

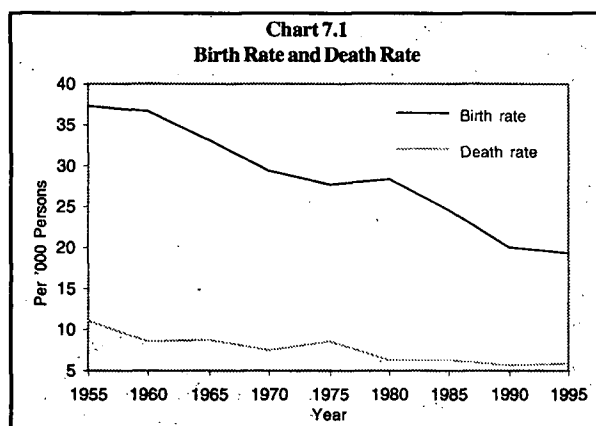
## 7. POPULATION, LABOUR FORCE AND EMPLOYMENT

### 7.1 Population

Sri Lanka is one of the few Asian countries which has reached an advanced phase of demographic transition in a comparatively short period and at a relatively low per capita income level. Sri Lanka had a total population of less than two and a half million when the first census was conducted in 1871. After a century, the Census of 1971 revealed a total population of more than twelve and a half million, indicating an increase of ten million people over a century. While it took fifty years for the first doubling of the population from the 1871 level, the second doubling had taken only about thirty five years. In the period prior to 1946, the demographic conditions in the country were characterised by both high mortality and high birth rates. The eradication of malaria after the mid 1940's had a remarkable impact on the mortality rates experienced in the second phase (1946-1960) of the demographic transition. This period was characterised by rapidly falling mortality rates and relatively high birth rates. It was not until the 1960's that the crude birth rate started to decline continuously with an appreciable trend up to the 1990's. A distinct declining trend in population growth has become evident since 1971.

The population of Sri Lanka grew at an annual rate of 1.3 per cent during the period 1990-1995 and 1.1 per cent in 1996. The mid year population in 1996 is estimated at 18.3 million, which is about the same as in Australia. The life expectancy at birth has now reached 73 years.

According to available projections, Sri Lanka's population is expected to grow annually by around 1 per cent during the next five years. The labour force will grow by



**TABLE 7.1**  
**Basic Indicators of Population**

Year	Population ('000)	Annual Rate of Growth (%)	Crude Birth Rate (Per '000)	Crude Death Rate (Per '000)	Life Expectancy at Birth (Years)
1871	2,417	0.8	28.5	20.0	40.0
1946	6,657	1.5	35.4	14.3	42.2
1953	8,098	2.8	48.0	10.4	58.2
1963	10,582	2.7	34.1	8.5	61.7
1971	12,690	2.2	30.4	7.7	65.5
1981	14,847	1.7	28.2	5.9	69.9
1991	17,247	1.5	21.0	5.5	72.5
1995	18,112	1.4	19.3	5.8	n.a.
1996	18,315	1.1	n.a.	n.a.	n.a.

Sources: Dept. of Census & Statistics  
Registrar General's Dept.

a little over 1 per cent with a significant impact on the labour supply.

### 7.2 Labour Force

With a population of 18.3 million in 1996, Sri Lanka had a labour force of around 6.2 million (3rd quarter 1996). Of this total labour force, 5.5 million or 88 per cent were employed. The labour force participation rate, which is the working age population actively seeking employment, as a percentage of the total population, was estimated at 48.6 per cent. The male participation rate was 66.2 per cent and the female participation rate was 31.3 per cent in the 2nd quarter of 1996. Labour force participation rates for males have been stable at 64-67 per cent since 1990, but for females the rate had declined to 31 per cent in the 2nd quarter of 1996, from 37 per cent in 1990, partly as a result of the migration of working age females for employment overseas.

On the basis of medium-term population projections, and assuming a labour force participation rate as at

**TABLE 7.2**  
**Labour Force Participation Rate (a)**

Year	Total Labour Force	Labour Force Participation Rate (%)		
		Total	Male	Female
1992	5,808,062	48.2	65.2	31.0
1993	6,032,383	49.1	65.3	33.1
1994	6,078,863	48.7	65.4	32.0
1995	6,106,138	47.9	64.4	31.7
1996	6,238,113	48.6	n.a.	n.a.

Source: Dept. of Census and Statistics  
(a) Quarterly Labour Force Survey, annual average upto 1995  
and 3rd Quarter data for 1996

present, the labour force would reach about 6.8 million by the year 2001 with an annual addition of about 100,000, compared with an average annual addition of 67,000 during the last five years.

### 7.3 Employment

Employment generation in 1996 was largely constrained by the slowing down of economic activities in mid 1996. During the previous five years, employment opportunities rose annually by 1.7 per cent with an annual average GDP growth rate of 5.5 per cent, thus indicating that economic growth of at least 3.5 - 4.0 per cent is required to increase employment opportunities by 1 percentage point. In 1996, with a moderate economic growth rate of 3.8 per cent, the economy generated about 75,000 new employment opportunities compared with an annual average of about 90,000 during the previous five years. Total employment generation in the country in 1996 was largely attributed to the expansion in activities in the private sector, as the relative size of the government sector was significantly smaller. The opportunities generated were largely in the private sector and, as in previous years, the Board of Investment (BOI) contributed to the creation of job opportunities in 1996 as well.

The rate of unemployment is reported to have declined to 11.6 per cent in the 3rd Quarter of 1996. Growth of economic activities in the informal sector and the increased migration for foreign employment appeared to be

the major factors which contributed to the decline in unemployment.

Based on the Public Sector Employment Survey conducted by the Central Bank, total employment in the public sector was estimated at 1.16 million in 1996, indicating a significant decline of 11 per cent when compared with 1995. This drop was entirely due to a decline of 28 per cent in semi-government sector employment. The divestiture of the plantation companies, together with the public enterprise reforms, were the main contributory factors for the decline in employment in the semi-government sector. Under the divestiture programme, 10 plantation companies were divested in 1996. Employment in government institutions, which include government ministries, departments, provincial councils and local authorities, was estimated at 752,194 at end 1996, showing an increase of 2 per cent over 1995. Although the Government decided to discontinue the special retirement scheme introduced in 1990 under Circular No. 44/90, with effect from end March 1997, only about 11,000 persons have opted to retire in 1996. The increase in government sector employment was largely reflected in the occupational categories of professional, technical and related workers, particularly in the sub category of health. However, mainly due to the public sector reforms, employment in the semi-government sector showed a considerable decline during 1996. Consequently, total public sector (government and semi-government) employment continued to decline during the year.

**TABLE 7.3**  
**Labour Force and Employment**

	Million Persons				Percentage Change		
	1992	1993	1994	1995	1996	1995	1996
Total Population	17.405	17.619	17.865	18.114	18.315	1.4	1.1
Population (10 Years & above)	12.154	12.251	12.559	12.774	12.843	1.7	n.a.
Labour Force (a)	5.948	6.066	6.046	6.172	6.238	2.1	n.a.
Employed (a)	5.159	5.227	5.315	5.433	5.517	2.2	n.a.
Public Sector	1.291	1.295	1.325	1.307	1.161	-1.4	-11.2
Government Sector	0.654	0.676	0.700	0.738	0.762	5.4	1.9
Semi-Government	0.637	0.619	0.625	0.569	0.409	-9.0	-28.1
Private Sector	3.868	3.931	3.990	4.126	n.a.	3.4	n.a.
BOI Enterprises	0.104	0.180	0.206	0.233	0.242	13.1	3.9
Others	3.764	3.751	3.784	3.893	n.a.	2.9	n.a.
Unemployed (a)	0.789	0.839	0.731	0.739	0.721	1.1	n.a.
Memorandum Items							
Labour Force							
Participation Rate % (a)	48.9	49.5	48.1	48.3	48.6	-	-
Unemployment Rate % (a)	13.3	13.8	12.1	12.0	11.6	-	-

(a) Quarterly Labour Force Survey, 4th Quarter data upto 1995 and 3rd Quarter data for 1996.

Sources: Dept. of Census & Statistics  
Central Bank of Sri Lanka

The estimates based on the Quarterly Labour Force Survey conducted by the Department of Census and Statistics in the second quarter of 1996 revealed that labour absorption in all major sectors except trade and hotels, and transport, storage and communications, contributed to the growth in employment in the period under review. The share of employment in the agriculture, fisheries and livestock sector increased to 39 per cent of the total employed in the second quarter of 1996 from its share of 34 per cent in 1995. As in the previous year, employment generated in the manufacturing sector rose by 12 per cent. Within manufacturing, labour absorption was particularly high in the textile and garment sub sector. Employment in personal services also increased by 5 per cent during the period under review when compared with a drop of 2 per cent in 1995.

As time series data on employment in the private sector are not available, indicators such as employees registered with provident funds and employment generated in the BOI enterprises are used to assess the employment position in the organised private sector. The total level of employment in BOI enterprises stood at 241,970 at the end of 1996, recording an increase of 4 per cent as compared with the previous year. About 65 per cent of this increase was accounted for by enterprises in the category of textiles and wearing apparel. Approximately 24 per cent of the employment was in the Katunayake Export Processing Zone. Employment generation in the Biyagama and Koggala Export Processing Zones accounted for 9 per cent and 2 per cent respectively.

The growing importance of the services sector, where the majority of employees are engaged in self employment activities, is reflected both in the contribution to the growth in GDP and in employment. The expansion of self employment activities, particularly in the non-agricul-

tural sector, is a striking feature seen during the past few years. Policies geared to induce income generating activities, provision of credit facilities and upgrading skills through poverty alleviation programmes were largely responsible for the expansion of self employment activities. During 1996, a total of Rs.199 million was disbursed by the National Development Trust Fund through participatory institutions for 20,844 projects in agriculture, industries, livestock, services and other micro level enterprises.

## 7.4 Foreign Employment

According to the Sri Lanka Foreign Employment Bureau (SLFEB), a total of 162,511 persons have departed for employment overseas in 1996. Although this appears to indicate a decline compared to the figure of 170,130 reported in 1995, the actual number would not have necessarily declined in 1996 as the scheme operated by SLFEB for registration of persons leaving for foreign employment was made voluntary in 1996, instead of the compulsory registration scheme which operated during 1995. In 1996, the SLFEB relaxed the scheme with the introduction of several incentive schemes to overseas contract workers in order to improve their welfare. Accordingly, those who register with the SLFEB were entitled to a guarantee of secured employment and insurance facilities for their period of stay overseas. Day care facilities for their children, a medical insurance scheme for their families, scholarships for their children and training facilities for employees are some of the incentives provided by the SLFEB. However, despite these incentives, some of the migrants may have sought employment through personal contacts in 1996. Therefore, the actual number of overseas contracted workers may be greater than the number reported in 1996. Indirect confirmation of this was the continuation of the growth of inward private remittances (10 per cent in SDR terms in 1996). A striking feature in overseas em-

**TABLE 7.4**  
**Labour Force and Employment (a)**  
**(Second Quarter of the Year)**

Item	Million Persons				
	1990	1993	1994	1995	1996
Household Population (10 years and above)	11.424	12.293	12.442	12.687	12.823
Labour Force	6.002	6.085	6.165	6.062	6.217
Total Employed by Economic Sector	5.031	5.258	5.362	5.339	5.502
Agriculture, Livestock & Fisheries	2.415	2.371	2.190	1.813	2.141
Mining & Quarrying	0.069	0.081	0.044	0.065	0.104
Manufacturing	0.582	0.663	0.722	0.693	0.777
Electricity, Gas & Water	0.018	0.037	0.027	0.018	0.026
Construction	0.230	0.205	0.261	0.273	0.272
Trade & Hotels	0.527	0.539	0.565	0.845	0.658
Transport, Storage & Communication	0.211	0.159	0.250	0.265	0.248
Insurance & Real Estate	0.041	0.067	0.128	0.096	0.095
Personal Services	0.808	0.848	0.973	0.954	1.005
Other Services (not defined)	0.130	0.289	0.202	0.318	0.175

(a) Excluding Northern and Eastern Provinces

Source: Dept. of Census & Statistics  
Quarterly Labour Force Survey

## The Measurement of Unemployment

**Box 8**

Statistics on unemployment are important for several reasons. They indicate the number of persons who are not employed during a specified period and hence, the analysis of unemployment statistics presents a better insight into the economic and social health of a country. Governments, research and academic institutions, aid donors, financial institutions, politicians and many others make extensive use of these statistics, but due to differences in terminology, definitions, measurements and methods of data collection, the interpretation of these statistics should be done cautiously.

In Sri Lanka, the definition of the unemployed tends to follow the internationally agreed definition of unemployed reflected in the International Labour Organisation's (ILO) Resolution on Statistics of the Economically Active Population, Employment, Unemployment and Underemployment adopted by the 13th International Conference of Labour Statistics in 1982. According to this definition, a person of working age is classified as unemployed if during a specified reference period he or she was,

- "Without Work", i.e., not even for one hour in paid employment or self employment or working for family gain;

- "Currently available for work" whether for paid employment or self employment or for family gain;

- "Seeking work" by taking active steps in a specified recent period to seek paid employment or self employment;

The primary sources of data on unemployment in Sri Lanka are the population censuses carried out by the Department of Census and Statistics (DCS), household sample surveys conducted by the DCS and the Central Bank of Sri Lanka (CBSL) and administrative records such as the registration of unemployed persons. The censuses of population conducted before 1946 did not provide any information on unemployment. For the first time, the census of population in 1946 collected information on unemployed persons. Here, the unemployed were classified as those who had previous employment, but were without work at the time of enumeration. In the 1953 census, unemployed persons were

considered to be those who had previous employment, but were temporarily unemployed at the time of data collection. Persons who were seeking employment for the first time were treated as dependants rather than unemployed. In the next census, in 1963, the number unemployed was underenumerated. The 1971 census used a wider definition for the unemployed, including discouraged workers, while in the 1981 census, the number of unemployed persons was derived as a residual category. Thus the unemployment statistics in the population censuses cannot be compared over time as they use different definitions. In addition, due to non-availability of a census after 1981, data for inter census periods will have to be found from other sources.

Therefore, household surveys are used as the most popular source of data on unemployment in Sri Lanka. The Quarterly Labour Force Surveys carried out by the DCS are based on both direct interviews with householders and information obtained through survey questionnaires. This data series is available from the first quarter of 1990. The survey covers a total sample of 10,000 households across the country, except the North and the East. The sample, which is designed to represent the economically active population, including self-employed casual workers and unpaid family workers, as well as first time job seekers, is fairly comprehensive.

The Consumer Finance and Socio Economic Surveys (CFS) conducted by the CBSL are available for the years 1953, 1963, 1973, 1978/79, 1981/82 and 1986/87. There are differences in the rate of unemployment as measured by the DCS and the CBSL, mainly because of the differences in the definition and the lower age limit of the labour force. According to the DCS the lower age limit is 10 years. The Central Bank considers it to be 14 years.

Apart from household surveys, unemployment statistics can be drawn from administrative records. In Sri Lanka, a job bank system was introduced for the registration of unemployed persons in the late 1970's, but due to malpractices the scheme was abandoned in the late 1980's.

Unemployment statistics obtained from administrative records generally indicate lower levels



**TABLE 1**  
**Data on Unemployment**

**Box 8 (contd.)**

Source	Unemployment	
	Number	Rate as a % of the Workforce
Survey of Employment, Unemployment and Underemployment - 1959/60, DCS	340,000	10.5
Census of Population - 1963, DCS	264,970	7.7
Survey of Consumer Finances - 1963, CBSL	457,700	13.8
Labour Force Survey - 1968, DCS	464,200	13.4
Socio Economic Survey - 1968/69, CBSL	558,600	14.3
Census of Population - 1971, DCS	839,264	18.7
Determinants of Labour Force Participation Rates - 1973, CBSL	793,000	18.3
Survey of Labour Force - 1973, DCS	1,073,000	24.0
Land and Labour Utilisation Survey - 1975, DCS	984,300	19.7
Consumer Finance & Socio Economic Survey - 1978/79, CBSL	874,000	14.8
Labour Force & Socio Economic Survey - 1980/81, DCS	857,168	15.3
Census of Population - 1981, DCS	859,143	17.9
Consumer Finance & Socio Economic Survey - 1981/82, CBSL	609,266	11.7
Labour Force & Socio Economic Survey - 1985/86, DCS	840,252	14.1
Consumer Finance & Socio Economic Survey - 1986/87, CBSL	966,907	15.5
Quarterly Labour Force Survey, DCS		
1990	964,331	16.3
1991	810,325	13.8
1992	789,256	13.3
1993	839,494	13.8
1994	731,219	12.1
1995	739,341	12.0
1996 (3rd Qtr.)	720,721	11.6

These data are based on different surveys and sources and hence may not be strictly comparable.

of unemployment than those derived from household surveys. However, the data from administrative records are not subject to sampling errors, are relatively inexpensive and can be released more frequently, compared with survey data. However, they cover only the segment of the population which uses employment exchanges or is eligible for unemployment insurance, and hence leaves out a significant portion of the population. Therefore, unemployment statistics derived from these two sources are complementary, but not substitutes.

The definitions of unemployment and its actual measurement should be closely examined. Conceptually, unemployment statistics cover only those who are actively seeking and available for work during a specified reference period. This leaves out persons who may want to work, but for one reason or another are not actually looking for work during the reference period. Further, unemployment data may indicate only a part of the unemployment problem in a country, i.e., the total lack of work. This leaves out under utilization of skills, partial lack of work and underpaid categories.

Further, the classification of unemployment data in Sri Lanka does not include underemployed in rural

and urban areas. In Sri Lanka, where around 73 per cent of the population live in rural areas, the unemployed often tend to enter informal sector activities since most of them cannot afford to be unemployed. There could be high underutilisation of their actual and potential skills although they may be engaged in some form of economic activity. While some of them may be waiting for other employment or additional work, they are considered as employed. For example, although unpaid family workers are considered as employed, their contribution to the economy is marginal.

Sometimes, problems arise in a situation where a person works in a very temporary, lowly paid job while also looking for more substantial work. Such persons are categorised as employed. In a situation where a student who is attending school is also looking for work, he would not be included in the labour force. Often, in these situations, a slight alteration or misinterpretation of one or more features of the definition can entail a major change in the statistical classification. In reality, border cases are inevitable in any economy and these cases should be examined carefully in the light of the relevant statistical criteria.

Inconsistencies in definitions and concepts of the unemployed hinder comparison of unemployment data over time.

ployment is the gradual decline of migration to the Middle East and the growing importance of the Maldives, Singapore, Hong Kong and Italy as sources of demand for foreign labour. The higher living standards in Singapore, Hong Kong and Italy have created an excess demand for labour. According to SLFEB sources, about 81 per cent of the migrants to Singapore are to be employed as housemaids. In the case of the Maldives, development of the tourist industry may have contributed to the increased demand for foreign labour.

The structure of labour demand is biased towards unskilled labour, particularly housemaids. Around 91 per cent of female migrants were employed as housemaids, while 44 per cent of male migrants were unskilled. Demand for unskilled labour from overseas tends to ease the unemployment problem in the country to some extent. The willingness of females to migrate as housemaids because of their economic difficulties and the wage dif-

ferentials between local and foreign employment are the primary motivating factors for migration for overseas employment.

On the basis of simple estimates, the unemployment rate would not increase from the present levels if the economy generates about 90,000 new employment opportunities per year during the next five years. However, this would imply an increase in the absolute number of unemployed to about 782,000 by the year 2001. The objective is to reduce the rate of unemployment significantly. If the unemployment rate is to be brought down to about 6 per cent, the economy will have to generate about 158,000 new employment opportunities annually. On the basis of the current rate of labour absorption capacity (i.e. 1.0 per cent increase in employment for every 3.7 per cent increase in economic growth), an annual real GDP growth rate of 7 per cent would be required to reduce the rate of unemployment to about 6 per cent by the year 2001.