

## 7. POPULATION, LABOUR FORCE AND EMPLOYMENT

### 7.1 Population

The mid year population in 1998 has been estimated at 18.8 million. This shows that population growth declined to 1.2 per cent from 1.3 per cent in 1997. The decline was a result of a reduction in the natural increase in population. There has been an addition of 222,000 to the mid year population in 1998. The population density, which is estimated as the number of persons per sq. km. of land, increased to 299 in 1998 from 296 in 1997. While the demographic transition, together with improvements in other socio-economic conditions, has substantially reduced the growth rate of the population to well below that of most other developing countries, an annual addition of over 200,000 to the population has become a burden on other limited resources. As mentioned in last year's Annual Report, there are several socio-economic issues associated with the current structure and trends in population. Unemployment, land fragmentation, the high cost of social welfare such as education, health and housing and problems associated with an ageing population continue to be some of the major issues. The ageing of the population and a rising old age dependency ratio require a well planned strategy and a carefully designed social security system to avoid excessive burdens on the working population and an erosion of standards of living during old age. This has to be done in a context of policies designed to make labour markets more flexible, adaptable to the changing labour market needs and complementary to other growth-oriented policies.

### 7.2 Labour Force

A series of quarterly labour force data is available from the surveys conducted by the Department of Census and Statistics since 1990. According to this survey, the labour force is defined as the economically active population aged 10 years and above. The labour force at the end of the third quarter of 1998 was estimated at 6.7 million. This estimate is not strictly comparable with previous estimates, as the latest survey includes unpaid female family workers, such as housewives engaging in

**TABLE 7.2**  
**Labour Force Participation**

Year	Total Labour Force ('000 persons)	Labour Force Participation Rate (%) (a)		
		Total	Male	Female
1990	6,001	51.9	67.7	36.2
1993	6,032	49.1	65.3	33.1
1994	6,079	48.7	65.4	32.0
1995	6,106	47.9	64.4	31.7
1996	6,242	48.7	65.9	31.6
1997	6,229	48.4	65.4	31.7
1st Quarter	6,237	48.5	65.2	31.8
2nd Quarter	6,226	48.4	65.7	31.6
3rd Quarter	6,218	48.3	65.7	31.2
4th Quarter	6,236	48.8	64.8	32.3
1998(b)	6,637	51.5	67.3	36.4
1st Quarter	6,647	51.6	66.6	37.6
2nd Quarter	6,574	51.0	67.7	34.8
3rd Quarter	6,693	51.9	67.5	36.7

Source: Department of Census and Statistics

- (a) Labour force as a percentage of household population aged 10 years and above.  
(b) Average of first three quarters

supporting family income generating activities, especially in the agricultural sector, who were counted as 'not in labour force' in previous years. The labour force participation rate, i.e., labour force as a percentage of household population aged 10 years and above, has been estimated at 52 per cent in the third quarter of 1998. The labour force participation rate has fluctuated within a range of 48-52 per cent during the period since 1990. While there has been an increase in labour force participation from 49 per cent in 1997 to 52 per cent in 1998, this increase was partly a reflection of the improved coverage of the workforce. The growing entry of females to the labour force appears to be an important reason for this increase.

### 7.3 Employment

The quarterly labour force surveys define an employed person as one who works for pay, profit or unpaid family gain for one

**TABLE 7.1**  
**Basic Demographic Indicators**

Year	Population ('000)	Annual Change (%)	Crude Birth Rate (per'000)	Crude Death Rate (per'000)
1871	2,417	0.8	28.5	20.0
1946	6,657	1.5	35.4	14.3
1953	8,098	2.8	48.0	10.4
1963	10,582	2.7	34.1	8.5
1971	12,690	2.2	30.4	7.7
1981	14,847	1.7	28.2	5.9
1991	17,247	1.5	20.6	5.5
1995	18,136	1.4	18.9	5.8
1996	18,315	1.0	18.6	6.5
1997	18,552	1.3	17.9	6.1
1998(a)	18,774	1.2	n.a.	n.a.

(a) Provisional

Sources: Registrar General's Office  
Department of Census and Statistics

hour or more during the week preceding the collection of data from that person. Persons who are temporarily absent from work are also considered as employed. Employees, employers, self-employees (own account workers) and unpaid family workers are the broad categories of the employed. According to the surveys, employment has risen steadily from 84.1 per cent of the labour force in 1990 to 90.9 per cent by the end of the third quarter of 1998. Correspondingly, the unemployment rate has fallen from 15.9 per cent of the labour force to 9.1 per cent during that period.

Manufacturing, construction, trade, hotels, insurance, real estate and personal services were key areas of employment generation. Enterprises under the BOI, with 137 new projects commencing operations in 1998, generated direct employment for nearly 36,200 persons. The manufacturing sector is estimated to have generated around 27,000 new employment opportunities.

The construction sector also had generated about 5,400 new jobs. New employment provided by the public sector was estimated at about 19,000. The number of casual workers (those not in the permanent cadre) accounted for 9.1 per cent of the total public sector employment in 1998.

While data on the change in the agricultural sector are not available, the total employment in this sector is estimated at 2.4 million and represented 38 per cent of the employed work force. A little over 15 per cent of the employed workforce were in the manufacturing sector, while the balance 47 per cent were in the services sector. Data also revealed that the employment generation was particularly evident in small scale business and manufacturing activities throughout the country.

The share of public sector employment (government and semi-government) in total employment continued to decline in 1998. The public sector share in total employment has fallen

**TABLE 7.3**  
**Employment by Economic Activity**

Item	('000 persons)					Percentage of Total Employed		
	1995	1996	1997	1997(a)	1998(a)	1995	1997(a)	1998(a)
<b>Employment by Industry</b>								
Agriculture	1,966.8	2,072.2	2,069.1	1,971.5	2,391.6 (b)	36.7	35.4	38.2
Mining and Quarrying	89.2	86.8	77.8	80.1	79.1	1.7	1.4	1.3
Manufacturing	788.6	806.7	870.1	904.4	931.1	14.7	16.2	15.2
Electricity, Gas and Water	24.9	27.5	32.3	21.6	36.5	0.5	0.4	0.7
Construction	285.5	297.1	301.0	298.9	304.3	5.3	5.4	4.6
Trade and Hotels	652.8	663.6	715.8	690.3	712.0	12.2	12.4	11.7
Transport, Storage and Communication	252.2	270.7	269.9	294.0	279.9	4.7	5.3	4.2
Insurance and Real Estate	81.3	109.7	92.0	112.5	121.7	1.5	2.0	2.0
Personal Services and Other	1,215.8	1,202.9	1,151.3	1,197.8	1,235.3	22.7	21.5	22.1
<b>Total Employment</b>	<b>5,357.1</b>	<b>5,537.4</b>	<b>5,580.0</b>	<b>5,571.4</b>	<b>6,085.4 (b)</b>	<b>100</b>	<b>100</b>	<b>100</b>
% of Labour Force	87.7	88.7	89.6	89.6	90.9 (b)			

(a) Third Quarter

Source: Department of Census and Statistics

(b) Data are not comparable with those of the previous years due to a definitional change that has been made in the Sri Lanka Labour Force Survey to improve the coverage of the employed labour force.

**TABLE 7.4**  
**Labour Force and Employment**

	Thousand Persons					
	1993	1994	1995	1996	1997	1998 (a) (b)
<b>Total Population</b>	17,619	17,865	18,136	18,315	18,552	18,774
Household Population aged 10 years and above	12,278	12,493	12,736	12,831	12,864	12,896
<b>Labour Force</b>	6,032	6,079	6,106	6,242	6,229	6,693
<b>Employed</b>	5,201	5,281	5,357	5,537	5,580	6,085
Public Sector	1,295	1,325	1,307	1,161	1,080	1,091
Government	676	700	738	752	762	790
Semi-Government	619	625	569	409	310	301
Private Sector	3,906	3,956	4,050	4,376	4,500	4,994
BOI Enterprises	180	206	233	242	258	294
Other	3,726	3,750	3,817	4,134	4,242	4,700
<b>Unemployed</b>	830	798	749	705	649	607
<b>Memorandum Items</b>						
Labour Force Participation Rate, %	49.1	48.7	47.9	48.6	48.4	51.9
Unemployment Rate, %	13.8	13.1	12.3	11.3	10.4	9.1
Unemployment Rate excluding Unpaid Family Workers, %	15.1	14.3	13.4	12.4	11.4	10.3

(a) Third Quarter

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

(b) The large increase in labour force and employment in 1998 was partly due to the increase in coverage of female unpaid family workers in the agricultural sector. In the sector-wise breakdown, this is shown in the private sector 'other' category. Therefore, the total labour force and the employed in the private sector 'other' category are not comparable between 1998 and other years.

**TABLE 7.5**  
**Status of Employment**

Year						Percentage
	Public Sector Employees	Private Sector Employees	Employers	Self Employed	Unpaid Family Workers	Total
1990	21.5	33.7	1.8	29.2	13.8	100
1991	22.9	39.5	2.2	25.4	10.0	100
1992	20.0	40.0	1.6	27.1	11.2	100
1993	17.4	42.8	2.0	27.4	10.4	100
1994	16.4	44.3	2.3	27.2	9.8	100
1995	15.6	44.3	2.5	28.3	9.4	100
1996	15.0	45.8	2.3	26.8	10.0	100
1997	15.2	44.0	2.4	29.1	9.3	100
1st Quarter	15.0	44.7	1.7	29.0	9.7	100
2nd Quarter	15.6	44.2	2.4	27.5	10.2	100
3rd Quarter	16.5	42.9	2.7	28.8	9.1	100
4th Quarter	13.7	44.3	2.7	31.2	8.2	100
1998(a)	13.8	41.7	2.0	28.8	13.5	100
1st Quarter	13.1	41.8	1.7	28.8	14.7	100
2nd Quarter	14.4	41.6	2.3	28.7	12.9	100

(a) Average of first two quarters

Source : Department of Census and Statistics

from 25 per cent of employment in 1993 to nearly 18 per cent in 1998. The decline has taken place particularly in the semi-government sector with the ongoing public enterprise reforms with private sector participation and the expansion of private sector economic activity. A larger part of the new employment opportunities generated has been in the private sector. This trend is confirmed by both the Department of Census and Statistics survey and the Central Bank's survey data. Public sector employment in 1998 was estimated at 1.09 million, recording a marginal increase of 1.8 per cent over 1997. The employment in the government sector (central and local) increased by 3.7 per cent, a higher rate of increase than in the previous two years. Semi-government institutions recorded a marginal decline of 2.9 per cent in their employment level following considerable declines in the previous three years.

## 7.4 Unemployment

A steady decline in unemployment in recent years has been a reflection of the rapid economic growth and the resultant growth of employment opportunities in the country. Persons who are looking for or are available for work but do not have employment are considered as the unemployed. The unemployment rate (unemployed persons as a percentage of the labour force) has declined from 15.9 per cent in 1990 to 9.1 per cent in the third quarter 1998, recording a drop of 6.8 percentage points. The estimate of the unemployment rate in 1998 had some downward bias due to increased coverage of unpaid family workers as employed persons in the labour force. When these data are adjusted to exclude unpaid family workers, the unemployment rate was estimated at 10.3 per cent in the third quarter of 1998 compared to 11.4 per cent in 1997. Thus, in 1998, the unemployment rate has, in fact, declined notably by about one percentage point.

According to the survey, the decline in unemployment in the country was seen in both male and female unemployment although unemployment among females was twice as high as for males. The male unemployment rate declined from 11.8 per cent in 1990 to 7.1 per cent in the third quarter of 1998, whereas the

female unemployment rate fell from 23.4 per cent to 12.7 per cent during the same period. It is noteworthy that the female unemployment rate has declined faster, reducing the female-male gap in the unemployment rate from nearly 12 percentage points in 1990 to 6 percentage points in 1998.

Another salient feature in recent trends in unemployment has been the continuously higher unemployment among persons with higher formal educational qualifications. Although unemployment rates at all levels of education have declined over time, the unemployment rate among persons with qualifications of GCE (A/L) and above has remained at a significantly higher level than that of the unemployment rate in the population as a whole. In fact, the proportion of persons with qualifications of GCE (A/L) and above in total unemployment increased from 15

**TABLE 7.6**  
**Unemployment Rate**

Year	Percentage of Labour Force		
	Male	Female	Total
1990	11.8	23.4	15.9
1991	10.2	23.0	14.7
1992	10.7	22.9	14.6
1993	9.7	21.7	13.8
1994	9.7	20.1	13.1
1995	8.8	18.8	12.3
1996	8.5	18.0	11.3
1997	7.6	16.2	10.4
1st Quarter	8.0	16.2	10.7
2nd Quarter	7.2	16.3	10.2
3rd Quarter	7.4	16.7	10.4
4th Quarter	7.7	15.5	10.3
1998(a)(b)	6.9	14.6	9.7
1st Quarter	7.1	16.2	10.6
2nd Quarter	6.6	14.9	9.5
3rd Quarter	7.1	12.7	9.1

Source : Department of Census and Statistics

(a) Average of first three quarters

(b) Data are not comparable with those of the previous years due to a definitional change that has been made in the Sri Lanka Labour Force Survey to improve the coverage of the employed labour force.

**TABLE 7.7**  
**Unemployment Rate by Level of Education**

Period	Percentage of Labour Force					Total
	No Schooling	Grade 0-4 Year 1-5	Grade 5-9 Year 6-10	GCE (O/L) NCGE	GCE (A/L) HNCE and Above	
1990	3.4	5.2	17.2	23.8	29.4	15.9
1991	4.0	4.9	14.9	25.0	24.7	14.7
1992	3.5	5.4	16.1	21.8	20.7	14.6
1993	3.0	4.9	13.7	21.3	23.2	13.8
1994	2.6	5.0	13.0	19.6	23.8	13.1
1995	1.9	3.0	12.8	18.4	19.9	12.3
1996	2.7	3.4	12.2	16.4	18.9	11.3
1997	1.3	2.3	10.8	15.7	19.0	10.4
1st Quarter	2.4	1.5	11.1	15.6	21.2	10.7
2nd Quarter	0.2	2.2	11.0	16.1	18.9	10.2
3rd Quarter	0.5	3.1	10.2	14.6	19.3	10.4
4th Quarter	2.2	2.6	10.8	16.7	16.7	10.3
1998(a)	0.2	2.6	10.2	13.5	16.2	9.7
1st Quarter	0.1	2.9	12.0	15.8	14.9	10.6
2nd Quarter	0.5	1.9	9.1	14.4	18.9	9.5
3rd Quarter	0.0	3.0	9.4	10.3	14.8	9.1

(a) Average of first three quarters

Source : Department of Census and Statistics

per cent in 1990 to 21 per cent in 1998, whereas the proportion of persons with these qualifications only rose from 8 per cent to around 13 per cent for the entire labour force. A similar trend is seen, when those in the labour force with qualifications of GCE (O/L) and above are considered, although the differences are somewhat less severe. This indicates the mismatch between academic training and employment opportunities.

The current education system appears to have contributed largely to this situation. The current education system is based on testing the textbook knowledge of students in traditional subjects that do not equip them adequately to function effectively in an increasingly competitive and dynamic modern work environment. Meanwhile, a greater demand exists in the emerging private sector labour market for persons qualified in professional and technical fields such as accountancy, finance, management, marketing, computer applications and the English language. Consequently, the system tends to create expectations among students that cannot be fulfilled by their inadequate traditional academic training. Such students often wait for white-collar jobs after leaving school. Therefore, the higher the formal academic qualifications acquired under the existing education

system, the less could be the opportunities for gaining the expected employment. This is a highly simplified description of the unemployment problem among the higher educated in the country, which is considered most acute. The current education reforms are aimed at addressing this issue as well as other aspects, so that the education system would produce persons who are readily employable in the market.

Recent estimates based on the Labour Force Survey indicate differences in unemployment among the provinces in the country. The rate of unemployment was lowest in the North Central Province (6.7 per cent), while the highest unemployment was in the Southern Province (13.6 per cent).

### 7.5 Foreign Employment

According to the Sri Lanka Bureau of Foreign Employment (SLBFE), migration for foreign employment through recorded sources increased gradually until 1995, reaching the highest level of about 172,000 persons per annum. While there had been a decline in the number of people leaving for employment abroad during 1996 and 1997, this number is estimated to have increased by about 7 per cent to around 158,000 persons in 1998. The Bureau has also intensified its surveillance through counters at the airport so that persons migrating for foreign employment will have the required registration with the Bureau.

During the year, the government continued to provide pre-employment training and welfare services for employees abroad and their families. In 1998, twelve welfare officers were appointed to assist Sri Lankan employees in the Middle Eastern countries and Singapore. The SLBFE has introduced a number of support facilities for migrant workers and their families. These included the provision of training facilities to prospective migrant workers, an insurance scheme for migrant workers registered with the SLBFE, provisions of air fare to employees who return before the expiry of their contract periods, a scholarship programme for children and funding a low cost housing programme implemented through People's Bank.

**TABLE 7.8**  
**Unemployment Rate by Province 1997**

Province	Percentage of Labour Force		
	Male	Female	Total
Western	9.0	14.5	10.7
Central	8.8	18.5	12.3
Southern	9.1	22.3	13.6
North Western	6.2	13.6	8.5
North Central	4.5	11.8	6.7
Uva	5.4	11.5	7.8
Sabaragamuwa	6.2	18.0	10.0
Total	7.7	16.1	10.5

Source : Department of Census and Statistics