

WAGES

Salaries and wages of public sector employees remained almost unchanged during the first three quarters in 1977. In the Budget proposals of November, however, the wages of all government employees (including pensioners) were increased by 25 per cent subject to a maximum of Rs. 50 per month, with effect from December, 1977. As in the case of the last wage increase in January, 1976 this wage increase too was extended to daily paid employees in government, to employees (including estate labour) in state corporations and statutory boards and to employees covered by the Wages Boards.

As a result of the above wage revision, the minimum wages of government employees (excluding school teachers) had risen by 5.3 per cent at the end of 1977. School teachers received a 3.8 per cent increase, and minor employees 5.9 per cent. Wages of Technical and Clerical employees rose by 4.4 per cent. Nominal wages in Agriculture, mainly in the plantation sector, rose by 28.6 per cent in 1977 compared with a 2.2 per cent increase in the previous year. On the other hand, wages in industry and commerce showed an increase of 10.5 per cent, compared to a 2.6 per cent rise in 1976. These increases could be attributed mainly to the wage increase granted in the Budget from December.

Changes in real wages cannot be estimated owing to the absence of a reliable Consumer Price Index. If the implicit price index is any indication, real wages outside the plantation sector would have declined by the end of 1977.

EMPLOYMENT

For reasons given in last year's Annual Report it is not possible to make a firm analysis on employment and unemployment in the absence of reliable and continuous data¹.

The 1971 census data shows a labour force of 4.5 million persons out of a population of 12.7 million. The estimate of the labour force according to the Consumer Finance Survey conducted by the Central Bank in early 1973 was only slightly higher than this figure. The census reveals that the number of unemployed in 1971 was 0.8 million. The corresponding figure according to the Consumer Finance Survey for 1973 was one million. The age structure and the age-specific activity rates in the population indicate that in 1977 about 170,000 youths would have entered the work-force while around 50,000 persons would have left it. These figures net to a demand for over 120,000 new jobs, and compares with the estimate of 100,000 last year. When the age structure and the age-specific activity rates of the population are considered, the work force unemployed as at the end of 1977 would be over 1 million persons.

The Central Bank's annual survey of employment in the public sector for 1977 shows a general increase in employment in government departments and semi-government institutions. This increase, however, is lower than that of 1976. In government departments the number employed has increased by 16,626 or by 4.1 per cent

1. Employment and unemployment data have not been collected on a regular basis. Whatever data are available are found in censuses and ad hoc surveys conducted at irregular intervals, where the data relating to the work force was incidental to the primary objectives of the surveys.

over the previous year. This increase is slightly lower than the 4.6 per cent increase in 1976. The main avenues of new employment have been in teaching (42 per cent) and in minor employees' grades (28 per cent). In semi-government institutions (public corporations and statutory boards), the number of employees increased by 31,897, showing an increase of 5.9 per cent over 1976. As in 1976, a large share of this increase was accounted for by the land management institutions in the state sector which looked after the lands taken over under the land reforms of 1972 and 1975.

In the absence of adequate data, the number of active accounts with the Employees' Provident Fund has been used as a proxy to measure the annual change in employment in the institutionalized private sector. The latest available figures of employees registered under the Fund are for the year 1976. In 1976, the number of active accounts with the Fund declined by 34,403 or 4 per cent over the previous year. The number of accounts in the plantation sector declined by 56,318; construction sector by 681 and in the miscellaneous category, by 15,832. On the other hand, the number of accounts in the remaining sectors increased by 38,428. Repatriation of Indian labour was the main factor which contributed to the sharp decline in the number of accounts (employment) in the plantation sector. The decline in the construction and the miscellaneous sectors could be attributed largely to the outflow of labour for employment abroad, mainly in Middle Eastern countries.

If the decline in employment in the institutional private sector is discounted, the increase in employment in government departments, semi-government institutions and in the organized private sector would be around 40,000. This figure excludes any increase in employment in District Development Councils and Janavasas, as data from these institutions were not available. It also does not reckon the increase in employment in the non-institutional private sector and in the domestic agricultural sector.

The adequate generation of employment opportunities to match the rapid growth of the work-force has been a matter of highest priority for governments for quite some time. Sweeping reforms in land ownership and in education have been made and the adoption of labour-intensive technology encouraged. Nevertheless, as a result of a sluggish growth in overall economic activity, especially in the private sector the accretions to unemployed ranks appear to have grown steadily. Apparently as a concession to the inordinate preference for employment in the state sector, especially among the educated youth, employment in the public sector institutions appear to have been increased, even in excess of the optimal employment levels required. A welcome easing of pressure in public institutions could be anticipated with the implementation of new economic policies announced in 1977. The liberalization of the economy should lead to new investments and reactivation of under utilized industrial capacities. The accelerated implementation of the Mahaveli Development Project should have a substantial positive impact on employment. The encouragement of export-oriented foreign investments too should make an impact on the problem. Meanwhile, as a measure of temporary relief to unemployed, the government announced the payment of an income support of Rs. 50 per month to those who have no gainful occupation.

An emerging problem that could assume fairly serious proportions in the future is the exodus of trained and skilled man-power for employment abroad. Unfortunately, detailed data on the volume and type of specialization of these categories are not available. While a migration of scientific, engineering and medical personnel has occurred in relatively small numbers over a long period, ever since boom conditions have emerged in the Middle Eastern countries following the rise in oil prices in the early seventies, there has been an accelerated outflow of trained and skilled middle level technicians and craftsmen such as electricians, mechanics, welders and so on. As in many other countries, such as India and the United Arab Republic, these personnel could be a source of inward remittances which could provide Sri Lanka with much needed balance of payments support. Also, the migrations could reduce the domestic pressure on employment. But to the extent that such skills are also required in Sri Lanka for its development effort and as far as the training of new persons in such skills would take much time and resources, it is important to ensure that no serious bottlenecks are created in the national development process by absence of necessary skills when required. A detailed quantification and study of this problem as a prelude to a comprehensive manpower planning and training exercise should deserve high priority of the government.

EXTERNAL TRADE

According to Customs records, Sri Lanka experienced a surplus in the balance of trade for the second successive year in 1977. Export earnings increased from Rs. 4,815 million in 1976 to Rs. 6,638 million in 1977 and payments for imports, from Rs. 4,645 million¹ to Rs. 6,007 million. As a result, the surplus in the balance of trade increased from Rs. 170 million in 1976 to Rs. 631 million in 1977. While the surplus in 1977 registered an all time high, it accounted for nearly 10 per cent of the country's total export earnings.

As in the past, the Central Bank has adjusted Customs data in order to obtain a more accurate picture of the country's trading activity with the rest of the world, by taking into account the trade data of certain government institutions, whose transactions are recorded by Customs after a lag of sometime². The following table gives the Customs and the adjusted data during the last four years.

TABLE 8
Balance of Trade 1974-77

Year	Imports		Exports		Balance of Trade	
	Customs	Adjusted	Customs	Adjusted	Customs	Adjusted
1974 ...	4,554	4,770	3,472	3,503	- 1,082	- 1,267
1975 ...	5,251	5,196	3,933	3,969	- 1,318	- 1,228
1976 ¹ ...	4,645	4,902	4,815	4,840	+ 170	- 62
1977 ...	6,007	6,061	6,638	6,570	+ 631	+ 509

Rs. Million.

Sources: Customs, Sri Lanka.
Central Bank of Ceylon.

¹ Revised Customs figure.

² Refers to imports of cereals, sugar, exports of petroleum products and gems