

Chapter 7

POPULATION, LABOUR FORCE AND EMPLOYMENT

7.1 Overview

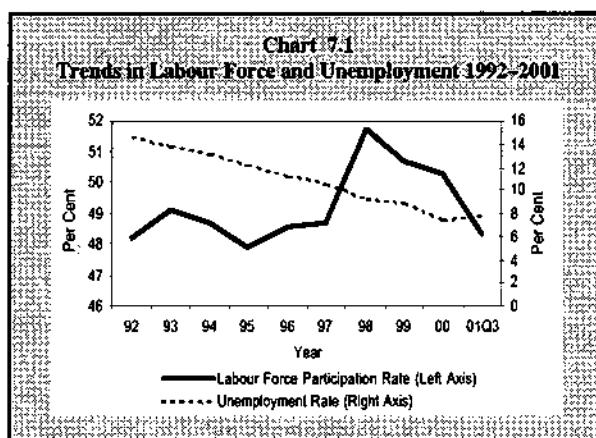
A major achievement in demographic statistics in Sri Lanka in 2001 was the conduct of the Census of Population and Housing - 2001 (Census-2001) by the Department of Census and Statistics (DCS) in mid 2001. Census-2001 provides critically important information on demographic factors for planners and policy makers after a lapse of 20 years, since the last census was conducted in 1981. The total population, as estimated by Census-2001, was 18.7 million persons and the average annual growth rate of population was 1.2 per cent for the 20-year period from 1981 to 2001. The higher population growth rates in certain districts, relative to the overall rate, signify changes in the regional distribution of the population arising from economic and social developments in the country during this 20-year period. Further, ageing of the population, as well as a further decline in the gender ratio, were evident from Census-2001 results. The outcome of Census-2001 emphasises the need for development policies that will address high economic disparities among regions. In addition, the social security needs of the elderly will become an increasing burden on the state unless adequate reforms that address these issues are undertaken soon.

In 2001, the labour market in Sri Lanka was affected by the negative growth that resulted from a host of external and domestic shocks, contracting demand for labour in nearly all sectors. In the absence of second and fourth quarter data for 2001 from the Quarterly Labour Force Survey (QLFS) conducted by the DCS, on the basis of first and third quarter data for 2001, the unemployment rate, which had shown a declining trend since 1990, rose, albeit marginally, to 7.8 per cent in 2001 from 7.6 per cent in 2000. This comparison does not take account of seasonality. The comparison implies a contraction in overall employment generation, where the private sector was the major contributor to employment. The setbacks to the economy may have an adverse lagged effect on investment due to excessively rigid labour laws existing in the country. The Termination of Employment of Workmen Act No.45 of 1971 prevented enterprises from restructuring by reducing their workforce despite the contraction in their activities during 2001. Hence, enterprises had to bear the entire cost of maintaining the excess labour, thereby reducing their productivity and discouraging future investment in labour intensive industries. The long-felt need to review existing labour legislation supporting achievement

of higher growth performance in the economy was further emphasised with the country's economic performance in 2001.

Falling unemployment rates across almost all age groups and the declining labour supply, as measured by labour force participation rates of both males and the females, were two key characteristics in Sri Lanka's labour market in the period from 1998 to 2001. In the short run, it will increase the dependency ratio, reducing savings and hence, capital formation. The long-run effect of the fall in the labour force participation rate would be a slower expansion in potential economic growth, since labour is an important factor of production in the country. Therefore, the shrinking labour force participation rate will need to be compensated by a sustained growth in labour productivity.

Meanwhile, steady progress was made in the foreign employment sector despite limitations of flights and delayed departures due to the terrorist attacks, both locally and internationally, during 2001. The registered number of departures for foreign employment increased by around 3,000 persons to 184,000, compared to 2000, and exceeded the projected target for the year 2001.



7.2 Population

The conduct of the Census of Population and Housing - 2001 by the DCS in mid 2001 after a lapse of 20 years was a major achievement in demographic statistics in Sri Lanka in 2001 (see Box on Census of Population and Housing - 2001). Although censuses had been conducted at regular intervals every 10 years in the past, owing to the

Box 9

Census of Population and Housing – 2001

1. Introduction

On 17 July 2001, with the completion of the fourth and final stage of the Census of Population and Housing – 2001, the Department of Census and Statistics (DCS) successfully completed the 13th Census in Sri Lanka. (Census-2001) the largest statistical exercise undertaken in the country since 1981.

Sri Lanka conducted her first census more than a century ago, in 1871, and since then, twelve censuses have been conducted in 1881, 1891, 1901, 1911, 1921, 1931, 1946, 1953, 1963, 1971, 1981 and 2001. Although it had been expected that population censuses would be conducted at 10 year intervals, the 1991 census was not conducted due to the prevailing security situation in the country at that time. Consequently, Census – 2001 was conducted after a lapse two decades. In the interim, the country had undergone rapid structural transformation on both economic and social fronts as well as a protracted civil war in the North and East. This led to significant demographic changes that have been captured in the Census – 2001.

Unlike in the previous censuses, Census-2001 incorporated several conceptual and operational improvements. First, the housing units in the country in all three sectors, Urban, Rural and Estate, were completely enumerated for basic household information. In the previous censuses complete enumeration was done only in the urban housing units, while in the Rural and Estate sectors such information was collected only from 10 per cent of the census blocks. Second, a new schedule, the Disability Schedule, was introduced to collect detailed information on the disabled persons in the population. Third, information was collected on Sri Lankans who are permanent residents of the country but were temporarily living abroad at the time of the Census. Finally, individuals were counted both under the 'de jure'¹ and 'de facto'² counts. However, Census-2001 was able to completely enumerate only 18 districts out of 25. Of the remaining 7 districts, all in the Northern and Eastern provinces, 3 were not enumerated and 4 were only partially enumerated due to the unsettled security situation that prevailed in those areas, although

all building units in the entire country were listed and numbered accordingly. This has resulted in certain limitations in the comparisons of these data with the previous censuses. Nevertheless, the Census – 2001 provides some important findings of demographic transition that have taken place over the last two decades.

2. Conduct of the Census

Census-2001 employed around 100,000 enumerators and was conducted in 4 stages. These stages were:

- (i) Preparation of Grama Niladani (GN) division maps (from March 2000 to end 2000)
- (ii) Pre-listing of building units in GN divisions (From first week of February to mid March 2001)
- (iii) Preliminary Census (from 25th June - 5th July 2001)
- (iv) Final Census (17th July 2001)

- In the first stage, the maps showing the boundaries of the existing 14,113 GN divisions were prepared. As a GN division is too large to handle as a single administrative unit in the census operation, they were sub-divided into 'Census Blocks' each comprising around 60-80 houses and/or other types of building units.
- In the second stage, all building units in the country were listed under four categories: Housing Units, Collective Living Quarters, Institutions and Non Housing Units. The listed units were serially numbered and a Unique Census Unit Number written on a census label, 'the red label', was affixed at a prominent place in each building unit.
- At the preliminary census stage, information pertaining to every individual and building unit was collected. However, information on homeless persons, persons living in army barracks, police barracks, hospitals and other institutions was not covered. Homeless persons/ persons living in streets were covered in the final census. Particulars of individuals in the other categories mentioned were collected three days before the final census.
- The final census was carried out on the night of 17 July 2001, between 6.00 p.m. and 12.00 midnight. The indoor enumerators who visited the units checked the presence of each individual recorded in the preliminary census. In addition, outdoor enumerators

1. Each person is counted and enumerated at the place of his or her usual residence.

2. Each person is counted and enumerated at the place where he/she was present during the reference period, irrespective of where his/her usual residence was situated.

Box 9 (Contd.)

covered persons who lived in streets (homeless) and were at bus stands, railways stations and other similar busy places during the reference period.

Once the final census was completed, the enumerators were expected to submit summary data on individuals enumerated by them in their respective census blocks. Based on the summaries prepared by enumerators and supervisors, the DCS has published provisional population statistics and the average annual growth rate for 18 districts for which the enumeration was completed. In addition, for the same districts, provisional estimates of population by gender, age, race, religion and by sectors have also been published. For the 4 districts where the Census - 2001 enumeration was partially completed, the aforesaid detailed information, if available, is also published in the relevant district tables. The DCS has also released an estimate of total population on the basis of information gathered from all

25 districts during the preliminary stages of the census (Table 1). Only 6.3 per cent of the population was not enumerated in Census - 2001.

The lack of a complete data set prevents comprehensive analysis of the demographic shifts that took place in the entire country during the past twenty years. However, long-term trends and demographic changes may be broadly analysed for the country as a whole, as well as for 18 districts in detail, using the information from previous censuses and the available information from Census - 2001.

3. Key Features of Demographic Changes

Census-2001 confirms that during the last five decades, Sri Lanka's population has undergone significant structural changes as follows.

◆ The total population enumerated in the 18 districts on the final census night was 16,864,687. This represents an annual average growth rate of around 1.2 per cent between Census-1981 and Census-2001 and confirms the steadily falling trend in the population growth rate since the 1960s. The population growth rate in the 1963 census was 2.7 and it had declined to 2.3 per cent in 1971 and to 1.6 per cent in 1981.

◆ On the basis of the data gathered from the 7 districts which were partially enumerated and the final population numbers in the other 18 districts, Sri Lanka's population has been estimated as 18.73 million in 2001. This indicates an annual average growth rate of around 1.2 per cent. In addition to declining birth rates, the lower population growth may also be partly due to higher out-migration for employment as well as arising from the protracted civil conflict and the loss of lives due to the latter over the past 20 years.

◆ Growth rates varied among districts. Among the 18 districts, 6 reported a rate above the overall average of 1.2 per cent. These are Colombo, Gampaha, Ampara, Puttalam, Polonnaruwa and Moneragala. The higher growth rates in Gampaha and Colombo probably reflect the increased economic activities in those districts and the migration to these areas for employment and other economic reasons, while those in the other four districts could be attributed to the increased migration from the unsettled areas in the Northern and Eastern provinces to these four bordering districts.

TABLE 1

Population Enumerated at Census - 2001 Annual Growth Rates by Districts

District	Enumerated Population		Average Annual Growth Rate (1981-2001)
	1981 Census	2001 Census	
1. Colombo	1,699,241	2,234,289	1.3
2. Gampaha	1,390,862	2,066,096	1.9
3. Kalutara	829,704	1,060,800	1.2
4. Kandy	1,048,317	1,272,463	1.0
5. Matale	357,354	442,427	1.1
6. Nuwara Eliya	603,577	700,083	0.7
7. Galle	814,531	990,539	1.0
8. Matara	643,786	781,236	0.8
9. Hambantota	424,344	525,370	1.1
10. Ampara	386,970	589,344	2.0
11. Kurunegala	1,211,801	1,452,969	0.9
12. Puttalam	492,633	705,342	1.8
13. Anuradhapura	587,929	746,466	1.2
14. Polonnaruwa	261,563	359,197	1.6
15. Badulla	640,852	774,555	0.9
16. Moneragala	273,570	396,173	1.8
17. Ratnapura	797,087	1,008,164	1.2
18. Kegalle	684,944	779,774	0.6
Sub Total (a)	13,151,065	16,864,687	1.2
Other Seven Districts			
Sub Total (b)	1,895,685	1,867,568	0.5
Total	14,846,750	18,732,255	1.2

(a) These 18 districts were enumerated completely.

(b) These seven districts comprise Batticaloa (of 12 Divisional Secretariats (DS) divisions, 5 were enumerated completely and 6 were enumerated partially); Trincomalee (of 11 DS divisions, 7 were enumerated completely and 2 were enumerated partially); Mannar (of 5 DS divisions one was enumerated partially); Vavuniya (of 4 DS divisions, one was enumerated completely and 2 were enumerated partially); and Jaffna; Kilinochchi and Mullaitivu (of 23 DS divisions, none were enumerated in the final Census).

Box 9 (Contd.)

TABLE 2
Demography

	Year		
	1971	1981	2001
Population ('000)	12,690	14,847	18,732
Growth Rate	2.3	1.6	1.2
Density (population per Km ²)	196	230	299
Sex Ratio	106	103.9	97.9 (a)
Age Below 18 Years %	49.6	41.6	32.9 (a)
Age Above 18 Years %	50.4	58.4	67.1 (a)

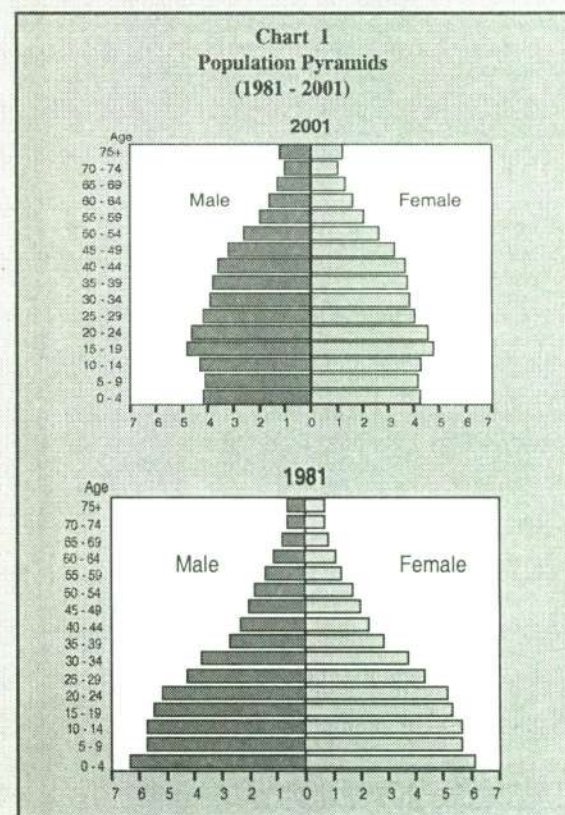
(a) Based on 18 Districts which were completely enumerated.

- ◆ The gender ratio, or the number of males per 100 females of the population, which stood at 113 in 1946, had steadily declined to 104 in 1981 and to 98 in 2001. The rise in the proportion of female population would be reflected in the increased share of labour force participation by females in recent times.
- ◆ A central feature of Sri Lanka's demographic characteristics is a long run decline in fertility. The Total Fertility Rate (TFR) – defined as the average number of births per woman – experienced a sharp decline from over 5 births in 1953 to 3 births in 1981. It has further declined to 2.8 births for 1982-87 and to 2.0 for the period 1995-2000. This is likely to bring about certain desirable economic consequences in the long run, such as greater income-generating potential for women, reduction in the share of household expenditure devoted to child-caring essentials and hence, increase in per capita expenditure on human capital investment such as education, that would improve the overall quality of life of the population.
- ◆ As in most countries, the population of Sri Lanka is ageing. The proportion of those above 65 years of age, which was 3.6 per cent until 1963, increased to 4.2 per cent in 1971 and 5.4 per cent in 1981. The corresponding age structure in the Census-2001 indicates that the proportion has further increased to around 7 per cent (Chart 1).
- ◆ In 18 districts which were completely enumerated, the proportion of population less than 18 years has declined significantly (Chart 1). In Census - 1981 more than two fifths of the population (41.6%) were under 18 years, whereas in Census - 2001 this share had fallen to one third of the population (32.9%). This shift has narrowed the population age pyramid at the lower ages and could be attributed to the lower fertility rates reported in the 1980s.

◆ Ampara District had the highest (39.8%) proportion of persons below 18 years and Colombo District (27.1%), the lowest. Of 18 districts, 14 had their young population above the overall average, while only 4 districts reported lower proportions. The relatively high young population in a majority of districts emphasises the need for giving priority to youth oriented development strategies in those districts.

◆ The distribution of population by ethnicity in Sri Lanka has hardly changed. The shifts in shares among the different ethnic groups ranged from 0.2 to 1.3 per cent.

The significant structural changes in the population, particularly in terms of population growth, age and geographical distribution, will have considerable implications for long-term planning in the areas of education, social security for the elderly and employment generation. One of the most important outcomes of Census-2001 is that demographic data for Sri Lanka, which are critically important to policy makers and planners for overall development, in general, and regional development, in particular, are now available after a lapse of 20 years.



unsettled security situation in the country, a census was not conducted in 1991. Census-2001, was the 13th census conducted in Sri Lanka, the previous one being conducted in 1981.

Census-2001 was conducted in four stages. The first two stages were completed in all 25 districts in the country. However, the DCS was unable to complete the third and final stages in all districts, due to the prevailing security situation in certain parts of the North and East. Accordingly, the final census was completely enumerated only in 18 districts. However, the population of the remaining seven districts in the North and East was estimated using the data available from the partial enumeration. The total population, as estimated by Census-2001, was 18.7 million persons. The average annual growth rate was estimated as 1.2 per cent for the 20 year period from 1981 to 2001. The population according to the Census of Population and Housing - 1981 stood at 14.8 million persons.

TABLE 7.1
Selected Indicators from the Census of Population and Housing 1981 and 2001

	1981	2001
1. Population (millions)		
18 Districts (a)	13.1	16.8
7 Districts (b)	1.7	1.9
All Districts	14.8	16.7
2. Average Annual Growth Rate (%)	1.6	1.2
3. Gender Distribution (Ratio)		
Males per 100 females	103.9	97.9
4. Age Distribution (%)		
Less than 18 years	41.6	32.9
18 years and over	58.4	67.1

Source : Department of Census and Statistics

(a) Totally enumerated in both 1981 and 2001 Census

(b) Totally enumerated in 1981 Census and partially enumerated in 2001 Census

The margin of deviation of the average annual growth rates of the population in certain districts from the growth rate for the country as a whole reflected economic and social developments during this period. The high average annual growth rate of 2.0 per cent in the Ampara District is attributed to new settlements coming under the Mahaweli Scheme.

The high average annual population growth rate recorded in the Gampaha District, which was 1.9 per cent, was a clear indication of internal migration for economic reasons, particularly to export processing zones, from bordering districts such as Kegalle, which had the lowest population growth rate of 0.6 per cent. In addition, the population growth rate in the Colombo District, at 1.3 per

TABLE 7.2
Average Annual Population Growth Rates from 1981 to 2001 in Selected Districts

District	%
Ampara	2.0
Gampaha	1.9
Monaragala	1.8
Puttalam	1.8
Polonnaruwa	1.6
Colombo	1.3
Kegalle	0.6
All	1.2

Source : Department of Census and Statistics

cent, was marginally higher than the overall rate. Further evidence of the increased migration to Gampaha and the suburban areas around Colombo for settlement was also seen from the volume of land auctioned by property developers during the period from 1981 to 2001 in these areas.

The growth rates in the districts bordering the North and East reflected the unsettled security situation in those areas since 1983, which has had a significant impact on the population distribution in the country. The growth rates in the Monaragala and Polonnaruwa districts bordering the Eastern province were 1.8 per cent and 1.6 per cent, respectively, while in the Puttalam District bordering the Northern Province, the growth rate was 1.8 per cent, reflecting migration southward from the conflict areas.

The ageing of the population was also evident from the decline in the proportion of population under 18 years of age between the Censuses held in 1981 and 2001. The percentage share of population less than 18 years fell from 41.6 per cent in 1981 to 32.9 per cent in 2001. Correspondingly, the percentage share of those aged 18 years and over increased from 58.4 per cent in 1981 to 67.1 per cent in 2001. The ageing of population is one of the major socio-economic issues associated with the current demographic structure and it is a trend that requires urgent attention. Unlike in most developed countries, Sri Lanka's ageing problem has some unique characteristics. It is the result of an unusually fast demographic transition for a developing country, caused by high life expectancy and decreasing birth rates. However, Sri Lanka has attained this status with a very low level of per capita income. The latter itself will create a serious resource constraint on the government budget in allocating funds necessary for providing social security for the aged population in the country in the future and hence, emphasises the need for greater private sector participation in areas such as health insurance and private pension funds. The problem of ageing will also have a direct impact on the level of labour supply as measured by labour force participation rates.

A relative increase in females in the population was clearly indicated by the decrease in the gender ratio, which is defined as the number of males per 100 females in the population. The gender ratio fell from 103.9 in 1981 to 97.9 in 2001.

7.3 Labour Force

The labour force, which is defined as persons aged 10 years and above, who are able and willing to work in a given

reference period, increased by 21,000 to 6.73 million, in the third quarter of 2001 compared to the fourth quarter of 2000. The labour force consists of both the employed and the unemployed. The increase of 21,000 reflects a decline in the number employed by around 10,000 and an increase in the number unemployed by around 31,000. At the same time, the household population aged 10 years and above rose by 294,000. Hence, the labour force participation rate, i.e., the ratio of labour force to household population aged

TABLE 7.3
Labour Force Participation

Period	Household Population (a) '000 Persons	Labour Force '000 Persons	Employed '000 Persons	Unemployed '000 Persons	Labour Force Participaion Rate (b) %		
					Male	Female	All
1992	12,058	5,808	4,962	846	64.3	31.1	48.2
1993	12,278	6,032	5,201	831	65.3	33.1	49.1
1994	12,493	6,079	5,281	798	65.4	32.0	48.7
1995	12,736	6,106	5,357	749	64.4	31.7	47.9
1996	12,831	6,242	5,537	705	65.9	31.6	48.7
1997	12,871	6,266	5,608	658	65.7	32.0	48.7
1998	12,882	6,661	6,049	611	67.3	36.4	51.7
1999	13,169	6,673	6,083	591	67.7	34.1	50.7
2000	13,572	6,827	6,310	517	67.2	33.9	50.3
1st Quarter	13,498	6,854	6,308	546	67.4	34.2	50.8
2nd Quarter	13,543	7,042	6,549	493	68.0	36.0	52.0
3rd Quarter	13,587	6,705	6,172	533	66.6	32.9	49.4
4th Quarter	13,631	6,709	6,212	497	66.7	32.5	49.2
2001	13,676	6,731	6,212	518	66.8	31.9	49.2
1st Quarter	13,676	6,731	6,212	518	66.8	31.9	49.2
2nd Quarter (c)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3rd Quarter	13,926	6,730	6,202	528	66.0	31.5	48.3

(a) Household population aged 10 years and above

(b) Labour force as a % of household population

(c) Quarterly Labour Force Survey was not conducted by DCS for 2001-Q2

Source : Department of Census and Statistics

TABLE 7.4
Status of Employment

Period	Public Sector Employees	Private Sector Employees	Employers	Self-Employed	Unpaid Family Workers	Percentage
						Total
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	15.1	44.3	2.3	28.8	9.4	100
1998	14.5	41.2	1.9	28.9	13.6	100
1999	14.4	43.1	2.0	28.3	12.2	100
2000	13.5	43.7	2.4	28.4	12.1	100
1st Quarter	13.8	43.9	2.1	27.0	13.2	100
2nd Quarter	13.9	41.9	2.1	27.3	14.8	100
3rd Quarter	13.0	43.9	2.7	28.6	11.9	100
4th Quarter	12.8	41.9	2.5	30.8	12.0	100
2001	14.7	43.0	2.5	29.5	10.4	100
1st Quarter	14.7	43.0	2.5	29.5	10.4	100
2nd Quarter (a)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3rd Quarter	13.0	47.8	2.2	27.0	10.0	100

(a) Quarterly Labour Force Survey was not conducted by DCS for 2001-Q2

Source : Department of Census and Statistics

10 years and above, decreased from 49.2 per cent in the fourth quarter of 2000 to 48.3 per cent in the third quarter of 2001. This signified a continuation of the steady, albeit slow, decline in the labour force participation rate recorded over the past four years, from around 52 per cent in 1998 to 48 per cent in 2001. Both the male and female labour force participation rates have decreased during this period, with the rate for females recording a sharper decline than for males.

In 1998, DCS expanded its coverage of the labour force to improve the recording of unpaid family workers in the labour force. Accordingly, there was a break in the comparable series from that year. However, the definitions since then have been consistent. Hence, the overall steady decline in the labour force participation rates since 1998, is a cause for concern.

7.4 Employment

The QLFS conducted by DCS defines a currently employed person as one who worked for pay, profit or unpaid family gain for one hour or more during the week preceding the survey. Employees who were temporarily absent from work due to factors such as illness, bad weather and labour disputes, were considered as employed.

The percentage of the labour force in employment decreased marginally at the end of the third quarter of 2001 compared to 2000, in contrast to the rising trend that prevailed during the past decade. According to the QLFS, the total employed, which rose from 84.1 per cent of the labour force in 1990 to 92.4 per cent in 2000, declined

TABLE 7.5
Public Sector Employment

Year	Government Institutions (a)	Semi-Government Institutions (b)	Total
1990	649,000	703,200	1,352,200
1994	699,898	625,266	1,325,164
1995	737,504	569,484	1,306,988
1996	752,194	409,278	1,161,472
1997	762,067	309,633	1,071,700
1998	790,492	300,654	1,091,146
1999	822,122	298,248	1,120,370
2000	856,665	299,615	1,156,280
2001 (c)	863,993	300,997	1,164,990

Source : Central Bank of Sri Lanka

(a) Central Government, Local Government and Provincial Councils

(b) State Corporations, Statutory Boards and State Authorities

(c) Provisional

marginally to 92.2 per cent at the end of the third quarter of 2001.

The private sector share continued its rising trend and remained the major source of employment generation. The share of private sector employees increased to 47.8 per cent in the third quarter of 2001 from 43.7 per cent in 2000 and remained the highest among the broad categories of the employed, viz., public sector employees, private sector employees, employers, self-employed (own account workers) and unpaid family workers.

Meanwhile, the share of public sector employment in total employment continued its declining trend since 1998 and further decreased marginally to 13.0 per cent in the third quarter of 2001 from 13.5 per cent in 2000. This

TABLE 7.6
Employment by Economic Activity

Sector	In Thousand Persons					Percentage of Total Employment				
	1999 (a)	2000 (a)	2001			1999	2000	2001		
			Q1	Q2 (b)	Q3			Q1	Q2 (b)	Q3
Agriculture	2205	2274	1992	n.a.	2007	36.2	36.0	32.1	n.a.	32.4
Industry	1332	1491	1474	n.a.	1555	21.9	23.6	23.7	n.a.	25.1
Mining and Quarrying	76	67	101	n.a.	118	1.2	1.1	1.6	n.a.	1.9
Manufacturing	902	1045	1036	n.a.	1088	14.8	16.6	16.7	n.a.	17.5
Construction	322	348	337	n.a.	348	5.3	5.5	5.4	n.a.	5.6
Electricity, Gas and Water (c)	32	31		n.a.		0.5	0.5		n.a.	
Services	2546	2545	2746	n.a.	2841	41.9	40.3	44.2	n.a.	42.6
Trade and Hotels, etc.	736	801	820	n.a.	738	12.1	12.7	13.2	n.a.	11.9
Transport, Storage and Communication	311	307	412	n.a.	406	5.1	4.9	6.6	n.a.	6.5
Finance, Insurance and Real Estate	100	131	138	n.a.	119	1.6	2.1	2.2	n.a.	1.9
Personal Services and Other	1399	1307	1376	n.a.	1378	23.0	20.7	22.2	n.a.	22.2
Total Employment	6083	6310	6212	n.a.	6202	100	100	100	n.a.	100
Percentage of Labour force	91.1	92.4	92.3	n.a.	92.2					

(a) Average of four quarters

(b) Quarterly Labour Force Survey (QLFS) was not conducted by DCS in 2001-Q2

(c) Electricity, Gas and Water categorised under Personal Services and Other in the QLFS from 2001-Q1

Source : Department of Census and Statistics

decrease was also evident from the decline in the rate of increase in public sector employment during 2001. The annual Public Sector Employment Survey conducted by the Central Bank of Sri Lanka, covers the central government, local governments and provincial councils and semi-government institutions such as state corporations, boards and authorities. According to the survey, the percentage increase in employment in the public sector declined to 0.8 per cent during 2001, compared to 3.6 per cent in 2000. Central government employment grew by 1 per cent to around 864,000 in 2001 and was the main contributor to the increase in employment in the public sector, estimated at around 9,000. As in the past, increases in employment were observed in defence personnel and in state corporations.

The percentage shares of employment in industry and services increased from 23.6 per cent and 40.3 per cent in 2000, respectively, to 25.1 per cent and 42.6 per cent in the third quarter of 2001 and continued to be the key areas of employment generation. Employment in Board of Investment (BOI) companies grew at a slower rate when compared to 2000. The increase in employment was 18,000 in 2001 compared to 41,000 in 2000, reflecting a lower capacity utilisation and investment.

Employment generation in agriculture deteriorated and the percentage share of employment declined from 36.0 per cent in 2000 to 32.4 per cent in the third quarter of 2001. The decline in the agriculture sector was mainly due to the severe drought that prevailed during 2001, which was reflected in the decline in employment generation in drought affected sectors.

7.5 Unemployment

Reflecting the impact of declining investment and contraction in the economy on labour demand, the unemployment rate rose marginally to 7.8 per cent in the third quarter of 2001 compared to 7.6 per cent in 2000. The Termination of Employment of Workmen Act, No.45 of 1971 (TEWA) prevents private firms with 15 or more employees laying off workers for non-disciplinary reasons without the prior written consent of the Commissioner of Labour or the employee concerned. Consequently, although many enterprises were compelled to downsize their activities due to lack of demand, employees were advised to stay at home on payment of their minimum monthly salary, excluding allowances, in order to minimise costs and avoid closure of businesses. In the hotel sector, although it was expected that laying-off of workers would rise to about 40,000 after the terrorist attacks, the TEWA prevented such laying off. Accordingly, the forced maintenance of employment levels prevented a clear reflection of the economic slowdown on employment reduction in the affected sectors.

TABLE 7.7
Unemployment Rate
(Percentage of Labour Force)

Period	One Week Reference Period				12 Months Reference Period
	Male	Female	All	Excluding Unpaid Family Workers (a)	All
1992	10.7	22.9	14.6	16.1	16.2
1993	9.7	21.7	13.8	15.1	17.5
1994	9.7	20.1	13.1	14.3	12.9
1995	8.8	18.8	12.3	13.4	12.0
1996	8.5	18.0	11.3	12.4	11.8
1997	7.7	16.1	10.5	11.5	11.6
1998	6.5	14.0	9.2	10.5	10.4
1999	6.7	13.0	8.9	10.0	9.1
2000	5.8	11.1	7.6	8.6	8.2
1st Quarter	6.4	11.1	8.0	9.1	8.8
2nd Quarter	5.3	10.1	7.0	8.1	7.8
3rd Quarter	6.0	11.8	8.0	8.9	8.6
4th Quarter	5.4	11.3	7.4	8.3	7.9
2001	5.8	11.7	7.7	8.5	7.7
1st Quarter	5.8	11.7	7.7	8.5	7.7
2nd Quarter (b)	n.a.	n.a.	n.a.	n.a.	n.a.
3rd Quarter	6.0	11.5	7.8	8.6	8.5

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

- (a) Unemployment rate estimated by excluding unpaid family workers from the employed labour force
(b) Quarterly Labour Force Survey was not conducted by DCS for 2001-Q2

TABLE 7.8
Unemployment Rate by Age Groups
(Percentage of Labour Force)

Period	Age Groups (Years)					All
	15-19	20-29	30-39	40-49	50 & above	
1992	39.1	27.5	7.8	3.5	1.4	14.6
1993	38.4	25.2	8.4	3.3	1.5	13.8
1994	40.7	24.5	7.6	2.5	1.2	13.1
1995	37.6	22.2	8.0	2.9	0.4	12.3
1996	38.5	22.0	6.0	1.9	0.5	11.3
1997	34.0	21.9	5.2	1.7	0.6	10.5
1998	27.3	19.3	4.9	2.0	0.7	9.2
1999	28.4	18.9	4.4	1.6	1.0	8.9
2000(a)	23.3	17.4	3.6	1.3	0.8	7.6
1st Quarter	22.1	19.0	3.8	1.1	0.7	8.0
2nd Quarter	22.5	15.0	3.6	1.6	0.9	7.0
3rd Quarter	21.3	19.7	3.3	1.2	1.0	8.0
4th Quarter	27.4	15.8	3.7	1.3	0.7	7.4
2001	28.5	18.1	2.9	0.7	1.0	7.7
1st Quarter	28.5	18.1	2.9	0.7	1.0	7.7
2nd Quarter (b)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3rd Quarter	32.7	18.0	3.0	1.0	1.0	7.8

Source: Department of Census and Statistics

- (a) Average of four quarters
(b) Quarterly Labour Force Survey was not conducted by DCS for 2001-Q2

TABLE 7.9
Unemployment Rate by Level of Education
(Percentage of Labour Force)

Period	No Schooling	Grade 0 - 4 Year 1 - 5	Grade 5 - 9 Year 6 - 10	GCE (O/L) NCGE	GCE (A/L) HNCE and Above	All
1992	3.0	4.7	15.9	22.2	22.4	14.6
1993	3.1	4.9	13.7	21.3	23.3	13.8
1994	2.6	5.0	13.0	19.6	23.7	13.1
1995	1.8	3.4	12.8	18.4	20.0	12.3
1996	2.8	3.4	12.2	16.4	19.0	11.3
1997	2.0	2.4	10.6	15.9	19.3	10.5
1998	1.0	2.4	9.0	13.7	17.5	9.2
1999	0.4	1.9	8.2	13.6	17.9	8.9
2000(a)	1.2	1.0	7.5	11.3	14.9	7.6
1st Quarter	1.3	1.1	7.9	11.2	15.4	8.0
2nd Quarter	1.8	1.1	6.8	11.4	13.1	7.0
3rd Quarter	1.2	1.0	7.6	12.0	15.2	7.9
4th Quarter	0.5	0.6	7.5	10.6	15.6	7.4
2001						
1st Quarter		1.3	6.9	11.1	15.3	7.7
2nd Quarter (b)		n.a.	n.a.	n.a.	n.a.	n.a.
3rd Quarter		1.6	6.9	11.3	15.9	7.8

(a) Average of four quarters

(b) Quarterly Labour Force Survey was not conducted by DCS for 2001-Q2

Source : Department of Census and Statistics

When analysed by age, unemployment rates continued to be highest among the younger age groups and steadily declined with age. In particular, unemployment in the 15 - 19 and 20 - 29 year age groups continued to be a cause for serious concern, as the unemployment rates in these two categories had worsened since 2000 and were significantly higher than the overall rate in the economy.

Unemployment among educated youth with higher qualifications of GCE O/L and above continued to remain high compared to unemployment rates of less educated groups. The problem of unemployed educated youth, both graduates and non-graduates, remains critical due to a skills mismatch, which restricts their opportunities to secure employment in the private sector or abroad. This mismatch between the human resource needs of the private sector and the qualifications of the graduates produced by the state-run universities indicates the necessity for reforms in the university education system. In order to address this mismatch, career guidance units were set up in several universities with the assistance of the Ceylon Chamber of Commerce. In addition, institutes such as the Tharuna Aruna Institute (TAI), which is a joint venture between four major chambers of commerce and the government, obtained the assistance of the relevant chambers to provide placements to graduates in the private sector. Under the programme, training was provided for 16 months to selected graduates with an option to absorb them to the permanent cadre, subject to the availability of vacancies and performance.

7.6 Foreign Employment

A steady progress has been made in the foreign employment sector despite several setbacks in 2001. The reduction of flights and delayed departures due the terrorist attack on the Katunayake International Airport in July 2001 and the temporary fear of another Gulf war following the terrorist attacks in USA and ensuing events were major setbacks during 2001. According to the Sri Lanka Bureau of Foreign Employment (SLBFE), the registered number of departures for foreign employment increased to around 184,000 during 2001 compared to 181,000 in 2000 and exceeded the projected target of 183,750 for 2001, due to timely interventions and the efforts of all stakeholders in minimising the adverse impact of the external shocks.

The total number of licensed recruitment agencies increased by 83 in 2001 to 528. Similarly, the share of foreign employment placements through licensed agencies increased to 72 per cent during 2001, from 70 per cent in 2000. The greater confidence placed on licensed agencies by migrant workers mainly reflected the impact of improvements in regularisation and supervision of employment agencies by the SLBFE. The share of licensed agencies placed out of Colombo rose from 35 per cent in 2000 to 38 per cent at end 2001 and may have directly contributed to improving access to licensed agencies by potential job seekers.

The categories of foreign employment placements did not indicate any significant change in distribution.

TABLE 7.10
Foreign Employment

Item	Number (percent in parenthesis)				
	1997	1998	1999	2000	2001 (a)
Employment Placements	150,283	159,816	179,114	181,370	183,656
By Source					
Licensed Agents	115,043 (77)	112,539 (70)	120,220 (67)	126,973 (70)	132,319 (72)
Other	35,240 (23)	47,277 (30)	58,894 (33)	54,397 (30)	51,337 (28)
By sex					
Males	37,552 (25)	53,867 (34)	63,504 (35)	59,725 (33)	59,661 (32)
Females	112,731 (75)	105,949 (66)	115,610 (65)	121,645 (67)	124,195 (68)
By Manpower Category					
Housemaids	99,429 (66)	85,349 (53)	87,710 (49)	98,636 (54)	102,791 (56)
Skilled Labour	24,578 (16)	31,787 (20)	37,187 (21)	36,370 (20)	36,758 (20)
Unskilled Labour	20,485 (14)	34,109 (21)	43,649 (24)	35,905 (20)	33,026 (18)
Other	5,791 (4)	8,571 (5)	10,568 (6)	10,459 (6)	11,281 (6)
Licensed Employment Agencies (Year End)	520	385	500	445	528
Number of Training Centres					
By SLBFE	15	17	20	21	20
By Private Agents	22	28	29	8	9

(a) Provisional

Source : Sri Lanka Bureau of Foreign Employment

Housemaids continued to account for the major share (56 per cent), while skilled employees accounted for about another 20 per cent. The percentage share of female employees rose marginally to 68 per cent in 2001 from 67 per cent in 2000.

The SLBFE continued with a number of schemes to facilitate migrant workers and their families. The award of 1,750 scholarships and distribution of school material to children of migrant workers and arrangement of housing and self-employment loans through People's Bank were some of the facilities provided by the SLBFE. Furthermore, the SLBFE paid Rs. 3.9 million to People's Bank as a subsidy payment on interest for loans taken by migrant workers from the People's Bank under the 'Videshika' loans scheme.

It is time for Sri Lanka to tap the more lucrative foreign employment markets in the developed world. These markets demand a continuous flow of technically skilled workers, such as computer programmers and nurses. The country's inability to obtain foreign employment opportunities in these countries has been due to inadequate proficiency in an international language such as English, acceptable technical qualifications etc. Yet, in today's world of globalisation with its emphasis on the removal of national barriers to the free movement of labour, these markets would be an appropriate safety valve for the high unemployment among the youth. Hence, it is important that consideration be given under the government's proposed youth training schemes to equip the educated youth with such competence to target these new markets for foreign employment in the future.