

PRICES, WAGES AND EMPLOYMENT

OVERALL PRICE CHANGES

The year 1990 saw a sharp upsurge in the general price level. On an annual average basis, the Colombo Consumers' Price Index moved up by 21.5 per cent during the year, compared to an 11.6 per cent rise in 1989. The increase on a point to point basis (December 1990 over December 1989) was slightly lower at 19.6 per cent. The acceleration in price change was also reflected at the primary market level with the Wholesale Price Index registering an annual average increase of 22.2 per cent. The corresponding increase in 1989 was only 9.0 per cent.

Corrective adjustments in administered prices were a notable contributory factor towards the rapid rise in prices in the first half of the year. During the first few months, fertilizer prices were revised upward substantially, following which the GPS price of paddy was also revised upward. Although a very successful Yala harvest caused a moderation in prices in the third quarter of the year, the revision of fuel prices had both a direct and an indirect effect on prices in the closing months of 1990. Electricity tariffs and postal rates were also revised upward in 1990.

Monetary measures adopted to curb inflation, such as selective credit ceilings which were operative since mid-1989, continued in 1990 as well. The Bank Rate was revised again in July 1990. However, notwithstanding these measures, the monetary aggregates expanded during the year thereby maintaining a high level of aggregate demand which would have in turn placed additional pressure on the price level.

Consumer Prices

The Colombo Consumers' Price Index recorded an annual average increase of 21.5 per cent in 1990. This was the highest increase recorded since 1980. Higher food prices were responsible for 74.4 per cent of the total increase while the contribution from price increases of clothing, fuel and light, and miscellaneous items were 6.3 per cent, 5.1 per cent and 14.1 per cent, respectively.

The first half of 1990 was characterised by a rapid rise in prices. A slight deceleration was discernible during the period July to October after which an upsurge in prices was again experienced during the last two months of the year.

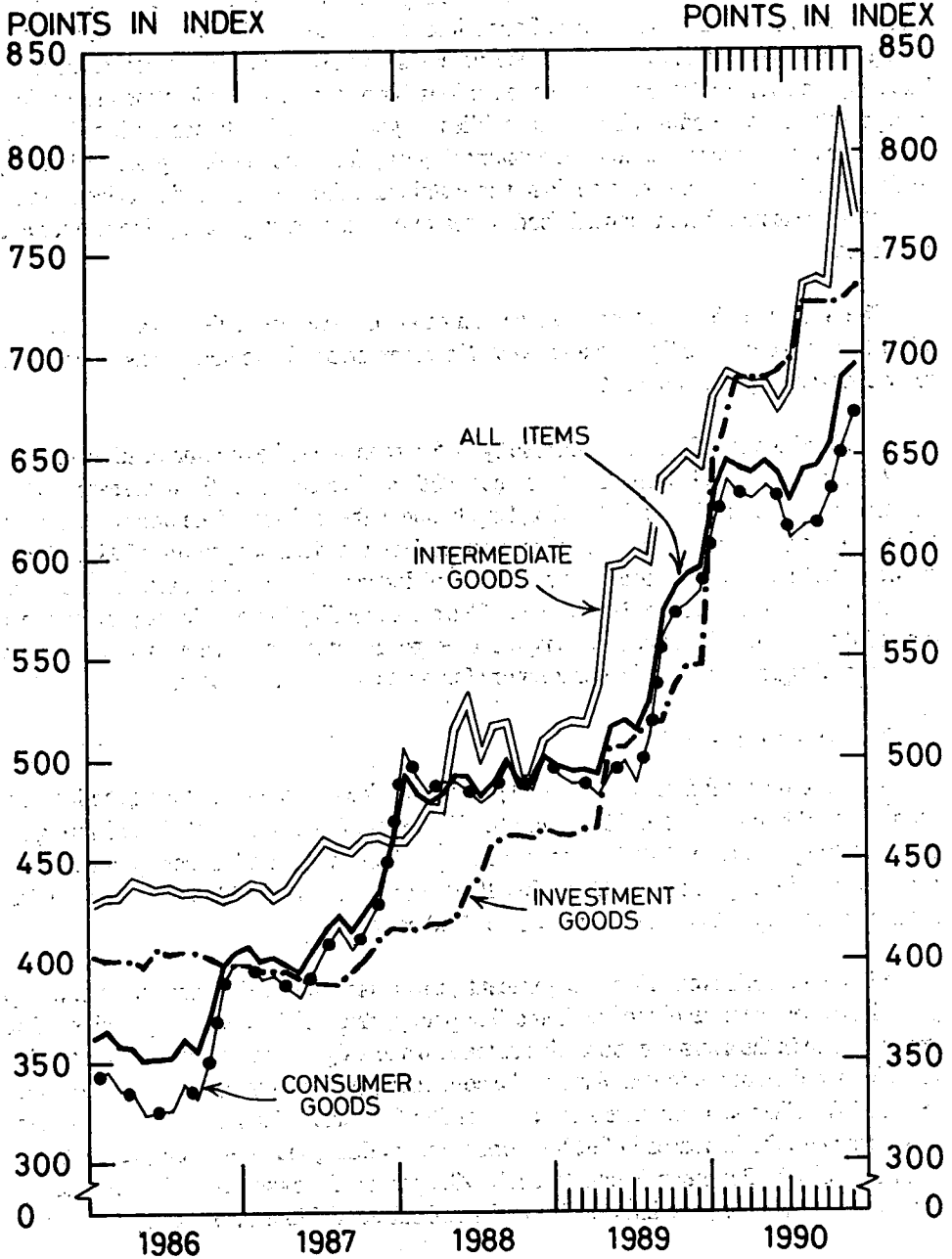
TABLE 1.33
Colombo Consumers' Price Index (1952 = 100)

	Average		Annual Average Percentage Change		Point to Point Percentage Change	
	1989	1990	1989 over 1988	1990 over 1989	December 1989 over December 1988	December 1990 over December 1989
All Items	830.2	1008.6	11.6	21.5	15.1	19.6
Commodity-wise						
Food	884.6	1090.9	10.3	23.3	13.5	20.8
Clothing	490.0	610.2	16.7	24.5	32.8	12.7
Fuel & Light	1718.9	1934.1	12.0	12.5	11.1	22.8
Rent	109.8	109.8	—	—	—	—
Miscellaneous	860.2	1021.0	15.8	18.7	19.7	16.6

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

WHOLESALE PRICE INDEX

1974 = 100
MONTHLY



Central Bank of Sri Lanka.

The Sub Index for Food (weight=61.9%) rose by 23.3 per cent on an annual average basis during the year, compared to an increase of 10.3 per cent in 1989. The prices of wheat flour and bread which had already been revised in the latter part of 1989 were subject to further upward revisions in the first half of 1990. Consequently, the price of rice also remained high during the year in spite of the satisfactory paddy harvest recorded in 1990, due to the substitution effect of the rise in wheat flour prices and the increase in cost of production due to higher fertilizer prices. Substantial price increases were also recorded for major food items like fish, beef, vegetables, potatoes and red onions during the year. Moderation in the prices of agricultural commodities like dried chillies, vegetables and potatoes during the Yala season was largely responsible for the dampening of price increases during the period July to October. However, this trend could not be sustained as the effect of the fuel price increase as well as seasonal factors caused food prices to escalate sharply during November and December.

The Sub Index for Clothing advanced on an annual average basis by 24.5 per cent in 1990, as compared to 16.7 per cent in 1989. However, on a point to point basis the increase recorded was only 12.7 per cent.

The Sub Index for Fuel and Light rose by 12.5 per cent in 1990 as compared to an increase of 12.0 per cent in 1989. Between December 1989 and December 1990, an increase of 22.8 per cent was recorded in this Sub Index, largely due to the revision of the price of kerosene following the Gulf crisis. (The price of kerosene had remained unchanged since 1983). Prices of firewood also increased during the year. The Sub Index for Miscellaneous Items registered an annual average increase of 18.7 per cent. The corresponding increase in the previous year was 15.8 per cent. Higher public transport fares, postal rates and revisions in the prices of alcohol and cigarettes were the contributory factors towards this increase.

Wholesale Prices

At the primary market level, the rising trend in prices experienced during the last few months of 1989 continued in 1990, with the Wholesale Price Index (WPI) registering an annual average increase of 22.2 per cent. In the previous year, the WPI rose by only 9.0 per cent. On a point to point basis (December 1990 over December 1989), however, the Index registered a comparatively lower increase of 17.0 per cent.

Higher food prices contributed significantly to the rise in the WPI during the year. Sharp price increases were recorded for items like paddy, dried chillies and vegetables. The improvement in the average export price of tea also had a significant impact on the WPI due to its high weight in the Index. Among the commodity groups, sharp price increases were recorded for Chemical Products and Non Metallic Products. The major causes for these increases were the increases in fertilizer prices and building material prices, respectively. The Sub Index for Petroleum Products rose by 23.1 per cent following the fuel price hike. All other commodity-wise sub indices also registered substantial increases during the year.

According to the sector-wise classification, the Sub Index for the Domestic Group rose by 26.7 per cent as compared to a 21.6 per cent increase in 1989. The Sub Index for Imports increased by 26.2 per cent during the year. The corresponding increase in 1989 was 13.7 per cent. Export prices which had dropped in the previous year rose by 13.2 per cent in 1990.

TABLE 1.34
Wholesale Price Index (1974 = 100)

Item	Average		Annual Average Percentage Change		Point to Point Percentage Change	
	1989	1990	1989 over 1988	1990 over 1989	December 1989 over December 1988	December 1990 over December 1989
Commodity Wise						
All Items	532.9	651.1	9.0	22.2	18.3	17.0
Food	493.3	599.1	4.5	21.4	16.1	14.7
Alcoholic Drinks	573.0	668.9	13.9	16.7	22.0	11.1
Textiles & Footwear	343.6	404.7	4.3	17.8	6.0	18.8
Paper Products	550.1	722.4	21.6	31.3	16.2	30.4
Chemicals &						
Chemical Products	291.9	423.8	12.5	45.2	6.7	40.0
Petroleum Products	762.3	938.4	11.3	23.1	22.8	31.3
Non-Metallic						
Products	735.9	1131.4	11.8	53.7	12.8	53.6
Metal Products	469.6	568.6	31.0	21.1	43.9	-0.7
Transport						
Equipment	395.9	505.4	23.2	27.7	17.2	24.7
Electrical Appliances						
& Supplies	427.8	532.7	23.6	24.5	37.2	4.8
Machinery	285.7	375.1	8.1	31.3	3.1	34.6
Fuel & Light	1002.9	1233.6	33.0	23.0	22.4	16.4
Miscellaneous	1051.2	1167.6	27.1	11.0	36.2	4.2
Sector Wise No. I						
Domestic Group	466.0	590.3	21.6	26.7	23.6	22.5
Import Group	458.7	578.8	13.7	26.2	23.7	16.5
Export Group	772.1	874.2	-6.6	13.2	8.5	9.8
Sector Wise No. II						
Consumer Goods	519.5	631.3	6.1	21.5	16.1	15.7
Intermediate Goods	588.4	714.1	18.8	21.4	26.8	18.6
Investment Goods	503.6	700.3	14.6	39.1	17.2	33.9

Source: Central Bank of Sri Lanka

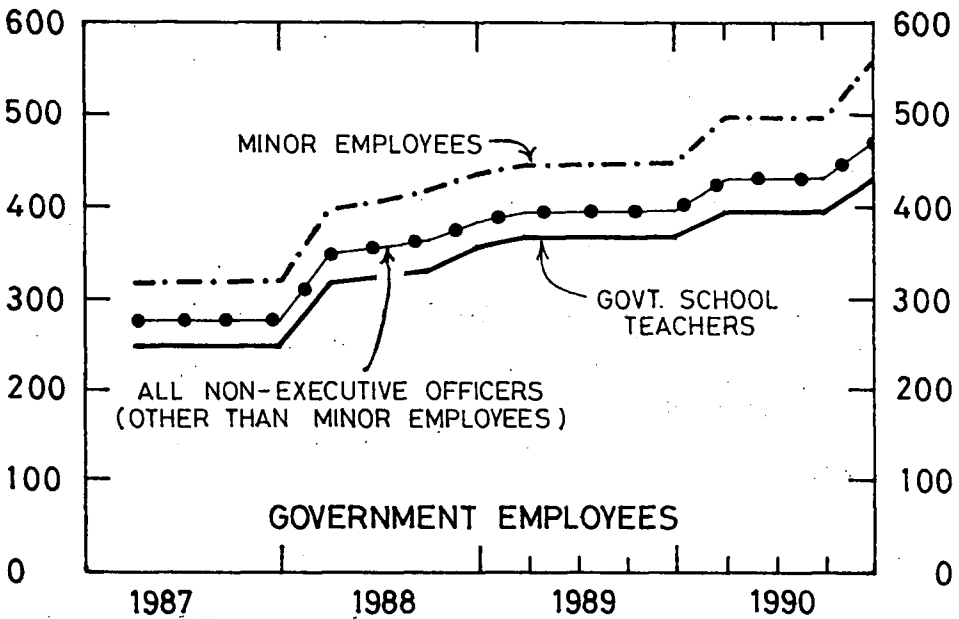
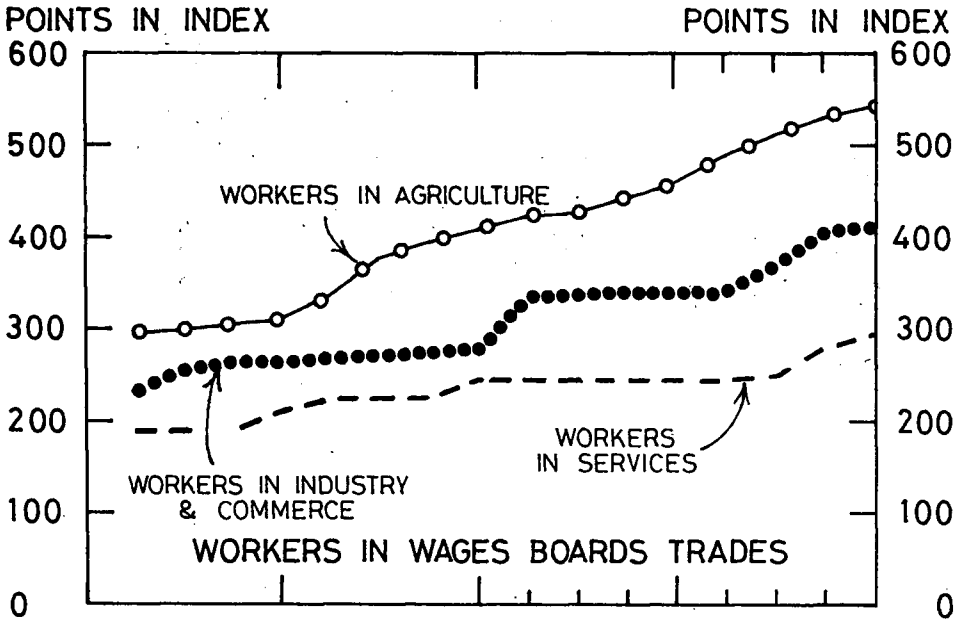
In the end use classification, the price of consumer goods registered an increase of 21.5 per cent as compared to 6.1 per cent in 1989. Prices of Intermediate Goods rose by 21.4 per cent surpassing the increase of 18.8 per cent recorded in 1989. Prices of Investment Goods increased very sharply by 39.1 per cent in 1990, as compared to 14.6 per cent in 1989. Higher prices of building materials largely contributed to this increase in the Sub Index for Investment Goods.

WAGES

In 1990, overall nominal wages in the Government Sector and the Organised Private Sector, grew more steeply than in the previous year. Despite the significant gains in nominal wages, there was an erosion of real wages for almost all categories of workers during the year due to the rapid rise in prices.

WAGE RATE INDEX NUMBERS

DECEMBER 1978 = 100
QUARTERLY



Central Bank of Sri Lanka.

Organised Sector

Nominal wages for all government employees as measured by their nominal wage rate index rose sharply by 13.0 per cent in 1990, compared to a growth of 8.2 per cent recorded in the previous year. This was due to the two special allowances granted to public sector employees drawing middle and low level salaries, to compensate for inflation. From January 1990, a special allowance of Rs. 200 was paid to employees who were on a combined initial salary step of Rs. 2,000 or less, while from November of the year a further allowance of Rs. 300 or Rs. 200 was payable to those on a combined initial salary step of Rs. 2,000 or less or between Rs. 2,001 and 3,000, respectively. However, despite these allowances there was a significant deterioration of real wages by 7.1 per cent in the overall public sector during the year. Real wages in the public sector declined by 2.8 per cent in 1989.

TABLE 1.35

Wage Rate Index Numbers (December 1978 = 100)

	1989		1990		Percentage Change 1990 over 1989	
	Nominal Wage Rate Index	Real Wage Rate Index	Nominal Wage Rate Index	Real Wage Rate Index	Nominal Wage Rate Index	Real Wage Rate Index
1. Government Employees						
All Non-Executives	396.0	114.4	439.6	104.3	11.0	-8.8
Minor Employees	444.6	128.4	513.5	121.8	15.5	-5.1
All Central Government Employees	421.8	121.9	476.8	113.2	13.0	-7.1
Govt. School Teachers	367.8	106.3	404.5	96.0	10.0	-9.7
2. Workers in Wages Boards & Trades						
Workers in Agriculture	435.9	125.7	517.2	122.7	18.7	-2.4
Workers in Industry & Commerce	334.9	96.6	379.5	89.9	13.3	-6.9
Workers in Services	245.9	71.0	267.8	63.5	8.9	-10.6
Workers in Wages Boards & Trades	388.1	112.0	453.5	107.6	16.9	-3.9

Sources: Department of Labour
Central Bank of Sri Lanka

Nominal wages of Non-Executive Officers and Minor Employees rose by 11.0 per cent and 15.5 per cent respectively in 1990, as compared to increases of 8.8 per cent and 7.4 per cent in the previous year. As in the previous year, a deterioration of real wages was recorded for both these categories. Growth in nominal wages of government school teachers slowed down slightly in 1990 when compared with the previous year. An increase of 10.0 per cent was recorded for this category in 1990, while the corresponding figure for 1989 was 10.9 per cent.

In the Organised Private Sector, which comprises trades covered by wages boards, overall nominal wages advanced by 16.9 per cent in 1990, as compared to a 15.6 per cent increase in 1989. In contrast to the previous year when real wages improved, a deterioration

of real wages of 3.9 per cent was recorded for 1990. Wages for workers in agriculture recorded a 18.7 per cent growth in nominal terms, compared to a 15.2 per cent growth in 1989. For this category of workers, real wages deteriorated by 2.4 per cent. The 13.3 per cent growth in nominal wages of workers in industry and commerce fell far short of the impressive wage growth achieved by this category in 1989 (23.3 per cent). Their real wages which improved last year, dropped in the year under review. As was observed in the previous year, growth in wages of workers in services fell short of those of the other categories. Nominal wages grew by only 8.9 per cent for this category of workers in 1990, as compared to 7.1 per cent in 1989.

During the year, an increase of Rs. 200 was granted to workers in several trades covered by wages boards. Minimum wages were increased in the Batik, Match Manufacturing, Cinema, Brick and Tile Manufacturing, Paddy Hulling, Glassware and Bakery Trades in 1990.

EMPLOYMENT

According to provisional estimates, employment in the private sector increased in 1990. In contrast, employment in the public sector decreased marginally. Within the public sector, employment in semi-government institutions decreased significantly.

Estimates of public sector employment in Government and Semi-Government institutions are based on data collected by the Statistics Department of the Central Bank through a Survey on Public Sector Employment. The data thus collected on Government Sub-Sector employment are further reconciled with annual employment estimates of the Treasury. According to provisional estimates, total public sector employment decreased by 1.5 per cent and stood at 1,318,150 as at end of 1990. Employment in government institutions which includes all employees of government ministries, departments, provincial councils and local government institutions was estimated at 609,750 as at end of 1990, an increase of 3.6 per cent over 1989. This increase was due mainly to the growth of employment in the Service Worker category including defence personnel while employment in other categories either decreased or remained unchanged. Employment in semi-government institutions such as public corporations, statutory boards and public sector banks stood at 708,400 as at end of 1990 registering a substantial decrease of 5.5 per cent over the previous year.

The classification of employment by occupational categories disclosed that manual workers numbering 529,850 were the largest single group of employees in the public sector accounting for 40.2 per cent of the total. However, the number employed in this category declined by 2.2 per cent in 1990 when compared to 1989. The total number of estate workers who constituted the largest proportion of manual workers decreased by 1.6 per cent from 400,500 as at end of 1989 to 394,100 as at end of 1990.

Professional, Technical and Related Workers numbering 249,500 were the second largest category of employees in the public sector in 1990. This category accounted for 19 per cent of the total employees in the public sector. Nearly 70 per cent of workers in this category in the Government Sub-Sector was school teachers. Clerical and Related Workers numbering 220,700 was the third largest category of employees in the public sector.

In 1990, service workers as a single occupational category in the public sector numbering 198,300 registered the highest increase in employment (nearly 20 per cent).

A sex-wise breakdown showed that 78.7 per cent of those employed in the public sector was males. The ratio of male employees in government institutions excluding defence

personnel was 71.5 per cent. Male employees accounted for a higher proportion of 85.5 per cent in semi-government institutions. The highest number of females was employed in the categories of Clerical and Related Workers and Professional, Technical and Related Workers.

Owing to the non-availability of an annual series of data on employment in the private sector, other indicators were used to assess the level of employment in that sector. The number of employees registered with the Employees' Provident Fund (EPF) increased by 4.3 per cent to 4,665,134 as at end of 1989. The number of active accounts with the EPF increased from 1,175,444 to 1,188,757 during the same period showing an increase of 1.1 per cent. The total number of private sector employees in Approved Provident Funds was 82,778 as at end of 1990, which was an increase of 44.6 per cent over the previous year.

Enterprises operating under the Greater Colombo Economic Commission (GCEC) continued to expand in the year under review. As at end of 1990, the total number employed in GCEC enterprises stood at 71,585 showing an increase of 16.5 per cent over 1989. These employment opportunities were provided by 120 projects, of which 65 projects were situated within the Katunayake Investment Promotion Zone. Other projects were in the Biyagama Investment Promotion Zone and outside the GCEC area.

Steps were taken by the Government to further expand its programmes on poverty alleviation and self employment. As a sequel to this, credit facilities provided under various loan schemes for self employment and income generating activities have expanded. Recent studies disclose that a significant proportion of those who have borrowed under these schemes has invested in income generating activities thereby creating new employment opportunities. Furthermore, the favourable economic growth experienced in 1990 would also have led to additional employment creation in the country. Meanwhile, foreign job order approvals by the Sri Lanka Bureau of Foreign Employment showed a substantial increase of 21.5 per cent in 1990 when compared with 1989.