was relatively high during the first few months of the year, but declined from June 2013 and reached 6.9 per cent in December 2013. Year-on-year headline inflation too has moved on a decelerating path since March 2013 with the improvements in supply conditions of domestic agricultural commodities, easing of some commodity prices in the international market and prudent demand management policies of the Central Bank. However, inflation reached upper single digit levels during the first two months of the year, due to supply disruptions caused by adverse weather conditions that prevailed in major producing areas, increase in gas and fuel prices and the low base in 2012. The upward adjustment of the electricity tariff which was effective from April 2013 and the

upward revisions of import duty of several food commodities had some bearing on inflation during the year. Meanwhile, annual average core inflation, which represents the underlying long-term trend in inflation in the economy, decelerated continuously from June 2013. Year-on-year core inflation moved on a declining path from March 2013 and reached 2.1 per cent in December 2013, the lowest level recorded since its inception in 2007, indicating the effectiveness of demand management policies.

**Nominal wages of employees in both the public sector and the private sector increased in 2013, with the informal private sector recording the highest increase.** The increase in nominal wages of public sector employees (central government non-executive officers, minor employees and government school teachers) was due to the upward adjustment of the Cost of Living Allowance (COLA) and the non-pensionable allowance paid to them from January 2013, as proposed in the budget 2013. The overall nominal wage rate index of the formal private sector, as measured by the minimum wage rate indices of employees whose wages are governed by

regulations under the Wages Boards Trades, increased by 5.7 per cent in 2013. This increase was entirely due to the sharp upward revision in the minimum wages of workers in the Industry and Commerce sector and the Services sector by 32.9 per cent and 21.0 per cent, respectively, in 2013. Meanwhile, employees in the informal private sector enjoyed a real wage increase of 3.1 per cent in 2013. Within the formal private sector, the Industry and Commerce sector and the Services sector recorded significant gains in real wages. However, employees in the Agriculture sector, which carries the highest weight in the overall index, suffered a moderate decrease in their real wages in 2013. As a result, overall real wages in the formal private sector decreased marginally by 1.2 per cent in 2013, compared to the previous year. Overall, the low inflation environment has helped maintain stability in real wages, without much increase in nominal wage rates. This is a favourable development, which prevents the wage inflation spiral and maintains competitiveness of the economy.

**Reversing the declining trend observed in the past few years, the labour force participation rate (LFPR) increased in 2013, reflecting effective functioning of the labour market.** The increase in LFPR was mainly due to the entry of rural sector females into the labour force. The unemployment rate increased to 4.4 per cent in 2013, compared to 4.0 per cent in 2012 with the entry of new job seekers in to the labour market. As in 2012, the private sector held the largest share of total employment, followed by the self-employed and the public sectors. Supported by the high growth momentum experienced during the year, the Services and Industry sectors contributed significantly towards total employment. The decline in the share of employed in the Agriculture sector was a salutary development, which leads to the improved labour productivity levels in the sector. Even though the output in the Services sector increased in 2013, the increased entry of new

employees to the sector resulted in a decline in labour productivity in the sector. The Industry sector was the foremost contributor towards the increase in labour productivity of the overall economy.

**Departures for foreign employment continued to increase, easing the pressure on unemployment and expanding the inflows of foreign exchange to the country.** A significant decline in departures of housemaids was observed during the year, reflecting the effectiveness of measures taken by authorities to minimise the dependence on housemaids for the purpose of earning foreign exchange. Increased departures under higher skilled categories, especially those of professional, middle level and clerical, is a promising trend as they render a high level of foreign exchange earnings per worker, while opening avenues for knowledge and technology transfer opportunities to the country. These developments observed in foreign employment will be beneficial to the country, particularly in the long run, in terms of both social benefits and economic gains.

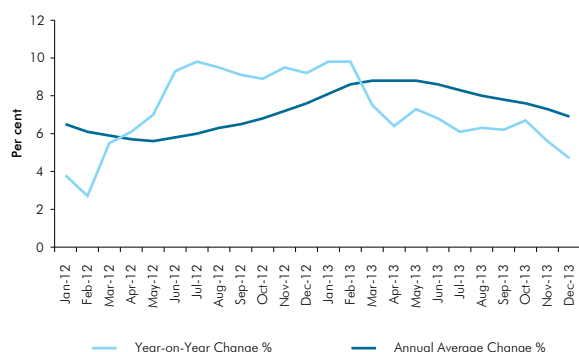
## 4.2 Prices

### Price Movements and Contributory Factors

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

**Consumer price inflation portrayed a declining trend in 2013.** CCPI (2006/07=100), the official index that measures movements in consumer prices in Sri Lanka, increased from 168.6 in December 2012 to 176.5 in December 2013, reflecting a year-on-year inflation of 4.7 per cent in December 2013. It was a sharp decline from the 9.2 per cent in December 2012. Year-on-year inflation has been contained at a single digit level for nearly five straight years, the longest period of single digit inflation after the economy was liberalised in 1977. However, during the early part of the year, adverse weather conditions that disrupted the food supply, pushed inflation to 9.8 per cent in January and

Chart 4.1

Colombo Consumers' Price Index  
(2006/07 = 100)

February 2013. With the release of the seasonal harvest to the market, prices gradually declined and year-on-year inflation reached its lowest level of the year in December 2013. Indicating a similar trend, annual average inflation also decelerated to 6.9 per cent at the end of 2013, compared to 7.6 per cent at the end of 2012. This favourable development was a combined outcome of improved domestic supply, moderation of international commodity prices and prudent monetary policy.

**Deceleration of inflation in the Non-food category was more pronounced than the increase of inflation in the Food category, which carries a 41.0 per cent weight in the CCPI.** Accordingly, the Non-food category was the major contributor towards the deceleration in inflation during 2013. In 2013, the Non-food category contributed 48.0 per cent to the annual average change in CCPI, compared to 70.7 per cent in 2012. As a result, the annual average Non-food inflation decelerated to 6.1 per cent in 2013, compared to 10.0 per cent in 2012.

**The Transport sub-index which accounts for 12.3 per cent of overall weight in the CCPI, recorded a considerable deceleration in 2013 on an annual average basis, compared to 2012.** It increased only by 4.6 per cent in 2013, compared to the 21.6 per cent increase in 2012, due to the smaller magnitude of increase in fuel prices and bus fares during the year.

**The pressure caused by the upward adjustment of electricity tariffs was contained during the year.** The upward revision of the tariff structure of electricity in April 2013 exerted pressure on CCPI, both directly and indirectly. Consequently, the Housing, water, electricity, gas and other fuels sub-index contributed 30.8 per cent to annual average inflation in 2013, compared to 24.9 per cent in 2012. This sub-index was the main contributor within the Non-food category for the increase in inflation in 2013. The indirect impact of this price increase was mainly reflected in the expenditure on the Prepared food sub-group; and the Recreation and culture sub-index.

**The impact of revisions of the price of LP Gas and fuel on inflation was less than that in 2012.** The price of a 12.5 kg cylinder of LP gas of both Litro and Laugfs was increased by Rs. 150, in January 2013. Import prices of crude oil that remained elevated and accumulated losses of the Ceylon Petroleum Corporation (CPC) necessitated an upward adjustment of the price of petrol and diesel by Rs. 3 and Rs. 6 per litre, respectively, in 2013. This resulted in an average price increase of

Table 4.1

## Changes in Price Indices

Index	Index (year end)		Year-on-Year Percentage Change		Annual Average Percentage Change	
	2012	2013 (a)	Dec.2012/ Dec.2011	Dec.2013/ Dec.2012 (a)	2012/2011	2013/2012 (a)
CCPI (2006/07=100)	168.6	176.5	9.2	4.7	7.6	6.9
GDP Deflator (2002=100)	248.9 (b)	265.6	-	-	8.9	6.7

(a) Provisional  
(b) Revised

Source: Department of Census and Statistics

**Table 4.2** Contribution to Annual Average Inflation by Sub-category (a)

Index	2012		2013	
	Percentage		Percentage	
	Change	Contribution	Change	Contribution
CCPI (All Items)	7.6	100.0	6.9	100.0
Food and Non Alcoholic Beverages	4.7	29.3	7.9	52.0
Non Food	10.0	70.7	6.1	48.0
Clothing and Footwear	9.8	4.0	5.4	2.4
Housing, Water, Electricity, Gas and Other Fuels	9.6	24.9	10.7	30.8
Furnishing, Household Equipment and Routine Household Maintenance	6.7	2.8	4.0	1.8
Health	3.0	2.0	1.7	1.2
Transport	21.6	34.7	4.6	9.1
Communication	0.0	0.0	0.0	0.0
Recreation and Culture	4.0	0.7	4.1	0.8
Education	0.5	0.2	0.9	0.5
Miscellaneous Goods and Services	4.1	1.3	4.2	1.5

(a) Based on CCPI (2006/07=100) Sources: Department of Census and Statistics Central Bank of Sri Lanka

1.9 per cent and 5.2 per cent, respectively. However, the average price increase of petrol and diesel in 2013 was low, compared to the price increase of these two items by 6.7 per cent and 36.9 per cent, respectively, in 2012.

**Deceleration in inflation of several other Non-food categories contributed favourably to contain inflation in 2013.** The rate of increase in prices in the sub-indices of Clothing and footwear; Furnishing, household equipment and routine household maintenance; and Health decelerated in 2013, contributing to the slowdown in overall inflation during the year. As in the previous year, prices of the items in the Communication sub-index continued to remain unchanged on an overall basis in 2013 as well.

**Price increases in the Food category contributed largely to the overall increase in inflation in 2013.** The Food and non-alcoholic beverages sub-index increased by 7.9 per cent in 2013, compared to a 4.7 per cent increase in 2012. This increase contributed 52.0 per cent to the increase in the overall CCPI in 2013, compared to 29.3 per cent in 2012. Within the Food category, the average price of rice, vegetables, fruits, meat, coconuts and edible oils increased at a relatively

higher pace in 2013. The price increases were more prominent during the first half of 2013 due to domestic supply constraints on account of adverse weather conditions. As a result, annual average food inflation increased from 5.7 per cent in January to the peak of 9.7 per cent in May and remained at the same level in June 2013. Food inflation decelerated during the latter part of the year and reached 7.9 per cent in December 2013. Conversely, prices of fresh fish and seafood, milk powder and sugar increased at a slower rate in 2013 compared to 2012, easing the upward pressure on inflation.

**The average price of rice remained elevated in 2013, compared to 2012.** The price of rice remained high during the early period of 2013, consequent to the supply shortages and a record low paddy harvest due to bad weather in the Yala season in 2012. Later in 2013, a gradual price decline was observed, with the availability of the Maha harvest and a bountiful Yala harvest. However, these favourable price developments were not strong enough to surpass the base effect of low average prices observed in 2012. Nevertheless, it was sufficient to moderate the rate of overall price increase in 2013. The high price of rice was further bolstered by the increase in the guaranteed price of paddy purchased by the Government, as per the budget 2013.

**The average price of vegetables increased at a faster rate during 2013 compared to 2012, although it gradually eased towards the latter part of the year.** Price increases were sharper during the first few months of 2013 due to the delay in the commencement of the Maha season, owing to heavy rains and floods. However, with the release of the Yala harvest to the market, the upward pressure on vegetable prices gradually eased, compared to the same period of 2012. Since these price declines were more than offset by the price

Table 4.3

## Retail Prices of Key Imported and Domestically Produced Items

Item	Unit	CCPI (2006/07=100) Weight %	Price - Rs.						Percentage Change				
			Annual Average			Dec. 2011	Dec. 2012	Dec. 2013	Annual Average		Year-on-Year		
			2011	2012	2013				2012/ 2011	2013/ 2012	Dec.2012/ Dec.2011	Dec.2013/ Dec.2012	
Domestic	Rice - Samba	1kg	1.96	68.38	70.15	72.29	68.19	74.06	72.21	2.6	3.1	8.6	-2.5
	Rice - Kekulu (red)	1kg	0.85	57.27	57.08	59.87	56.80	60.58	60.78	-0.3	4.9	6.7	0.3
	Rice - Kekulu (white)	1kg	0.60	56.58	56.26	59.28	56.33	60.46	60.44	-0.6	5.4	7.3	0.0
	Rice - Nadu	1kg	0.35	59.25	59.67	61.59	58.95	62.73	63.31	0.7	3.2	6.4	0.9
	Coconut (medium)	nut	1.84	41.01	34.76	43.44	33.78	38.22	47.64	-15.2	25.0	13.1	24.7
	Fish - Kelawalla	1kg	1.11	632.32	694.14	697.33	652.30	718.18	694.60	9.8	0.5	10.1	-3.3
	Beans	1kg	0.43	167.34	157.60	166.00	175.07	160.65	166.16	-5.8	5.3	-8.2	3.4
	Brinjals	1kg	0.19	90.84	99.25	107.73	87.31	113.28	92.58	9.3	8.5	29.7	-18.3
	Eggs	each	0.37	11.64	11.29	14.06	9.67	14.49	14.12	-3.0	24.5	49.8	-2.5
Imports	Sugar	1kg	1.12	96.11	101.04	100.95	92.91	105.50	102.41	5.1	-0.1	13.6	-2.9
	Milk Powder - Anchor	400g	3.21	255.92	302.35	325.00	264.00	325.00	325.00	18.1	7.5	23.1	0.0
	Red Dhal	1kg	0.73	149.20	145.07	156.34	131.95	146.18	157.05	-2.8	7.8	10.8	7.4
	Wheat Flour	1kg	0.20	83.92	90.92	98.13	84.07	98.46	97.93	8.3	7.9	17.1	-0.5

Source: Department of Census and Statistics

increase during the first few months of the year, the weighted average price of the vegetable sub-group increased by 12.5 per cent in 2013. Meanwhile, prices of both coconuts and coconut oil increased at notably higher rates in 2013. This was due to the lagged effect of severe drought conditions that prevailed in 2012. The low yield in 2013 and low prices recorded in 2012 caused the price of onions and potatoes to increase at a higher rate in 2013.

**On average, the price of fresh fish and sea food increased at a slower pace during 2013, compared to the previous year.** The average price of fresh fish declined during the periods from February to April and from July to December with the increase in seasonal supply and enhanced production due to the addition of the deep sea catch from multiday boats. However, a considerable price increase was recorded during the period from May to July, due to the drop in supply as a result of heavy rains in coastal areas. On average, the price of dried fish remained elevated, in the first half of the year, but declined slowly during the latter part of the year. The overall increase in the price of dried fish was largely due to the considerable rise in the average price of sprats on account of

the low domestic supply of sprats in the market. The price of chicken increased during the early months of the year due to high cost of chicken feed. The increasing trend observed in the price of chicken reversed during the latter part of the year, resulting in a moderate 6.0 per cent annual average increase. This moderation in the price was due to the cost reduction incentives given to farmers to increase production through the budget 2013. Average price of eggs too increased during the year due to the high cost of production and some substitution effect.

**Domestic prices of imported commodities moved along with the developments in prices in the international markets, changes in the exchange rate and the local tariff structure.** Import price in the food and drink sub-category of CBSL trade indices increased by 1.0 per cent in 2013, compared to 3.8 per cent in 2012. This increase was reflected in milk powder, dhal, big onion and wheat flour prices in the CCPI basket as well. The price increases in dairy products, palm oil, coconut oil and sprats were high in the domestic market due to the imposition/increase in the Special Commodity Levy (SCL) on certain imported food

Table 4.4

## Revisions to Key Items with Administered Prices (2011-2013)

Item	Unit	Price (year end) - Rs.			Percentage Change	
		2011	2012	2013	2012/2011	2013/2012
Diesel - CPC	1 ltr.	84.00	115.00	121.00	36.9	5.2
Diesel - LIOC	1 ltr.	84.00	121.00	121.00	44.0	0.0
Kerosene	1 ltr.	71.00	106.00	106.00	49.3	0.0
Petrol	1 ltr.	137.00	159.00	162.00	16.1	1.9
Gas-Litro	12.5 kg	2,046.00	2,246.00	2,396.00	9.8	6.7
Gas-Laugs	12.5 kg	2,046.00	2,246.00	2,396.00	9.8	6.7
Furnace Oil (1000)	1 ltr.	48.70	n.a.	n.a.	n.a.	n.a.
Furnace Oil (1500)	1 ltr.	50.00	90.00	90.00	80.0	0.0
Furnace Oil (3500)	1 ltr.	50.00	90.00	90.00	80.0	0.0
Electricity - Fixed Charge	Tariff Blocks					
	First 30 units	30.00	30.00	30.00	0.0	0.0
	31 - 60 units	60.00	60.00	60.00	0.0	0.0
	61 - 90 units	90.00	90.00	90.00	0.0	0.0
	91 - 180 units	315.00	315.00	315.00	0.0	0.0
	Above 180 units	315.00	315.00	420.00	0.0	33.3
Electricity - Unit Charge (a)	Tariff Blocks					
	< 60 units					
	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
	> 60 units					
	First 60 units	-	-	10.00	-	-
	61 - 90 units	7.50	7.50	12.00	0.0	60.0
	91 - 120 units	21.00	21.00	26.50	0.0	26.2
	121 - 180 units	24.00	24.00	30.50	0.0	27.1
	Above 180 units	36.00	36.00	42.00	0.0	16.7
Electricity - Fuel Adjustment Charge (a)	Tariff Blocks					
	First 30 units	-	-	-	25.0	25.0
	31 - 60 units	-	-	-	35.0	35.0
	61 - 90 units	-	-	-	40.0	10.0
	Above 90 units	-	-	-	40.0	40.0
Water - Unit Charge	Tariff Blocks					
	00 to 05 units	3.00	8.00	8.00	166.7	0.0
	06 to 10 units	7.00	11.00	11.00	57.1	0.0
	11 to 15 units	15.00	20.00	20.00	33.3	0.0
	16 to 20 units	30.00	40.00	40.00	33.3	0.0
	21 to 25 units	50.00	58.00	58.00	16.0	0.0
	26 to 30 units	75.00	88.00	88.00	17.3	0.0
	31 to 40 units	90.00	105.00	105.00	16.7	0.0
	41 to 50 units	105.00	120.00	120.00	14.3	0.0
	51 to 75 units	110.00	130.00	130.00	18.2	0.0
	Above 75 units	120.00	140.00	140.00	16.7	0.0
Bus Fare					20.0	7.0

(a) Fuel adjustment charge is only applicable to the monthly energy charge and was reimposed with effect from 16.02.2012. Fixed charges, unit charges and the fuel adjustment charges of electricity were revised with effect from 20.04.2013.

Source: Central Bank of Sri Lanka

items to encourage local production. Meanwhile, CBSL trade indices indicated that the import price of other consumer goods increased only by 1.2 per cent in 2013, compared to a 5.9 per cent increase in 2012. However, import prices of medical and pharmaceutical items, household furniture items and clothing and accessories had increased during the year as per CBSL trade indices. These price changes were reflected in the relevant sub groups of the CCPI as well. Meanwhile, the Sri Lanka Rupee exhibited modest fluctuations against the

US dollar, with only 2.7 per cent depreciation during the year, reflecting a minimal effect of currency depreciation on inflation.

**Core inflation decelerated during the year, reaching its lowest level in December 2013.** Annual average and year-on-year core inflation reached 4.4 per cent and 2.1 per cent, respectively, by December 2013 compared to 5.8 per cent and 7.6 per cent, respectively, in December 2012. Annual average core inflation increased slightly in the early

part of the year from 6.1 per cent in January to 6.6 per cent in May. Thereafter, it declined steadily to reach the benign 4.4 per cent by year end. The year-on-year core inflation, which increased marginally from 7.3 per cent in January to 7.4 per cent in February 2013, decelerated thereafter at a faster rate, reaching 2.1 per cent in December, the lowest rate ever recorded since its introduction in 2007. The trend in headline inflation largely followed the trend in core inflation, throughout the year, on an annual average basis. The decline in core inflation in 2013 reflects the effective demand management policies and the lagged effect of tight monetary policy stance in 2012. Meanwhile, the contribution to the annual average change in core inflation came mainly from the sub-indices of Food and non-alcoholic beverages (70.9 per cent); Housing, water, electricity, gas and other fuels (8.2 per cent); Clothing and footwear (5.9 per cent); and Furnishings, household equipment and routine household maintenance (4.5 per cent) during 2013.

### GDP Deflator

**The GDP deflator, which measures overall price changes in domestically produced goods and services, decelerated in 2013 compared to 2012, supported by a slowdown of deflators in the Industry and Services sectors.** Accordingly, the GDP deflator increased only by 6.7 per cent in 2013, compared to 8.9 per cent in 2012. The Deflator of the Industry sector increased only by 7.3 per cent in 2013, compared to the increase of 10.7 per cent recorded in 2012. This deceleration in inflation was visible in all sub sectors in the Industry sector. The deflator of the Services sector increased by 6.3 per cent compared to the increase of 9.7 per cent recorded in 2012. Within the Services sector, wholesale and retail trade; hotels and restaurants; transport and communication; banking, insurance and real estate; and private services sub sectors recorded deceleration in deflators compared to the

**Table 4.5** Sectoral Deflators and GDP Deflator

Sector	(2002=100)					
	Index			Percentage Change		
	2011	2012 (a)	2013 (b)	2012/2011 (a)	2013/2012 (b)	
Agriculture	247.3	247.5	264.7	0.1	6.9	
Industry	233.2	258.1	276.9	10.7	7.3	
Services	222.6	244.3	259.7	9.7	6.3	
<b>GDP</b>	<b>228.5</b>	<b>248.9</b>	<b>265.6</b>	<b>8.9</b>	<b>6.7</b>	

(a) Revised  
(b) Provisional

Source: Department of Census and Statistics

previous year. However, deflators of ownership of dwellings; and government services sub sectors increased at a higher rate compared to that of the previous year. The Agriculture sector deflator increased by 6.9 per cent in 2013, subsequent to a marginal increase of 0.1 per cent recorded in 2012. This increase was bolstered by the increase in prices in all sub sectors in the Agriculture sector, except for coconut and livestock sub sectors.

### 4.3 Wages

**Nominal wages of employees in both the public and private sectors increased in 2013, compared to the previous year.** The increase in nominal wages was significant among the employees in the informal private sector whose wages are determined by market forces. The upward revision of the monthly COLA payable to employees in the public sector caused their nominal wages to increase during the year. The nominal wages of employees in all three sectors of the formal private sector increased due to the enhancement of the minimum wages. Overall, employees in the informal private sector enjoyed a real wage increase while real wages in the public and formal private sectors declined marginally in 2013.

#### Public Sector Wages

**The nominal wage rate indices of public sector employees increased in 2013, although the real wage rates declined marginally.** The increase in nominal wages

Table 4.6

## Wage Rate Indices

December 1978=100

Employment Category	Index						Percentage Change					
	Nominal			Real (a)			Nominal			Real (a)		
	2011	2012	2013 (b)	2011	2012	2013 (b)	2011	2012	2013 (b)	2011	2012	2013 (b)
<b>1. Government Employees</b>												
Central Government Employees	4,964.5	5,304.7	5,568.3	154.7	153.8	150.9	6.7	6.9	5.0	0.0	-0.6	-1.9
Non-Executives	4,490.1	4,803.6	5,035.6	139.9	139.3	136.5	6.6	7.0	4.8	-0.1	-0.5	-2.0
Minor Employees	5,465.1	5,831.8	6,130.5	170.3	169.1	166.2	6.8	6.7	5.1	0.1	-0.7	-1.7
Government School Teachers	3,576.1	3,821.8	4,011.0	111.5	110.8	108.7	7.7	6.9	4.9	0.9	-0.6	-1.9
<b>2. Workers in Wages Boards Trades</b>												
All Wages Boards Trades	2,996.1	3,662.0	3,869.2	93.3	106.2	104.9	4.6	22.2	5.7	-2.0	13.8	-1.2
Workers in Agriculture	3,427.2	4,433.0	4,435.9	106.8	128.6	120.3	3.0	29.3	0.1	-3.6	20.4	-6.4
Workers in Industry and Commerce	2,402.1	2,402.1	3,191.6	74.9	69.7	86.5	9.2	0.0	32.9	2.4	-6.9	24.1
Workers in Services	1,851.8	1,851.8	2,241.5	57.7	53.7	60.7	10.7	0.0	21.0	3.8	-6.9	13.1

(a) Real wage rate indices are based on CCPI (2006/07=100).

(b) Provisional

Sources: Department of Labour  
Central Bank of Sri Lanka

was mainly due to the upward revision of the monthly COLA payable to public sector employees by Rs. 750 with effect from January 2013 and the enhancement of the special non-pensionable allowance payable to the employees, whose initial salary scale was below Rs. 22,935. This increase was effected in two occasions in May and September 2013, by 2.5 per cent each, which is computed on the monthly basic consolidated salary. The nominal wage rate indices of non-executive officers, minor employees and government school teachers rose by 4.8 per cent, 5.1 per cent and 4.9 per cent, respectively, in 2013, compared to the respective increases of 7.0 per cent, 6.7 per cent and 6.9 per cent in 2012. Consequently, the overall nominal wage rate index of central government employees increased by 5.0 per cent in 2013 compared to the 6.9 per cent increase a year earlier. Meanwhile, real wages of non-executive officers, minor employees and government school teachers decreased by 2.0 per cent, 1.7 per cent and 1.9 per cent, respectively, in 2013 compared to the respective decreases of 0.5 per cent, 0.7 per cent and 0.6 per cent observed in the previous year. The impact of the above wage developments resulted in a 1.9 per cent decline in the overall real wage rate index of central government employees in 2013.

## Formal Private Sector Wages

**Nominal wages of the employees in the formal private sector, as measured by the minimum wage rate indices of employees whose wages are governed by the Wages Boards Trades, increased by 5.7 per cent in 2013.** This increase was mainly due to the increase in the wage rate indices of Industry and Commerce; and Services sectors by 32.9 per cent and 21.0 per cent, respectively, in 2013. A substantial increase in the minimum wages of employees in many sub-sectors contributed to this increase. However, the minimum wage rate index of the Agriculture sector, which carries a significant weight of 66 per cent, remained unchanged subsequent to a 29.3 per cent increase in the previous year. Reflecting the dominance of the Agriculture sector wage rate index in determining the overall movement of formal private sector wages, the composite index increased only by 5.7 per cent in 2013.

**The real wages of employees in the formal private sector, especially those in the Industry and Commerce sector and the Services sector enjoyed a considerable gain in their real wages.** Employees in the Industry and Commerce and Services sectors enjoyed real wage increases of 24.1 per cent and 13.1 per cent, respectively, in 2013 against the declines of real wages of 6.9 per



cent each in 2012. However, the Agriculture sector suffered a real wage loss of 6.4 per cent during the year compared to the 20.4 per cent gain in 2012. Since the real wage loss of employees in the Agriculture sector surpassed the real wage gain in the Industry and Commerce and Services sectors, the overall real wage rate index of the formal private sector recorded a marginal decrease of 1.2 per cent over the previous year.

## Informal Private Sector Wages

**Average daily wages in the informal private sector increased at varied rates in nominal and real terms in 2013.** Wages in the informal private sector are determined in a free market environment where nominal wages get adjusted according to change in demand and supply forces in the labour market. The level of reservation wages in the economy also acts as a determining factor in this respect. Movements of informal sector wages are analysed using the relevant wage information, covering agriculture and building construction,

collected under the Country Wide Data Collection System (CWDCS) operated by the CBSL.

**Daily wages of the informal private sector increased in nominal terms by an average rate of 10.2 per cent during 2013.** Nominal wages of employees in the informal Agriculture and Construction sectors increased by 12.0 per cent and 8.0 per cent, respectively, in 2013. The respective increases were at 13.8 per cent and 12.1 per cent in 2012. Within the Agriculture sector, the average daily wages in the subcategories of Rubber, Coconut, Paddy and Tea increased by 13.4 per cent, 12.4 per cent, 11.7 per cent and 10.5 per cent, respectively, in 2013. Daily wages for carpenters and masons in the Construction sector increased by 8.0 per cent and 8.1 per cent, respectively, in 2013, compared to an increase of 12.4 per cent and 11.9 per cent, respectively, in 2012. This increase was partly attributed to the continued demand for workers in the construction sector and the contraction of labour supply to some extent in this sector partly due to the migration of such workers for foreign employment.

Table 4.7

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

Sector	Annual Average (Rs.)			Percentage Change			
	2011	2012	2013 (b)	Nominal		Real (c)	
				2012	2013 (b)	2012	2013 (b)
<b>1. Agriculture Sector</b>							
<b>Tea</b>							
Male	617	691	764	12.0	10.6	4.1	3.4
Female	438	512	565	16.9	10.4	8.7	3.2
<b>Rubber</b>							
Male	658	741	853	12.6	15.2	4.7	7.7
Female	490	585	652	19.4	11.4	11.0	4.3
<b>Coconut (d)</b>							
Male	783	887	997	13.3	12.3	5.4	5.2
<b>Paddy</b>							
Male	704	787	882	11.8	12.1	4.0	4.8
Female	530	599	667	13.0	11.4	5.1	4.2
<b>2. Construction Sector (d)</b>							
<b>Carpentry</b>							
Master Carpenter - Male	1,115	1,248	1,334	11.9	6.9	4.1	0.0
Skilled and Unskilled Helper- Male	729	824	903	13.0	9.6	5.1	2.5
<b>Masonry</b>							
Master Mason - Male	1,093	1,216	1,304	11.2	7.2	3.5	0.3
Skilled and Unskilled Helper- Male	729	823	900	12.9	9.4	5.0	2.4

(a) Wage Information is based on monthly wages from 102 data collection centres under the CWDCS.

Source: Central Bank of Sri Lanka

(b) Provisional

(c) Real wages are based on CCPI (2006/07=100).

(d) Female participation is minimal in these sectors.

**Real wages of employees in all subcategories of the informal private sector also increased in 2013.** Accordingly, the average daily real wages of Rubber, Coconut, Paddy and Tea sub-sectors increased by 6.1 per cent, 5.2 per cent, 4.5 per cent and 3.4 per cent, respectively, in 2013. The increase in the average daily real wages of carpenters and masons in the Construction sector was 1.0 per cent and 1.1 per cent, respectively. Overall, both the Agriculture and Construction sectors recorded real wage increases of 4.8 per cent and 1.1 per cent, respectively, in 2013 compared to 5.8 per cent and 4.3 per cent increases in 2012. As a result, overall daily real wages for employees in the informal private sector increased, on average, by 3.1 per cent in 2013 compared to the 5.1 per cent increase in the previous year.

## 4.4 Population, Labour Force and Employment

### Population

**The mid-year population in 2013 was estimated at 20.483 million, consisting of 9.939 million males and 10.544 million females.** Of the total population, 5.866 million, or more than one fourth, lived in the Western Province (28.6 per cent), while the least populated province was the Northern Province, which recorded a population of 1.073 million (5.2 per cent). Within the Western Province, the population of Colombo and Gampaha districts exceeded 2 million each and together accounted for 22.6 per cent of the total population of the country. The districts, which recorded population of more than one million each were Kurunegala, Kandy, Kalutara, Ratnapura and Galle. Mullaitivu district recorded the lowest population. The population density, which is

**Table 4.8** District-wise Population and Density (a)(b)

District	2012		2013	
	Population '000 Persons	Density	Population '000 Persons	Density
Colombo	2,316	3,425	2,326	3,441
Gampaha	2,300	1,715	2,313	1,725
Kalutara	1,220	774	1,227	779
Kandy	1,375	717	1,384	722
Matale	484	248	489	251
Nuwara Eliya	710	416	719	421
Galle	1,061	656	1,068	660
Matara	812	639	819	645
Hambantota	599	240	606	243
Jaffna	585	629	589	634
Mannar	100	53	101	54
Vavuniya	172	92	174	93
Mullaitivu	92	38	93	39
Kilinochchi	114	94	116	96
Batticaloa	527	202	529	203
Ampara	651	154	658	156
Trincomalee	380	150	384	152
Kurunegala	1,616	349	1,624	351
Puttalam	763	265	769	267
Anuradhapura	859	129	868	130
Polonnaruwa	404	131	408	133
Badulla	815	288	822	291
Moneragala	450	82	456	83
Ratnapura	1086	336	1,097	339
Kegalle	839	498	844	501
<b>Total</b>	<b>20,328</b>	<b>324</b>	<b>20,483</b>	<b>327</b>

(a) Provisional Source: Registrar General's Department

(b) The mid-year population estimates were based on the Census of Population and Housing 2012 and data on natural increase in population and net migration

Note : This computation does not include changes in population at district level, on account of resettlements in Northern and Eastern provinces, effected since 20th March 2012

the number of persons per square kilometer in Sri Lanka, increased to 327 in 2013 from 324 in 2012, along with the increase of mid-year population. Notably, every district recorded an increase of population density in 2013. Meanwhile, the Colombo district recorded the highest population density (3,441). The numbers of in-migration and out-migration of persons reported in 2013 were 2.629 million and 2.677 million, respectively, and the net migration rate was -2.33, per thousand persons.

## Labour Force

The labour force, defined as the economically active population aged 15 years and above, rose in 2013, registering an increase in both employed and unemployed persons. According to the Quarterly Labour Force Survey (QLFS) conducted by the DCS, the labour force increased by 4.1 per cent in 2013 to 8.802 million, from 8.454 million in 2012. Employed persons accounted for 95.6 per cent of the total labour force, while the number of unemployed persons accounted for the balance 4.4 per cent during the year.

The increased LFPR in 2013 is a welcome development, as it eases wage pressures in the labour market. The LFPR, which is defined as the ratio of the labour force to the household population aged 15 years and above, increased to 53.8 per cent, compared to 52.6 per cent in 2012. The increase in LFPR was mainly a result of the increase in female LFPR, to 35.6 per cent in 2013 from 32.9 per cent in 2012. This was due to the entry of more females in the rural sector to the labour market, seeking job opportunities. Accordingly, rural sector female LFPR increased remarkably to 37.2 per cent in 2013 from 33.8 per cent in 2012. The decline in departures of housemaids for foreign employment could have contributed to this favourable development. However, the male LFPR declined marginally to 74.9 per cent in 2013 from

75.0 per cent in 2012. This was due to the decline in urban male LFPR in 2013, compared to 2012. Consequently, the total urban LFPR declined to 47.8 per cent in 2013 from 48.4 per cent in 2012, and the total rural LFPR increased to 55.0 per cent in 2013 from 53.5 per cent in 2012.

## Employment

The number of employed persons increased in 2013, on account of increased employment opportunities generated in the Services sector, which continued to dominate in terms of both employment creation and contribution to economic growth. Employment increased by 3.7 per cent, reaching 8.418 million in 2013. There was an improvement in the composition of employment among the major sectors in the economy between 2012 and 2013. The share of employment in the Agriculture sector declined to 29.7 per cent from 31.4 per cent in 2012. This is a positive development, as labour productivity in the Agriculture sector is comparatively low due to the high concentration of labour in the sector. Meanwhile, the share of employed in the Industry sector declined marginally to 26.2 per cent from 26.3 per cent in 2012. This was mainly due to the slowdown in construction activities in 2013 compared to the previous year. However, employment in the mining and quarrying and manufacturing sub-sectors increased. The Services sector, which is the largest sector in

**Table 4.9** Household Population, Labour Force and Labour Force Participation (a)

Item	2012	2013 (b)				
		Q1	Q2	Q3	Q4	Annual
Household Population '000 Persons	16,081	16,356	16,358	16,361	16,365	16,360
Labour Force '000 Persons	8,454	8,862	8,866	8,809	8,671	8,802
Employed	8,118	8,451	8,475	8,424	8,320	8,418
Unemployed	336	411	391	385	351	384
Labour Force Participation Rate (c) per cent	52.6	54.2	54.2	53.8	53.0	53.8
Male	75.0	75.1	75.5	74.8	74.4	74.9
Female	32.9	36.2	35.6	35.8	34.7	35.6

(a) Household population aged 15 years and above and data covers all districts

(b) Provisional

(c) Labour force as a percentage of household population

Source: Department of Census and Statistics

**Table 4.10** Employment by Economic Activity (a)(b)

Sector	('000 persons)						Percentage of Total Employment	
	2012	2013 (c)					2012	2013 (c)
		Q1	Q2	Q3	Q4	Annual		
<b>Agriculture</b>	2,551	2,385	2,668	2,418	2,547	2,504	31.4	29.7
<b>Industry</b>	2,135	2,273	2,218	2,222	2,095	2,202	26.3	26.2
Mining and Quarrying	87	91	125	99	85	100	1.1	1.2
Manufacturing	1,432	1,563	1,482	1,560	1,452	1,514	17.6	18.0
Construction, Electricity, Gas, Steam and Air Conditioning Supply, Water Supply, Sewerage, Waste Management and Remediation Activities	616	620	611	563	558	588	7.6	7.0
<b>Services</b>	3,432	3,793	3,590	3,784	3,678	3,711	42.3	44.1
Wholesale and Retail Trade, Repair of Motor Vehicles and Motor Cycles	1,122	1,180	1,182	1,153	1,089	1,151	13.8	13.7
Transport and Storage	497	538	530	467	534	517	6.1	6.1
Accommodation and Food Services Activities	130	172	205	180	195	188	1.6	2.2
Information and Communication	70	60	64	82	45	63	0.9	0.7
Financial and Insurance Activities	130	171	150	167	124	153	1.6	1.8
Professional, Scientific and Technical Activities	57	79	74	71	48	68	0.7	0.8
Administrative and Support Service Activities	76	113	93	112	110	107	0.9	1.3
Public Administration and Defence Compulsory Social Security	567	681	535	631	669	629	7.0	7.5
Education	335	305	290	380	344	330	4.1	3.9
Human Health and Social Work Activities	134	136	135	146	147	141	1.7	1.7
Other (d)	313	359	332	395	371	364	3.9	4.3
<b>Total employment</b>	<b>8,118</b>	<b>8,451</b>	<b>8,475</b>	<b>8,424</b>	<b>8,320</b>	<b>8,418</b>	<b>100.0</b>	<b>100.0</b>
Percentage of Labour Force	96.0	95.4	95.6	95.6	95.9	95.6		

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

(b) Household population aged 15 years and above and data covers all districts

(c) Provisional

(d) Includes activities of households as employers; Real estate; Arts, entertainment and recreation; and Extra territorial organisations and bodies

Source: Department of Census and Statistics

the economy, contributed most to generate more employment opportunities in 2013. Accordingly, employment in this sector increased to 44.1 per cent from 42.3 per cent in 2012, supported by increased employment in almost all sub sectors.

**Out of total employed, the largest share of 40.6 per cent was in the private sector, although its relative share declined marginally in 2013 compared to the previous year.** The share of Employers and Self-employed categories in the total employment increased to 35.2 per cent in 2013 from 34.7 per cent in 2012. This trend is a sign of low dependence on jobs created by external parties. The share of unpaid family workers also

increased during the year, which could be explained by the increase in the participation of rural sector females to the labour force.

**Table 4.11** Status of Employment (a)

Period	Per cent					
	Public Sector Employees	Private Sector Employees	Employers	Self Employed	Unpaid Family Workers	Total
2012	15.1	41.3	2.8	31.9	8.8	100.0
<b>2013 (b)</b>	<b>15.1</b>	<b>40.6</b>	<b>3.0</b>	<b>32.2</b>	<b>9.1</b>	<b>100.0</b>
1st Quarter	15.5	40.7	3.2	31.2	9.4	100.0
2nd Quarter	13.1	40.6	3.2	33.0	10.0	100.0
3rd Quarter	16.4	40.1	3.0	31.5	9.0	100.0
4th Quarter	15.3	41.1	2.8	32.9	7.8	100.0

(a) Household population aged 15 years and above and data covers all districts

(b) Provisional

Source: Department of Census and Statistics

**Table 4.12** Public Sector Employment

Sector	2011	2012	2013 (a)	Percentage Change	
				2012/2011	2013/2012 (a)
Government (b)	980,589	993,912	1,026,728	1.4	3.3
Semi Government (c)	249,199	254,728	256,189	2.2	0.6
<b>Public Sector</b>	<b>1,229,788</b>	<b>1,248,640</b>	<b>1,282,917</b>	<b>1.5</b>	<b>2.7</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 number of employees in the public sector increased by 2.7 per cent to 1,282,917 in 2013, as revealed by the Public Sector Employment Survey conducted by the Central Bank. The increase was observed in both the government and semi government sectors. The increase in the public sector employment was largely due to the enhancement of employment in the government sector by 3.3 per cent, which contributed 95.7 per cent to the rise in public sector employment in 2013. This increase was mainly a result of the recruitment of employees to Provincial Councils and Ministries. The increase in semi government sector employment was 0.6 per cent, which contributed 20.0 per cent to the total employees in the public sector. There was a notable increase in senior level employees, on both the causal and contract basis in the semi government sector, albeit their number and share in total government employment is considerably low.

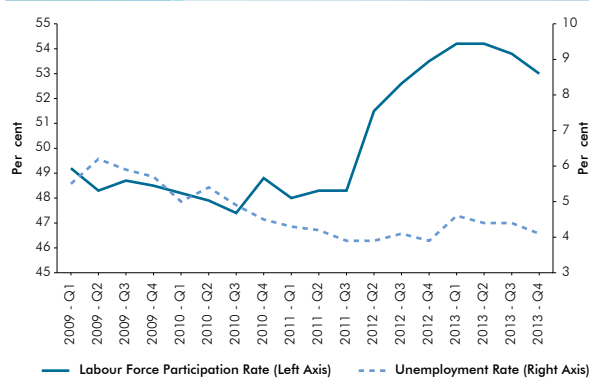
## Unemployment

The unemployment rate increased in 2013, with the entry of new job seekers into the labour market. The unemployment rate, which was at 4.6 per cent during the first quarter of the year followed a declining trend to reach 4.1 per cent in the fourth quarter of 2013, resulting in an annual unemployment rate of 4.4 per cent during the year, compared to 4.0 per cent in the previous year. The total number of unemployed persons increased to 0.384 million from 0.336

million in 2012. In the context of increased employment, this could be attributed to the increase in labour force participation, bolstered by the entry of rural sector females into the labour force. Unemployment among females and males increased to 6.6 per cent and 3.2 per cent, respectively, in 2013 from 6.2 per cent and 2.9 per cent, respectively, in 2012.

### Unemployment among GCE O/L qualified persons declined marginally to 5.9 per cent in 2013 from 6.0 per cent in 2012.

However, unemployment among the Grade 5-9 qualified category and the GCE (A/L) and above qualified category increased during the year. The highest unemployment rate of 8.6 per cent was recorded among the GCE (A/L) and above qualified persons, is a matter of concern. It largely reflects the mismatch between competencies and job requirements in the market, triggered by the supply of educationally more qualified persons. Although the country has a reputable tertiary education system, curriculum of these institutions are heavily focused on non-technical disciplines that do not generate skills required by a modern economy. This indicates the need for reforms in the education and vocational training system. The higher education system needs to be reformed to produce human resources who are capable of taking on complex

**Chart 4.2** Trends in Labour Force and Unemployment (2009-2013)

Note : Quarterly Labour Force Survey for the 4th Quarter of 2011 and 1st Quarter of 2012 was not conducted by the DCS and data from 2012 onwards represents household population aged 15 years and above.

**Table 4.13** Unemployment Rate (Unemployed as a percentage of Labour Force) (a)

Category	2012	2013 (b)				
		Q1	Q2	Q3	Q4	Annual
All	4.0	4.6	4.4	4.4	4.1	4.4
<b>By Gender</b>						
Male	2.9	3.3	3.1	3.4	2.8	3.2
Female	6.2	7.0	6.9	6.0	6.4	6.6
<b>By Educational Level</b>						
Grade 4/Year 5 and below	-	-	-	-	-	-
Grade 5-9/Year 6-10	3.2	3.7	3.2	3.8	2.9	3.4
GCE (O/L)	6.0	6.0	5.4	6.7	5.7	5.9
GCE (A/L) and above	7.5	9.2	10.2	6.8	8.1	8.6
<b>By Age Group</b>						
15-19	18.9	18.3	20.5	18.8	16.7	18.7
20-24	16.8	20.7	19.9	16.6	19.7	19.2
25-29	6.7	7.5	6.4	8.0	8.3	7.5
30-39	2.5	2.7	3.0	3.0	2.2	2.7
40 and above	0.8	1.2	0.8	1.2	0.8	1.0

(a) Household population aged 15 years and above and data covers all districts

Source: Department of Census and Statistics

(b) Provisional

tasks, with the ability to learn and adapt quickly, undertake independent research and to generate technical innovations.

**Youth unemployment continued to remain high in 2013.** The unemployment rate for the age group between 15-19 years declined marginally in 2013, from the previous year, although it remained at 18.7 per cent. Age group between 20-24 years suffered from high unemployment of 19.2 per cent, which was an increase from 16.8 per cent recorded in 2012. This could be due to the mismatch between the demand and supply of labour, prompted by aspirations and perceptions of youth, their knowledge and skills and available job opportunities in the market. The continuous provision of vocational and technical training, along with opportunities for internships would be instrumental in enhancing employability amongst youth. In addition, the expansion of awareness in financial literacy, developing managerial skills and the provision of financial and technical support to improve entrepreneurial ability will help create self and multiple employment opportunities, easing the unemployment rate in the economy.

## Foreign Employment

**Foreign employment opportunities, being a major source of employment and the foremost earner of foreign exchange for the country, continued to increase in 2013.** In 2013, the total number of departures for foreign employment continued its increasing trend as in the past few years. Accordingly, total departures for foreign employment increased by 3.8 per cent to 293,105 in 2013 compared to 282,447 in 2012, despite the significant decline in departures under the housemaid category by 18.6 per cent, due to restrictions imposed by authorities. The increase in total departures can be attributed to the noticeable growth in migration for foreign employment in the professional, middle level, clerical, skilled and unskilled categories. Despite the increase in the departures of higher skilled categories, their share in total migration were lower than that under the semi skilled, unskilled and housemaid categories. Departures under the semi-skilled category reported a marginal decline in 2013. The impact of this decline on total departures was negligible, as semi-skilled migrants contributed only 1.2 per cent to total migration in 2013.

Table 4.14

## Departures for Foreign Employment

Employment	2011		2012 (a)		2013 (b)	
	Number	Per cent	Number	Per cent	Number	Per cent
<b>Total Placement</b>	262,961	100.0	282,447	100.0	293,105	100.0
<b>By Source</b>						
Licensed Agents	146,293	55.6	175,169	62.0	180,605	61.6
Other	116,668	44.4	107,278	38.0	112,500	38.4
<b>By Gender</b>						
Male	136,307	51.8	144,135	51.0	175,047	59.7
Female	126,654	48.2	138,312	49.0	118,058	40.3
<b>By Manpower Category</b>						
Professional	3,848	1.5	4,448	1.6	5,140	1.7
Middle Level	6,136	2.3	9,280	3.3	16,508	5.6
Clerical & Related	9,907	3.8	16,184	5.7	26,550	9.1
Skilled Labour	67,746	25.8	67,150	23.8	73,600	25.1
Semi Skilled Labour	4,182	1.6	3,467	1.2	3,412	1.2
Unskilled Labour	63,642	24.1	62,907	22.3	70,961	24.2
Housemaid	107,500	40.9	119,011	42.1	96,934	33.1

(a) Revised  
(b) Provisional

Source: Sri Lanka Bureau of Foreign Employment

**Under the housemaid category, both the number and the share in total migration declined significantly in 2013.** Sri Lanka's migrant labour force is typically biased towards the categories of housemaid and lower skilled workers, with high geographical concentration in the Middle-East. Approximately one third of total departures and 82.1 per cent of female departures are housemaids. Nevertheless, departures under the housemaid category recorded a decline in 2013, due to the strict adherence to regulations imposed by authorities. These regulations include preventing departures of mothers with children younger than 5 years of age and imposing minimum age requirements for females in order to minimise the social cost of female departures, which is far more detrimental to the country than the economic benefit. As a result, the relative share of housemaids in total departures declined to 33.1 per cent in 2013 from 42.1 per cent in 2012. During 2013, around 98 per cent of housemaids migrated to Middle Eastern countries, of which, more than 71 per cent was absorbed to Saudi Arabia and Kuwait.

**Both the number and the share of males leaving for foreign employment continued to increase in 2013, following the trend observed over the last few years.** The number of males going

abroad for employment increased significantly by 21.4 per cent against a 14.6 per cent decline of female departures in 2013. As a result, the ratio of male and female departures stood at 60:40 in 2013 compared to 51:49 in 2012. The widening gap between relative share of males and females in the total departures for foreign employment reflects the effectiveness of the proposals implemented by authorities to promote the migration of skilled male workers, while discouraging female worker migration as housemaids.

**In 2013, 93.9 per cent of total departures was to Middle Eastern countries.** This was an increase of 4.4 per cent to 275,324 in 2013 from 263,704 in 2012. Workers in the Middle Eastern countries contribute to a large share of workers' remittance earnings for the country. Destinations other than the Middle East absorbed 6.1 per cent of total departures, accounting for 17,781 workers. Malaysia, Seychelles, Mauritius, Hong Kong and Singapore increasingly attracted migrant workers from Sri Lanka.

**Departures for foreign employment arranged through licensed agents and other sources increased during the year.** Out of the total departures, a majority of 61.6 per cent was arranged through licensed agents while the

Table 4.15

## Foreign Employment Departures by Destination

Country	2012 (a)		2013 (b)		Change (b)	
	Number	Share	Number	Share	Number	Per cent
Saudi Arabia	97,964	34.7	80,836	27.6	-17,128	-17.5
Qatar	57,504	20.4	80,724	27.5	23,220	40.4
Kuwait	44,244	15.7	42,739	14.6	-1,505	-3.4
U A E	38,297	13.6	48,486	16.6	10,189	26.6
Other	44,438	15.7	40,320	13.7	-4,118	-9.3
<b>Total</b>	<b>282,447</b>	<b>100.0</b>	<b>293,105</b>	<b>100.0</b>	<b>10,658</b>	<b>3.8</b>

(a) Revised  
(b) Provisional

Source: Sri Lanka Bureau of Foreign Employment

balance was arranged through other sources. When departures under different age groups are considered, the group of 30-34 years recorded the highest share in total departures, with an increase of 3.6 per cent over the previous year. The majority of employees in this group consisted of housemaids. Age groups of 20-24 and 25-29 registered the lowest rate of increase in departures compared to the previous year. This may have affected unemployment amongst youth in Sri Lanka.

**The Sri Lanka Bureau of Foreign Employment (SLBFE) implemented a number of programmes and schemes in order to ensure dignity, security and equity for Sri Lankan nationals seeking employment overseas.** With the objective of protecting and empowering migrant workers and their families, several welfare and protection programmes were implemented in 2013. These programmes included insurance schemes; scholarships for children of migrant workers; repatriation; medical facilities; financial assistance for migrant workers, distressed migrant workers and their family members; *Ratawiruvo Programme* and *Rataviru Rekawarana Sewa Programme*. In order to upgrade the quality of employees by providing pre-departure training and re-skilling, the National Vocational Qualification (NVQ) Level 3 was introduced as a mandatory requirement. Furthermore, SLBFE continued to provide targeted pre-departure training for workers departing to South Korea.

**Several measures were introduced with the objective of minimising the social cost as a result of mothers leaving the country for foreign employment.** Submission of a Family Background Report on female workers through the relevant Divisional Secretariat was made compulsory. This report should include marital status, information of children if any and their guardian and details of their dependents. All licensed foreign employment agents are required to comply with this requirement. Furthermore, minimum age limit of female workers migrating for foreign employment as housemaids was revised upward, depending on the destination country, since May 2013. Moreover, the minimum salary level for female employees recruited as housemaids in Saudi Arabia was increased from July 2013.

**SLBFE has taken several measures to improve efficiency and provide ease of access of services to people around the country.** Labour dispute conciliation mechanism was decentralised through the appointment of Conciliation Officers for regional and district centers. Moreover, the Web-based Recruitment System (WRS) was introduced to facilitate agencies to make the recruitment process more efficient. Through these measures, it was expected to ensure trustworthy foreign employment for Sri Lankan migrant workers.

**Immigration of workers of foreign origin is a recent trend in the Sri Lankan labour market.** This development has helped to ease



wage pressures in the labour market, while providing knowledge and technology spillover opportunities from professionals and high skilled immigrant workers. However, the downside risk is that labour immigration could exert an upward pressure on unemployment. Such disadvantage could however be mitigated by the benefits of increased opportunities achieved through labour immigration. At the same time, the advantages include sharing diverse experiences, gathering different ideas and learning new methods at workplaces, in the medium to long term. It also opens avenues for social and cultural co-operation between locals and immigrants.

## Labour Relations and Labour Market Reforms

The total number of strikes, the number of employees involved in strikes and the total man days lost in the private sector industries increased in 2013. The total number of strikes in the private sector industries increased to 42 in 2013 from 34 in 2012. This increase was mainly attributable to the disagreements between management and employees regarding service conditions, particularly in the plantation sector. Workers involved in the strikes in the private sector industries increased by 12.3 per cent in 2013

compared to 2012. As a result, the number of man days lost more than doubled in 2013 compared to 2012.

**However, the number of disputes reported to the Labour Department declined in 2013, as a result of better industrial relations through negotiations among related parties.** Accordingly, disputes reported to the Department for settlement in 2013 were 3,335 against 3,702 complaints reported in 2012. Around 95 per cent of reported industrial disputes was settled by the Department within the year, as a result of expediting actions. In order to enhance co-operation among employees, employers and trade unions, islandwide Social Dialogue Promotion Programmes were carried out by the Department of Labour.

**With a view to upgrading the working environment, several programmes were also conducted islandwide by the Department.** These programmes included workshops and awareness programmes, which focused on all levels of employees, managerial officers and representatives from trade unions, on an individual institution basis. Moreover, the Department of Labour proposed to amend the Indian Immigrant Labour Ordinance No. 01 of 1923 in order to repeal its redundant provisions and the provisions that are not operative.

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
2010	9	3,185	23,037	6	1,923	2,034	15	5,108	25,071
2011	19	6,692	23,513	8	3,807	15,673	27	11,039	39,186
<b>2012</b>	<b>14</b>	<b>4,278</b>	<b>25,043</b>	<b>20</b>	<b>5,626</b>	<b>10,774</b>	<b>34</b>	<b>9,904</b>	<b>35,817</b>
1st Quarter	8	1,991	5,743	12	4,330	5,959	20	6,321	11,702
2nd Quarter	2	822	13,208	2	360	856	4	1,182	14,064
3rd Quarter	1	835	1,670	2	287	2,541	3	1,122	4,211
4th Quarter	3	630	4,422	4	649	1,418	7	1,279	5,840
<b>2013 (b)</b>	<b>21</b>	<b>5,031</b>	<b>41,669</b>	<b>21</b>	<b>6,088</b>	<b>38,754</b>	<b>42</b>	<b>11,119</b>	<b>80,423</b>
1st Quarter	4	416	1,046	7	2,505	21,381	11	2,921	22,427
2nd Quarter	7	2,436	29,112	5	1,893	7,537	12	4,329	36,649
3rd Quarter	5	1,490	9,134	2	498	3,208	7	1,988	12,342
4th Quarter	5	689	2,377	7	1,192	6,628	12	1,881	9,005

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

Source: Department of Labour

(b) Provisional

## Labour Productivity

**Labour productivity, which is measured as output (in 2002 prices) per employed person, increased in 2013, the highest growth being in the Agriculture sector.** Overall, labour productivity increased by 3.4 per cent, reaching Rs. 388,005 per person in 2013. The increase in labour productivity in the Agriculture sector was 6.7 per cent, which was a combined outcome of the decrease in the number of employees and the growth of real production in the sector. The highest contribution to the overall productivity came from the Industry sector. Consequently, labour productivity in the Industry sector increased by 6.6 per cent in 2013. Although the real output in the Services sector increased at a faster rate in 2013, compared to that in 2012, the labour productivity declined by 1.7 per cent in 2013 due to the entry of new employees to the sector.

**Improving productivity in all sectors of the economy is imperative to achieve a sustainable economic growth.** In this respect, the authorities have taken a number of initiatives to improve production through enhancing productivity on an overall basis during the year. Infrastructure facilities including telecommunication, road network, ports and airports are being set up and being refurbished providing the groundwork for further expansion. Productivity promotion programmes have been conducted at many public and private sector organisations. These programmes covered various productivity concepts such as Kaizen, Green Productivity, and Quality

Circles as well. With the objective of increasing the utilisation of human capital, the Department of Manpower and Employment conducted an array of programmes targeting employment creation, promotion and career guidance, which include entrepreneurship development programmes, job fairs and employability development programmes.

**Labour productivity in the Agriculture sector can be further enhanced with proper reallocation of the labour force from the Agriculture sector to other sectors.** Irrespective of the high growth in productivity, the level of labour productivity in the Agriculture sector was considerably lower than that in other two major sectors of the economy. At present although the Agriculture sector accounts for the second largest share of the total number of persons employed, its contribution to the overall GDP is only 10.8 per cent, reflecting a low level of labour productivity. This structural deficiency in the resource utilisation needs to be addressed through increased mechanisation and directing the extra workforce to move from agriculture sector to more productive industry and services sectors through proper education and training. In this respect, the Ministry of Agriculture conducted various information and knowledge dissemination programmes to introduce good practices and technologies. These programmes were mainly on the effective use of high quality seeds, fertilizer, machinery and pesticides while protecting the environment. Irrigation and water management, land use and soil conservation policies were also in place. Programmes on research and education on new technologies in the agriculture sector also play a vital role in promoting productivity in the sector. However, there are several issues pertaining to minimisation of post harvest damage of produce. Effective transportation and storage methods, value addition to agricultural crops at farm level and marketing mechanisms to promote sales of farm produce will minimise the wastage of perishable goods and the damage to agricultural produce.

**Table 4.17** Labour Productivity by Major Economic Sector

	2012	2013 (a)
<b>GDP at Constant (2002) Prices, Rs.mn</b>	3,045,288	3,266,099
Agriculture	336,817	352,641
Industry	925,152	1,016,886
Services	1,783,318	1,896,572
<b>Labour Productivity, Rs.'000 per employed person (b)</b>	375.1	388.0
Agriculture	132.0	140.8
Industry	433.3	461.8
Services	519.6	511.0

(a) Provisional  
(b) Data covers all districts

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

**With the increased availability of advanced communication technologies and the skilled workforce, there is further potential to improve the productivity in the services sector.** In the current global economic environment and with the 5+1 hub strategy in place domestically, the Services sector of the country has the potential to improve and attract international investors. Productivity and growth in the Services sector can

be further improved, if suitable standardisation of processes as per international requirements has been achieved, along with continuous upgrading of knowledge and skills of the labour force. Foreign investments and foreign labour migration will facilitate knowledge and technology spillover benefits, which in turn would uplift productivity levels across all sectors in the economy.

