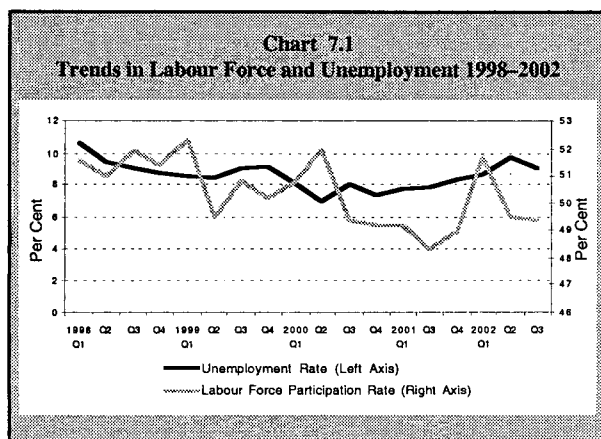


Chapter 7

POPULATION, LABOUR FORCE AND EMPLOYMENT

7.1 Overview

The labour market in 2002 showed mixed performances. While negative GDP growth in 2001 impacted adversely on overall employment generation in the early half of the year, the benign economic growth in 2002 led to an increase in economic activities and hence, employment opportunities, during the latter half. Further, the turnaround in the economy and the peaceful environment that prevailed during 2002 following the ceasefire in February led to positive expectations, thereby stimulating the overall economy and participation in economic activity. As a result, the labour force participation rate increased from 48.4 per cent in the third quarter of 2001 to 49.4 per cent in the third quarter of 2002 and the unemployment rate, which rose to a peak of 9.8 per cent in the second quarter of 2002, fell in the third quarter of 2002 to 9.1 per cent.



On the policy front, four key Acts addressing labour market reforms were passed by Parliament with a view to increasing flexibility in the labour market (see Box 13). Amendments to the Factory Ordinance of 1942 (FO), which was the first reform in the series, relaxed the number of overtime hours for female employees. The other three Acts, which were passed by Parliament in January 2003, were amendments to the Termination of Employment of Workmen Act of 1971 (TEWA), the Industrial Disputes Act of 1950 (IDA-1950) and the Employment of Women, Young Persons and Children Act of 1956 (EWYCA). The highlight of the amended TEWA is the determination of a clear compensation formula for terminated workers and amendments to the IDA-1950 focussed on minimising time allocation for dispute settlement. Finally, the EWYCA amendments enhanced penalties for employers violating the conditions set out in the Act.

In 2002, with a view to improving productivity in state institutions, the government made a policy decision to stop recruiting to the public sector, unless such recruitments were strongly justified. The diminishing role of the public sector as a source of employment requires the private sector to create more employment opportunities. The latter emphasises the need to remove existing constraints on private sector participation in economic activity. Moreover, this policy would change individuals' aspirations to be employed in the public sector and encourage them to acquire the skills demanded in the private sector.

In order to overcome the high level of unemployment among educated youth by directing them to private sector opportunities, the Ministry of Policy Development and Implementation (MPDI) and the Ministry of Labour and Employment (MLE) took several policy decisions during 2002. The MPDI initiated a "Youth Corps", which will be a well planned and integrated package of employment-oriented training programmes for youth between the ages of 18 years and 28 years, to be launched during 2003. The MLE prepared the Draft National Employment Policy-2002 to prepare unemployed educated youth, not only for the domestic labour market, but also for the international labour market, by providing them with appropriate training with the support of the private sector. Furthermore, the proposed employment service outlets to be established throughout the country by the MLE will provide much needed support in identifying employment opportunities for unemployed educated youth throughout the country. In addition, the graduate employment programme, Tharuna Aruna, would be geared to function at a much faster speed than before in order to minimise the graduate unemployment problem.

Foreign employment opportunities were high during 2002 compared to the previous year, mainly due to increased demand and the absence of disruptions such as flight reductions and delayed flight departures for migrant workers which followed the terrorist attack on the Airport in July 2001. However, the continued high frequency of housemaids is significant as reflected in the share of housemaids among all manpower categories seeking foreign employment. With the intention of overcoming this situation and in order to achieve a more diversified growth in foreign employment, the MLE, together with the Sri Lanka Bureau of Foreign Employment (SLBFE), took various steps during 2002, not only to divert housemaids to other skilled jobs, but also to train them to be more

Box 13

Recent Labour Market Reforms in Sri Lanka

Introduction

In many countries in the past, the working class was perceived to be weak and prone to "exploitation" by employers. In order to bring about greater equity and industrial harmony, the governments of those countries enacted a number of laws to protect the working class from such "exploitation". At the same time, on the one hand, politicians made use of the culture of dependence of labour on the state to gain popularity and please the working class, which constituted a sizable section of their electorates, sometimes to the detriment of other social partners and the country as a whole. On the other hand, the confrontational attitude between two social partners, namely employers and workers, has continued for several decades since independence, because of the mistrust developed during the colonial era when the businesses were in the hands of the colonial power and the working class was of local origin. Meanwhile, the trade unions' militancy managed to secure certain rights of the workers at the cost of weakening the employer-employee relationship to some extent, and the state did very little or nothing to persuade labour and management to move towards a more constructive relationship which would lead to a smoothly functioning labour market.

Until recently, the labour laws of Sri Lanka basically remained what they were prior to 1977 during a controlled economy, although the economy moved towards a free market oriented regime following the change in economic policies since 1977. Meanwhile, the private sector, which is considered the flagship of economic development in a free market economy, was consistently of the view that the labour laws should be changed, as they were not consistent with today's business and economic environment.

The private sector employers' view was that changes they expected in labour laws would not discriminate against employees, but rather, would benefit employees through smoother functioning of the labour market. In fact, smooth functioning of the labour market would strengthen the relationship between employer and employee, consequently creating a sound business environment for investors, which is a pre-requisite for a sustainable high economic growth. Such a market would provide the right incentive for employees to be more productive and to take steps to further improve their productivity through training and capacity building. Equivalently, employers should be able to hire, retain and fire workers according to changes in the business environment and the individual employee's performance, while ensuring protection of workers' welfare.

In 2002, the authorities took a positive step towards reviewing the labour policies that existed in the light of new demands that had arisen through economic and social changes aimed at accelerating and sustaining the country's economic growth. The major challenge of the labour administration was creating a conducive environment for a more flexible labour market while ensuring workers' rights and welfare.

Rigidities in Existing Labour Laws

According to Annual Report-2000 of the Central Bank of Sri Lanka, at present there are nearly 50 labour statutes in the country, of which a majority were enacted during the period when Sri Lanka had a public sector dominated closed economy regime. The laws causing most of the rigidities in the labour market were the Termination of Employment of Workmen Act of 1971 (TEWA), Industrial Disputes Act of 1950 (IDA-1950), Factory Ordinance of 1942 (FO), Shop and Office Employees Act of 1954 (SOEA) and Employment of Women, Young Persons and Children Act of 1956 (EWYCA). Of these, four were amended in 2002.

TABLE 1
Labour Laws Amended in 2002

- | | |
|----|---|
| 1. | Factory Ordinance of 1942 (FO) |
| 2. | Termination of Employment of Workmen Act of 1971 (TEWA) |
| 3. | Industrial Disputes Act of 1950 (IDA-1950) |
| 4. | Employment of Women, Young Persons and Children Act of 1956 (EWYCA) |

Prior to the amendments towards end 2002, the TEWA protected those who had secured employment but contributed to negative work ethics and thereby discouraged labour intensive investment, which the economy desperately required. Further, it was considered most prohibitive and not consistent with the present development strategy of the country. It prevented private firms with 15 or more employees laying off workers for non-disciplinary reasons without the prior written consent of the Commissioner General of Labour (Commissioner) or employee concerned. The latter obviously required an attractive compensation package. The absence of clear-cut compensation formulae for retrenchments and definition of the Commissioner's discretionary powers in the TEWA have been major obstacles, not only to restructuring of organisations, but also the attraction of investment for labour intensive industry.

The IDA-1950, which consists of a set of regulations relating to labour relations, such as collective agreements,

Box 13 (contd.)

strikes etc., gave workers a free hand to decide the period of notice given before a strike action. Dispute settlement procedures were not time bound under the IDA-1950 and generally took considerable time, which was a major obstacle to the decision making process of investors. Further, firms were not permitted to act against trade unions guilty of breach of collective agreements. Accordingly, there was a strong need for the IDA-1950 to be reviewed to provide for greater accountability. The private sector, in particular, had been agitating for further strengthening of strict enforcement of collective agreements.

The FO and SOEA restricted overtime work by females. The amendments to the FO, in particular, became urgent, because many foreign buyers were insisting on strict compliance with all national labour laws by the manufacturers in the garment industry. In addition, the SOEA placed several restrictions on the employment hours of females and young persons. This Act, which prevented any female who has worked during day time being employed after 10.00 p.m., not only adversely affected the provision of uninterrupted IT enabled services, but also restricted the employment opportunities available for women and young persons.

Recent Amendments to Labour Laws**Factories Ordinance of 1942**

The very first reform in the series of reforms to be followed was the amendment to Section 68 of the FO. Section 68, which restricted the number of overtime hours for female employees to 100 hours per year, was amended and passed by Parliament on 6 August 2002. The amendment relaxed the overtime limit to 60 hours per month. The amendment now provides legal cover to employers who were already violating the 100 hours per year limit of over time under the previous law, which is a prerequisite from the buyers' point of view, especially in the garment trade.

Termination of Employment of Workmen Act of 1971

The amendments to TEWA and IDA-1950 Acts, which were tabled in Parliament towards end 2002, were finally passed by Parliament on 7 January 2003 incorporating the changes moved by the opposition parties during the committee stage.

The determination of a clear compensation formula by the Commissioner, which is expected to be published in the Gazette shortly, with a safety net for the displaced workers, is one of the main highlights of the TEWA amendments. In addition, the Act was amended to grant an employee a right of being heard before a determination is made by the Commissioner in the case of a termination.

However, although the gazetted bill included a new clause for the payment of compensation in lieu of continuation of employment of a workman in certain circumstances, this clause was later repealed at the Committee stage in Parliament.

The Industrial Disputes Act of 1950

The amendments to IDA-1950 consist of the Industrial Disputes (Amendment) Act and Industrial Disputes – Hearing and Determination of Proceedings (Special Provisions) Act.

1. Industrial Disputes (Amendments) Act

In general, all amendments were focused on reducing the time allowed for applications to the labour tribunals and courts and for the subsequent responses by the workmen. The specific time limit was to minimise the time taken for the proceedings and final determination on such applications.

2. Industrial Disputes–Hearing and Determination of Proceedings Act

This amendment was aimed at expediting the proceedings to clear the backlog of 16,000 labour cases pending. The Industrial Disputes – Hearing and Determination of Proceedings Bill was expected to make it mandatory for labour tribunal cases to be completed in 4 months, arbitration cases to be completed in 2 months, and termination applications coming before the Commissioner to be processed in 1 month. The proposed formula was to be known as the 4-2-1 Formula. However, at the Committee stage in Parliament while the clause for time allocation for labour tribunal cases of 4 months remained unchanged, clauses for arbitration and time allocation for processing of applications were changed to 3 and 2 months, respectively, thereby revising the formula 4-3-2.

Employment of Women, Young Persons, and Children Act of 1956

The amendment bill was presented in Parliament with other bills, but unlike The TEWA and IDA-1950 Bills, this bill was passed unanimously by Parliament without changes to the original bill, mainly due to the fact that almost all 27 clauses of the amendment bill consist of the enhancement of penalties for employers violating the laws set out in the Act.

Concluding Remarks

The Government has clearly signalled its policy direction of moving towards a more flexible labour market in 2002. The required flexibility for firms to organise their operations and structure was partly included in the amendments to the TEWA through the expected Gazette publication of the formula for payment of compensation by

Box 13 (contd.)

the Commissioner. In addition, IDA-1950 amendments will expedite and minimise the time taken for dispute settlements to avoid the party involved in the dispute remaining in the firm and further disrupting work. Furthermore, the FO amendments will not only facilitate the industrial sector, particularly the garment industry, through the extension of overtime limits of female workers, but also will enhance their income.

Against a backdrop of a changing labour market policy, strengthening employer-employee relationships is vital to achieve maximum benefits from these reforms. Therefore it is very necessary to boost employee confidence

and encourage a more positive attitude through a clearly defined compensation formula, setting up of the state proposed unemployment benefit scheme (safety net) which is currently being studied by the International Labour Organisation and Ministry of Labour and Employment and organising awareness seminars on the expected impact of changes in labour policies. Otherwise, achieving a flexible labour market will remain a dream, and employee dependence on trade unions, on the one hand, and politicians, on the other, that perpetuates a culture of dependence of labour on the state, will continue with little hope of changing attitudes towards a more constructive and productive employer-employee relationship in Sri Lanka.

competitive. In addition, bilateral agreements with relevant countries for the benefit of migrant workers were pursued aggressively by the MLE through the Sri Lankan embassies and counsellor offices in the respective countries in 2002.

7.2 Population

According to the Registrar General's Department (RGD), the estimated mid-year population of 2002 was 19 million, indicating a mid-year population growth of 1.5 per cent over the Census of Population and Housing of 2001 (Census-2001). The mid-year population of a year subsequent to a census is estimated by projecting the census data in each district using the natural increase and net migration rates for that particular year. In the Census-2001, the final census was completely enumerated only in 18 districts and the population of the remaining 7 districts in the North and East were estimated using data from the partial enumeration. As the Census-2001 was completed only in 18 districts, the RGD's mid-year population estimates using this standard method were compiled only for those districts in 2002. The mid-year population estimates for the remaining 7 districts in the North and the East were directly obtained by the RGD from the Government Agents of those districts without using the Census-2001 estimates as base year estimates. In view of the different sources of statistics for these 7 districts in 2002, estimated changes over the previous year should be treated with some caution. Nevertheless, the relatively peaceful conditions that prevailed in the districts of the North and the East compared to the period before the ceasefire agreement between the Government and LTTE, may have led to significant in-migration to those districts. Some refugees who had fled to neighbouring countries and provinces may have returned. That would explain to some extent, on the one hand, the significant increase of population between 2001 and 2002 in Jaffna, Mulativu and Killinochi districts in the North, and Batticaloa and Trincomalee Districts in the East and, on the other hand, the noticeable decreases in the Mannar and Vavuniya districts of the North.

TABLE 7.1
Population By District

District	2001(a)	2002	Change	% Change
Colombo	2234	2266	32	1.4
Gampaha	2066	2077	11	0.5
Kalutara	1061	1069	8	0.8
Galle	991	1000	10	1.0
Matara	761	770	9	1.2
Hambantota	525	529	4	0.7
Badulla	775	787	12	1.6
Moneragala	396	401	5	1.2
Kandy	1273	1288	16	1.2
Matale	442	448	6	1.3
Nuwara Eliya	700	707	7	1.0
Kegalle	780	784	4	0.5
Ratnapura	1008	1020	12	1.2
Kurunegala	1452	1461	9	0.6
Puttalam	705	713	8	1.1
Anuradhapura	747	754	8	1.0
Polonnaruwa	359	363	4	1.1
Ampara	589	596	7	1.1
Batticaloa	486	522(b)	36	7.3
Trincomalee	340	358(b)	18	5.2
Jaffna	491	532(b)	41	8.4
Killinochchi	127	154(b)	27	21.0
Mannar	152	98(b)	-54	-35.4
Mulativu	122	164(b)	42	34.8
Vavuniya	150	146(b)	-4	-2.5
Total	18,732	19,007	275	1.5

Sources : Registrar General's Department

(a) Based on Census of Population and Housing - 2001.

(b) Statistics for 2002 were obtained by the Registrar General's Department from the GA of the district. Estimates for other districts were calculated by projecting the Census-2001 figures using natural increase in population and net migration statistics in 2002 for each district.

The ageing of the population in Sri Lanka, which has been commented upon continuously in previous issues of the Central Bank Annual Report, continues to be an important demographic factor, since it would act as an additional constraint on the long-term economic development of the country. Preliminary estimates of the age distribution in the Census-2001 were highlighted in the Annual Report last year and the future implications discussed therein continue to merit

TABLE 7.2
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
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	48.6
1997	12,871	6,266	5,608	658	65.7	32.0	48.7
1998	12,882	6,660	6,049	611	67.3	36.4	51.7
1999	13,169	6,673	6,082	591	67.7	34.1	50.7
2000	13,572	6,827	6,310	517	67.2	33.9	50.3
2001	13,870	6,773	6,236	537	66.3(c)	31.9(c)	48.8
1st Quarter	13,676	6,731	6,212	518	66.8	31.9	49.2
2nd Quarter (d)	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
4th Quarter	14,010	6,858	6,292	566	66.0	32.4	49.0
2002 (c)	14,178	7,121	6,467	654	67.6	33.5	50.2
1st Quarter	14,103	7,296	6,663	633	67.9	35.9	51.7
2nd Quarter	14,164	7,017	6,330	688	67.2	32.5	49.5
3rd Quarter	14,267	7,050	6,409	641	67.8	32.0	49.4

(a) Household population aged 10 years and above

(b) Labour force as a % of household population

(c) Average of three quarters

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

Source : Department of Census and Statistics (DCS)

the attention of policy makers. Provisional estimates for 2002 recorded that, while the population under 15 years had declined over time to 25 per cent, the population over 54 years had risen to 14 per cent.

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 to 7.05 million in the third quarter of 2002 from 6.73 million in the third quarter of 2001. This was attributed to increased willingness to work because of positive expectations regarding economic recovery during 2002. Of the increase in the labour force of 320,000 persons, 207,000 were employed and 113,000 unemployed. The labour force reached a peak of 7.30 million in the first quarter of 2002 due to increased employment in Agriculture and Services sector activities during that quarter.

The labour force participation rate, i.e., the ratio of the labour force to household population aged 10 years and above, increased to 49.4 per cent in the third quarter of 2002 from 48.3 per cent in the third quarter of 2001. In contrast to the decline in both the male and female labour force participation rates during the period from the third quarter of 2000 to the third quarter of 2001, both male and female labour force participation rates increased to 67.8 per cent and 32.0 per cent, respectively, in the third quarter of 2002, from 66.0 and 31.5 per cent during the third quarter of 2001. However, the female participation rate, which had declined more sharply than the male participation rate between 2000 and 2001, rose at a slower rate than the male participation rate for the period 2001 to 2002.

7.4 Employment

In the Quarterly Labour Force Survey (QLFS) conducted by Department of Census and Statistics (DCS), an employed

person is defined as one who worked for pay, profit or unpaid family gain for one hour or more during the week preceding the Survey. Employees, temporarily absent from work due to illness, bad weather and labour disputes, are considered as employed. According to the QLFS, of the total labour force, the percentage employed, which had declined since the third quarter of 2001, reached a minimum of 90.2 per cent in the second quarter of 2002, before increasing in the third quarter of 2002 to stand at 90.9 per cent. Although the overall economy started to pick up during 2002, the percentage of the labour force in employment continued to decline until the second quarter of 2002 and began to respond to the recovery in the economy with a lagged effect, by the third quarter of 2002.

The share of employment in the public sector declined further in 2002, following a policy decision to limit recruitment only to essential positions in the public sector. Among the five categories of employment, the shares of public sector employees, unpaid family workers and employers categories stood at around 13 per cent, 10 per cent and 2 per cent, respectively. The share of private sector employees declined marginally to 46 per cent in the third quarter 2002, from 48 per cent in the corresponding quarter of 2001, and the category of self-employed increased to 29 per cent during the same period. With positive moves towards a settlement of the civil conflict in the future, the private sector's share of employment is expected to increase.

Employment in agriculture rose over the previous year due to favourable weather conditions during 2002. The percentage share of employment in agriculture increased from 32 per cent in the third quarter of 2001 to 33 per cent in the corresponding period of 2002. The number of employees in the Agriculture sector reached a peak of 2.3 million during the first quarter of 2002 due to a relatively successful Maha season. The percentage share of employment in the Services sector too

TABLE 7.3
Status of Employment

Period	Public Sector Employees	Private Sector Employees	Employers	Self-Employed	Unpaid Family Workers	Percentage
						Total
1990	21.5	33.7	1.8	29.2	13.8	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 (a)	13.4	42.9	2.4	28.4	13.0	100
2001 (b)	13.9	44.8	2.3	28.5	10.5	100
1st Quarter	14.7	43.0	2.5	29.5	10.4	100
2nd Quarter (c)	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
4th Quarter	13.9	43.5	2.3	29.1	11.2	100
2002 (b)	13.2	45.1	2.9	28.0	10.8	100
1st Quarter	12.7	45.2	3.1	26.9	12.1	100
2nd Quarter	13.4	44.5	3.1	28.6	10.4	100
3rd Quarter	13.4	45.7	2.4	28.6	10.0	100

(a) Average of four quarters

(b) Average of three quarters

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

Source : Department of Census and Statistics (DCS)

increased from 43 per cent to 46 per cent, reflecting an increase in all services sub sectors except Transport, storage and communication. The relatively peaceful conditions that prevailed throughout the country contributed significantly towards the revival of Service sector activities, particularly the hospitality sector, thereby increasing employment in that sector.

In response to the slow recovery in the global economy, the dismal performance of construction activities and rationalisation of employment through voluntary retirement

schemes (VRS), employment in the industrial sector decreased during 2002. However, employment in the BOI companies increased during 2002.

The four yearly Census of Public Sector and Semi-Government Employment conducted by the DCS (Census - 2002) revealed that the number of employees in government institutions, which cover Central Government, Provincial Government and Local Government employees, excluding field staff of the armed forces and the Police, was 637,219 and the number of employees in Semi-Government Institutions

TABLE 7.4
Employment by Economic Activity

Sector	In Thousand Persons								Percentage of Total Employment	
	1999 (a)	2000 (a)	2001(b)			2002			2001	2002
			Q1	Q3	Q4	Q1	Q2	Q3	Q3	Q3
Agriculture	2,205	2,274	1,992	2,007	2,101	2,342	2,152	2,120	32.4	33.1
Industry	1,332	1,491	1,474	1,554	1,445	1,422	1,313	1,355	25.1	21.1
Mining and quarrying (c)	76	67	101	118	111				1.9	
Manufacturing	902	1,045	1,036	1,088	1,047	1,125	1,035	1,092	17.5	17.0
Construction	322	348	337	348	287	297	278	263	5.6	4.1
Electricity, gas and water (d)	32	31								
Services	2,546	2,545	2,746	2,641	2,747	2,898	2,865	2,934	42.6	45.8
Trade and hotels, etc.	736	801	820	738	875	973	928	1,012	11.9	15.8
Transport, storage and communication	311	307	412	406	348	282	334	297	6.5	4.6
Finance, insurance and real estate	100	131	138	119	165	153	155	189	1.9	2.9
Personal services and other	1,399	1,307	1,376	1,378	1,359	1,490	1,448	1,436	22.2	22.4
Total employment	6,083	6,310	6,212	6,202	6,293	6,662	6,330	6,409	100.1	100.0
Percentage of labour force	91.1	92.4	92.3	92.2	91.7	91.3	90.2	90.9		

(a) Average of four quarters

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

(c) Mining and quarrying categorised under Personal Services and other in the QLFS from 2002-Q1

(d) Electricity, gas and water categorised under Personal Services and other in the QLFS from 2001-Q1

Source : Department of Census and Statistics (DCS)

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	863,993	300,997	1,164,990
2002(c)	825,995	264,355	1,090,350

Source : Central Bank of Sri Lanka

- (a) Central Government, Local Government and Provincial Councils
 (b) State Corporations, Statutory Boards and State Authorities
 (c) New series based on the Census of Public and Semi-Government Sector Employment 2002 conducted by the Department of Census and Statistics and the Annual Public Sector Employment Survey of the Central Bank of Sri Lanka.

which cover State Corporations, Boards and Authorities, was 272,441. Accordingly, the Census-2002 recorded total public sector employment excluding the field staff of the armed forces and the Police at 909,660 in 2002.

The Central Bank's Annual Public Sector Employment Survey (APSES) includes the field staff of the armed forces and the Police, in addition to both sectors covered by the Census-2002. The Census-2002 indicated some overestimation of total public sector employment under the APSES in the years preceding the Census-2002. Following Census-2002, the APSES series was revised based on the Census-2002 statistics. Accordingly, the number of employees in the Public Sector, both Government and Semi-Government institutions, including field staff of the armed forces and Police was estimated at 1,090,350 in 2002. The shares of Government and Semi-Government employees to total Public Sector Employees were 76 per cent and 24 per cent, respectively. The number of

employees in the Public Sector in the years prior to 2002 had been estimated by applying the percentage changes of the enumerated data from the APSES to the estimated public sector employment in the previous year and the break in the series in 2002 reflects incorporation of the Census-2002 data.

The APSES covered around 75 per cent of the total number of Government and Semi-Government institutions in the country and the total number of employees enumerated in the APSES as a percentage of the total number of employees covered by the Census-2002 of the DCS was around 83 per cent. According to enumerated results of the APSES, the total Public Sector employment declined by 0.9 per cent during 2002 compared to 2001. Semi-Government institutions were the sole contributor to this decline, recording a decline of 5.2 per cent compared to 2001. The shrinkage of employment through VRS, laying off of unproductive casual workers employed on ad hoc bases and early retirements without extending the period of work beyond 55 years led to the decline in the number of employees in the Semi-Government sector. Among the highest declines in employment in Semi-Government institutions, the Central Bank and Salu Sala reduced their numbers of employees through VRS, while the Sri Lanka Ports Authority, Ceylon Petroleum Corporation and Co-operative Wholesale Establishment mainly reduced their unproductive casual workers. Further, a significant reduction in the number of employees in People's Bank during 2002 provided an example of strict adherence to the official retirement age and the policy decision of non-recruitment of workers without clear justification. Recruitments of teachers to provincial schools contributed to the marginal increase of 0.5 per cent in Government institutions in 2002. Some decreases occurred in other Government institutions due to termination of contractual workers following the completion of projects.

The government decision to recruit employees in the entire Public Sector only when there is clear justification to do

TABLE 7.6
Changes in Public Sector Employment (a)

Category	Enumerated-2001			Enumerated-2002			Change 2001/2002		
	Regular	Other	Total	Regular	Other	Total	Regular	Other	Total
Government	655,243	57,932	713,175	659,640	57,379	717,019	0.7	-1.0	0.5
Executive	242,841	2,218	245,059	248,164	2,609	250,773	2.2	17.6	2.3
Non-Executive	272,092	43,914	316,006	269,921	45,051	314,972	-0.8	2.6	-0.3
Minor Employees	140,310	11,800	152,110	141,555	9,719	151,274	0.9	-17.6	-0.5
Semi-Government	210,832	16,254	227,086	201,463	13,770	215,233	-4.4	-15.3	-5.2
Executive	28,842	2,288	31,130	29,041	2,310	31,351	0.7	1.0	0.7
Non-Executive	101,208	3,196	104,404	95,204	3,206	98,410	-5.9	0.3	-5.7
Minor Employees	80,782	10,770	91,552	77,218	8,254	85,472	-4.4	-23.4	-6.6
Public Sector	866,075	74,186	940,261	861,103	71,149	932,252	-0.6	-4.1	-0.9
Executive	271,683	4,506	276,189	277,205	4,919	282,124	2.0	9.2	2.1
Non-Executive	373,300	47,110	420,410	365,125	48,257	413,382	-2.2	2.4	-1.7
Minor Employees	221,092	22,570	243,662	218,773	17,973	236,746	-1.0	-20.4	-2.8

Source: Central Bank of Sri Lanka

- (a) Based on the Annual Public Sector Employment Survey which enumerated 83 per cent of total public sector employment as measured by the base data from the Census of Public and Semi-Government Employment conducted in 2002 by the Department of Census and Statistics.

so was reflected in the 0.9 per cent contraction in the number of employees in Public Sector institutions in 2002 compared to 2001. The corresponding change in 2001 over 2000 was an increase of 0.8 per cent.

7.5 Unemployment

The recovery in the economy during 2002 compared to 2001 gave rise to new economic activities, creating more employment opportunities in 2002. The unemployment rate, which rose to a peak of 9.8 per cent in the second quarter of 2002, reverted to 9.1 per cent in the third quarter. The average unemployment rate during the first three quarters of 2002 was 9.2 per cent compared to 7.9 per cent in 2001. Since the economy continued to grow at a healthy rate during the latter half of 2002, the unemployment rate is expected to have declined further in the last quarter of 2002.

The continuing unemployment of educated youth was evident from the higher unemployment rates of 30.6 and 20.8 per cent in the 15-19 year and 20-29 year age groups and unemployment rates of 13.5 and 18.1 per cent among GCE O/L qualified and GCE A/L qualified and above categories. In order to overcome the nagging problem of educated youth unemployment the government took several steps to address this issue through the MPDI and the MLE.

The MPDI programme "Youth Corps" for youth between the ages of 18 years and 28 years is expected to be launched during the first half of 2003. The objective of the Youth Corps, which is a non-military organisation, is to develop youth, both male and female, through a well planned and integrated package of employment-oriented training. The integrated training package includes training in leadership, English, computer and information technology, productivity and career guidance, vocational training and entrepreneurship development programme activities. Initially, the Ministry will recruit 3,000 youth and train them as Youth Range Leaders. The leaders will be placed in 160 Youth Corp Centres expected to be established at Divisional Secretariat level covering all districts of the country. Each electorate will have at least one Youth Corps Centre and each Centre will provide training to 250 unemployed youth between ages 18-28 years, preferably from the same electorate, making the initial intake 40,000.

Meanwhile, the MLE will provide training facilities to unemployed educated youth in order to present them to the domestic labour market, as well as international labour markets as set out in the Draft National Employment Policy-2002. These training programmes are expected to be conducted through the proposed employment service outlets to be established throughout the country by the MLE. The first employment service outlet was established at Mathugama in February 2003. These outlets will act as facilitators for both job seekers as well as job providers. It is expected to have input from the private sector for these outlets. In addition, information on foreign job opportunities will be provided so that the job seekers receive comprehensive information. The

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
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
2001 (b)	6.2	11.4	7.9	8.8	8.2
1st Quarter	5.8	11.7	7.7	8.5	7.7
2nd Quarter (c)	n.a.	n.a.	n.a.	n.a.	n.a.
3rd Quarter	6.0	11.5	7.8	8.6	8.5
4th Quarter	6.8	11.1	8.3	9.2	8.3
2002 (b)	7.0	13.6	9.2	10.3	9.0
1st Quarter	6.5	12.8	8.7	9.8	8.5
2nd Quarter	7.3	14.8	9.8	10.8	9.9
3rd Quarter	7.1	13.2	9.1	10.0	8.6

Sources : Department of Census and Statistics (DCS)
Central Bank of Sri Lanka

(a) Unemployment rate estimated by excluding unpaid family workers from the employed labour force.

(b) Average of three quarters.

(c) 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	
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	36.5	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
2001 (b)	29.8	18.4	3.4		1.0	7.9
1st Quarter	28.5	18.1	2.9		0.7	7.7
2nd Quarter (c)	n.a.	n.a.	n.a.		n.a.	n.a.
3rd Quarter	32.7	18.0	3.0		1.0	7.8
4th Quarter	28.3	19.1	4.3		1.2	8.3
2002 (b)	30.6	20.8	4.1		1.3	9.2
1st Quarter	22.9	18.7	5.7		1.4	8.7
2nd Quarter	34.0	23.2	3.4		1.5	9.8
3rd Quarter	35.0	20.4	3.1		1.1	9.1

Source : Department of Census and Statistics (DCS)

(a) Average of four quarters.

(b) Average of three quarters.

(c) 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
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
2001 (b)		1.3	7.1	11.8	15.4	7.9
1st Quarter		1.3	6.9	11.1	15.3	7.7
2nd Quarter (c)		n.a.	n.a.	n.a.	n.a.	n.a.
3rd Quarter		1.6	6.9	11.3	15.9	7.8
4th Quarter		1.1	7.4	12.9	14.9	8.3
2002 (b)		2.0	8.2	13.5	18.1	9.2
1st Quarter		2.1	8.0	12.0	16.7	8.7
2nd Quarter		1.7	8.1	15.3	20.3	9.8
3rd Quarter		2.2	8.4	13.1	17.3	9.1

(a) Average of four quarters.

(b) Average of three quarters.

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

Source : Department of Census and Statistics (DCS)

MLE also undertook the responsibility of monitoring and funding the Tharuna Aruna Programme for unemployed graduates from 2002. This Programme had thus far, been unable to provide training for an adequate number of graduates, resulting in a significant backlog of unemployed graduates. As a remedial action, the MLE will be recruiting 10,000 from around 25,000 unemployed graduates in the country under this Programme during the first half of 2003. The main objective of the Programme is to provide computer training and English language knowledge to minimise the mismatch between the human resource needs of the private sector and qualifications of the graduates produced by the state run universities.

7.6 Foreign Employment

Foreign employment was significantly higher during 2002 compared to the previous year. According to the SLBFE, the registered number of departures for foreign employment during 2002 was around 204,000 compared to 184,000 during 2001. Although, the departures during the first half of 2002 were marginally higher at 90,000 compared to 87,000 in the first half of 2001, the second half of 2002 generated more than the expected number of 108,000, and the number of departures was 114,000 compared to 97,000 in the second half of 2001. The increased demand and the absence of disruptions to flights such as those that affected departures in late 2001 following the terrorist attack at the Airport in July 2001 led to this high increase during the second half of 2002.

Among those who left for employment overseas, the share of females was around 65 per cent and the share of housemaids, at 53 per cent, remained the largest among manpower categories in 2002. Foreign remittances from migrant workers have been the country's largest single net foreign exchange

earner and the share of foreign employment of housemaids has been very high. In view of this dependence on housemaids and rising competition in this manpower category from other countries, skills training for housemaids to improve their quality of work and to diversify to other categories of skilled labour is urgently required. There will also be additional competition from Bangladesh since it is reported that they would lift the ban on women going abroad as domestic workers to the Middle East. The MLE, together with the SLBFE, has established training centres to train housemaids to be more competitive internationally and skills training centers to upgrade the skills of housemaids to engage in other skilled jobs, during 2002. The effects of these steps were evident from the increase in the number of departures for skilled labour from 36,800 in 2001 to 45,500 in 2002 and the increase in the share of skilled labour among manpower categories, from 20 per cent in 2001 to 22 per cent in 2002.

In return for the services rendered to the country by these "unsung heroes", the migrant workers, the SLBFE implemented several schemes for their benefit, such as non-taxed remittances, welfare for children of migrant workers and recently, an exclusive lounge for them at the Airport. In addition, other arrangements for the benefit of migrant workers at their ports of disembarkation were organised through the Sri Lankan embassies and counsellor offices in the respective countries.

However, the biggest challenge faced by the SLBFE is to protect the rights of migrant workers at their work places. On the one hand, the SLBFE is expected to take utmost care not to lose job opportunities while pushing this issue forward, as labour receiving countries have been reluctant to enter into bilateral agreements with the Sri Lanka government on these

