

PRICES, WAGES AND EMPLOYMENT

Overall Price Changes

In 1987, retail prices increased at a marginally lower rate when compared to the previous year. The annual average rate of increase of the Colombo Consumers' Price Index (CCPI) was 7.7 per cent as compared to an 8.0 per cent rise in the previous year. The Wholesale Price Index which measures movement in producer prices increased by 13.4 per cent in 1987, in contrast to a 2.9 per cent decline in 1986.

Many factors contributed towards the increase in consumer prices in 1987 which was heavily concentrated during the last quarter of the year. Among them were the adverse impact of the drought on the production of agricultural commodities, higher excise duty on tobacco and alcohol, unsettled conditions in the Northern and Eastern provinces and the higher international prices for export commodities. On the demand side, there was some relaxation in the restrictive credit policies that were in operation since 1984 resulting in a significant acceleration in the growth of bank credit, particularly during the closing months of 1987. However, the stability in fuel oil prices was a major factor in containing the level of overall price increase.

Consumer Prices

The CCPI recorded an increase of 7.7 per cent in 1987 as compared to a rise of 8 per cent in 1986. This was the third successive year since 1978, in which a single digit rate of price increase had been experienced. However, on a point to point basis, (December 1987 over December 1986) the index increased by 10.2 per cent, reflecting the sharp climb in prices during the closing months of the year. In the previous year the corresponding increase was 9.1 per cent.

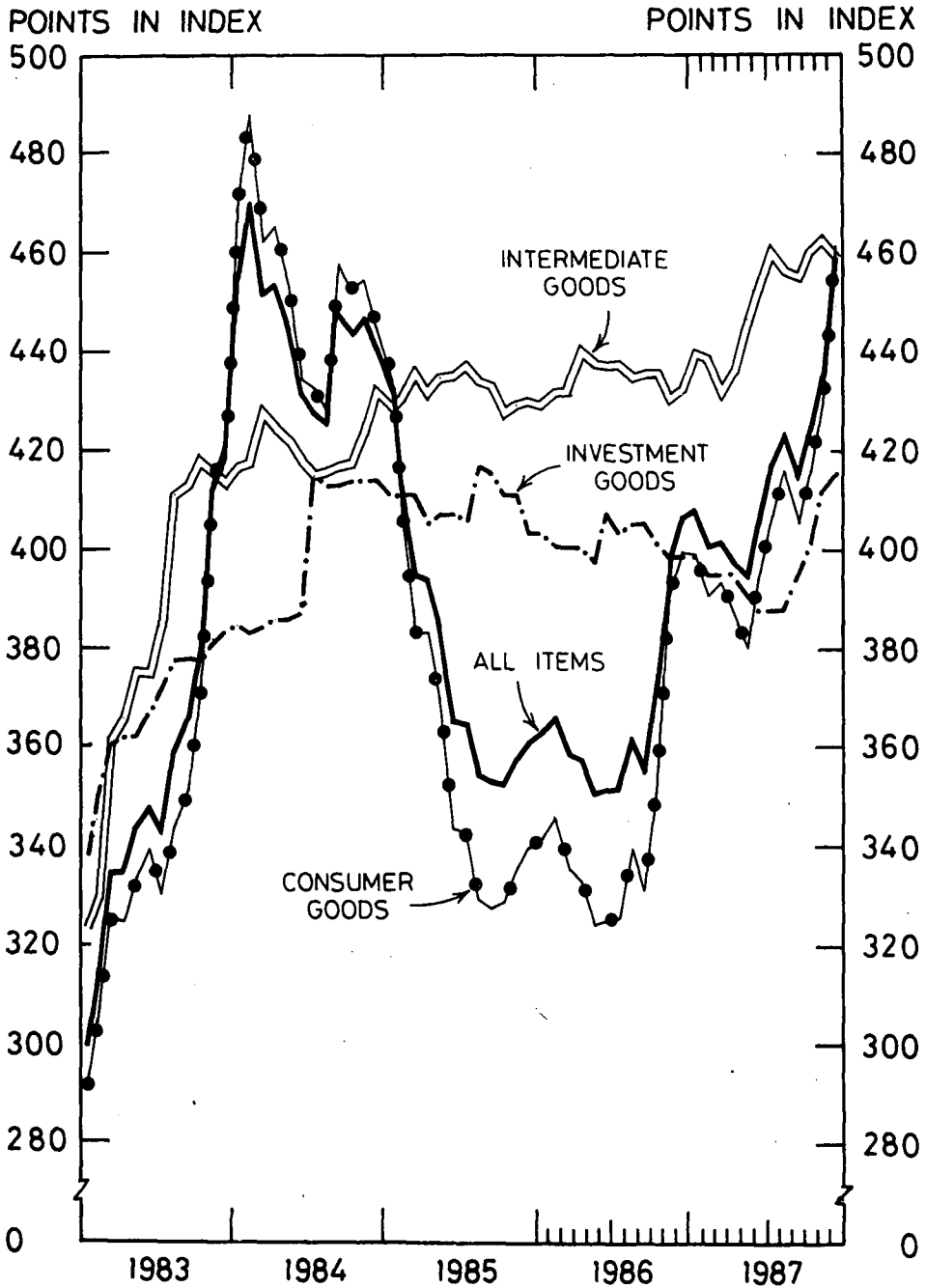
The behaviour of consumer prices in 1987 was characterised by a very significant rise in prices during the last quarter of the year. Prices rose very slowly during the first quarter of 1987 and accelerated moderately in the second quarter. Seasonal factors contributed towards dampening the rate of price increase in the third quarter, but prices rose at a sharply accelerated rate during the fourth quarter.

Over three fourths of the increase in consumer prices was due to the rise in food prices. The food sub-index (weight 61.9%) increased by 8.7 per cent, a higher rate than the 7.2 per cent increase recorded in 1986. The impact of the drought on the production of rice, coconut and dried chillies affected the prices of these commodities. The higher international demand for coconut products put further pressure on the domestic prices of coconut and coconut oil. The price of sugar rose upward during the year, while the price of beef was also increased.

The sub index for clothing (weight 9.4%) increased by 7.0 per cent in 1987 which was lower than the 15.5 per cent increase recorded in 1986. The contribution of clothing prices to the overall price increase was not very significant. The sub index for fuel and light moved up by a marginal 0.8 per cent as a result of higher firewood prices.

WHOLESALE PRICE INDEX

1974 = 100
MONTHLY



The increase in excise duty on tobacco and alcohol in the Budgets of 1987 and 1988 were the main contributory factors for the rise in the sub index for miscellaneous items. This sub index rose by 8.5 per cent which was, however, lower than the 14.4 per cent increase recorded in the previous year.

During the year under review, export prices rose by a record 53.3 per cent compared to a 24.1 per cent decline in the previous year, mainly due to the steep rise in coconut prices. Domestic prices and import prices rose by 6.6 per cent and 3.3 per cent, respectively as compared to 12.2 per cent and 6.8 per cent expansion in the previous year.

Wholesale Prices

In 1987, the Wholesale Price Index (WPI) increased by 13.4 per cent after recording successive decreases of 15.2 per cent and 2.9 per cent in 1985 and 1986, respectively. This index is an indicator of movements of prices at the primary market level. However, as a result of the high weightage given to export commodities in the index, these items tend to determine the trend displayed by the WPI. The continuous improvement in export prices of tea and coconut since late 1986 was a major factor contributing to the rise in the index. On a point to point basis (December 1987 over December 1986), the index increased by 13.0 per cent compared to a 12.7 per cent rise during the corresponding period of the previous year.

In the first half of the year, the index fluctuated while in the second half increases were recorded in all months except September. The behaviour of the index was dominated by sharp increases in the last quarter of the year.

Commodity-wise, the sub index for food increased by 19 per cent in contrast to a decline of 6.6 per cent in the previous year. Prices of alcoholic drinks increased as a result of higher excise duty. Prices of textiles and footwear, paper products, metal products, transport equipment, electrical appliances and supplies, machinery, firewood and miscellaneous products increased, while the prices of chemical products and non-metallic products registered decreases. The prices of petroleum products remained unchanged since 1984.

Sector-wise prices of domestic items increased, but at a lower rate than in 1986. Import prices which had declined marginally in the previous year, increased by 2.1 per cent in 1987. Prices of export items rose sharply by 38.2 per cent after recording sharp decreases in the previous two years.

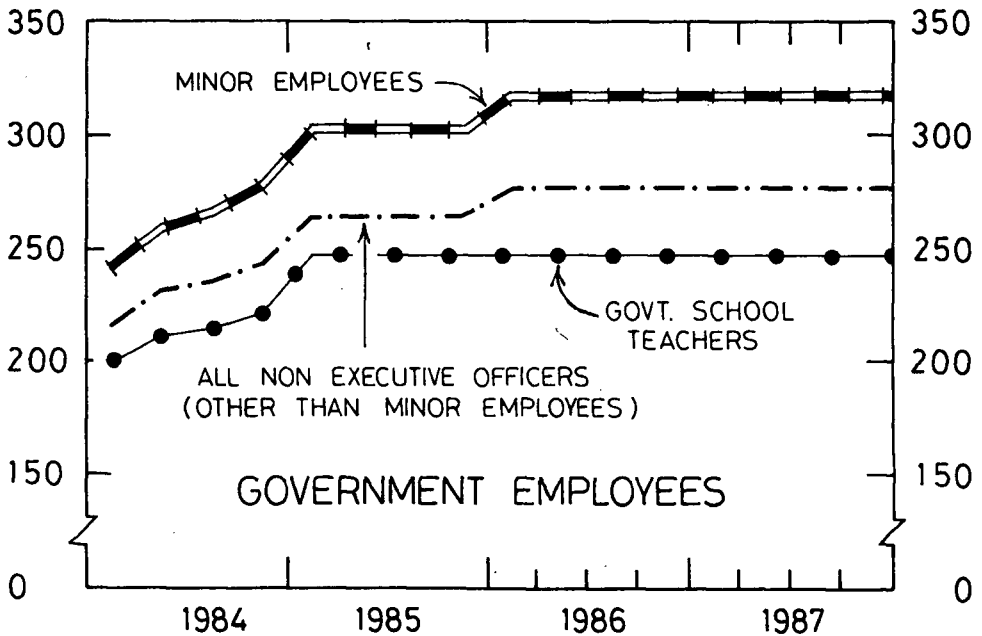
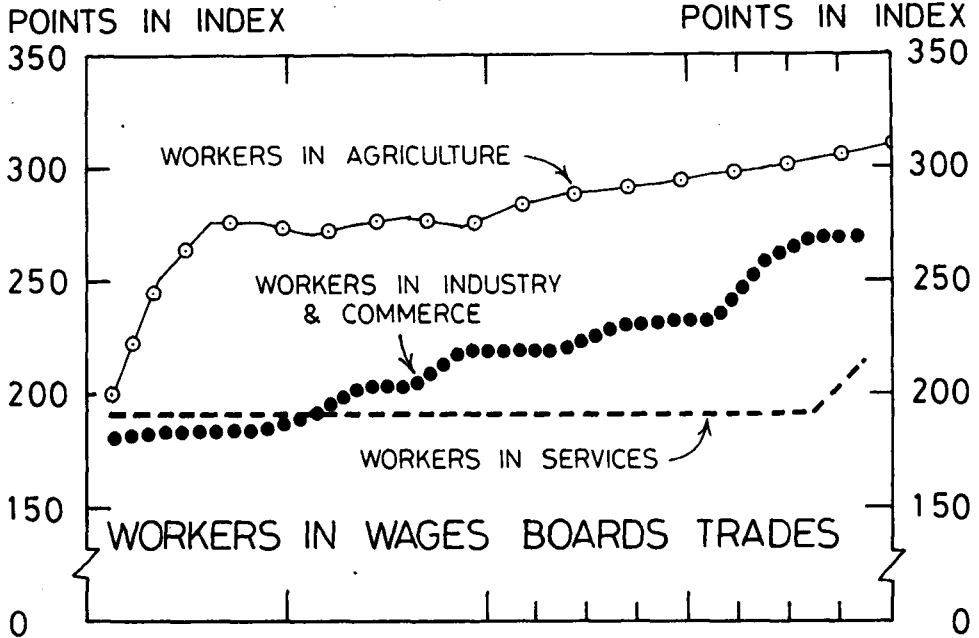
Wages

In 1987, wage rates of government servants remained static at the level that had prevailed since January, 1986. The cost of living allowance remained frozen at the January, 1985 level of Rs. 504. Wages of government school teachers continued to remain unchanged from the levels that prevailed since 1985.

WAGE RATE INDEX NUMBERS

1978 DECEMBER=100

QUARTERLY



Several categories of workers in the organised private sector, however, received wage increases during the year. In nominal terms, the Minimum Wage Rate Index for all workers in trades covered by Wages Boards increased by 6.3 per cent on average during 1987, as compared to 5.4 per cent in the previous year. However, their real wages deteriorated by 1.4 per cent in 1987 relative to the position in 1986. The Minimum Wage Rate Index of workers in agriculture moved up by 4.9 per cent in 1987 due to the variable cost of living allowance payable to these workers. In the previous year, the corresponding increase was 5.3 per cent. Workers in industry and commerce received a relatively higher wage increase. The Minimum Wage Rate Index for these workers increased by 14.3 per cent in nominal terms, as compared to a 10.0 per cent rise in 1986. Wages of this category of workers improved in real terms when compared to 1986. Among those who received wage increases during the year were workers in the trades of garment manufacture, ice and aerated water, leather and footwear, nursing homes, cinema, printing and building. The Minimum Wage Rate Index of workers in services which had remained unchanged in 1986 moved up by 3.1 per cent. in 1987.

TABLE 1.27

Wage Rate Index Numbers of Workers in Wages Boards Trades

Category	Nominal Wages			Real Wages		
	1986	1987	Percent-age Change	1986	1987	Percent-age Change
Overall Index ...	261.3	277.7	6.3	103.2	101.8	- 1.4
Sub Sectors						
(1) Workers in Agriculture ...	288.1	302.3	4.9	113.8	110.8	- 2.6
(2) Workers in Industry and Commerce ...	224.3	256.3	14.3	88.6	93.9	6.0
(3) Workers in Services ...	190.7	196.6	3.1	75.3	72.0	- 4.4

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

EMPLOYMENT

According to provisional estimates, employment in the private sector increased while that of the public sector decreased marginally in 1987 in comparison with the previous year. In the public sector, however, the number employed in the government institutions increased marginally, while that of the semi-government institutions decreased.

Public sector employment estimates are based on data collected through the Survey on Public Sector Employment conducted by the Central Bank, with the assistance of the government ministries. According to provisional estimates based on

this survey, total public sector employment declined marginally by 1.5 per cent and stood at 1,194,000 as at end of 1987 in comparison with 1,212,000 as at end of 1986. Of the total employment in the public sector, approximately 749,000 were employed in semi-government institutions while the balance 445,000 were in government institutions. Employment in semi-government institutions included a total of 409,042 plantation workers employed in estates managed by the Janatha Estates Development Board (JEDB) and Sri Lanka State Plantations Corporation (SLSPC).

In 1987, sectorwise employment in the public sector shows that employment has increased in areas of defence services, education, health, Mahaweli development and public administration due to the expansion of such activities. However, in areas like industry, state plantations and construction, the levels of employment declined compared to 1986.

Total employment in government institutions such as ministries and departments increased marginally from 443,700 in 1986 to 445,000 in 1987. On the other hand, employment in the semi-government institutions such as public corporations, authorities, statutory boards and other institutions showed a moderate decline of 2.4 per cent, from an estimated total of 768,000 in 1986 to 749,000 in 1987. The decline in employment in the semi-government sector was in line with the trend observed since early 1980s. Within the semi-government sector, however, employment in such institutions as certain transport boards and power and energy related corporations increased while that of state plantations and construction related corporations declined.

A breakdown of employment in the public sector by occupational category show that manual labourers (unclassified) totalling 549,000 as at end of 1987 is the largest single category of employees. This is attributable to the inclusion of estate workers in this category. Clerical and related workers, professional, technical and related workers formed the second and third largest categories representing 227,000 employees and 221,000 employees, respectively as at end of 1987. The professional, technical and related workers included a total of 140,000 teachers employed in government schools. The number of persons employed, such as service workers, sales workers, clerical and related workers, administrative and managerial workers and professional, technical and related workers increased moderately when compared with the previous year. In contrast to this, employment in the categories such as agricultural, animal husbandry and forestry workers and fishermen and hunters; production and related workers; transport equipment operators and manual labourers declined in 1987 when compared with the previous year.

Of the total public sector employment, 74 per cent was male employees while the balance 26 per cent was females. The largest number of females was employed as clerical and related workers. Number of regular employees accounted for 93 per cent of the total employment, while the casual employees formed the balance 7 per cent. Most of the casual employees were in the category of manual labourers.

Employment in the private sector was estimated using the records of the Employees' Provident Fund and other approved provident funds in the absence of a more comprehensive and regular source of data. It should be noted that these records

do not include employment in the un-organised sector and self-employment because of the fact that they do not contribute to provident funds. On this basis, employment in the organised private sector was estimated to be around 330,000 as at end of 1987, compared with an estimated total of 326,000 as at end of 1986, thus recording a growth of one per cent.

Employment in enterprises coming under the Greater Colombo Economic Commission (GCEC) continued to increase in the year under review as well. As at end of 1987, total employment in the GCEC enterprises stood at 50,744 compared with 45,047 in the previous year, registering an increase of 12.6 per cent. The main factors responsible for this growth were the expansion in the existing production units at Katunayake Investment Promotion Zone and the commencement of new production units mainly at Biyagama Investment Promotion Zone which was established in late 1986.

Activities of projects approved by both the Foregin Investment Advisory Committee (FIAC) and Local Investment Advisory Committee (LIAC) would have been a contributory factor to the increased employment in the private sector. In 1987, potential labour absorption capacity of the FIAC projects is estimated to have increased from 6,854 to 6,937, while that of the LIAC projects is estimated to have risen from 9,659 in 1986 to 14,594.