

# PRICES, WAGES AND EMPLOYMENT

## OVERALL PRICE CHANGES

The year 1992, taken as a whole, witnessed a slight moderation in the average rate of price increase compared with the previous year. The average annual rate of increase of the Colombo Consumers' Price Index (CCPI) was 11.4 per cent in 1992, in comparison to 12.2 per cent in 1991. However, on a point to point basis (December 1992 over December 1991), the Index at the end of the year registered an increase of 13.8 per cent, compared to 9.0 per cent in 1991, reflecting a moderate upsurge in prices during the closing months of 1992. At the primary market level too, the deceleration in the rate of increase in prices was evident, with the annual average of the Wholesale Price Index (WPI) rising by only 8.8 per cent compared to 9.2 per cent in 1991.

The trend of deceleration in the rate of price increase observed since 1991 was evident in the first half of 1992, particularly during the first quarter of the year. The stability in the prices of major items such as wheat flour, bread and kerosene and the improved supply position of essential food items such as rice, vegetables and dried chillies in the Maha season were the major contributory factors for the easing of price pressure during the first quarter of 1992.

A slight reversal of the declining trend in prices of major items was evident since May 1992. This development was partly seasonal with the Maha season coming to an end and the return of price increases usually experienced during this period. This trend was further accentuated by the increase in the defence levy from 1 per cent to 3 per cent in May, a factor which exerted an impact on the prices of some essential items such as sugar, milk powder and medicine.

In the last few months of the year, there was once again a reversal of the declining trend in the annual average price increase. A primary reason of this change was the impact of the drought on the production of food commodities in the Yala season. As a consequence of the upward trend in the prices of major items in the closing months of the year, the overall annual average change in the consumer price index which was 10.4 per cent as at August 1992 rose to 11.4 per cent by December 1992.

On the demand side, the acceleration in the rate of growth of monetary aggregates during the early part of 1992 resulted in generating further pressure on the general price level. A tight monetary policy stance continued to be in force during the year, with the Central Bank relying on market based measures to control liquidity. The major thrust of monetary policy in 1992 was on open market operations. These policy measures would no doubt have helped in containing the rate of inflation during the year.

## PRICES

### Consumer Prices

The annual average of the Colombo Consumers' Price Index (CCPI) rose by 11.4 per cent in 1992 reflecting a slight deceleration in the rate of increase in prices, compared with the 12.2 per cent increase in 1991. The moderation in price pressure was due to slower increases in the prices of Clothing and Fuel and Light. In 1992, the overall

**TABLE 1.35**  
**Colombo Consumers' Price Index (1952 = 100)**

	Average		Annual Average Percentage Change		Point to Point Percentage Change	
	1991	1992	1991 over 1990	1992 over 1991	December 1991 over December 1990	December 1992 over December 1991
All Items	1131.5	1,260.4	12.2	11.4	9.0	13.8
Commodity-wise						
Food	1220.3	1,366.0	11.9	11.9	9.4	14.6
Clothing	678.4	723.6	11.2	6.7	9.3	5.1
Fuel & Light	2252.5	2,334.3	16.5	3.6	4.9	3.2
Rent	109.8	109.8	—	—	—	—
Miscellaneous	1146.0	1,318.7	12.2	15.1	9.7	19.5

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

increase in the prices of food items was similar to that of the previous year while prices of miscellaneous items rose more sharply than in 1991. A noticeable rising trend was seen in prices during the last four months of the year. The increase was particularly significant in the closing month, resulting in a 13.8 per cent point to point increase in the index in December 1992, compared to a rise of 9.0 per cent in December 1991.

The deceleration in the rate of price increase which began in 1991, continued in the first eight months of 1992, although the absolute level continued to rise. The growth in consumer prices was caused mainly by the increases in the food category, particularly towards the end of the year. The rise in the prices of food contributed 73 per cent of the total increase, while the contributions from clothing, fuel and light and miscellaneous categories were 3.3, 2.7 and 21.0 per cent, respectively.

The sub index for food, which has a weight of 61.9 per cent in the Index, rose by 11.9 per cent in 1992. Although this increase was the same as that experienced in 1991, the index displayed greater volatility in 1992. While its rate of growth in the first few months of 1992 was considerably lower than that of the corresponding period in 1991, the growth rates in the second quarter of 1992 were higher. Seasonal factors caused a moderation in price increases during the first and third quarters of the year. Prices, however, began rising significantly in the fourth quarter, reaching a peak in December.

This acceleration in December resulted in the point to point increase reaching 13.8 per cent in December 1992, compared to 9.0 per cent in December 1991. The prolonged and severe drought that prevailed during December 1991 to about April 1992 had adverse repercussions on the production of many food crops, with consequent impact on prices. The Yala paddy crop was severely affected, with output decreasing by approximately 15 per cent. Rice prices, which dropped during the period February to April, began rising thereafter, unlike in 1991 when low prices continued until about September. Thus, despite a 60 per cent increase in imports, rice prices rose by about 11 per cent in 1992. The impact of the reduction in the administered price of wheat flour at the beginning of the fourth quarter had only a marginal impact on the index. Although overall coconut production increased in 1992, high world market prices for coconut oil and

increased exports of kernel products caused the price of coconuts and coconut oil to remain high. In addition, the impact of the drought, which has a lagged effect on output, was reflected in very high prices of coconuts in the last few months of the year. Good harvests for onions, chillies and potatoes resulted in their average prices recording decreases in 1992. These declines were however more than offset by the increases in the prices of vegetables and fish, in general. The increases in the prices of sugar and milk foods also contributed to the rise in the Food sub index.

The increases in the sub-indices for Clothing and Fuel and Light in 1992 were much less than in 1991. The increase in the sub index for Clothing was 6.7 per cent in 1992 as against a rise of 11.2 per cent in 1991, while the Fuel and Light sub index rose only by 3.6 per cent, compared to the 16.5 per cent increase in 1991. Although a fuel surcharge was imposed on the electricity tariff in the middle of the year, it was not applicable to households consuming less than a certain minimum quantity of electricity. As the CCPI measures the price impact on low income groups, where the consumption is normally below this minimum, the surcharge did not affect the Index. On a point to point basis too, the increases in the sub indices of these two categories in December 1992 were lower than the corresponding increases in 1991.

A comparatively large increase of 15.1 per cent was experienced in the sub index for the Miscellaneous category in 1992. On a point to point basis, the Miscellaneous group recorded an increase of 19.5 per cent in December 1992, compared with a rise of 9.7 per cent in December 1991. In this category, significant increases were recorded in liquor and tobacco prices, caused partly by upward revisions in excise taxes and the defence levy. The effect of the drought was felt in large increases in price levels of betel and arecanut.

### **Wholesale Prices**

The decline in the rate of increase of prices in 1992 was also reflected at the primary market level with the Wholesale Price Index increasing by 8.8 per cent as against a rise of 9.2 per cent in 1991. Unlike in the consumer price index, however, no clear trend was discernible at the wholesale price level. Minor fluctuations occurred in the index throughout the year. On a point to point basis, the Index rose by 8.0 per cent in December 1992. The corresponding increase in 1991 was marginally higher, at 8.1 per cent.

Decreases in the prices of Textiles and Foot-wear and Paper Products and slower growth in the prices of Chemicals and Chemical Products, Petroleum Products all contributed to containing the rate of growth of the Index in 1992. The increase in the Food sub index was, however, higher in 1992 – 10.9 per cent in 1992 as compared to 8.3 per cent in 1991. Increases in growth rates were also recorded in the sub indices for Metal Products and Miscellaneous Products. The rise in the Food sub index was due in a large measure to the increases in the prices of paddy, coconuts and coconut oil, vegetables and fish. A major cause for the decline in the Textiles and Footwear sub index was the decrease in the price of raw cotton.

The sector-wise classification indicated that unlike in 1991, when the Domestic group had the most significant rise, in 1992 the most prominent increase was in the Export group. The rise in the Export group was 18 per cent in 1992, while the increase of this group in 1991 was only 7.5 per cent. This expansion was mainly due to the increase in the prices of rubber, coconut oil and some other prices. Both the Domestic Group

**TABLE 1.36**  
**Wholesale Price Index (1974 = 100)**

Item	Average		Annual Average Percentage Change		Point to Point Percentage Change	
	1991	1992	1991 over 1990	1992 over 1991	December 1991 over December 1990	December 1992 over December 1991
<b>Commodity Wise</b>						
All Items	710.8	773.0	9.2	8.8	8.1	8.0
Food	649.1	720.0	8.3	10.9	9.9	8.4
Alcoholic Drinks	776.4	886.7	16.1	14.2	14.4	18.1
Textiles & Footwear	426.3	418.7	5.3	-1.8	3.4	-2.0
Paper Products	747.4	704.9	3.4	-5.7	-1.7	-2.8
Chemicals &						
Chemical Products	495.4	531.0	16.9	7.2	23.2	4.6
Petroleum Products	1,105.1	1,135.7	17.8	2.8	-	5.9
Non-Metallic						
Products	1,262.1	1,356.0	11.6	7.4	9.4	12.6
Metal Products	566.5	588.4	-0.4	3.9	0.6	5.7
Transport						
Equipment	568.4	623.2	12.5	9.6	6.4	13.9
Electrical Appliances & Supplies	600.3	603.3	12.7	0.5	13.6	-2.6
Machinery	409.7	440.4	9.2	7.5	7.5	10.5
Fuel & Light	1,289.4	1,290.5	4.5	0.1	0.1	-
Miscellaneous	1,214.8	1,323.2	4.1	8.9	3.4	11.0
<b>Sector Wise No. I</b>						
Domestic Group	660.5	697.3	11.9	5.6	6.0	8.3
Import Group	614.3	634.4	6.1	3.3	6.0	-0.8
Export Group	939.8	1,109.2	7.5	18.0	13.0	13.9
<b>Sector Wise No. II</b>						
Consumer Goods	688.5	760.7	9.1	10.5	9.7	8.7
Intermediate Goods	781.1	807.4	9.4	3.4	3.1	4.9
Investment Goods	769.3	824.9	9.8	7.2	8.4	11.7

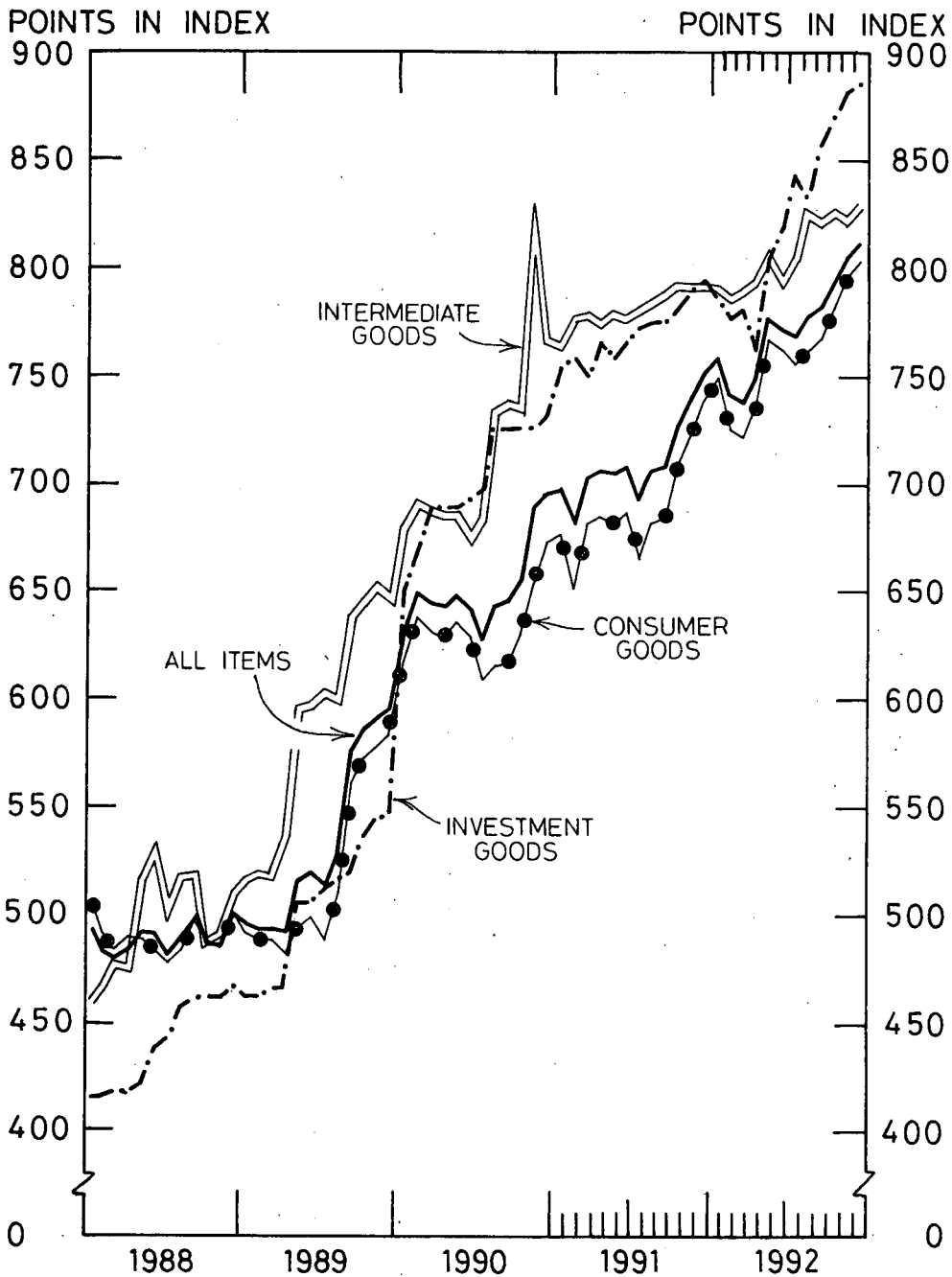
Source : Central Bank of Sri Lanka.

(5.6 per cent) and the Import Group (3.3 per cent), had lower rates of growth in 1992 than in 1991, when the increases were 11.9 per cent and 6.1 per cent, respectively.

In the end use classification, the Consumer Goods sub index recorded the highest increase of 10.5 per cent in 1992. This was affected to a large extent by the increases in the prices of food and alcoholic drinks. The rate of price expansion in the Intermediate goods category declined, significantly, from 9.4 per cent in 1991 to 3.4 per cent in 1992. In the investment goods category too, the rate of price increases declined with this sub-index expanding by 7.2 per cent in 1992 as compared with a rise of 9.8 per cent in 1991.

**WHOLESALE PRICE INDEX**

1974 = 100  
MONTHLY



Central Bank of Sri Lanka

## WAGES

In 1992, growth in the wages of government sector employees, as measured by the Wage Rate Index, was slower than in 1991. In fact wage increases were insufficient to compensate for rising prices and an erosion in real wages was recorded for all major categories of government sector employees. In the organised private sector, wage increases surpassed those of government employees. An overall increase in the real wage level was recorded for employees in trades coming under Wages Boards.

**TABLE 1.37**  
**Wage Rate Index Numbers**  
(December 1978 = 100)

	1991		1992		Percentage Change 1992 over 1991	
	Nominal Wage Rate Index	Real Wage Rate Index	Nominal Wage Rate Index	Real Wage Rate Index	Nominal Wage Rate Index	Real Wage Rate Index
<b>1. Government Employees</b>						
i. All Non-Executives	488.2	103.3	507.2	96.4	3.9	-6.7
ii. Minor Employees	582.3	123.3	609.9	115.9	4.7	-6.0
iii. All Central Government Employees	534.6	113.2	557.6	106.0	4.3	-6.4
iv. Govt. School Teachers	444.8	94.2	461.8	87.8	3.8	-6.8
<b>2. Workers in Wages Boards    &amp; Trades</b>						
i. Workers in Agriculture	577.7	122.2	664.0	126.1	14.9	3.2
ii. Workers in Industry & Commerce	459.6	97.1	510.8	97.1	11.1	-
iii. Workers in Services	336.5	71.1	365.9	69.6	8.7	-2.1
iv. Workers in Wages Boards & Trades	518.8	109.7	590.0	112.0	13.7	2.1

Sources : Department of Labour  
Central Bank of Sri Lanka

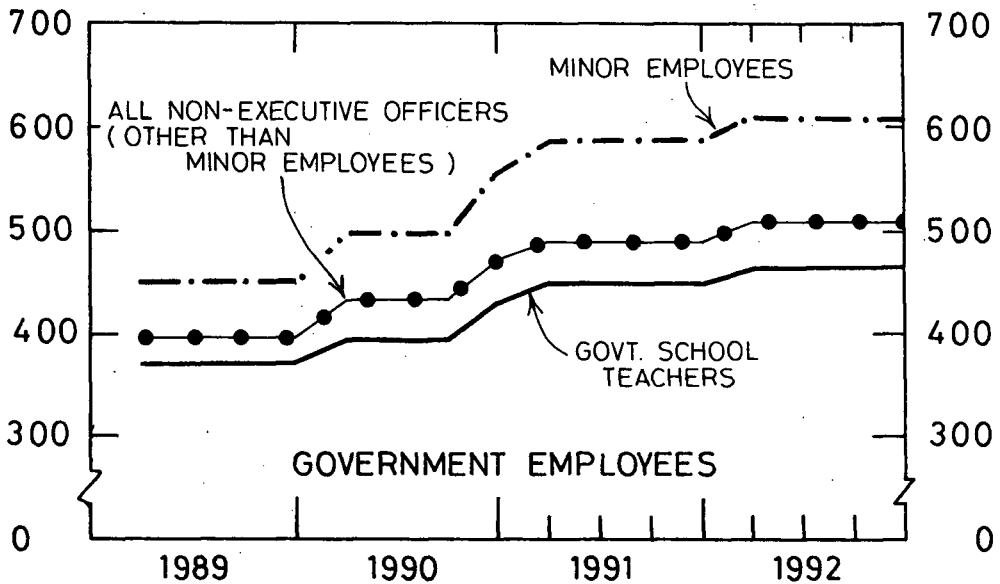
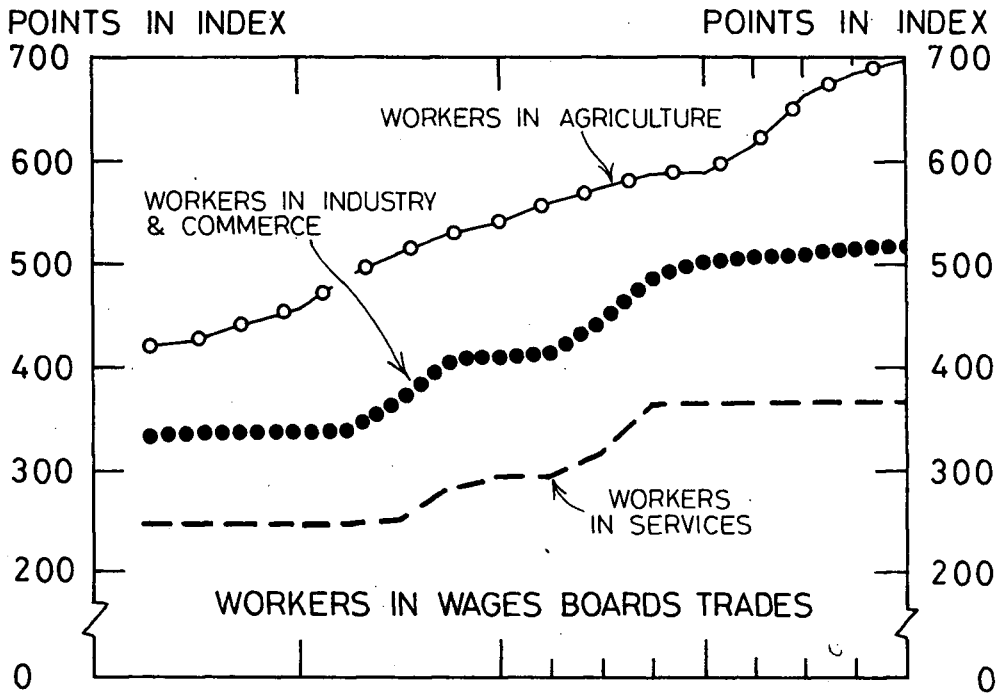
### Government Sector

With effect from January 1992, a special allowance of Rs.100/- was paid to all government sector employees whose initial combined monthly salary was less than Rs. 3,000/-. This resulted in a slight increase in the wage rate index for government employees which had remained static since November 1990. Overall, Nominal wages for All Central Government Employees rose by 4.3 per cent in 1992, in comparison to a 12.1 per cent increase in 1991. The real wage rate index of Central Government Employees declined by 6.4 per cent in 1992, whereas in 1991, the real wage rate index remained unchanged. The nominal wage rate index of Government School Teachers increased by 3.8 per cent in 1992, while the real wage rate index decreased by 6.8 per cent. The corresponding figures for 1991 were an increase of 10 per cent in the nominal wage rate index and a decline of 1.9 per cent in the real wage rate index.

# WAGE RATE INDEX NUMBERS

DECEMBER 1978 = 100

QUARTERLY



Central Bank of Sri Lanka.

A disaggregation of the data relating to Government Sector Employees reveals that the Minor Employees' category had a slightly higher increase (4.7 per cent) in their nominal wages than the Non-Executive Employees (3.9 per cent). Consequently, the erosion of the real wages of the Minor Employee category was 6.0 per cent compared with a decline of 6.7 per cent in the case of Non-Executive Employees. In 1991, the real wages of Non-Executive Employees declined by 1.0 per cent while the real wage index of the Minor Employees increased by 1.2 per cent.

### **Organised Private Sector**

In the Organised Private sector, which comprises trades covered by the Wages Boards, the minimum wage rates applicable to a number of trades under the Wages Boards were increased in 1992. The main trades affected were the Garment Manufacturing, Building, Coconut Manufacturing, Journalism, Printing and Tanning, Footwear and Leather Goods Manufacturing Trades.

Overall, nominal wages for all trades covered by the Wages Boards rose by 13.7 per cent in 1992, compared with an increase of 14.4 per cent in 1991. As a consequence of the smaller increase in price levels in 1992, the overall real wage index rose by 2.1 per cent in 1992, as compared to a 2.0 per cent increase in 1991. However, significant differences were seen in the major industrial categories coming under the Wages Boards. In 1991, the categories of Workers in Industry and Commerce and Workers in Services experienced increases in their real wages whereas Workers in Agriculture had suffered a marginal decline. In 1992, however, Workers in Agriculture enjoyed a 3.2 per cent rise in their real wages, while real wages of workers in Industry and Commerce remained unchanged. In contrast, Workers in Services faced a 2.1 per cent drop in their real wages in 1992.

### **EMPLOYMENT**

According to provisional estimates, employment in both Organised and Non-Formal Private sectors recorded significant increases, while employment in the public sector continued to decline in 1992.

Public sector employment estimates, which include employment in the Government sector and Semi-Government institutions, are based on data collected through a survey conducted by the Central Bank. The data so collected on Government sector employment are further reconciled with annual employment estimates of the Treasury. According to provisional estimates, the total employment in the public sector is estimated at 1,288,337 by the end of 1992. This is a decline of 1.4 per cent over the previous year. In 1991, total employment in the public sector declined by 3.3 per cent. This was partly due to the privatisation programme of State Institutions. Employment in Government institutions, which included Central Government Ministries and Departments as well as the Provincial Government and Local Government sub sectors, is estimated to be 653,959 at the end of 1992, registering a marginal increase of 0.2 per cent over 1991. The increase was largely reflected in the occupational category of Professional, Technical and Related Workers, in the sub category of teachers in particular. Employment in the Semi-Government sector which included public corporations, statutory boards, government owned business undertakings and state banks, registered a decline of 3.1 per cent over 1991, following the trend observed in the previous year.



The number employed in the occupational category of manual workers which was the largest single group of employees in the public sector in the past year, accounting for 38.3 per cent of total employment in that sector, dropped marginally by 1.5 per cent in 1992. Professional, Technical & Related Workers were estimated to number 256,526 in 1992 and accounted for 19.9 per cent of total employment in the public sector. Employment in this category is estimated to have increased by 3.1 per cent in 1992, in contrast to a decline of 6 per cent in 1991. Almost 69 per cent of workers in this category were school teachers while another 12 per cent comprised doctors, nurses and other health personnel. The recruitment of teachers, nurses and other health personnel in 1992 was the major contributory factor to the increase in the number employed in the Professional, Technical and Related Workers Category. Clerical and Related Workers in the State sector were estimated at 198,958 in 1992 reflecting a decrease of 1.8 per cent during the year. Meanwhile, the Service Worker category which was estimated to number 243,244 also experienced a decline of 4 per cent.

In the absence of time series data on employment in the private sector, other indicators such as employees registered in Provident Funds were used to assess the level of employment in the Organised Private sector. The number of active accounts with the EPF increased from 1,267,835 in 1990 to 1,341,086 in 1991, reflecting an increase of 5 per cent. The total private sector employment in Approved Provident Funds is estimated to have increased by 10 per cent in 1992 over the previous year. Thus, there was reasonable growth in employment in the Organised Private sector in 1992, albeit less commendable when compared with achievements in 1991.

Employment in enterprises operating under the Board of Investments of Sri Lanka (earlier known as the GCEC) continued to expand during 1992. The total number of employees in these enterprises at 104,220 by the end of 1992 reflected an increase of 22 per cent over 1991. Around 50 per cent of the employment in these enterprises was in the Katunayake Export Promotion Zone in which 80 projects were in operation in 1992. The Koggala Export Promotion Zone which commenced operations in mid-1991, provided employment to 3,474 persons in 1992.

The creation of self-employment through poverty alleviation programmes of the government is a useful indicator of the employment position in the Non-Formal sector. Credit facilities continued to be extended under loan schemes for income generating activities. Under the first and second rounds of the Janasaviya Programme, 159,224 were reported to have been successfully established in income generating activities by the end of 1992.

Foreign employment continued to help in easing the unemployment situation in the country, in 1992. An Airport Survey conducted by the Sri Lanka Foreign Employment Bureau (SLFEB) disclosed that in 1992 a total of 124,494 persons had secured employment abroad through licensed agencies and the SLFEB, as against 65,007 persons in 1991. In view of the fact that a large number of persons secure employment abroad through private channels, apart from licensed agencies and the SLFEB, the actual number securing employment abroad may be even greater. It is revealed that the number who have secured employment abroad through licensed agencies and the SLFEB is approximately one half of the total number securing foreign employment.