

7. EMPLOYMENT

7.1 Overview

The economy grew by 5.5 per cent in 1995 and generated about 80,000-90,000 additional employment opportunities as compared with approximately 89,000 in 1994. The contribution to employment generation came from both the government sector and the private sector, with part of the semi-government sector employment shifting to the private sector due to public sector reforms. The BOI enterprises accounted for about one third of the new employment opportunities generated during the year.

The new employment opportunities generated in 1995 were sufficient to absorb about 60 per cent of the new entrants to the labour force. Based on available information, the unemployment rate in 1995 was estimated to have been around 12-13 per cent. Increased migration for foreign employment also contributed to easing labour market pressures in 1995.

All major sectors, except personal services and trade and hotels, contributed to the growth in employment in 1995. The employment in the agriculture, livestock and fisheries sector rose by 7 per cent, reversing the drop observed in 1994. Employment in manufacturing activities rose by 12 per cent as compared with a modest growth of 4 per cent in

1994. Employment in personal services dropped by 12 per cent in 1995, perhaps reflecting a shift of workers in personal services to employment in the more formal sector.

7.2 Public Sector

According to the Annual Survey of Public Sector Employment conducted by the Central Bank, total employment in the public sector, defined to include both the government and the semi-government sectors, was estimated at 1.3 million at end 1995. This reflected a marginal drop of 1.4 per cent over the previous year, reversing the increasing trend observed during the past two years. This drop was entirely attributable to a decline of 8.9 per cent in the semi-government sector. The transfer of three major plantation companies to the private sector under long-term lease agreements, coupled with the public enterprise reform policies, led to the decline in employment in the semi-government sector. However, following the trend observed during the past few years, employment in the government sector, which includes the Central Government, Provincial Councils and Local Authorities, continued to expand and registered a 5.4 per cent growth in 1995. The increase in the government sector was largely reflected in the occupational category of clerical and related workers. The appointment of Samurdhi animators and managers for

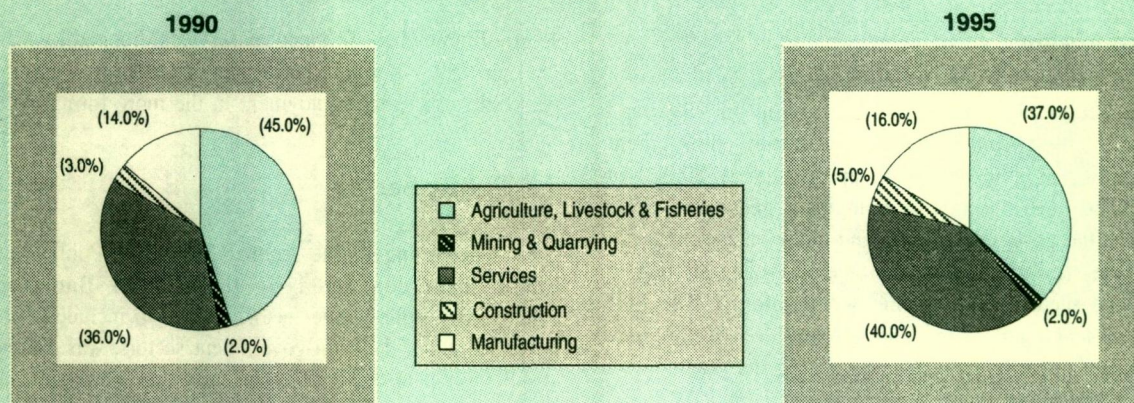
TABLE 7.1
Labour Force and Employment

| | Million Persons | | | | | Percentage Change | |
|--------------------------------------|-----------------|--------|--------|--------|------------|-------------------|------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1994 | 1995 |
| Total population | 17.247 | 17.405 | 17.619 | 17.865 | 18.114 | 1.4 | 1.4 |
| Population (10 years and above) | 11.947 | 12.154 | 12.251 | 12.559 | 12.764 (a) | 2.5 | n.a. |
| Labour force | 5.894 | 5.948 | 6.066 | 6.046 | 6.115 (a) | -0.3 | n.a. |
| Employed | 5.084 | 5.159 | 5.227 | 5.315 | 5.339 (a) | 1.7 | n.a. |
| Public sector | 1.307 | 1.291 | 1.295 | 1.325 | 1.307 | 2.3 | -1.4 |
| Government | 0.653 | 0.654 | 0.676 | 0.700 | 0.738 | 3.5 | 5.4 |
| Semi-Government | 0.654 | 0.637 | 0.619 | 0.625 | 0.569 | 1.0 | -8.9 |
| Private sector | 3.777 | 3.868 | 3.931 | 3.990 | n.a. | 1.5 | n.a. |
| BOI enterprises | 0.085 | 0.104 | 0.180 | 0.206 | 0.233 | 14.3 | 13.5 |
| Others | 3.691 | 3.764 | 3.751 | 3.784 | n.a. | 0.9 | n.a. |
| Unemployed | 0.810 | 0.789 | 0.839 | 0.731 | 0.786 (a) | -12.9 | n.a. |
| Memorandum items | | | | | | | |
| Labour force participation rate, (%) | 49.3 | 48.9 | 49.5 | 48.1 | 47.9 (a) | | |
| Unemployment rate, (%) | 13.8 | 13.3 | 13.8 | 12.1 | 12.7 (a) | | |

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

(a) Quarterly Labour Force Survey 1995 Q3.

Chart 7.1
Sectoral Composition of Employment 1990-1995



Samurdhi animators under the Samurdhi programme was mainly responsible for the high growth in this category. The occupational category of professional, technical and related workers also recorded a marginal increase of 2 per cent over the preceding year mainly due to the increase in the sub-category of health. Following the trends observed during the past few years, employment in the services sector continued to expand during 1995.

7.3 Sectoral Employment

The relative share of labour absorption by the services, manufacturing and construction sectors showed an increasing trend, while the agricultural sector recorded a gradual decline in the recent past, reflecting the growing importance of the former.

According to the Quarterly Labour Force Survey conducted by the Department of Census and Statistics, a structural change in the sectoral composition of employment was observed during 1990-1994. The agricultural sector absorbed 45 per cent of the labour force in 1990. This share had dropped to 34 per cent by 1994, in line with the trend in its relative contribution to GDP. The declining share of the agricultural sector is largely attributable to sluggish growth and limited job opportunities in this sector, as compared to prospects in the manufacturing and services sectors. The uncertainty of a regular source of income in the agricultural sector has been another contributory factor to the gradual decline of labour absorption by that sector. The declining trend in the agricultural sector share of the total employed was partly reversed in 1995, and rose to 37 per cent, with the 7 per cent growth in agricultural employment over 1994.

TABLE 7.2
Labour Force and Employment 1990 - 1995* (Third Quarter of the Year)

| Item | Million Persons | | | |
|---|-----------------|--------|--------|--------|
| | 1990 | 1993 | 1994 | 1995 |
| Household population (10 years and above) | 11.633 | 12.284 | 12.479 | 12.763 |
| Labour Force | 6.085 | 6.032 | 6.142 | 6.115 |
| Total Employed | 5.159 | 5.249 | 5.299 | 5.339 |
| By Economic Sector | | | | |
| Agriculture, Livestock & Fisheries | 2.307 | 2.293 | 1.833 | 1.967 |
| Mining & Quarrying | 0.090 | 0.066 | 0.032 | 0.092 |
| Manufacturing | 0.727 | 0.740 | 0.769 | 0.864 |
| Electricity, Gas & Water | 0.038 | 0.023 | 0.025 | 0.012 |
| Construction | 0.164 | 0.171 | 0.260 | 0.270 |
| Trade & Hotels | 0.500 | 0.636 | 0.643 | 0.601 |
| Transport, Storage & Communications | 0.221 | 0.223 | 0.296 | 0.237 |
| Insurance & Real Estate | 0.079 | 0.081 | 0.061 | 0.072 |
| Personal Services | 0.851 | 0.776 | 1.080 | 0.952 |
| Other Services (Not Defined) | 0.180 | 0.238 | 0.299 | 0.272 |

* Excluding Northern and Eastern Provinces.

Source: Department of Census and Statistics
Quarterly Labour Force Survey

Employment opportunities in the services sector recorded an increasing trend during the past few years, accounting for 45 per cent of total employment in 1994 as compared with 36 per cent in 1990. Within the services sector, growth in employment was largely reflected in trade and hotel services, transportation, communications and personal services. This was in line with the increasing trend of its contribution to GDP observed during the past few years. However, the services sector share in total employment dropped to 40 per cent in 1995, reflecting a drop in employment in all service sub-sectors, except insurance and real estate.

The share of total employment generated in the manufacturing sector was 16 per cent in 1995, compared to 14 per cent in 1994, reflecting the growing importance of this sector as one of the major sources of employment. The increase was largely due to the expansion in job opportunities in garment industries together with the continued growth in foreign investment.

In the absence of time series data on employment in the organised private sector, indicators such as employees registered in provident funds are used to assess the employment in the formal private sector. There are indications that the increasing trend observed during the past few years continued, reflecting the satisfactory economic growth realised in 1995.

Employment generation in enterprises under the BOI continued to expand during 1995. BOI enterprises provided employment for 233,000 persons during the year 1995, recording an increase of 14 per cent when compared with the previous year. Nearly 85 per cent of the increase in employment was provided by enterprises in the categories of chemical products, food, beverages and tobacco, textiles and wearing apparel and services. Approximately 38 per cent of the employment in these enterprises were in the Katunayake Export Processing Zone. The employment generated in the Biyagama and Koggala Export Processing Zones accounted for 15 per cent and 3 per cent, respectively.

The creation of self-employment through poverty alleviation programmes is a useful indicator of the employment position in the unorganised private sector. The number of self-employed persons as a proportion of the labour force reflected an increasing trend in all sectors except agriculture. In particular, a higher concentration was evident in trade and hotels and personal services. The encouragement given by various governmental and non-governmental agencies with regard to the provision of credit facilities, skills development and marketing facilities were the main contributory factors to the expansion of self-employment. During 1995, a total of Rs. 332 million was disbursed for 38,713 small-scale self-employment projects by the National Development Trust Fund.

7.4 Foreign Employment

Foreign employment continued to help in easing the unemployment situation in the country. Information collected from the Sri Lanka Foreign Employment Bureau (SLFEB) revealed that a total number of 170,131 persons secured employment abroad in 1995, reflecting an increase of 5.2 per cent over 1994. The bulk of the demand was for unskilled workers. A major proportion of these, approximately 66 per cent, were female workers. Data also revealed that demand for employment, particularly for housemaids, was increasing in non-Middle Eastern countries such as Singapore, the Maldives and Italy. However, Middle Eastern countries accounted for the largest share of about 92 per cent of the total departures despite the fact that salaries and wages in those countries have stagnated over a long period.

New employment opportunities were found in some of the fast developing Asian countries such as South Korea and Singapore. The Government continued to improve and expand facilities for people leaving for foreign employment as they have become a major source of foreign exchange earnings and have reduced the domestic unemployment burden.