

# 4

## PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

### 4.1 Overview

**D**uring 2015, the general price level, which is measured in terms of the movements in both the National Consumer Price Index (NCPI 2013=100) and the Colombo Consumers' Price Index (CCPI 2006/07=100), compiled by the Department of Census and Statistics (DCS) increased at a slow rate with mixed movements. This benign general price level was partly supported by the downward adjustments of prices of fuel, utility and selected food items effected in several occasions during the latter part of 2014 and during 2015. Well contained inflation expectations, prudent monetary management, favourable supply side developments in the domestic market and the subdued international price environment of the majority of commodity imports also contributed towards maintaining this favourable trend in the general price level. Depreciation of the rupee during the fourth quarter of 2015 exerted some upward pressure on prices, partly offsetting the favourable supply side developments in the international markets and subdued international prices of major

commodity imports. Increases in fresh food prices due to adverse weather conditions during the fourth quarter also added some upward pressure on the general price level. Amid these developments, CCPI Core, which measures the underlying movements of prices in the economy, exhibited an increasing trend, indicating a gradual buildup in the demand pressure. Benign conditions for credit expansion and the gradual increase in wages in the economy also contributed towards the buildup of aggregate demand pressures during 2015.

**Public sector employees enjoyed sizable increases in both nominal and real wages.** Employees in the formal and informal private sector received moderate increases in their nominal and real wages. In the employment front, during 2015, the unemployment rate increased marginally, compared to 2014, subduing the effect of the increase in the aggregate demand to some extent and, signaling that the expansion of activities in the economy was not sufficient to absorb the increased labour force participation in the market. Unemployment among youth and persons with higher educational attainment continued to remain at higher levels. Foreign employment opportunities,

Table 4.1

## Changes in Price Indices

Index	Index (year end)		Year-on-Year Percentage Change		Annual Average Percentage Change	
	2014	2015 (a)	Dec.2014/ Dec.2013	Dec.2015/ Dec.2014 (a)	2014/2013	2015/2014 (a)
CCPI (2006/07=100)	180.2	185.2	2.1	2.8	3.3	0.9
NCPI (2013=100)	108.6	113.2	-	4.2	-	3.8
GDP Deflator (2010=100)	127.0	129.7	-	-	3.9	2.1

(a) Provisional

Source: Department of Census and Statistics

as reflected by the number of departures for foreign employment, particularly departures under the Housemaid category declined amid the economic slowdown in commodity exporting countries in the Middle East. Meanwhile, labour productivity increased during 2015, with positive contributions from all three sectors of the economy.

## 4.2 Prices

### Price Movements and Contributory Factors

#### National Consumer Price Index (NCPI)

The general price level, as measured by the movement in NCPI (2013=100), which covers the entire island, increased at a moderate rate during 2015. The NCPI which was released in November 2015 increased significantly from December 2014 to January 2015 driven mainly by the upward price pressure caused by supply shortages of fresh agricultural items. Gradual

improvement in domestic supply conditions, favourable price movements in commodity imports and downward revisions of administered prices of fuel and LP Gas contributed towards easing price pressures in NCPI during the early months of 2015. The NCPI increased towards the latter part of 2015 driven by the increase in fresh food prices.

**Inflation, as measured by the year-on-year change in NCPI remained mostly in low single digits while exhibiting an overall declining trend with mixed movements during 2015.**

During the first half of 2015, year-on-year change in NCPI moved in line with the changes in the Food category while in the second half of 2015 it moved closely in line with the changes in the

Table 4.2

#### National Consumer Price Index Contribution to Annual Average Inflation by Sub-category (a)

Index	2015 Percentage	
	Change	Contribution
NCPI (All Items)	3.8	100.0
Food and Non Alcoholic Beverages	5.2	61.2
Non Food, Alcoholic Beverages and Tobacco	2.6	38.8
Alcoholic Beverages and Tobacco	17.5	11.0
Clothing and Footwear	7.1	6.3
Housing, Water, Electricity, Gas and Other Fuels	4.2	20.9
Furnishing, Household Equipment and Routine Household Maintenance	4.9	4.2
Health	8.9	9.6
Transport	-9.6	-24.3
Communication	0.1	0.1
Recreation and Culture	4.9	2.0
Education	7.9	5.8
Restaurants and Hotels	0.6	0.6
Miscellaneous Goods and Services	2.3	2.6

(a) Based on NCPI (2013=100)

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

Chart 4.1

#### National Consumer Price Index (2013=100)



## BOX 7

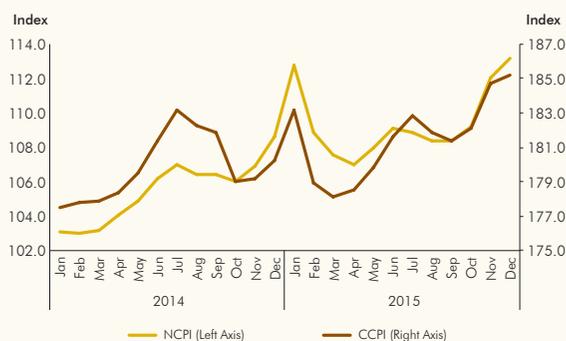
## A National Consumer Price Index for Sri Lanka

The Department of Census and Statistics (DCS), the authority entrusted with the responsibility of compiling official Consumer Price Indices (CPIs) in Sri Lanka, released a new National Consumer Price Index (NCPI), on November 23, 2015.

The NCPI reflects more recent changes in the patterns of consumption and expenditure, as revealed by the Household Income and Expenditure Survey (HIES). The compilation of the NCPI has been done in line with internationally accepted best practices of compiling consumer price indices. The NCPI with a broader national coverage is an extension to the Colombo Consumers' Price Index (CCPI), the first CPI compiled in Sri Lanka to measure the changes in consumer prices. CCPIs compiled thus far had a limited coverage of only Colombo city areas for CCPI (1952=100) and urban areas of Colombo district for CCPI (2002=100) and CCPI (2006/07=100).

The movements of NCPI and CCPI are presented in the Chart B 7.1. A comparison of main features between NCPI and CCPI are explained in the Table B 7.1. The detailed economic analysis of movements in the NCPI and the CCPI are discussed elsewhere in the chapter.

Chart B 7.1 Movement of NCPI and CCPI



The availability of consumer prices that reflect the consumption pattern of households in all nine provinces of the country provides a broader perspective on the economy's price trends and movements. The compilation of NCPI thus enable policy makers an opportunity to make more informed policy decisions on price stability and other macroeconomic developments.

Table B 7.1 A Comparison of Main Features between NCPI and CCPI

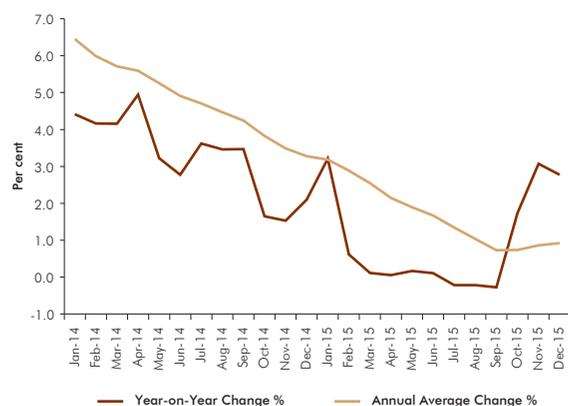
Criterion /Feature	NCPI	CCPI
Geographical Coverage and Target Population	Covers all households in all provinces in Sri Lanka	Covers all households in urban areas of the Colombo District.
Base Survey	HIES 2012/13 The survey was conducted during the 12 months period from July 2012 to June 2013. The survey period usually covers a full year to capture the seasonal variations in consumption patterns.	HIES 2006/07. The survey was conducted during the 12 months period from July 2006 to June 2007.
Base Period of the Index	2013	2006/07
Total Expenditure During the Base Period	The total monthly expenditure on the basket of goods and services in the NCPI is Rs. 32,142.69. Value of an index point is Rs. 321.43 (Rs. 32,142.69/100 = Rs. 321.43) This expenditure level is 14.9 per cent greater than the base period existed during the period 2006/07 for CCPI. This increase reflects the change in reference periods, change in geographical coverage, higher income, changes in prices and composition of the each provincial market basket.	The total monthly expenditure on the CCPI basket of goods and services is Rs. 27,972.11 Hence the value of an index point is Rs. 279.72
Number of Items in the Basket	Includes 407 items classified under 12 major groups. In CCPI Alcoholic beverages and Tobacco group is not included, but it is included in NCPI. Restaurants and Hotels group is included under the food group in CCPI, but is included as a separate group in NCPI	Includes 373 items classified under 10 major groups
Weight Structure	The share of expenditure on food is 44.04 per cent	The share of expenditure on food is 41.03 per cent
Method of Computation	Modified, or Two-Stage, Laspeyre's formula which has more flexibility in terms of handling sample changes and quality adjustments over the long run.	Laspeyre's Index formula
Price Collection	03 price collecting centers in each District town for each item across the country	14 price collection centers covering Colombo urban areas

Non-food category. Accordingly, the Food category contributed to more than 70 per cent of the year-on-year change in NCPI on average during the first half of 2015. During the second half of the year, the contribution from the Food category towards year-on-year inflation declined due to the high base that prevailed in the corresponding period of 2014, and the Non-food category contributed more than 60 per cent on average towards the year-on-year change in NCPI. The year-on-year change in NCPI in December was 4.2 per cent compared to 9.4 per cent in January 2015. Meanwhile, the annual average change in NCPI in December 2015 was 3.8 per cent.

### Colombo Consumers' Price Index (CCPI)

The CCPI (2006/07=100) which measures the general price level of consumer goods and services purchased in the Colombo urban areas, exhibited an overall increasing trend with mixed movements during 2015. The CCPI increased from 183.2 index points in January 2015 to 185.2 index points in December 2015, due to the increasing trend in fresh food prices which continued from the fourth quarter of 2014. During 2015, price movements of the Food category were inflationary, while that of the Non-food category were non-inflationary as reflected in the

**Chart 4.2** Colombo Consumers' Price Index (2006/07=100)



**Table 4.3** Colombo Consumers' Price Index Contribution to Annual Average Inflation by Sub-category (a)

Index	2014		2015	
	Percentage		Percentage	
	Change	Contribution	Change	Contribution
CCPI (All Items)	3.3	100.0	0.9	100.0
Food and Non Alcoholic Beverages	3.8	53.1	4.9	244.2
Non Food	2.8	46.9	-2.5	-144.2
Clothing and Footwear	0.4	0.4	14.0	45.2
Housing, Water, Electricity, Gas and Other Fuels	1.1	7.1	-9.5	-203.0
Furnishing, Household Equipment and Routine Household Maintenance	2.3	2.1	8.2	27.1
Health	8.5	11.9	14.0	72.8
Transport	4.5	18.6	-8.0	-118.0
Communication	4.0	3.0	0.1	0.2
Recreation and Culture	2.2	0.9	5.1	7.1
Education	0.5	0.5	3.4	11.4
Miscellaneous Goods and Services	3.2	2.3	5.0	12.8

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

movement of year-on-year change in CCPI. Year-on-year change in CCPI declined to reach negative levels during July to September 2015. Meanwhile, the annual average change in CCPI declined throughout the year while remaining below mid-single digit levels.

### Price Movements in the Food Category

Year-on-year food inflation exhibited an overall decreasing trend during 2015. Food inflation was high during the early months of 2015 compared to the previous year. This was mainly due to the increase in prices of fresh food items as a result of supply shortages driven by adverse weather conditions that prevailed during the latter part of 2014. However, with the gradual improvement in supply conditions of fresh food and the imposition of maximum retail prices on some imported food items by the Interim Budget, food inflation declined towards the end of the first quarter of 2015. With the deteriorated supply conditions of fresh food and seasonal factors, a marginal increase in food inflation was observed during May 2015. However, food inflation declined thereafter until September 2015. Movement of food inflation during the latter part of the year was mainly attributable to weather conditions and seasonality that prevailed during the period.

**Within the Food category, the weighted average price of rice remained at a higher level during 2015 than in the previous year.** The average price of rice remained elevated at the beginning of 2015 mainly due to the decline in paddy production in the 2014 Yala season driven by adverse weather conditions as well as insufficient rice stocks due to low harvests during several preceding seasons. Nevertheless, the arrival of the bumper harvests of both Maha and Yala seasons to the market caused the price of rice to decline throughout 2015. However, this decline was not sufficient to surpass the average price of rice recorded in 2014. Further, to discourage rice imports and protect local farmers, the Special Commodity Levy (SCL) on rice was increased to Rs. 20 per kg from 22 January, 2015 and further to Rs. 40 per kg from 26 March, 2015. Subsequently, Customs duty of Rs. 35 per kg, Value Added Tax (VAT) of 11 per cent, Ports and Airports Development Levy (PAL) of 5 per cent and Nation Building Tax (NBT) of 2 per cent were imposed on rice imports, while removing the SCL, with effect from 06 May, 2015.

**The weighted average price of vegetables increased significantly in 2015 compared to the previous year.** The prices of almost all vegetable varieties peaked in

January due to supply shortages caused by adverse weather condition led crop damages and disturbances to the movements of goods that prevailed during the latter part of 2014. With the improvement of supply conditions, prices declined from February 2015. However, prices began to increase from May with the seasonal deterioration of supply conditions. With the supply from the Yala harvest reaching the market, prices of vegetables moderated again in August. Nevertheless vegetable prices started to rise again from October as a combined effect of seasonal factors and weather related developments.

**The weighted average price of fresh fish, seafood and chicken increased in 2015 compared to 2014.** Marine fish production decreased by 2.8 per cent during 2015, leading to a considerable increase in fresh fish and seafood prices. Meanwhile, prices of chicken and eggs also increased significantly in 2015 compared to the previous year, led by increased cost of production, including the prices of chicken feed.

**Despite the increase in the coconut production in 2015, the price of coconut increased in 2015 driven by increased demand for coconut based products.** The price of coconut remained at relatively

Table 4.4

Retail Prices of Key Imported and Domestically Produced Items

Item	Unit	CCPI (2006/07=100) Weight %	Price - Rs.						Percentage Change				
			Annual Average			Dec. 2013	Dec. 2014	Dec. 2015	Annual Average		Year-on-Year		
			2013	2014	2015				2014/ 2013	2015/ 2014	Dec.2014/ Dec.2013	Dec.2015/ Dec.2014	
Domestic	Rice - Samba	1 kg	1.96	72.29	84.14	91.20	72.21	92.77	95.43	16.4	8.4	28.5	2.9
	Rice - Kekulu (red)	1 kg	0.85	59.87	75.28	76.57	60.78	91.90	71.46	25.7	1.7	51.2	-22.2
	Rice - Kekulu (white)	1 kg	0.60	59.28	71.75	69.30	60.44	78.19	67.46	21.0	-3.4	29.4	-13.7
	Rice - Nadu	1 kg	0.35	61.59	78.37	77.95	63.31	87.56	79.14	27.3	-0.5	38.3	-9.6
	Coconut (medium)	nut	1.84	43.44	45.63	50.49	47.64	47.04	47.37	5.0	10.6	-1.3	0.7
	Fish - Kelawalla	1 kg	1.11	697.33	741.22	799.29	694.60	744.35	813.74	6.3	7.8	7.2	9.3
	Beans	1 kg	0.43	166.00	163.87	209.53	166.16	207.49	292.89	-1.3	27.9	24.9	41.2
	Brinjals	1 kg	0.19	107.73	110.34	123.87	92.58	137.20	170.30	2.4	12.3	48.2	24.1
	Eggs	each	0.37	14.06	12.75	14.80	14.12	12.78	15.60	-9.3	16.1	-9.5	22.0
Imports	Sugar	1 kg	1.12	100.95	101.71	87.80	102.41	100.37	90.85	0.7	-13.7	-2.0	-9.5
	Milk Powder - Anchor	400g	3.21	325.00	379.13	330.08	325.00	386.00	325.00	16.7	-12.9	18.8	-15.8
	Red Dhal	1 kg	0.73	156.34	162.80	184.07	157.05	170.34	178.09	4.1	13.1	8.5	4.5
	Wheat Flour	1 kg	0.20	98.13	97.80	87.43	97.93	97.84	86.43	-0.3	-10.6	-0.1	-11.7

Source: Department of Census and Statistics

high levels from January to March 2015. Thereafter a moderate price decline was observed during the peak production period. However, prices reverted to higher levels due to supply shortages caused by the lagged effect of the drought conditions that prevailed in the previous years and the increased demand for coconut from coconut processing industries. Meanwhile, the price of coconut oil declined moderately during 2015 compared to 2014, as a substitution effect of declining palm oil prices.

**Prices of some imported food items decreased during 2015 due to the imposition of a maximum retail price and also in line with price movements in the international market.** Accordingly, the price of milk powder, sugar, green gram and wheat flour declined during 2015 compared to 2014. The price of a loaf of bread also decreased during the period, subsequent to the price reduction in wheat flour. However, the price of dhal increased in 2015, compared to the previous year. Meanwhile, the impact of rupee depreciation also exerted some pressure on the prices of imported commodities, particularly of food as indicated through trade indices compiled by the Central Bank.

### Price Movements in the Non-food Category

**The year-on-year inflation in the Non-food category exhibited an overall increasing trend in 2015.** Prices in the Non-food category declined in February due to downward administered price revisions as per by the Interim Budget 2015. Thereafter, prices increased at a gradual rate during the second and third quarters of 2015. Non-food inflation increased at a higher rate during the fourth quarter of 2015 mainly driven by changes in prices of items in the Transport and Miscellaneous Goods and Services categories with the announcement of Budget 2016.

**The significant downward revisions of administered prices of liquid fuel, LP gas and bus fares contributed largely towards moderating the general price level during 2015.** The prices of diesel, petrol and kerosene were reduced by Rs.16, Rs. 33 and Rs. 16 per litre

respectively, with effect from 22 January, 2015. The price of kerosene was reduced further by Rs. 6 per litre with effect from 30 January, 2015. Meanwhile, the price of a 12.5 kg cylinder of LP gas was revised downward by Rs. 300 and Rs. 100 with effect from 30 January, 2015 and 15 July, 2015, respectively. In line with downward adjustments in fuel prices, bus fares were also reduced by 8.2 per cent from 01 February, 2015. Moreover, the prices of kerosene and LP gas were further reduced by Rs.10 per litre, and Rs. 150 per 12.5 kg cylinder, respectively, with effect from 21 November, 2015.

### Core Inflation

**CCPI Core inflation, which measures the underlying inflation in the economy, exhibited mixed movements in terms of the annual average change and increased throughout the year in terms of the year-on-year change in 2015.** Both the increase in annual average and year-on-year core inflation was visibly predominant towards the latter part of the year. Year-on-year core inflation decreased from 2.1 per cent in January to 0.8 per cent in February and increased gradually thereafter to reach 4.5 per cent in December 2015. On an annual average basis, core inflation declined from 3.4 per cent in January to 2.8 per cent in June, stabilised at the same level until September and increased thereafter to reach 3.1 per cent in December 2015.

### Producer Price Inflation

**Producer price inflation exhibited mixed movements during the year, while remaining at single digits.** Producer price inflation is measured by the year-on-year change in the Producer's Price Index (PPI) (2013 Q4=100) and is used as a measure of the behaviour of average prices received by domestic producers of goods. The mixed movement of overall producer price inflation was due to the opposite directional

Table 4.5

## Revisions to Key Items with Administered Prices (2013-2015)

Item	Unit	Price (year end) - Rs.			Percentage Change			
		2013	2014	2015	2013/2012	2014/2013	2015/2014	
Diesel - CPC	1 ltr.	121.00	111.00	95.00	5.2	-8.3	-14.4	
Diesel - LIOC	1 ltr.	121.00	111.00	95.00	0.0	-8.3	-14.4	
Kerosene	1 ltr.	106.00	81.00	49.00	0.0	-23.6	-39.5	
Petrol	1 ltr.	162.00	150.00	117.00	1.9	-7.4	-22.0	
Gas-Litro	12.5 kg	2,396.00	1,896.00	1,346.00	6.7	-20.9	-29.0	
Gas-Laugs	12.5 kg	2,396.00	1,896.00	1,346.00	6.7	-20.9	-29.0	
Furnace Oil (1500)	1 ltr.	90.00	90.00	80.00	0.0	0.0	-11.1	
Furnace Oil (3500)	1 ltr.	90.00	90.00	80.00	0.0	0.0	-11.1	
Electricity - Fixed Charge	Tariff Block	0 - 30 units	30.00	30.00	30.00	0.0	0.0	0.0
		31 - 60 units	60.00	60.00	60.00	0.0	0.0	0.0
		61 - 90 units	90.00	90.00	90.00	0.0	0.0	0.0
		91 - 180 units	315.00	480.00	480.00	0.0	52.4	0.0
		Above 180 units	420.00	540.00	540.00	33.3	28.6	0.0
Electricity - Unit Charge (a)	Tariff Block	< 60 units						
		0 - 30 units	3.00	2.50	2.50	0.0	-16.7	0.0
		31 - 60 units	4.70	4.85	4.85	0.0	3.2	0.0
	> 60 units	0 - 60 units	10.00	7.85	7.85	-	-21.5	0.0
		61 - 90 units	12.00	10.00	10.00	60.0	-16.7	0.0
		91 - 120 units	26.50	27.75	27.75	26.2	4.7	0.0
		121 - 180 units	30.50	32.00	32.00	27.1	4.9	0.0
Above 180 units		42.00	45.00	45.00	16.7	7.1	0.0	
Electricity - Fuel Adjustment Charge (a)	Tariff Block	0 - 30 units	-	-	-	25.0	-	-
		31 - 60 units	-	-	-	35.0	-	-
		61 - 90 units	-	-	-	10.0	-	-
		Above 90 units	-	-	-	40.0	-	-
Water - Unit Charge (b)	Tariff Block	0 - 05 units	8.00	8.00	8.00	0.0	0.0	0.0
		06 - 10 units	11.00	11.00	11.00	0.0	0.0	0.0
		11 - 15 units	20.00	20.00	20.00	0.0	0.0	0.0
		16 - 20 units	40.00	40.00	40.00	0.0	0.0	0.0
		21 - 25 units	58.00	58.00	58.00	0.0	0.0	0.0
		26 - 30 units	88.00	88.00	88.00	0.0	0.0	0.0
		31 - 40 units	105.00	105.00	105.00	0.0	0.0	0.0
		41 - 50 units	120.00	120.00	120.00	0.0	0.0	0.0
		51 - 75 units	130.00	130.00	130.00	0.0	0.0	0.0
		Above 75 units	140.00	140.00	140.00	0.0	0.0	0.0
Bus Fare					7.0	0.0	-8.2	

(a) With effect from 20.04.2013 fixed charges, unit charges and the fuel adjustment charge of electricity were revised upward. With effect from 16.09.2014 fixed charges and unit charges of electricity were revised downward while fuel adjustment charge was removed.

(b) With effect from 01.11.2014 a 10 per cent reduction on the total bill value was applied for domestic users whose usage is less than 25 units.

Source: Central Bank of Sri Lanka

movements of sub indices in PPI. The year-on-year change in the Agriculture sub index exhibited an overall declining trend with mixed movements. The year-on-year change in the Manufacturing and Electricity and Water sub-indices exhibited overall increasing trends with mixed movements albeit remaining in the negative territory until the third quarter of 2015. The subdued price movements in international commodities contributed largely towards maintaining Manufacturing and Electricity and Water sub-indices at lower levels throughout 2015.

## GDP Deflator

The GDP deflator, which measures price movements of all domestically produced goods and services in the overall economy decelerated in 2015 supported by subdued price movements in both Agriculture and Service related activities. Accordingly, the overall GDP deflator declined to 2.1 per cent in 2015 from 3.9 per cent recorded in 2014. The Agriculture sector deflator declined significantly from 8.1 per cent in 2014 to 2.5 per cent in 2015,

**Table 4.6** Sectoral Deflators and GDP Deflator

Sector	(2010=100)				
	Index			Percentage Change	
	2013	2014 (a)	2015 (b)	2014/2013 (a)	2015/2014 (b)
Agriculture	120.2	130.0	133.2	8.1	2.5
Industry	132.0	136.1	141.2	3.1	3.7
Services	122.7	127.8	129.0	4.2	0.9
<b>GDP</b>	<b>122.3</b>	<b>127.0</b>	<b>129.7</b>	<b>3.9</b>	<b>2.1</b>

(a) Revised  
(b) Provisional

Source: Department of Census and Statistics

while Services sector deflator declined from 4.2 per cent in 2014 to 0.9 per cent in 2015. Meanwhile, Industry sector deflator recorded an increase from 3.1 per cent in 2014 to 3.7 per cent in 2015. During the year, inflation measured by the consumer price movements specially that of CCPI remained at lower levels than the GDP deflator, reflecting a gain in terms of trade.

### 4.3 Wages

**Nominal wages for employees in all three sectors of the economy, namely, public, formal private and informal private sectors increased in 2015.** This increase in nominal wages was significant among employees in the public sector, while that of the formal and informal private sectors were moderate. These increases in nominal wages resulted in a gain in real wages for employees due to the low level of inflation that prevailed during the period.

#### Public Sector Wages

**Nominal wages of public sector employees, as measured by the Public Sector Wage Rate Index (2012=100) increased in 2015.** This increase was mainly due to the increase in the interim allowance paid to all public sector employees by Rs. 5,000 and Rs. 2,000 from the Interim Budget for 2015, effective from February 2015 and June 2015, respectively. Accordingly, the nominal wage rate indices of all four categories namely; senior level officers, tertiary level officers, secondary level officers and primary level officers,

rose significantly by 21.5 per cent, 28.0 per cent, 32.2 per cent and 36.6 per cent, respectively, in 2015, compared to the respective increases of 7.0 per cent, 9.8 per cent, 10.7 per cent and 11.6 per cent in 2014. As a result, the overall nominal wage rate index of public sector employees increased by 31.7 per cent in 2015 compared to the 10.5 per cent increase recorded in the previous year.

**Supported by the substantial increase in nominal wages and the benign level of inflation that prevailed during the year, public sector employees enjoyed a considerable real wage increase in 2015.** Real wages of senior, tertiary, secondary and primary level officers rose significantly by 17.1 per cent, 23.4 per cent, 27.4 per cent and 31.8 per cent, respectively, in 2015, compared to the respective increases of 3.3 per cent, 6.0 per cent, 6.9 per cent and 7.7 per cent in 2014. The impact of the above wage developments resulted in a significant 27.0 per cent increase in the overall real wage rate index of public sector employees in 2015 against the 6.7 per cent increase observed in 2014.

#### Formal Private Sector Wages

**Nominal wages of the employees in the formal private sector, as measured by the minimum wage rate index of employees whose wages are governed by the Wages Boards Trades (1978=100) recorded an increase in 2015.** Nominal wages in the formal Agriculture sector increased by 3.8 per cent in 2015 compared to the increase of 2.8 per cent in 2014, while nominal wage rate indices of the Industry and Commerce; and Services sectors remained unchanged in 2015 compared to the respective increases of 8.4 per cent and 3.2 per cent in 2014. Hence, the overall increase in the formal private sector nominal wages was solely due to the increase in the minimum wages of workers in the Agriculture sector, which accounts for 66 per cent in the overall index. As

Table 4.7

## Wage Rate Indices

Employment Category	Index						Percentage Change					
	Nominal			Real			Nominal			Real		
	2013	2014	2015 (a)	2013	2014	2015 (a)	2013	2014	2015 (a)	2013	2014	2015 (a)
<b>1. Government Employees</b>												
Central Government Employees (2012=100)	106.3	117.5	154.8	104.1 (b)	111.1 (b)	141.1 (b)	6.3	10.5	31.7	-2.7	6.7	27.0
Primary Level Officers	106.8	119.2	162.9	104.6 (b)	112.7 (b)	148.5 (b)	6.8	11.6	36.6	-2.2	7.7	31.8
Secondary Level Officers	106.5	117.9	155.8	104.3 (b)	111.4 (b)	142.0 (b)	6.5	10.7	32.2	-2.6	6.9	27.4
Tertiary Level Officers	106.0	116.4	149.0	103.8 (b)	110.0 (b)	135.8 (b)	6.0	9.8	28.0	-3.0	6.0	23.4
Senior Level Officers	103.6	110.8	134.6	101.4 (b)	104.8 (b)	122.7 (b)	3.6	7.0	21.5	-5.2	3.3	17.1
<b>2. Workers in Wages Boards Trades</b>												
All Wages Boards Trades (1978=100)	3,869.2	4,012.2	4,127.0	104.9 (c)	105.3 (c)	107.3 (c)	5.7	3.7	2.9	-1.2	0.4	1.9
Workers in Agriculture	4,435.9	4,560.9	4,734.4	120.3 (c)	119.7 (c)	123.1 (c)	0.1	2.8	3.8	-6.4	-0.5	2.9
Workers in Industry and Commerce	3,191.6	3,459.1	3,459.1	86.5 (c)	90.8 (c)	90.0 (c)	32.9	8.4	0.0	24.1	5.0	-0.9
Workers in Services	2,241.5	2,313.2	2,313.2	60.7 (c)	60.7 (c)	60.2 (c)	21.0	3.2	0.0	13.1	0.0	-0.9
<b>3. Informal Private Sector Employees</b>												
All Informal Private Sector (2012=100)	109.8	118.1	126.7	107.5 (b)	111.6 (b)	115.5 (b)	9.8	7.6	7.3	0.6	3.8	3.5
Agriculture	111.2	118.3	128.3	108.9 (b)	111.8 (b)	116.9 (b)	11.2	6.3	8.5	1.9	2.7	4.6
Industry	110.1	119.0	129.0	107.8 (b)	112.5 (b)	117.5 (b)	10.1	8.2	8.4	0.8	4.4	4.5
Services	108.9	117.1	123.9	106.6 (b)	110.6 (b)	112.9 (b)	8.9	7.5	5.9	-0.3	3.8	2.0

(a) Provisional

(b) Based on NCPI (2013=100)

(c) Based on CCPI (2006/07=100)

Sources: Department of Labour  
Central Bank of Sri Lanka

a result, the composite wage rate index rose only by 2.9 per cent in 2015 in nominal terms, compared to an increase of 3.7 per cent recorded in the previous year.

**Real wages of employees in the formal private sector also showed an increase in 2015.** Real wages of workers in the Agriculture sector increased by 2.9 per cent in 2015, subsequent to marginal real wage erosion of 0.5 per cent in 2014. Real wages of workers in both the Industry and Commerce; and the Services sectors declined in 2015 by 0.9 per cent, as their nominal wages remained unchanged during the period. Further, it is noteworthy that the real wages of the employees in the Industry and Commerce sector recorded a gain of 5.0 per cent while real wages of the Services sector remained unchanged in 2014. Amid a real wage loss in the Industry and Commerce; and the Services sectors, the composite real wage rate index of the formal private sector recorded an increase of 1.9 per cent in 2015 compared to the marginal increase of 0.4 per cent in the previous year, due to the fact that the Agriculture sector is assigned a higher weight in the overall wage rate index.

## Informal Private Sector Wages

**Nominal wages of informal private sector employees, as measured by the Informal Private Sector Wage Rate Index<sup>1</sup> (2012=100) increased in 2015.** Accordingly, the nominal wage rate indices of all three sectors namely; Agriculture, Industry and Services sectors increased by 8.5 per cent, 8.4 per cent and 5.9 per cent, respectively, in 2015, compared to the respective increases of 6.3 per cent, 8.2 per cent and 7.5 per cent in 2014. Within the Agriculture sector, nominal wages of the employees in the sub-categories of Paddy, Coconut, Rubber, Tea and Other Agriculture increased during the year. The nominal wage rate indices of the sub-categories of the Industry sector namely; Construction and Small Industries increased in 2015. The nominal wage rate indices

<sup>1</sup> In the informal private sector, wages are determined by the market forces and nominal wages get adjusted according to the change in demand and supply factors in the labour market.

The Central Bank compiled a new wage rate index to analyse the movements of wages in the informal private sector. The analyses of wage movements are hereafter carried out in terms of the movements in this new index (presented with details in Appendix Table 49). Movements of average daily wages were used in past analyses.

of the employees in all the sub-categories within the Services sector, namely: Wholesale and Retail Trade; Repair of Motor Vehicles and Motor Cycles; Hotels and Restaurants; Transport; Communication; and Other Services also increased during the year. As a result, the overall nominal wage rate index of informal private sector employees increased by 7.3 per cent in 2015 compared to the 7.6 per cent increase recorded in the previous year.

**Meanwhile, all categories of informal private sector employees also enjoyed a real wage increase in 2015.** Real wages of employees in all three sectors namely; Agriculture, Industry and Services increased by 4.6 per cent, 4.5 per cent and 2.0 per cent, respectively, in 2015, compared to the respective increases of 2.7 per cent, 4.4 per cent and 3.8 per cent in 2014. As a result, the overall real wage rate index of informal private sector employees increased by 3.5 per cent in 2015 compared to the 3.8 per cent in 2014.

## 4.4 Population, Labour Force and Employment

### Population

**The mid-year population in 2015 is estimated at 20.966 million with an annual growth rate of 0.9 per cent.** This consists of 10.815 million females and 10.151 million males. The population density<sup>2</sup> continued to increase from 331 in 2014 to 334 in 2015 with the contribution of all districts. The population of Colombo and Gampaha exceeded two million in each district and together accounted for more than one fifth of the total population. The population in each of the districts of Kurunegala, Kandy, Kalutara, Ratnapura and Galle exceeded one million. In contrast, Mullativu district recorded a population of 0.094 million in 2015 and remained the only district with less than one hundred thousand population. As per the Registrar General's Department, in-migration and out-migration

<sup>2</sup> Number of persons per square kilometer

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

District	2014		2015	
	Population '000 Persons	Density	Population '000 Persons	Density
Colombo	2,357	3,487	2,375	3,513
Gampaha	2,338	1,743	2,354	1,755
Kalutara	1,241	787	1,250	793
Kandy	1,402	731	1,416	739
Matale	496	254	502	257
Nuwara Eliya	733	430	740	434
Galle	1,082	669	1,091	675
Matara	831	654	837	659
Hambantota	619	248	628	252
Jaffna	593	638	597	643
Mannar	103	55	104	55
Vavuniya	177	95	179	96
Mullaitivu	94	39	94	39
Kilinochchi	118	98	120	100
Batticaloa	535	205	541	207
Ampara	667	158	677	160
Trincomalee	391	155	397	157
Kurunegala	1,645	356	1,658	359
Puttalam	780	271	790	274
Anuradhapura	883	133	893	134
Polonnaruwa	415	135	419	136
Badulla	835	295	844	299
Moneragala	466	85	472	86
Ratnapura	1,115	345	1,127	348
Kegalle	855	507	861	511
<b>All Island</b>	<b>20,771</b>	<b>331</b>	<b>20,966</b>	<b>334</b>

(a) Provisional

Source: Registrar General's Department

(b) Mid-year population data are based on the final report of the Census of Population and Housing - 2012

in thousand persons pertaining to mid-year population in 2015 were 3,252 and 3,238, respectively, with a net migration rate of 0.7 per cent in 2015. Based on the age structure of the population, 57.2 per cent of the total population is in the age group between 15-54 years. The population aged 0-14 years and 55 years and above are 25.2 per cent and 17.6 per cent respectively.

### Labour Force

**The labour force, which is defined as the economically active population<sup>3</sup> aged 15 years and above, increased by 1.9 per cent during 2015 compared to a 0.03 per cent increase in 2014.** As per the Quarterly Labour Force Survey (QLFS)

<sup>3</sup> Economically active population consists of persons who are/were employed or unemployed during the reference period of the survey.

Table 4.9

## Household Population, Labour Force and Labour Force Participation (a)

Item	2014	2015 (b)				
		Q1	Q2	Q3	Q4	Annual
Household Population '000 Persons	16,532	16,649	16,597	16,742	16,694	16,671
Labour Force '000 Persons	8,805	8,925	9,010	9,008	8,947	8,973
Employed	8,424	8,502	8,601	8,554	8,558	8,554
Unemployed	381	422	409	454	389	419
Labour Force Participation Rate (c)	53.3	53.6	54.3	53.8	53.6	53.8
Male	74.6	73.9	74.8	74.7	75.4	74.7
Female	34.7	36.4	36.7	35.7	35.2	36.0

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

Source: Department of Census and Statistics

(b) Provisional

(c) Labour force as a percentage of household population

conducted by the DCS, the labour force increased from 8.805 million in 2014 to 8.973 million in 2015. Within the labour force, the number of both employed and unemployed persons increased in the midst of moderation in economic activities. The availability of productive labour in the economy, during the period under review, provides for capacity expansion possibilities in the future, as reflected through the findings of business sentiment surveys conducted by the Central Bank.

**Along with the increase in Labour Force, the Labour Force Participation Rate<sup>4</sup> (LFPR) also increased marginally to 53.8 per cent during 2015 from 53.3 per cent recorded in 2014.** This increase in LFPR is mainly caused by the increase in rural LFPR from 54.2 per cent to 54.9 per cent, mainly due to increased labour force participation by rural sector females. Urban LFPR declined by 0.1 percentage points, due to the decline in the urban male LFPR by 0.4 percentage points in 2015. Urban female LFPR increased by 0.5 percentage points, which was not sufficient to surpass the decline in urban male LFPR, as the female LFPR in Sri Lanka usually languishes around 50 per cent of the male LFPR. Nevertheless, these developments culminated in an overall notable increase in female LFPR from 34.7 per cent in 2014 to 36.0 per cent in 2015, and an overall marginal increase in male LFPR from 74.6 per cent to 74.7 per cent during the period.

## Employment

**The number of employed persons increased by 1.5 per cent to 8.554 million in 2015 compared to 8.424 million during the previous year.** This increase was mainly observed in the Agriculture and Services sectors, supported by the expansion of activities in these two sectors. The share of the number employed in the Agriculture sector decreased to 28.2 per cent in 2015 from 28.5 per cent recorded in 2014. The Services sector continued to be the foremost employment generating sector in the economy, contributing to a share of 45.8 per cent of the total employment during 2015 compared to 45.0 per cent recorded in 2014. Nevertheless, the number employed in the Industry sector declined in 2015 indicating a productivity supported Industry sector expansion during the period. The share of employment in the Industry sector declined marginally to 26.0 per cent in 2015 compared to 26.5 per cent recorded in 2014.

**Employment opportunities in the Private sector, Employer and Self-employed categories increased whereas it declined in the Public sector and Contributing Family Worker categories during 2015 compared to the previous year.** Increase in private sector employment was solely due to the increase in employment in Agriculture related activities. The increase in employment in the Self-employed and Employer categories was due to increased

4 The ratio of the labour force to the household population aged 15 years and above

Table 4.10

## Employment by Economic Activity (a)(b)

Sector	'000 Persons						Percentage of Total Employment	
	2014	2015 (c)					2014	2015 (c)
		Q1	Q2	Q3	Q4	Annual		
<b>Agriculture</b>	<b>2,400</b>	<b>2,500</b>	<b>2,443</b>	<b>2,340</b>	<b>2,353</b>	<b>2,409</b>	<b>28.5</b>	<b>28.2</b>
<b>Industry</b>	<b>2,229</b>	<b>2,200</b>	<b>2,206</b>	<b>2,325</b>	<b>2,167</b>	<b>2,225</b>	<b>26.5</b>	<b>26.0</b>
Mining and Quarrying	79	79	40	80	58	64	0.9	0.7
Manufacturing	1,535	1,555	1,551	1,636	1,506	1,562	18.2	18.3
Construction, Electricity, Gas, Steam and Air Conditioning Supply, Water Supply, Sewerage, Waste Management and Remediation Activities	615	567	615	610	603	599	7.3	7.0
<b>Services</b>	<b>3,795</b>	<b>3,801</b>	<b>3,951</b>	<b>3,889</b>	<b>4,039</b>	<b>3,920</b>	<b>45.0</b>	<b>45.8</b>
Wholesale and Retail Trade, Repair of Motor Vehicles and Motor Cycles	1,111	1,127	1,098	1,207	1,205	1,159	13.2	13.5
Transport and Storage	528	526	522	522	550	530	6.3	6.2
Accommodation and Food Services Activities	200	210	202	233	243	222	2.4	2.6
Information and Communication	71	60	66	48	60	59	0.8	0.7
Financial and Insurance Activities	161	154	175	153	160	161	1.9	1.9
Professional, Scientific and Technical Activities	53	64	70	71	85	73	0.6	0.8
Administrative and Support Service Activities	112	128	138	135	132	134	1.3	1.6
Public Administration and Defence Compulsory Social Security	656	678	691	627	639	659	7.8	7.7
Education	341	292	393	355	366	352	4.1	4.1
Human Health and Social Work Activities	138	134	145	137	181	149	1.6	1.7
Other (d)	425	427	451	400	418	424	5.1	5.0
<b>Total employment</b>	<b>8,424</b>	<b>8,502</b>	<b>8,601</b>	<b>8,554</b>	<b>8,558</b>	<b>8,554</b>	<b>100.0</b>	<b>100.0</b>
Percentage of Labour Force	95.7	95.3	95.5	95.0	95.7	95.4		

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

Source: Department of Census and Statistics

(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

opportunities in Non-agriculture related activities. The marginal decline in Public sector employment in 2015 was driven by the decline in the number employed in Non-agriculture related activities.

Table 4.11

## Status of Employment (a)

Period	Per cent					
	Public Sector Employees	Private Sector Employees	Employers	Self Employed	Unpaid Family Workers	Total
2014	15.3	41.1	2.8	31.9	8.9	100.0
<b>2015 (b)</b>	<b>15.0</b>	<b>41.2</b>	<b>3.1</b>	<b>32.2</b>	<b>8.4</b>	<b>100.0</b>
1st Quarter	14.7	40.5	2.7	33.0	9.1	100.0
2nd Quarter	15.7	41.7	3.1	32.1	7.4	100.0
3rd Quarter	14.4	40.5	3.5	32.4	9.3	100.0
4th Quarter	15.1	42.0	3.3	31.5	8.0	100.0

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

Source: Department of Census and Statistics

(b) Provisional

As per the Public Sector Employment Survey (PSES) conducted by the Central Bank, the public sector employment increased marginally during 2015, with increases in employment in both the government and the semi-government sectors. As per the PSES, the increase in government sector employment was mainly due to the increase in employment in Provincial Councils. The increase in the number employed in Departments and Divisional Secretariats also contributed notably to the increase in public sector employment during 2015. Nevertheless, the total public sector employment, as derived by averaging the estimates obtained from the findings of Quarterly Surveys (QLFSs) conducted by the Department of Census and Statistics (DCS), declined marginally for the same period.

**Table 4.12** Public Sector Employment

Sector	2013	2014 (a)	2015 (b)	Percentage Change	
				2014/ 2013 (a)	2015/ 2014 (b)
Government (c)	1,033,850	1,109,186	1,128,009	7.3	1.7
Semi Government (d)	255,301	235,907	237,811	-7.6	0.8
<b>Public Sector</b>	<b>1,289,151</b>	<b>1,345,093</b>	<b>1,365,820</b>	<b>4.3</b>	<b>1.5</b>

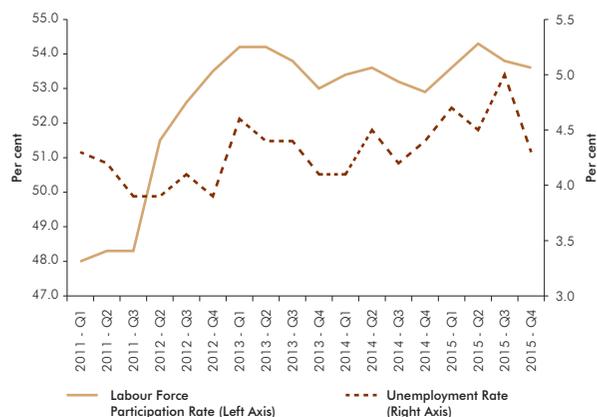
(a) Revised  
(b) Provisional  
(c) Central Government, Local Government and Provincial Councils  
(d) State Corporations, Statutory Boards and State Authorities

Source: Central Bank of Sri Lanka

## Unemployment

The unemployment rate increased to 4.6 per cent during 2015 from 4.3 per cent recorded in 2014. During 2015, an increase in the number of employed persons was observed, while the number unemployed also increased at a much higher rate, triggering an overall increase in the unemployment rate. The number employed increased by 1.5 per cent in 2015 while the number unemployed increased by a considerable 10.0 per cent during the period under consideration. During the period under review, although the LFPR increased, the new economic activities or the expansion of existing economic activities were not sufficient to absorb this addition of new labour into the labour force resulting in a sizable number of persons to remain unemployed. Female unemployment rate increased notably to 7.6 per cent in 2015 compared to 6.5 per cent in 2014. Male unemployment rate declined from 3.1 in 2014 to 3.0 in 2015.

During the period under consideration, unemployment rates by the level of education increased across all categories. Unemployment rate among the GCE (A/L) and above qualified category increased to 9.2 per cent during 2015 from 8.1 per cent recorded in the previous year. Unemployment rate among the GCE (O/L) qualified category was 6.4 per cent during 2015 while those who have passed years 6-10 recorded the lowest unemployment rate of 3.5 per cent for the same period.

**Chart 4.3** Trends in Labour Force & Unemployment (2011-2015)

Note: DCS did not conduct the Quarterly Labour Force Survey in the 4<sup>th</sup> Quarter of 2011 and in the 1<sup>st</sup> Quarter of 2012.

**Age-wise, unemployment rates of all age categories except for those between 20-24 years of age increased during 2015 compared to 2014.**

Unemployment among youth (age 15-24) continued to remain as high as 20.7 per cent during the period indicating the acutely high level of unemployment among youth in the country. Youth unemployment could lead to lack of innovation arising through delays in attracting renewed thinking by school or university leavers. Youth unemployment would also have long term negative effects such as skill deficiencies and increased ineffective use of public spending on education and skill development. Effective and efficient utilisation of the talents of these young individuals should be considered in order to achieve increased productivity and to sustain long term economic growth.

**The demand for labour remained positive during 2015, as revealed by the Business Outlook Survey (BOS) conducted by the Central Bank.** As per the BOS findings, there was a shortage of employees in firms in order to carry out their operations, while the firms had a positive intention to hire more labour on average throughout the year. Furthermore, the availability of both skilled and unskilled labour in the market had worsened as per survey findings. Amid these demand side

Table 4.13

## Unemployment (As a Percentage of Labour Force) (a)

Category	2014	2015 (b)				
		Q1	Q2	Q3	Q4	Annual
All	4.3	4.7	4.5	5.0	4.3	4.6
<b>By Gender</b>						
Male	3.1	2.9	3.0	3.5	2.6	3.0
Female	6.5	7.9	7.2	7.8	7.6	7.6
<b>By Educational Level</b>						
Grade 4/Year 5 and below	...	...	...	...	...	...
Grade 5-9/Year 6-10	3.4	3.3	3.4	3.7	3.4	3.5
GCE (O/L)	5.9	6.6	6.3	6.7	6.0	6.4
GCE (A/L) and above	8.1	10.1	8.5	10.1	8.1	9.2
<b>By Age Group</b>						
15-19	21.5	25.2	21.7	27.3	20.9	23.8
20-24	20.0	20.4	21.3	21.7	15.4	19.7
25-29	8.3	8.7	9.2	8.8	10.9	9.4
30-39	2.7	3.0	2.8	3.2	3.4	3.1
40 and above	0.9	1.0	0.9	1.2	1.0	1.0

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

Source: Department of Census and Statistics

developments, high unemployment among youth and educationally qualified persons reflects the skills mismatch in the labour market.

## Foreign Employment

The total number of departures for foreign employment declined significantly by 12.4 per cent during 2015. This decline could be partly attributable to the slowdown of economic activities in the Middle East, the continuous deceleration in the aggregate demand across major oil and other commodity exporting countries and also due to the restraint in the departures of female workers from Sri Lanka for low-skilled employment categories. Accordingly, total departures for foreign employment was recorded at 263,307 in 2015, compared to 300,703 in 2014. Female departures declined by 17.9 per cent, from 110,486 in 2014 to 90,677 in 2015, while male departures also declined by 9.2 per cent from 190,217 in 2014 to 172,630 during 2015. Current developments in labour markets where Sri Lankan migrant labour share is substantial, further affirm the importance of continuous efforts in enhancing the migrant worker profile to higher skilled categories, while targeting countries other than the Middle East

in order to have a diversified market segment to minimise the effects of any unfavourable economic developments arising in one region.

**In terms of departures for foreign employment by skill levels, Professional, Skilled labour and Semi-skilled labour categories recorded increases, while all other skill categories recorded declines in 2015.** Approximately 57 per cent of total departures comprised of Unskilled workers and Housemaid categories. Only 2.4 per cent of worker departures were under the Professional category. Nevertheless, the skilled labour category contributed to 31.2 per cent of total departures, which is an encouraging development in the drive to enhance the migrant employment profile of the country.

**Total departures to Middle Eastern countries decreased by 13.5 per cent to 242,431 in 2015.** Continuing the recent decreasing trend, housemaid departures to Middle Eastern countries decreased by 14,591 in 2015. Notable decreases were observed in departures of housemaids to Saudi Arabia, Kuwait, United Arab Emirates (UAE) and Jordan. Consequently, male migrant worker departures, as a share of total migrant worker

Table 4.14

## Departures for Foreign Employment

Employment	2013		2014 (a)		2015 (b)	
	Number	Per cent	Number	Per cent	Number	Per cent
<b>Total Placements</b>	<b>293,218</b>	<b>100.0</b>	<b>300,703</b>	<b>100.0</b>	<b>263,307</b>	<b>100.0</b>
<b>By Source</b>						
Licensed Agents	180,463	61.6	176,829	59.0	116,866	44.4
Other	112,755	38.5	123,874	41.0	146,441	55.6
<b>By Gender</b>						
Male	175,185	59.7	190,217	63.3	172,630	65.6
Female	118,033	40.3	110,486	36.7	90,677	34.4
<b>By Manpower Category</b>						
Professional	5,151	1.8	5,372	1.8	6,257	2.4
Middle Level	16,510	5.6	20,778	6.9	6,921	2.6
Clerical & Related	26,561	9.1	29,267	9.7	12,472	4.7
Skilled Labour	73,707	25.1	73,162	24.3	82,098	31.2
Semi-skilled Labour	3,412	1.2	3,977	1.3	4,837	1.8
Unskilled Labour	70,977	24.2	79,519	26.4	77,444	29.4
Housemaid	96,900	33.0	88,628	29.5	73,278	27.8

(a) Revised  
(b) Provisional

Source: Sri Lanka Bureau of Foreign Employment

departures increased to 64.3 per cent, amid a decline in aggregate male migrant departures in 2015. Total departures excluding housemaids also recorded a considerable decline of approximately 11.9 per cent. Among the destinations, around 84 per cent of the migrant worker departures during 2015 were to the Middle East. Migrant worker departures to countries other than the Middle East also recorded a decline of 1.1 per cent in 2015.

**The Sri Lanka Bureau of Foreign Employment (SLBFE) issued licenses for 116 new foreign employment agencies and renewed 997 licenses of existing agencies in 2015.** Nevertheless, the SLBFE statistics showed a decline in the share of departures for foreign employment through licensed agents to 44.4 per cent in 2015 from 59.0 per cent in the previous year. Accordingly, the share of departures arranged through other sources has increased

in 2015. If this trend continues, the process of monitoring, regulating the labour migration process and ensuring worker welfare would become a challenge in the future.

**The SLBFE continued to implement measures under the National Labour Migration Policy during 2015.** Accordingly, the processes of granting approvals for foreign job orders, publishing media advertisements and recruitment of migrant workers continued in 2015. The Web based Recruitment System (WRS) and the decentralised dispute settlement system were taken to grass-root level access in 2015. These systems continued to improve the efficiency in recruitment and dispute settlement arrangements. With the view of empowering migrant workers and families, SLBFE has insured migrant workers covering repatriation, medical, death claims and medical claims for dependents. The scholarship scheme for children

Table 4.15

## Foreign Employment Departures by Destination

Country	2014 (a)		2015 (b)		Change (b)	
	Number	Share	Number	Share	Number	Per cent
Saudi Arabia	80,480	26.8	74,910	28.4	-5,570	-6.9
Qatar	84,622	28.1	65,111	24.7	-19,511	-23.1
Kuwait	43,552	14.5	38,451	14.6	-5,101	-11.7
U A E	50,347	16.7	43,601	16.6	-6,746	-13.4
Other	41,702	13.9	41,234	15.7	-468	-1.1
<b>Total</b>	<b>300,703</b>	<b>100.0</b>	<b>263,307</b>	<b>100.0</b>	<b>-37,396</b>	<b>-12.4</b>

(a) Revised  
(b) Provisional

Source: Sri Lanka Bureau of Foreign Employment

of migrant workers and the housing loan scheme were also continued during the year. SLBFE further identified the need to encourage migrant workers under professional, technical, middle level and skilled categories for employment and thereby to harness the true potential of Sri Lanka's intelligent and educated labour force.

## Labour Relations and Labour Market Reforms

The total number of organised strikes, the number of employees involved in strikes and the total man days lost in the private sector due to strikes increased considerably in 2015 compared to 2014. The number of strikes in the Plantation sector remained unchanged during the year while the number of strikes recorded in the other sectors increased in 2015. As a result, the total number of strikes in private sector industries increased to 51 in 2015 from 38 in 2014. Meanwhile, workers involved in strikes in the private sector increased significantly to 14,915 in 2015 compared to 6,451 in 2014. This led to an increase in the number of man days lost in private sector industries by 120.5 per cent in 2015 as against 2014. However, the man days lost in the Plantation sector was much higher than that of other private sector industries.

**In order to enhance industrial harmony, a number of programmes were implemented by the Ministry of Labour and Trade Union Relations in 2015.**

Accordingly, the Ministry was continuously involved in activities to improve workplace co-operation and industrial peace in the private sector. Institutions were appreciated by means of awards to encourage and maintain industrial peace. National Minimum Wages of Workers Bill and Budgetary Relief Allowance of Workers Bill were passed in the Parliament in March 2016. Accordingly, workers receiving a monthly wage less than Rs. 40,000 will be paid the provisioned allowance of Rs. 1,500 and Rs. 1,000 with effect from May 01, 2015 and January 01, 2016, respectively. According to the National Minimum Wages of Workers Bill, the minimum wage is now set at Rs. 10,000. The Ministry also took steps to ratify the International Labour Organisation Convention 122 on employment policy to design an active employment policy and which was subsequently ratified in January 2016.

## Labour Productivity

**Labour productivity, measured by Value Added (in 2010 prices) per hour worked, increased by 3.7 per cent to Rs. 425.52 per hour in 2015 compared to Rs. 410.20 per hour in 2014.** The Services sector recorded the highest labour productivity level of Rs. 524.64 per hour worked. The Industry sector

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
2012	14	4,278	25,043	20	5,626	10,774	34	9,904	35,817
2013	21	5,031	41,669	21	6,088	38,754	42	11,119	80,423
<b>2014</b>	<b>31</b>	<b>4,833</b>	<b>29,165</b>	<b>7</b>	<b>1,618</b>	<b>8,158</b>	<b>38</b>	<b>6,451</b>	<b>37,323</b>
1st Quarter	12	1,582	3,831	-	-	-	12	1,582	3,831
2nd Quarter	9	1,121	5,275	4	1,360	6,712	13	2,481	11,987
3rd Quarter	5	830	8,820	2	128	1,186	7	958	10,006
4th Quarter	5	1,300	11,239	1	130	260	6	1,430	11,499
<b>2015 (b)</b>	<b>31</b>	<b>10,427</b>	<b>70,697</b>	<b>20</b>	<b>4,488</b>	<b>11,597</b>	<b>51</b>	<b>14,915</b>	<b>82,294</b>
1st Quarter	10	1,972	10,291	6	391	2,415	16	2,363	12,706
2nd Quarter	1	1,369	10,952	5	1,525	2,600	6	2,894	13,552
3rd Quarter	19	6,771	47,564	5	374	2,332	24	7,145	49,896
4th Quarter	1	315	1,890	4	2,198	4,250	5	2,513	6,140

(a) Includes Semi-government institutions and other private institutions.

(b) Provisional

Source: Department of Labour

<b>Table 4.17 Labour Productivity by Major Economic Sectors</b>		
	2014	2015 (a)
<b>Gross Value Added at Constant (2010) Prices, Rs.mn</b>	<b>7,470,465</b>	<b>7,817,394</b>
Agriculture	641,493	676,899
Industry	2,194,167	2,259,223
Services	4,634,805	4,881,273
<b>Labour Productivity, Rs. per Hour Worked (b)</b>	<b>410.20</b>	<b>425.52</b>
Agriculture	151.13	158.76
Industry	451.82	470.34
Services	508.71	524.64

(a) Provisional  
(b) Data covers all districts

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

productivity level was Rs. 470.34 per hour worked. Meanwhile, the Agriculture sector recorded the lowest productivity level of Rs. 158.76 per hour worked during the year.

**The level of labour productivity in the Agriculture sector continues to remain the lowest of all three sectors in the economy, languishing at an extremely low level, requiring attention to promote inclusive growth.** The Agriculture sector contributes to a share of around 9 per cent of the national output, while approximately 28 per cent of workers in the country are employed in the sector. Improving labour productivity in the Agriculture sector is a matter of importance as it is a source of inclusive growth in an economy, considering the large share of population depending on the output of the sector. Livelihoods of workers involved in the Agriculture sector and their families get affected during periods of crop damage due to adverse weather conditions. Agriculture sector workers are left with more idle work hours than those in the other two sectors in general, and particularly during periods of crop damage. Use

of disease and weather resistant crop varieties and improved planting methods would enhance productivity in the Agriculture sector, while enabling the increased utilisation of land and labour involved. Agriculture sector workers need to be trained in complementary skills that enable them to be employed in temporary / part time / multiple earning methods that could support and supplement them during periods of crop damage.

**The Services sector has the potential for further productivity growth to facilitate improvements in the overall economy.** Unemployed persons in the labour force, particularly youth and educationally qualified persons tend to desire employment in the Industry and Services sectors. Inclusion of new labour could temporarily deteriorate the productivity growth in an industry, particularly in areas that need specialised skills. Furthermore, it has been identified that there is a mismatch in the supply of and the demand for skills in the domestic labour market. Considering these developments, proper skill alignment mechanisms should be initiated to utilise available labour resources in sectors which already have space for new labour and productivity improvements with a long term vision, following international best practices. Proper and suitable skill development of the domestic labour force should be a priority in the education and vocational training systems of the country. In the long run, it would enhance productivity in the domestic economy, while creating a globally employable workforce.

