

PRICES, WAGES AND EMPLOYMENT

OVERALL PRICE CHANGES

In 1993, there was a slight reversal of the moderating trend in the rate of increase in prices observed in 1992. The annual average of the Colombo Consumers' Price Index (CCPI) increased by 11.7 per cent in 1993 compared to a rise of 11.4 per cent in 1992. However, on a point to point basis, (December 1993 over December 1992), the Index registered a lower increase of 10.3 per cent compared with 13.8 per cent in 1992 pointing to a possible easing of inflation in the future. The Greater Colombo Consumer Price Index (GCPI), which is a more representative index than the CCPI with a wider geographic and item coverage, registered an increase of only 8.4 per cent in 1993. This was an appreciable drop from the rate of increase registered by the GCPI in the previous year (9.4 per cent). The divergence in the behaviour of the CCPI and GCPI is largely attributable to the differences in weights for major items in the two indices. The Wholesale Price Index registered an increase of 7.6 per cent in 1993 compared to 8.8 per cent in 1992 also indicating a slowing down of price increases at the primary market level.

Significant seasonal movements in prices were observed in 1993. Favourable conditions in the Agriculture sector, particularly with respect to paddy and subsidiary food crop sub-sectors, resulted in increased supplies of major commodities in the market and low prices during the harvest seasons. The decline in prices during the period February to April and again in September was attributable to the impact of the Maha and Yala harvests, respectively. During the closing months of the year, seasonal factors as well as adverse weather conditions caused an upsurge in prices.

TABLE 1.38
Colombo Consumers' Price Index (1952 = 100)

ITEM	Average		Annual Average Percentage Change		Point to Point Percentage Change	
	1992	1993	1992 over 1991	1993 over 1992	December 1992 over December 1991	December 1993 over December 1992
All Items	1,260.4	1,408.4	11.4	11.7	13.8	10.3
Commodity-wise						
Food	1,366.0	1,519.4	11.9	11.2	14.6	10.0
Clothing	723.6	782.7	6.7	8.2	5.1	8.0
Fuel & Light	2,334.3	2,730.0	3.6	17.0	3.2	27.3
Rent	109.8	109.8	-	-	-	-
Miscellaneous	1,318.7	1,490.4	15.1	13.0	19.5	5.1

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

The price of wheat flour issued through the Food Department was revised in June and again marginally in October and November. This caused a rise in bread prices. Further, the price of kerosene was revised in June. The tariffs on electricity were revised during the year while the price of auto diesel was also revised moderately several times during the year. The Rupee depreciated further against the Dollar by about 7 per cent during 1993, pushing up prices of imported goods. These factors tended to off-set the downward impact on prices caused by the improved agricultural performance.

On the demand side, the expansionary impact of the growth in money supply resulting from the increased net foreign assets and domestic credit was felt on the price level. Further, demand pressures arising from the significant increases in real wages in the organised sector tended to push up prices. The Central Bank continued to resort to restrictive monetary policy measures in order to contain demand pressure on the price level. The increase in the reserve ratio against commercial bank deposits, active open market operations as well as the issue of Central Bank's own securities since October 1993 were among the measures taken to control liquidity.

PRICES

Consumer Prices

The increase in the overall average of prices in 1993 could be attributed to sharper increases in the prices of items in the fuel and light and clothing categories when compared with increases registered in 1992. Food prices registered a slightly lower increase when compared to last year while prices of items in the miscellaneous category also rose at a slower rate than in 1992.

Of the overall increase in prices, 66.6 per cent was due to food prices which have the largest weight in the Index. The contribution of the prices of clothing, fuel and light and miscellaneous items to the overall price increase was 3.8 per cent, 11.4 per cent and 18.2 per cent, respectively. It is notable that in the previous year food contributed to a higher proportion of 73 per cent to the total increase in the Index.

The Food Sub Index rose by 11.2 per cent in 1993, a slightly lower increase when compared with the 11.9 per cent rise in 1992. Improved domestic production of paddy, and subsidiary food crops such as chillies resulted in a moderation of prices of these items. During the year, the price of rice grew modestly while the price of dried chillies dropped by 8.0 per cent. However, the price of coconut rose sharply by as much as 16 per cent as a consequence of the drop in production during the year. The price of wheat flour was increased from Rs. 11.75 to Rs. 13.10 per Kg. in June 1993. It was further increased by 10 cents in October and by another 10 cents in November. The revision of wheat flour prices and the consequent increase in bread prices had a significant impact on the Index. Wheat flour and bread prices alone accounted for 6.0 per cent of the rise in the overall Index and 9.0 per cent of the increase in the Food Sub Index in 1993. Further, the revision in the prices of energy would have also had an indirect impact on food prices through the increase in transport costs and cost of production. The depreciation of the Rupee against the Dollar caused a rise in prices of imported items like sugar. These changes off-set the gains in price moderation achieved through improved domestic supply.

The Sub Index for Fuel and Light registered a sharp increase of 17.0 per cent in 1993 compared with 3.6 per cent in 1992. Within this category, the price of kerosene was increased in June by 34.0 per cent. An increase in tariffs for electricity was also effective from July 1993. Under this revision, the minimum tariff per unit was increased from 55 cents to 60 cents. (As the CCPI reflects the consumption pattern of poor households, only the increase in the minimum tariffs has a direct impact on the Index.) Firewood prices also rose during the year. The revision in Auto-diesel prices was staggered over several months and amounted to 4.0 per cent on average for the year as a whole. Auto-diesel is not included in the CCPI but its indirect impact is likely to have been felt on the overall Index through higher transport costs.

The Sub Index for clothing rose by 8.2 per cent in 1993 compared to 6.7 per cent in 1992. Prices of items in the miscellaneous category rose by 13.0 per cent in 1993 as against 15.1 per cent in 1992. Within this group, price increases were recorded for liquor, newspapers, toilet requisites and laundry charges during the year.

Effect of 'Administered Prices' in the Colombo Consumers' Price Index

With effect from 30th September 1992, wheat flour and bread ceased to be under price control. (Pharmaceuticals are the only items under price control at present). The CWE however determined the price of wheat flour in concurrence with the General Treasury. The Petroleum Corporation has a monopoly in the wholesale distribution of Kerosene and the price is based on Cabinet decisions.

If the prices of wheat flour, bread and kerosene were kept unchanged, the annual average increase of the Index would have been 10.4 per cent in 1993 as opposed to the realised increase of 11.7 per cent.

Greater Colombo Consumer Price Index

In view of the shortcomings of the CCPI, the Department of Census and Statistics introduced the Greater Colombo Consumer Price Index (GCPI) in 1989, which is considered to be a more realistic indicator of the general level of retail prices by virtue of its weights being more up-to-date and its wider item and geographic coverage: The GCPI has not yet replaced the CCPI as the official price Index but continues to be computed and published together with the CCPI.

TABLE 1.39
Greater Colombo Consumers Price Index
(January to June 1989 = 100)

ITEM	AVERAGE		ANNUAL AVERAGE PERCENTAGE CHANGES		POINT TO POINT PERCENTAGE CHANGES	
	1992	1993	1992 over 1991	1993 over 1992	Dec. 1992 over Dec. 1991	Dec. 1993 over Dec. 1992
All Items	152.0	164.8	9.4	8.4	11.5	6.9
Commodity Wise -						
Food & Drinks	158.4	172.2	9.7	8.7	12.9	6.6
Liquor, Tobacco and Betel & Arecanut	158.9	180.1	15.2	13.3	17.4	5.6
Housing	109.1	109.3	5.6	0.1	8.9	0.2
Fuel & Light	135.0	157.9	3.9	17.0	3.9	25.7
Clothing & Footwear	175.8	190.3	4.5	8.2	7.9	5.8
Personal Care and Health Services, Household Goods & Services	143.0	154.9	12.5	8.3	9.6	7.5
Transport & Communication	161.7	163.5	10.9	1.1	13.8	1.2
Miscellaneous	130.6	134.3	2.0	2.9	2.8	4.6

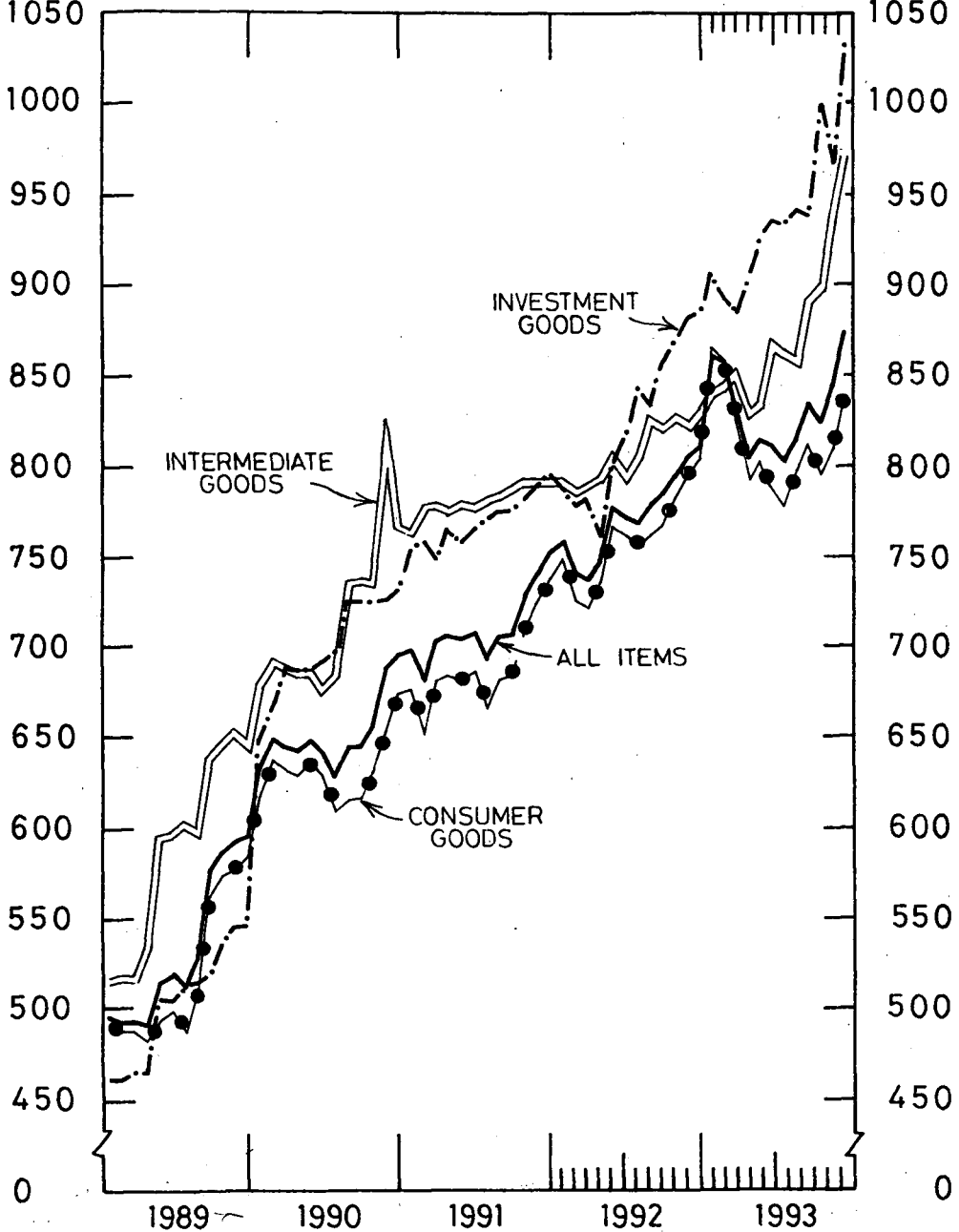
Source: Department of Census & Statistics

WHOLESALE PRICE INDEX

1974 = 100
MONTHLY

POINTS IN INDEX
1050

POINTS IN INDEX
1050



The weights of the GCPI are based on the expenditure patterns of the bottom 40 per cent of households when ranked by expenditure in the Greater Colombo area as revealed in the Labour Force and Socio Economic Survey conducted by the Department of Census and Statistics in 1985-86. Both its item coverage and geographic coverage (extending to the Greater Colombo Area) is wider than that of the CCPI.

In 1993, the GCPI increased by 8.4 per cent compared to 9.4 per cent in 1992. The rise on a point to point basis of this Index was 6.9 as at end December, 1993. The increases in prices of food and clothing & footwear and fuel and light items were 8.7 per cent and 8.2 per cent and 17.0 per cent, respectively in the GCPI. The growth in the sub indices for Liquor & Tobacco, Betel and Arecanut, Personal Care & Health Services, Household Goods & Services Transport & Communication and Miscellaneous items were 13.3 per cent, 8.3 per cent and 1.1 percent and 2.9 per cent, respectively.

The main reason for the slower rate of increase in prices in 1993 as implied by the GCPI in comparison with the CCPI is the lower weights given for bread & wheat flour and the higher weight for rice in the GCPI. The prices of wheat flour and bread were revised upward in 1993 and it caused a sharper impact on the CCPI. Further, with the improved agricultural performance, rice prices grew only marginally thus causing a moderating influence on the GCPI.

Wholesale Price Index

The Wholesale Price Index measures price movements at the primary market level. In 1993, the Wholesale Price Index rose by 7.6 per cent over the 1992 level. This was lower than the increase registered in 1992 which was 8.8 per cent.

The rise in the Index was largely due to higher food prices which contributed towards 58 per cent of the increase in the overall index. The Food Sub Index registered an increase of 7.0 per cent in 1993 compared with 10.9 per cent in 1992. Among the other sub indices, sharp price increases were recorded for non-metallic products (15.5 per cent), metal products (12.0 per cent), and machinery (11.9 per cent). The rise in prices of non-metallic products was mainly due to price increases in building materials, particularly bricks which registered a sharp price increase during the year. Increases in the price of rolled steel products contributed towards the rise in the sub index for metallic products. Prices of petroleum products increased by 9.2 per cent in 1993 due to the revision in prices of petrol, kerosene and diesel.

In the domestic group, prices rose by 5.8 per cent during the year while prices in the import group increased by 5.9 per cent. Though, export prices recorded a sharp rise of 11.4 per cent during the year, this was lower than the 18.0 per cent increase registered in 1992.

According to the end-use classification, prices of investment goods rose sharply by 13.7 per cent during 1993 mainly due to increases in the prices of building materials. In the previous year, the rise in prices of investment goods was 7.2 per cent. Increases in the prices of consumer goods and intermediate goods were 7.0 per cent and 8.3 per cent, respectively, in comparison to 10.5 per cent and 3.4 per cent, in 1992.

TABLE 1.40
Wholesale Price Index (1974 = 100)

Item	Average		Annual Average Percentage Change		Point to Point Percentage Change	
	1992	1993	1992 over 1991	1993 over 1992	December 1992 over December 1991	December 1993 over December 1992
Commodity Wise						
All Items	773.0	831.8	8.8	7.6	8.0	7.7
Food	720.0	770.4	10.9	7.0	8.4	4.2
Alcoholic Drinks	886.7	956.2	14.2	7.9	18.1	1.7
Textiles & Footwear	418.7	452.1	-1.8	8.0	-2.0	10.4
Paper Products	704.9	745.2	-5.7	5.7	-2.8	7.9
Chemicals & Chemical Products	531.0	542.2	7.2	2.1	4.6	-1.2
Petroleum Products	1,135.7	1,240.8	2.8	9.2	5.9	12.5
Non-Metallic Products	1,356.0	1,566.8	7.4	15.5	12.6	20.1
Metal Products	588.4	659.1	3.9	12.0	5.7	16.5
Transport Equipment	623.2	660.0	9.6	5.9	13.9	1.6
Electrical Appliances & Supplies	603.3	635.4	0.5	5.3	-2.6	9.4
Machinery	440.4	492.7	7.5	11.9	10.5	13.4
Fuel & Light	1,290.5	1,307.5	0.1	1.3	-	8.8
Miscellaneous	1,323.2	1,480.0	8.9	11.8	11.0	28.9
Sector Wise No. I						
Domestic Group	697.3	737.6	5.6	5.8	8.3	9.8
Import Group	634.4	671.6	3.3	5.9	-0.8	10.7
Export Group	1,109.2	1,235.5	18.0	11.4	13.9	2.9
Sector Wise No. II						
Consumer Goods	760.7	814.3	10.5	7.0	8.7	4.5
Intermediate Goods	807.4	874.5	3.4	8.3	4.9	17.3
Investment Goods	824.9	938.3	7.2	13.7	11.7	16.7

Source : Central Bank of Sri Lanka.

WAGES

Wages in the Government Sector grew rapidly in 1993, following the revision of salary scales that were effected during the year. Wage increases in this Sector more than compensated for inflation, and as a result, substantial improvements in real wages were experienced by the employees in the government sector. Within the organised private sector a substantial wage increase was recorded for plantation workers and this was responsible for the high overall wage increase recorded for this sector. In the unorganised sector, available information reveals that although the rise in wages was less than that recorded for the organised sector, real wages improved in most activities such as in tea, coconut and paddy cultivation and small scale building construction.

Government Sector

In January 1993, new salary scales were announced for government employees. The proposed salary increase was implemented in a phased manner. Employees with an initial salary of less than Rs.3,000/- received 60 per cent of the proposed increase from 01st January 1993 and the balance 40 per cent from 01st July 1993. For employees with an initial salary of Rs.3,000/= or more, 50 per cent of the proposed increase was paid from 01st January 1993 while the balance 50 per cent was payable from 01st January 1994. A special monthly allowance of Rs.600/= became payable to all employees irrespective of salary levels from June 1993, replacing all the other allowances as granted since 1988, with the exception of the cost of living allowance. Previously, special allowances granted had been payable only to categories of employees whose salary scales were below prescribed limits.

Salary revisions in the public sector during 1993 pushed up wages of government employees substantially. The Nominal Wage Rate Index for All Government Employees rose by 21.1 per cent during the year, compared to 4.3 per cent last year. Real wages for All Government Sector Employees improved by 8.3 per cent in 1993, in contrast to a deterioration of 6.4 per cent registered in 1992.

The Wage Rate Index for All Non Executive Officers rose by 22.7 per cent while that of minor employees grew by 19.4 per cent in 1993. In 1992, nominal wage increases for these two categories were only 3.9 per cent and 4.7 per cent, respectively. Real wage increases in respect of All Non Executive Officers and Minor Employees were 9.5 per cent and 6.8 per cent, respectively in 1993.

TABLE 1.41
Wage Rate Index Numbers
(December 1978 = 100)

	1992		1993		Percentage Change 1993 over 1992	
	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						
i. All Non-Executives	507.2	96.4	622.1	105.6	22.7	9.5
ii. Minor Employees	609.9	115.9	728.3	123.8	19.4	6.8
iii. All Central Government Employees	557.6	106.0	675.5	114.8	21.1	8.3
iv. Govt. School Teachers	461.8	87.8	567.1	96.3	22.8	9.7
2. Workers in Wages Boards & Trades						
i. Workers in Agriculture	664.0	126.1	803.8	136.6	21.1	8.3
ii. Workers in Industry & Commerce	510.8	97.1	528.2	89.8	3.4	-7.5
iii. Workers in Services	365.9	69.6	365.8	62.2	-	-10.6
iv. Workers in Wages Boards & Trades	590.0	112.0	685.7	116.6	16.2	4.1

Sources : Department of Labour
Central Bank of Sri Lanka

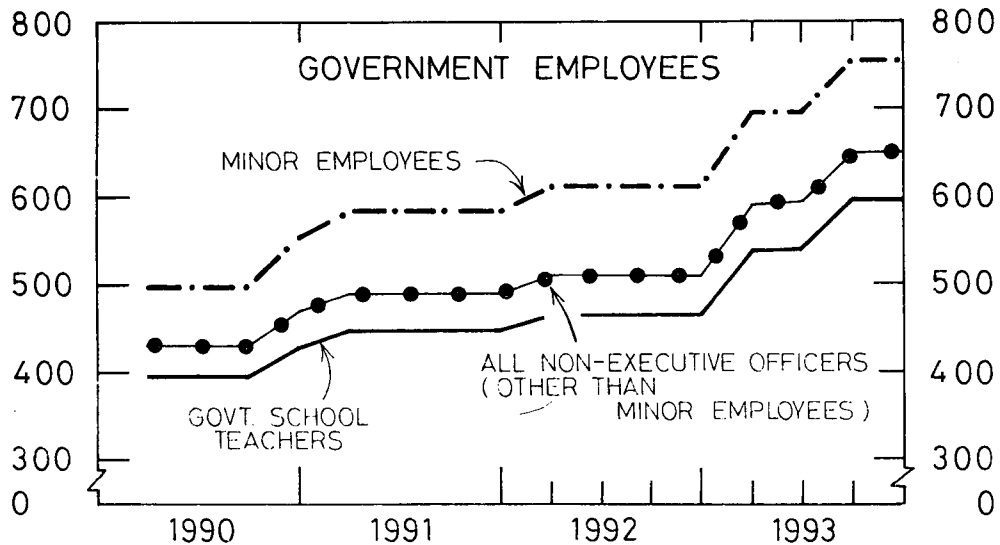
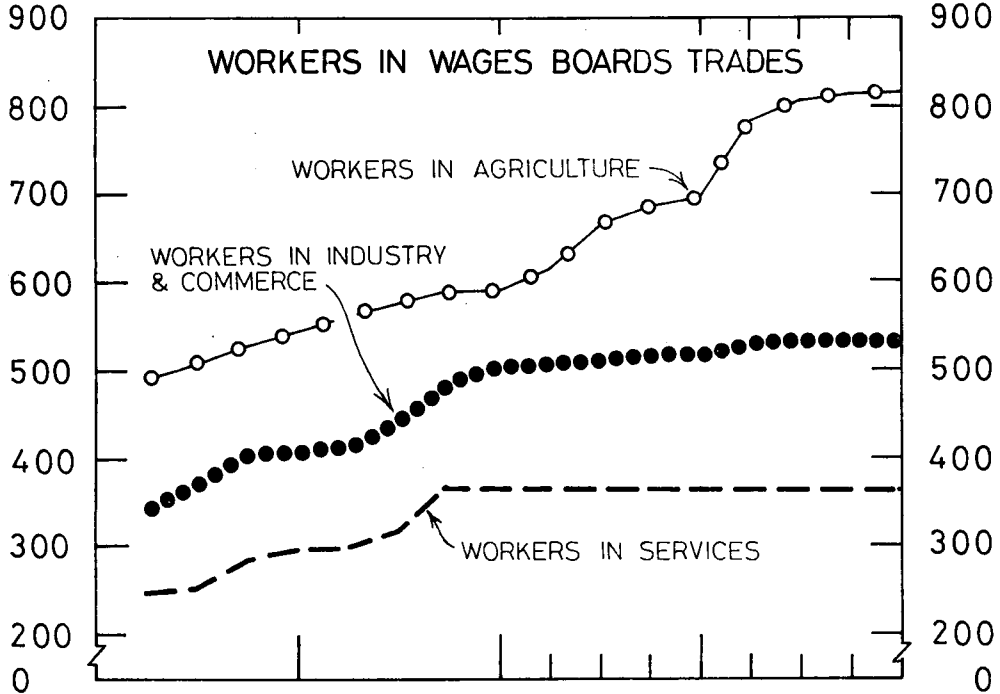
WAGE RATE INDEX NUMBERS

DECEMBER 1978 = 100

QUARTERLY

POINTS IN INDEX

POINTS IN INDEX



Organised Private Sector

In the organised private sector, minimum wages for workers covered by Wages Boards as measured by the relevant Wage Rate Index rose by 16.2 per cent in 1993 compared with 13.7 per cent in the preceding year. Real wages improved by 4.1 per cent compared to 2.1 per cent in 1992. This increase in overall wages of workers in Wages Boards largely reflected the growth of wages for workers in agriculture (plantation workers have a weight of about 66 per cent in the overall index) who experienced a sharp increase in wages by 21.1 per cent compared to 14.9 per cent during 1992. Workers in Industry and Commerce experienced a wage growth of only 3.4 per cent in 1993. In 1992, wages of workers in this category moved up by 11.1 per cent. Given the rate of inflation in 1993 of 11.7 per cent, this represents a deterioration of real wages by 7.5 per cent. The nominal wages for workers in services have remained stagnant in 1993. As a consequence, the real wages for this category deteriorated by 10.6 per cent.

During the year, wages for plantation workers in State owned plantations were revised upward by the grant of a budgetary allowance of Rs. 12/- per day. The Cost of Living Allowance was frozen at the level that prevailed as at November 1992. Wages in garment manufacturing, biscuit and confectionery manufacturing, security services and hosiery manufacturing were also revised upwards during the year. Janitorial services were brought under Wages Boards in 1993.

Unorganised Sector

Under the Country-wide Data Collection System, information on daily wages is collected for activities in paddy cultivation, small holding plantations of tea, rubber and coconut and in small scale construction.

Provisional data for 1993 indicate that wages in the Unorganised Sector rose substantially in nominal terms. Real wage improvements were registered for most activities in tea, coconut and paddy cultivation and building construction. In rubber cultivation too, real wages improved for the activities of uprooting and clearing and rubber tapping.

Wages for major activities in paddy cultivation rose at rates ranging from 7 to 19 per cent in nominal terms. In coconut cultivation, nominal wages rose at rates varying between 11 to 19 per cent. Nominal wage increases in tea cultivation ranged from 11 to 15 per cent with female labourers engaged in tea plucking experiencing the highest wage increase of 15 per cent. In building construction activities, increases in wages ranged between 13 to 17 per cent; unskilled workers earning the highest wage increase of 16 to 17 per cent.

EMPLOYMENT

According to the Annual Survey of Public Sector employment conducted by the Central Bank, the total employment in the Public Sector, which includes Government and Semi-Government institutions, is estimated to be around 1.3 million at the end of 1993, recording a marginal increase of 0.3 per cent over the previous year.

Employment in the Central Government, Provincial Councils and Local Authorities increased by 3.4 per cent in 1993. Recruitment of school teachers and health personnel was the major contributory factor for this increase. School teachers who accounted for 73 per cent of total employment in the category of Professional, Technical and Related Workers in the Government sub-sector recorded an increase of 7 per cent. The number of doctors rose by 28 per cent in 1993 mainly as a result of the new appointments given to the back-log of medical students who had graduated from the universities. Employment in the service workers category showed an increase of 1 per cent. In contrast, employment in Semi-Government institutions including Public Corporations, Statutory Boards and Government Owned Business Undertakings and State banks declined by 3 per cent in 1993. This was partly due to the transfer of some of the state owned enterprises to the private sector under the peoplistation programme.

TABLE 1.42
Public Sector Employment

	1991	1992	1993
1. Central Government, Provincial Councils & Local Authorities	652,600	653,959	676,483
2. Semi Government Institutions	654,400	637,271	618,794
Total	1,307,000	1,291,230	1,295,277

Source: Central Bank of Sri Lanka.

The classification of employment by occupational categories reveals that manual workers were the largest single group of employees in the public sector, accounting for 37 per cent of the total. However, the number employed in this category declined by 3 per cent in 1993 compared with 1.5 per cent in 1992. The decrease in the total number of estate workers, (who constituted the largest proportion of manual workers) by 4 per cent over the previous year, was responsible for this decline.

As time series data on employment in the private sector were not available, indicators such as employees registered in provident funds were used to assess the employment situation in the formal private sector. The number of active accounts in the Employee's Provident Funds has risen over the last 5 years and the increase in 1992 was 5 per cent. There are indications that this trend continued in 1993. The total private sector employment in Approved Provident Funds was estimated to have increased marginally.

Employment in enterprises operating under the Board of Investments of Sri Lanka expanded by 17 per cent, from 104,220 at the end of 1992 to 122,165 at the end of 1993. Around 44 per cent of the employment in these enterprises was in the Katunayake Export Promotion Zone in which 84 projects were in commercial operation. The Koggala Export Promotion Zone provided employment to 5,160 persons in 1993.

The Quarterly Labour Force Surveys conducted by the Department of Census and Statistics reveal some useful information on labour force and employment. According to the Survey for the 3rd quarter of 1993 (excluding Northern and Eastern provinces), the agriculture sector accounted for about 44 per cent of total employment, while the share of manufacturing sector and the services sector (including hotels and trade) accounted for 14 per cent and 27 per cent respectively. There has been a gradual decline in the relative share of employment in the agriculture sector over the past few years, and an increase in the shares of service and the manufacturing sectors.

Creation of self employment through poverty alleviation programmes of the government is a useful indicator of the employment position of the non-formal sector. Credit facilities continued to be extended under loan schemes for income generating activities. Under the first three rounds of the Janasaviya Programme, 197,459 persons were reported to have successfully engaged in income generating activities by the end of 1993.

Migration for foreign employment continued to play an important role in helping to eliminate the labour surplus in the short run. An Airport Survey conducted by the Sri Lanka Foreign Employment Bureau (SLFEB) indicated that in 1993 a total of 129,076 persons had secured employment through licensed agencies, the SLFEB and other channels, an increase of 4 per cent over 1992.