

Market in Pettah were also being implemented in the year under review. As a part of the Central Area Redevelopment Programme, the UDA has sponsored the Echelon Square Project consisting of four components including the construction of two luxury hotels.

The high rate of activity under the UDA however, was retarded to some extent in 1981, in view of financial constraints and rapid increase in construction costs. The decision to raise funds by issuing debentures helped the UDA only marginally. Nonetheless, the slum and shanty upgrading programme aimed at benefitting the urban poor appeared to have progressed as scheduled accounting for Rs. 20.5 million of the UDA investment as at end 1981. In view of the need to extend assistance to local authorities in urban areas to raise funds required to carry out community development projects, the UDA also set up a Development Consultancy Unit. The UDA also undertook the development of several sites for the private developers to set up facilities such as markets, resthouses and cinema halls in urban areas.

In view of the rapid escalation of construction costs and the high cost of borrowing, there seemed to have been a deceleration in the housing and construction activity by the private sector. In the absence of a more composite index covering the entire island, the number of building plans approved by the Colombo Municipality serves as a crude proxy for the extent of private sector building activity. In terms of this indicator, the upsurge in the private sector housing and construction work which reached a peak in 1979, appeared to have stabilized since 1980 and the performance in 1981 confirmed this trend.

Compared with 1,134 new approvals of building plans in the previous year, in 1981 there were 1,140 approvals by the Colombo Municipality. Nearly one-half of the approvals in 1981 reflected additions and alterations which recorded an increase of 16 per cent in comparison with the figure for 1980. Meanwhile, the number of approvals in respect of new construction of houses, flats, commercial and industrial buildings together showed a drop of 11 per cent in 1981. The reduction in the construction of new buildings could be mainly attributed to the cumulative effect of the price increases in building materials such as cement, iron, steel, timber and glass. The lack of buildable land as well as the exorbitant land prices in the Colombo Municipality area also contributed heavily to this situation. Therefore, it was not unlikely that the location of construction activity, in terms of new buildings for both residential and industrial purposes, shifted to the sub-urban areas away from the Colombo Municipality area. While the rate of growth of new construction slowed down, that of additions and alterations increased in the Colombo Municipality area in 1981 reflecting the tendency to both economize on land use and modernize the existing facilities. However, housing and construction activity undertaken by the private sector in 1981, indicated a levelling off of the high rate of activity experienced in this sector during the past two years.

EMPLOYMENT

One of the major objectives of the economic policies introduced in 1977 was to make a substantial dent in the unemployment problem that has been built up over the years. Given the need to gradually rationalise and reduce the consumers subsidies that was required to generate the resource needs of an investment and

production oriented strategy, the most effective contribution such policies could make in respect of the standard of living of people in a poor country like Sri Lanka was through the generation of new and productive employment opportunities. Viewed from this standpoint, the economic policies of 1977 appeared to have made a significant impact by the creation of new and remunerative jobs in several sectors.

The total number of new employment opportunities created in the organised sector, for which reliable data are available, over the 4 year period 1978 to 1981 amounted to 318,847. With an estimated 125,000 persons entering the labour market per year, employment opportunities have to increase much more rapidly to sustain this declining trend in unemployment over the next few years. Available evidence, however suggests that in so far as organised sector is concerned the new employment opportunities, although higher than in 1980, are well below the figures achieved in the first 2 years of the new economic policies.

In 1981, employment in government departments, semi-government institutions (public corporations and statutory boards) and the organised private sector (private enterprises contributing to Employees' Provident Fund) increased by 40,622. The corresponding figures for 1979 and 1980 are 115,000 and 18,035, respectively. The estimates for new employments do not include the unorganised sectors of the economy; mainly the traditional agriculture, construction and other self employments, wherein a substantial part of the thrust of the new policies would have been felt. Data for these sectors are available only for the Census years and the years during which sample surveys are conducted.

The annual survey of employment conducted by the Central Bank revealed an estimated increase of 5,389 or 1.1 per cent in employment in government departments. In semi-government institutions employment increased by 9,077 or 1.2 per cent in 1981. Provisional data from the Employees' Provident Fund and also from a sample of establishments in the private sector reveals a significant increase of 26,156 or 2 per cent in employment in the organised private sector as against an increase of 3,030 in 1980.

In a period during which the economy undergoes structural adjustments, traditional indicators as measures of the level of employment prove increasingly inadequate. The employment creating potential of the organised sector (including government) last year was affected by the financial limits set on government expenditures, the efforts to reduce the expansion of bank credit and the low priority given to new projects. Several government corporations as part of the policy and re-adjustment to a changing environment, and also to improve operational efficiency, pruned down staff through retrenchment schemes. On the other hand, job opportunities in the private sector greatly increased. Statistics on developments in employment in the unorganised sector are not available. Yet the fact that the unorganised sector was alone in showing an increase in real wages in 1981 in contrast to a decline in the employee categories in the organised sector, reflects the greatly increased demand that would have prevailed in this sector for available supplies of labour. In a situation of an annual increment to the employment seeking ranks of 125,000 persons, these recent developments suggest that the potential for job creation is greater in the unorganised and organised private sector than has been the case hitherto.