

PRICES, WAGES AND EMPLOYMENT

OVERALL PRICE CHANGES

In 1991, the annual average increase in the Colombo Consumers' Price Index was contained at 12.2 per cent. This, although still high in absolute terms, represents a very commendable improvement over the corresponding annual average increase of 21.5 per cent experienced in 1990. Reflecting the declining trend in the level of price changes, the point to point increase in the Colombo Consumers' Price Index in December, 1991 (i.e., December 1991 over December 1990) was 9.0 per cent, in contrast to the higher increase of 19.6 per cent in December 1990. The decline in the rate of price increases was apparent at the primary market level as well, with the Wholesale Price Index registering an annual average increase of only 9.2 per cent in 1991. The corresponding increase in 1990 was 22.2 per cent.

Reduction in the administered prices of bread and wheat flour in January 1991, together with weather patterns that had a favourable effect on the supply position of some agricultural commodities, were important factors in cushioning the rate of price increases during the year. Following the usual seasonal pattern, the price increase was low in the first quarter. The rise in prices experienced in the second quarter was dampened in the third quarter with the commencement of the Yala harvest. In fact, the overall price level declined in the third quarter. However, a sharp increase in the price level was experienced in the fourth quarter.

Efforts at curbing inflation through demand management continued. Contractionary monetary policy measures were in force by way of selective credit ceilings, rationalisation of refinance facilities, a further upward revision of Bank Rate and active open market operations in Treasury bills. Even though monetary expansion continued, the rate of growth of net credit to the private sector was less in 1991 than in 1990.

Consumer Prices

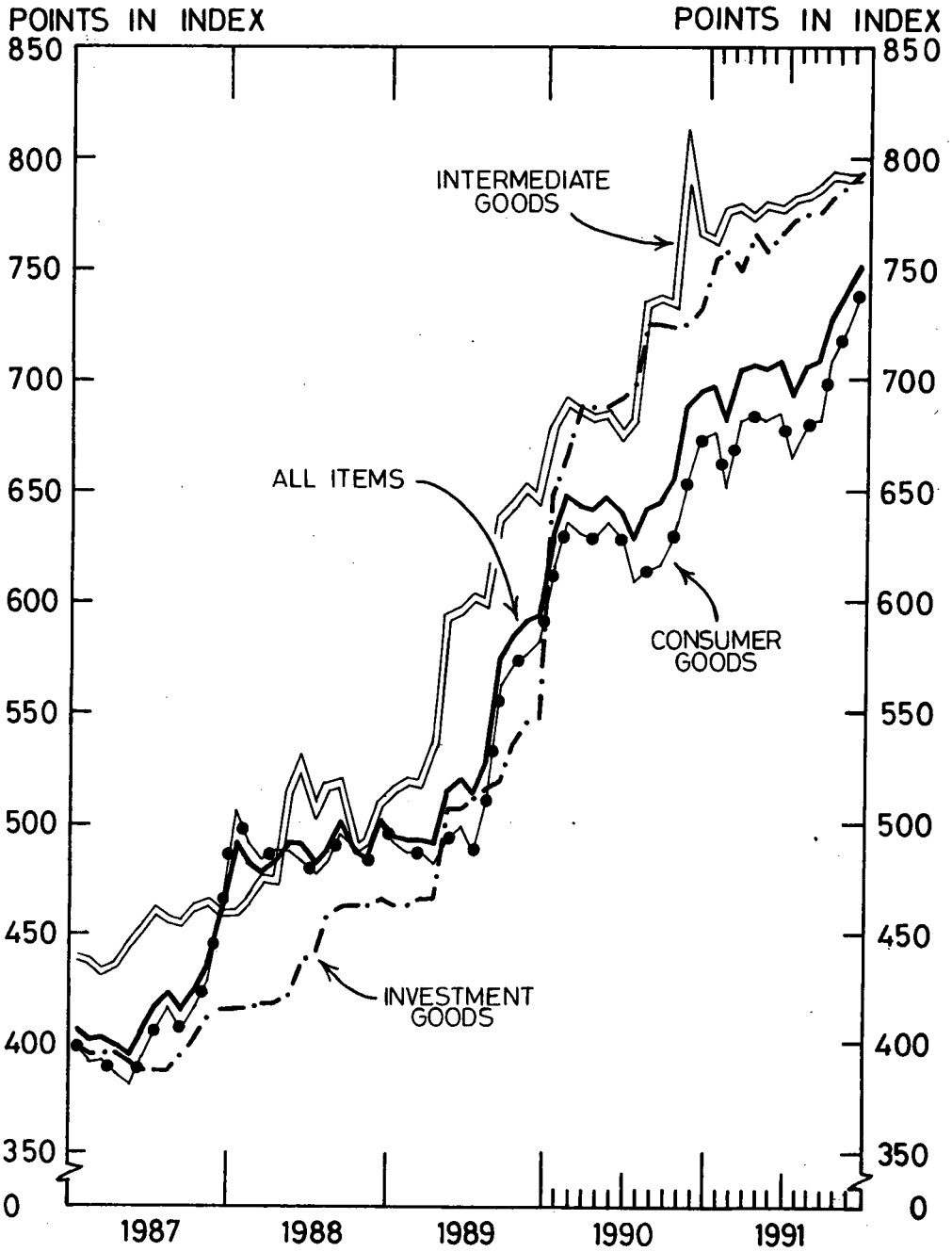
The Colombo Consumers' Price Index recorded an annual average increase of 12.2 per cent in 1991, a significant deceleration from the 21.5 per cent rise recorded in 1990. Slower increases in the prices of food and clothing were the main causes for the reduction in the rate of expansion. Although the decline in the rate of increase is commendable, the absolute increase in prices continued to be high. Higher prices of food contributed 71.8 per cent of the total increase while the contributions from clothing, fuel and light and miscellaneous items were 5.6 per cent, 4.6 per cent and 16.6 per cent, respectively.

In contrast to 1990, when a significant rise in the price level was recorded in the first quarter, price increases in the first quarter of 1991 were minimal. The reduction in the administered prices contributed largely to this favourable development. Prices rose appreciably in the second quarter, but actually declined from June to September. A sharp rise in prices was seen in the last three months of the year.

The Sub Index for Food, which has a weight of 61.9 per cent in the Index, rose by 11.9 per cent in 1991 as against an increase of 23.3 per cent in 1990. The reduction in the administered prices of bread and wheat flour not only had a direct impact in reducing the growth of food prices, but had an indirect impact too by helping to hold down the price of rice through the substitution effect. The average price of rice which rose by 24.5 per cent in 1990, increased only by 0.4 per cent in 1991. Favourable weather conditions helped to

WHOLESALE PRICE INDEX

1974 = 100
MONTHLY



Central Bank of Sri Lanka.

TABLE 1.34
Colombo Consumers' Price Index (1952 = 100)

	Average		Annual Average Percentage Change		Point to Point Percentage Change	
	1990	1991	1990 over 1989	1991 over 1990	December 1990 over December 1989	December 1991 over December 1990
All Items	1008.6	1131.5	21.5	12.2	19.6	9.0
Commodity-wise						
Food	1090.9	1220.3	23.3	11.9	20.8	9.4
Clothing	610.2	678.4	24.5	11.2	12.7	9.3
Fuel & Light	1934.1	2252.5	12.5	16.5	22.8	4.9
Rent	109.8	109.8	-	-	-	-
Miscellaneous	1021.0	1146.0	18.7	12.2	16.6	9.7

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

produce a satisfactory supply of agricultural commodities such as vegetables and pulses, thus maintaining a much slower growth of the prices of these commodities in 1991 than in the previous year. In addition, a decrease was experienced in the price of sugar while the growth in the price of milk foods was slower in 1991. These favourable trends were offset however by large increases in the prices of fish and dried chillies. A shortfall in supply caused the price of coconuts to rise appreciably, and with a rise in world market prices of coconut products, the price of coconut oil increased correspondingly.

The Sub Index for Clothing increased by 11.2 per cent on an annual average basis. This was much lower than the 24.5 per cent increase in the previous year. On a point to point basis, the increase was 9.3 per cent in 1991 as compared to 12.7 in 1990.

The highest increase (16.5 per cent) was recorded in the Sub Index for Fuel and Light. This was mainly due to the full impact of the increase in the price of kerosene in 1990 being felt during this period. Price increases in commodities such as soap, cigarettes and alcohol led to a 12.4 per cent increase in the Sub Index for Miscellaneous Items. The corresponding increase in 1990 was 18.7 per cent.

Wholesale Prices

The decline in the growth of prices in 1991 was reflected at the primary market level as well, with the annual average increase in the Wholesale Price Index being only 9.2 per cent in 1991, as opposed to a 22.2 per cent rise in the corresponding period in 1990. On a point to point basis (December 1991 over December 1990), the Index registered an increase of 8.1 per cent.

In the wholesale prices too, the major cause for the decline in the growth rate was the slower growth of food prices. The annual average value of the Sub Index for the Food category grew by 8.3 per cent in 1991, whereas it rose by 21.7 per cent in 1990.

Among the sub groups, the largest increases were recorded in the Sub Indices for Petroleum Products, Chemicals and Chemical Products, Alcoholic Drinks and Transport

Equipment. The full impact of the increases in the prices of petroleum products was felt in 1991, causing the Sub Index for Petroleum Products to rise sharply. Increases in the prices of paints, fertiliser and pharmaceutical products were the main reasons for the rise in Chemicals and Chemical Products prices, while the expansion in the Sub Index for Transport Equipment was primarily due to increases in the prices of tyres and automotive batteries.

The sector-wise classification indicated that the Sub Index for the Domestic Group increased much more significantly than either the Import Group or the Export Group. The annual average Index value of the Domestic Group rose by 11.9 per cent in 1991 while the Import and Export Groups grew by 6.1 per cent and 7.5 per cent, respectively. A decrease in the prices of all elevational categories of tea moderated the growth in the Export Group, while a drop in the price of wheat flour had a similar impact on the Import Group.

TABLE 1.35
Wholesale Price Index (1974 = 100)

Item	Average		Annual Average Percentage Change		Point-to-Point Percentage Change	
	1990	1991	1990 over 1989	1991 over 1990	December 1990 over December 1989	December 1991 over December 1990
Commodity Wise						
All Items	651.1	710.8	22.2	9.2	17.0	8.1
Food	599.1	649.1	21.4	8.3	14.7	9.9
Alcoholic Drinks	668.9	776.4	16.7	16.1	11.1	14.4
Textiles & Footwear	404.7	426.3	17.8	5.3	18.8	3.4
Paper Products	722.4	747.4	31.3	3.4	30.4	-1.7
Chemicals &						
Chemical Products	423.8	495.4	45.2	16.9	40.0	23.2
Petroleum Products	938.4	1105.1	23.1	17.8	31.3	-
Non-Metallic Products	1131.4	1262.1	53.7	11.6	53.6	9.4
Metal Products	568.6	566.5	21.1	-0.4	-0.7	0.6
Transport Equipment	505.4	568.4	27.7	12.5	24.7	6.4
Electrical Appliances & Supplies	532.7	600.3	24.5	12.7	4.8	13.6
Machinery	375.1	409.7	31.3	9.2	34.6	7.5
Fuel & Light	1233.6	1289.4	23.0	4.5	16.4	0.1
Miscellaneous	1167.6	1214.8	11.0	4.1	4.2	3.4
Sector Wise No. I						
Domestic Group	590.3	660.5	26.7	11.9	22.5	6.0
Import Group	578.8	614.3	26.2	6.1	16.5	6.0
Export Group	874.2	939.8	13.2	7.5	9.8	13.0
Sector Wise No. II						
Consumer Goods	631.3	688.5	21.5	9.1	15.7	9.7
Intermediate Goods	714.1	781.1	21.4	9.4	18.6	3.1
Investment Goods	700.3	769.3	39.1	9.8	33.9	8.4

Source: Central Bank of Sri Lanka

In the end-use classification, Consumer Goods increased by 9.1 per cent, while Intermediate Goods and Investment Goods rose by 9.4 per cent and 9.8 per cent, respectively. These rates were much lower than the 21.6 per cent, 22.0 per cent and 37.8 per cent recorded, respectively, by the sub-indices in 1990.

WAGES

In 1991, the rise in the nominal wages in the Government Sector was similar to the increase in 1990, while nominal wages in the Organised Private Sector rose slightly less than in 1990. However, because of the much lower rate of increase in prices in 1991, compared with 1990, these groups experienced no change in their real wages.

Organised Sector

Nominal wages for all Central Government Employees rose by 12.1 per cent in 1991, compared with an increase of 13.0 per cent in 1990.

Government School Teachers' nominal wages rose by 10.0 per cent in 1991, an increase similar to that seen in 1990. Although nominal wage increases were similar in both years, the smaller rise in the overall price level implied that the real wage index for all Central Government Employees remained unchanged in 1991. This was in contrast to a decline of 7 per cent in 1990. A breakdown of this aggregate real wage index into its constituent elements revealed that Non-Executive Officers suffered a slight reduction in their real wages, whereas Minor Employees enjoyed a small increase in their real wages. Government School Teachers however continued to suffer a deterioration in their real wages, though the decrease in real wages was smaller in 1991 than in 1990.

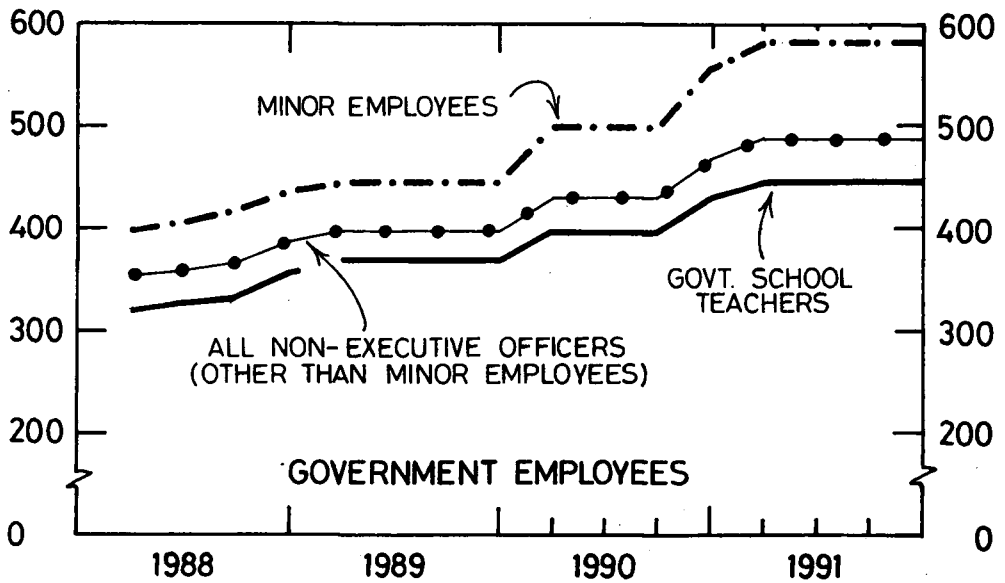
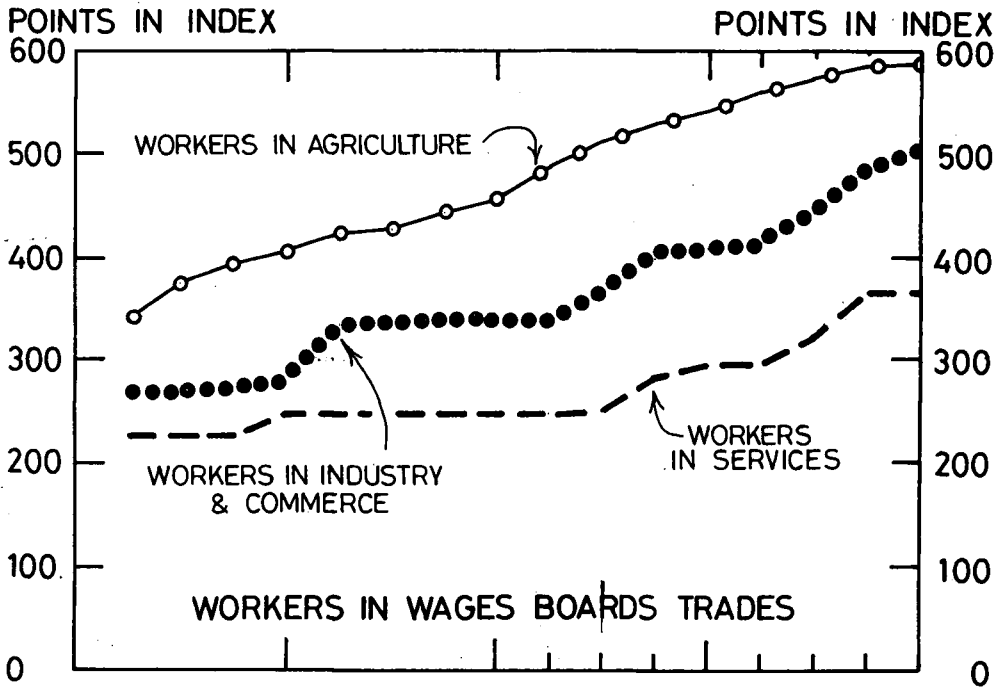
TABLE 1.36
Wage Rate Index Numbers
(December 1978 = 100)

	1990		1991		Percentage Change 1991 over 1990	
	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	439.6	104.3	488.2	103.3	11.1	- 1.0
Minor Employees	513.5	121.8	582.3	123.3	13.4	1.2
All Central Government Employees	476.8	113.2	534.6	113.2	12.1	-
Govt. School Teachers	404.5	96.0	444.8	94.2	10.0	- 1.9
2. Workers in Wages Boards & Trades						
Workers in Agriculture	517.2	122.7	577.7	122.2	11.7	- 0.4
Workers in Industry & Commerce	379.5	89.9	459.6	97.1	21.1	8.0
Workers in Services	267.8	63.5	336.5	71.1	25.7	12.0
Workers in Wages Boards & Trades	453.5	107.6	518.8	109.7	14.4	2.0

Sources: Department of Labour
Central Bank of Sri Lanka

WAGE RATE INDEX NUMBERS

DECEMBER 1978 = 100
QUARTERLY



Central Bank of Sri Lanka.

In the Organised Private Sector, which comprises trades covered by Wages Boards, overall nominal wages increased by 14.4 per cent in 1991, as compared to a 16.9 per cent in 1990. Even though the growth in nominal wages slowed down in 1991, the real wages increased by 2.0 per cent in 1991 in contrast to a 3.9 per cent decline in 1990. Under the Wages Boards, Workers in Industry and Commerce had an increase of 21.1 per cent in nominal wages and 8.0 per cent increase in real wages, while Workers in Services had a 25.7 per cent increase in nominal wages and a 12.0 per cent rise in real wages. Workers in Agriculture however suffered a marginal decline of 0.4 per cent in real wages, although their nominal wages rose by 11.7 per cent.

An increase in the minimum wages was granted in several trades during 1991. The minimum wage increased by Rs.200 per month in five trades covered by the Wages Boards and increased by Rs.300 per month in 25 trades covered by Wages Boards. Three trades that had their minimum wage increased by Rs.200 per month in the early part of the year were also given the Rs.300 increase subsequently.

EMPLOYMENT

Provisional information on employment indicates that in both the organised and unorganised private sectors employment grew, while in the state sector employment continued to drop in 1991.

Public sector employment estimates are based on data collected through a survey of government and semi-government institutions. These data are further reconciled with annual employment estimates of the Treasury. According to provisional estimates, total employment in the state sector decreased by 3.3 per cent and stood at 1,307,000 by the end of 1991. Employment in government institutions, which included central government ministries and departments as well as the provincial government and local government sub sectors, was estimated to be 652,600 at the end of 1991, registering an increase of 0.6 per cent over 1990. The increase in total employment was mainly due to the growth in employment in the Service Worker category inclusive of defence services personnel. This category comprised a large proportion of casual employees. When Service Workers are excluded, employment in the rest of the government sector declined by 6.8 per cent. In the semi-government sub sector which includes Public Corporations, Statutory Boards, Government Owned Business Undertakings and State Banks, overall employment was estimated to have dropped by 6.9 per cent.

In October 1990, with the objective of reducing the size of the public service, a scheme providing incentives for early retirement was introduced. Under this scheme, 44,066 public servants had opted to retire by the end of 1991. This contributed towards the reduction in employment in most categories within the government sub-sector. The peoplisation of the Sri Lanka Transport Board, a large employer, as well as privatisation of several other semi-government institutions contributed largely towards the reduction in the size of employment in the semi-government sector.

The classification of employment by occupational categories did not reveal any significant change from the previous year. The largest single group of employees in the public sector continued to be manual workers numbering 501,000. A decline of 5.3 per

cent in employment was recorded in this category. The drop in employment of estate labour in the State Plantations by 5.8 per cent was mainly responsible for this decline. Total employment of estate labour in the two State Plantation Corporations was estimated at 371,100 at the end of 1991 as compared to 394,100 at the end of 1990.

Professional, Technical and Related Workers were estimated to number 248,700 in 1991 and accounted for 19.0 per cent of total employment in the public sector. Employment in this category was estimated to have dropped by 6.0 per cent. School teachers who accounted for 73.4 per cent of total employment within the government sub-sector recorded a decline in employment of 4.4 per cent. This was largely due to many teachers opting for early retirement under the incentive scheme. In contrast, the number of doctors in the government sub-sector increased by 9.8 per cent to 4,500 as a result of appointments given to the back-log of medical graduates passing out since the re-opening of Universities. Clerical and Related Workers in the total state sector were estimated at 202,700 in 1991 reflecting a decrease of 8.0 per cent during the year. Service Workers category which was estimated to number 253,900 experienced an increase in employment of 14.3 per cent in 1991.

As time series data on employment in the private sector are not available, indicators such as employees registered in Provident Funds were used to assess the employment situation in the organised private sector. The number of active accounts in the Employees Provident Fund was estimated to have increased by 6.7 per cent from 1,188,757 to 1,267,835 in 1990. The total private sector employment in Approved Provident Funds was estimated to have increased by almost 25 per cent in 1991 over the previous year.

Employment in enterprises operating under the Greater Colombo Economic Commission (GCEC) expanded by 19.4 per cent during 1991. Of the total employment of 85,457 as at December 1991, 78 per cent were females. Around 57 per cent of the employment in GCEC enterprises was in the Katunayake Export Promotion Zone in which 71 projects were in commercial operation. The Koggala Export Promotion Zone which was established in mid-1991 is expected to provide employment to 20,000 persons.

The government continued to place emphasis on poverty alleviation through self-employment. Credit facilities continued to be extended under loan schemes for income generating activities. Of the first and second round Janasaviya families, 94,861 were reported to be already successfully established in income generating activities by the end of 1991. A further 58,704 families have availed themselves with credit facilities and are in the process of establishing themselves in income generating activities.

Despite the temporary set-back to foreign employment opportunities in West Asia during the first three months of 1991, as a consequence of the Gulf crisis, a sharp recovery in the number of expatriate workers going abroad on employment was observed after the end of the crisis. A total of 65,007 persons was found to have secured employment abroad through licensed agencies and the Sri Lanka Foreign Employment Bureau (SLFEB) in 1991. This was an increase of 52.5 per cent over the previous year. However, an airport survey conducted by the Sri Lanka Foreign Employment Bureau revealed that the number securing employment through licensed agencies and the Bureau was only approximately one half of those actually securing foreign employment.