

## **PRICES, WAGES AND EMPLOYMENT**

### **Overall Price Changes**

The rate of price increases slowed appreciably in 1985. While retail prices rose slightly, producer prices declined significantly owing to depressed export prices. The rise in consumer prices, as measured by the Colombo Consumers' Price Index (CCPI), at an annual average of 1.5 per cent, was the lowest since 1977. Producer prices, as measured by the Wholesale Price Index (WPI), declined by 15.2 per cent.

A variety of factors contributed towards the slow rate of increase of prices in 1985. The increased supply of food commodities, depressed prices of coconut and tea, relatively small increases in import prices, stability in fuel prices throughout the year, continued restrictive credit policies and the lagged effect of non expansionary fiscal policies adopted in 1984 were mainly responsible for lower price increases.

### **Consumer Prices**

Consumer prices, as measured by the CCPI, rose by only 1.5 per cent in 1985 compared to an annual increase of 17 per cent in the previous year. On a point to point basis (December, 1985 over December, 1984) too the index increased by only 1.5 per cent compared with an increase of 9.5 per cent in 1984. The CCPI declined during the first and the third quarters of the year, was more or less stable in the second quarter and moved upwards in the last quarter of the year. This behaviour of prices was in contrast to the price movements in the previous year when prices increased sharply in the first half of the year and decelerated in the last quarter.

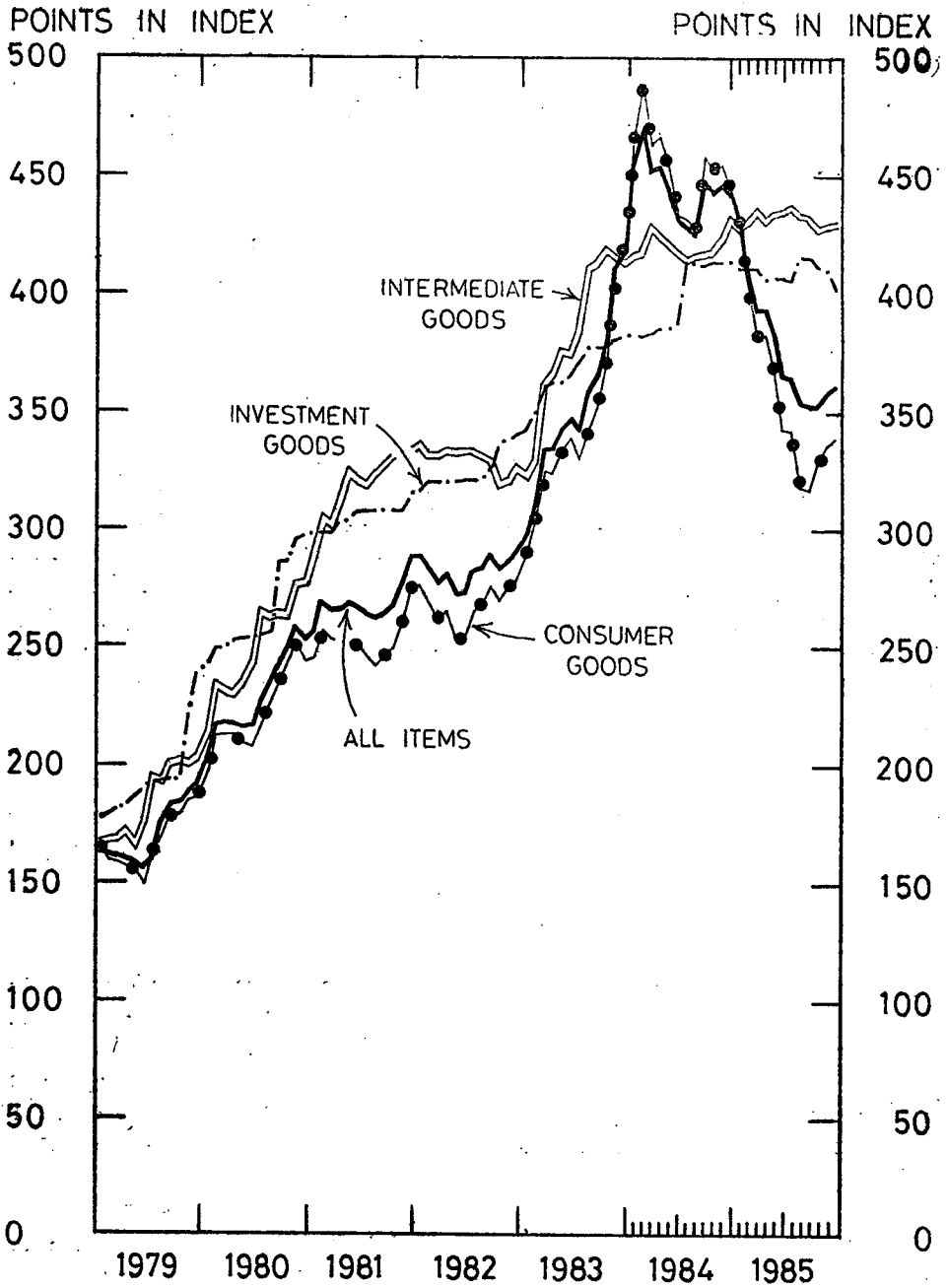
The low increase in the CCPI resulted from a marginal increase in the food group and substantially lower increases in all other sub-groups. The sub-indices for clothing and miscellaneous groups increased by 5.5 per cent each while that of fuel and light increased by 3.9 per cent. The respective increases in 1984 were 5.6 per cent, 17.9 per cent and 14.6 per cent.

Higher coconut production coupled with lower export prices pushed down the domestic prices of coconuts and coconut oil. This continuous drop in coconut prices throughout the year had a significant declining impact on the CCPI. Rice prices fluctuated during the year due to supply seasonality but the average price in 1985 was only slightly higher than in the previous year. The prices of other important food items such as vegetables, fish and condiments increased marginally during the year.

The sub-index for the export group in the CCPI declined by 31.8 per cent in 1985, in contrast to a 61.9 per cent rise in 1984. The sub-index for the domestic group increased by 6.8 per cent compared with an increase of 15.7 per cent in 1984. Import prices increased by only 3.2 per cent in 1985 against an increase of 10.4 per cent in 1984.

# WHOLESALE PRICE INDEX

1974 = 100  
MONTHLY



### Wholesale Prices

The rising trend in the Wholesale Price Index during the last few years was reversed and the index declined by 15.2 per cent in 1985. This is in contrast to a 26 per cent increase in 1984. The decline in the WPI on a point to point basis was 18.2 per cent. Prices of export commodities, particularly tea and coconut which increased significantly in 1984, declined from early 1985 through the year. This was mainly responsible for the sharp decline in the overall index in 1985 as is evident in the 38.8 per cent decline in the sub-index for export goods in 1985 compared with an increase of 51.2 per cent in 1984. The sub-indices for imported and domestic goods increased by 3.1 per cent and 7.3 per cent, respectively compared to higher increases of 6.3 per cent and 11.3 per cent in 1984. The increases in these sub-indices were however more than offset by the effect of price decreases in the export sub-index.

The sub-index for food, which has a weight of 67.8 per cent in the index, decreased by 24 per cent compared to an increase of 33 per cent in 1984. This outweighed the increase in the other sub-indices.

The sub-index for consumer goods decreased by 20.5 per cent compared to an increase of 31.2 per cent in 1984. The sub-indices for intermediate and investment goods increased by 3 per cent each compared to increases of 10 per cent and 8 per cent, respectively in 1984.

### WAGES

In 1985, wages in the organised sector increased while wages in the unorganised sector remained more or less unchanged. Minimum wage rates of workers in the government sector increased faster than wage rates of workers in the organised private sector. Due to the low rate of inflation in the economy, real wage levels increased significantly in 1985, in contrast to the experience in recent years.

The Wage Rate Index for government sector employees, excluding school teachers, increased by 15 per cent in 1985. This increase was due to the payment of an additional Rs. 100 from January 1985, which brought the total COL allowance to Rs. 504. As in previous years, wage increases of minor employees in the government sector were higher (16.2 per cent) when compared with those of non-executive officers (14.3 per cent). Reversing the trend observed in 1983 and 1984, real wage levels in this sector increased significantly (14.6 per cent) in 1985.

Consequent on the implementation of the recommendations of the Committee which reviewed teachers' salaries, wage rates of school teachers were revised. Consequently this wage rate index increased by 17 per cent. This revision excluded certified and uncertified teachers. The minimum monthly increase under this revision was Rs. 190 per month. Owing to this wage increase and the low rate of inflation, the real wage levels which dropped by 4 per cent and 0.6 per cent in 1983 and 1984 respectively, increased by 15 per cent in 1985.

## WAGE RATE INDEX NUMBERS

1978 DECEMBER = 100

QUARTERLY

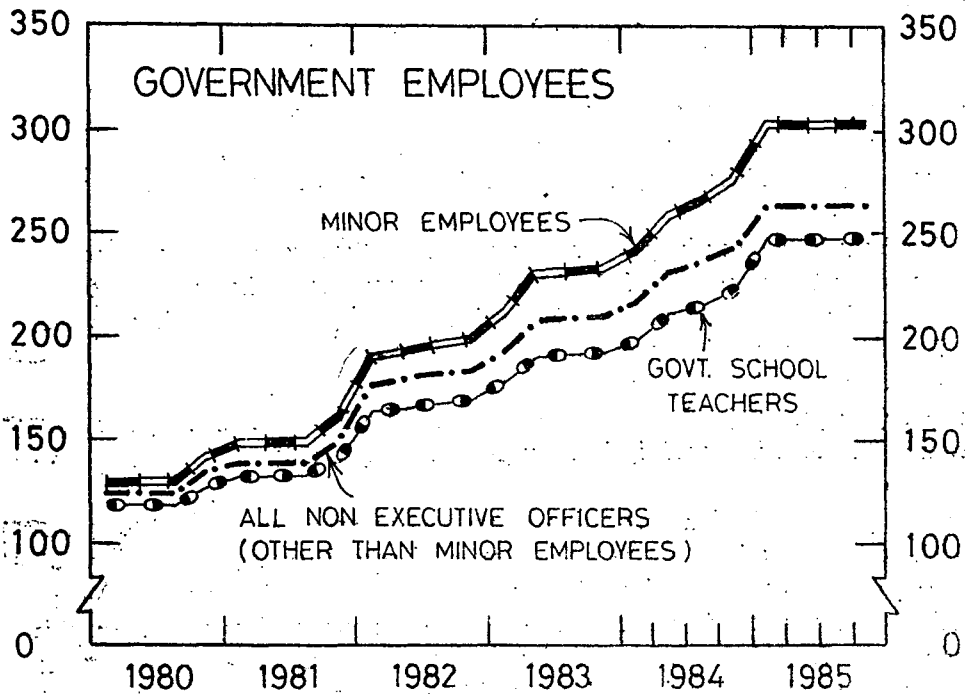
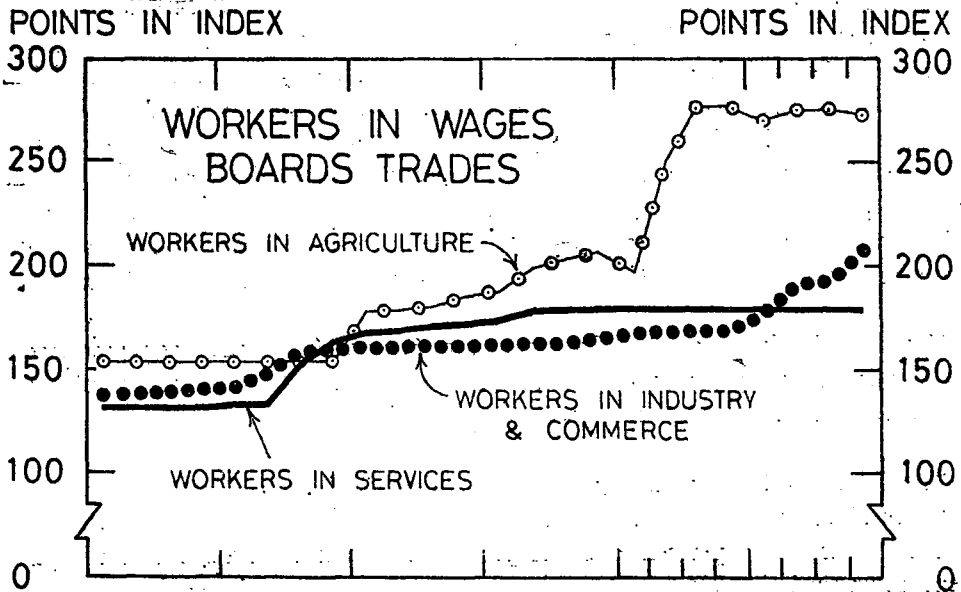


TABLE 1.24

Wage Rate Index Numbers in the Organised Sector 1978 December = 100

Organised Sector	Wage Rate Index		Point Change	Percentage Change
	1984	1985		
1. Workers in Wages Boards Trades ..	224.3	244.1	19.8	8.8
i Workers in Agriculture ..	250.2	273.5	23.3	9.3
ii Workers in Industry & Commerce ..	168.3	192.5	24.2	14.4
iii Workers in Services ..	179.7	179.7	—	—
2. All Government Employees ..	246.6	284.3	37.7	15.3
i All non-Executive Officers ..	231.4	264.4	33.0	14.3
ii All Minor Employees ..	260.9	303.2	42.3	16.2
3. Government School Teachers ..	211.4	247.3	35.9	17.0

Sources: Department of Labour,  
Central Bank of Sri Lanka.

Wage rates in the organised private sector covered by Wages Board Trades increased by 9 per cent in 1985, compared with an increase of 19 per cent in 1984. The wage rates in the government owned plantation sector continued to move upward in 1985 following the revision of wage rates in 1984 for employees in the state owned plantation sector. The revised policy of wage determination in the plantation sector in 1984 virtually confined Wages Boards' minimum wage rates to workers in the private plantation sector. Consequently, a dual method of wage determination is now extant: one for the state corporations and the other for private estates. The resulting higher wages in the state plantations influence but do not determine wages in private estates.

In the organised private sector, workers in industry and commerce had the highest increase (14 per cent) in 1985. In 1984, increase in wages in this sector was only 3 per cent. The wage rates in the agricultural sector increased by 9 per cent compared to a larger increase of 26 per cent in 1984. There was no change in wage rates for workers in the services sector.

TABLE 1.25

Changes in Minimum and Real Wage Rates 1982—1985

Year	Wages Board Trades		All Government Employees (a)		School Teachers	
	Nominal % Change	Real % Change	Nominal % Change	Real % Change	Nominal % Change	Real % Change
1982	16	4	29	16	25	13
1983	7	- 6	15	9	13	- 0.6
1984	19	2	14	- 2	12	- 4
1985	9	7	15	14	17	15

(a) Excluding School Teachers.

Sources: Department of Labour,  
Central Bank of Sri Lanka.

## Employment

In 1985, employment in the government sector increased, while employment in semi-government institutions declined. Due to the unavailability of data on employment in the private sector, it is difficult to quantify private sector employment growth. There are, however, indications that employment in the organised and unorganised private sectors increased though perhaps at a lower rate of growth than in recent years.

Provisional estimates indicate that employment in the government sector increased by 7,597 persons or 1.5 per cent, compared to an increase of 1.2 per cent in 1984. The significant increases in employment were in the following areas : educational, agricultural and animal production, health, irrigation, auditing, district administration, labour and prison services. A significant drop in employment were observed in land settlement, machinery and equipment and highway development services.

The declining trend in employment in semi-government institutions continued in 1985 : a 2.4 per cent decline in 1985 compared to a 2.6 per cent decline in 1984. The major reasons for this were the discontinuation from work of casual workers in the state plantations, consequent on reorganisation of the work force in the plantations, a decrease in employment in semi-government institutions engaged in river valley development, production of hardware, cement, paper products, iron and steel and supply of common amenities. In contrast, employment increased significantly in institutions connected with the production of petroleum, building materials, tyres & tubes, textiles, housing development and transport.

Due to a lack of an annual series of data on employment in the private sector and the final estimates of employment in the organised private sector for 1985 based on Employees' Provident Fund data, other indicators have to be used to assess the general trends in employment in the private sector.

The survey on Planned Investments of the public and private limited liability companies, conducted by the Central Bank, estimates that employment in these companies in 1984/85 increased by 8.6 per cent over the previous year. The same source reveals that company employment is expected to increase by 10.8 per cent in 1985/86.

The enterprises coming under the Greater Colombo Economic Commission (GCEC) have provided employment to 32,329 persons as at end of 1985 compared to 29,477 persons as at end of 1984. In 1985, employment in the projects approved by the Foreign Investment Advisory Committee and Local Investment Advisory Committee had a potential labour absorption of around 4,250 persons and 12,850 persons, respectively. The slight upturn in tourist arrivals in the latter part of the year helped increase service sector employment, while growth in transport and import export trading helped to continue the increases in employment in these sectors.