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PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

The general price level, as measured in terms of both the National Consumer Price Index (NCPI, 2013=100) and the Colombo Consumer Price Index (CCPI, 2013=100) compiled by the Department of Census and Statistics (DCS), exhibited mixed movements thus far during the year. The movement of the general price level was largely in line with the price movements of the Food category, while the movement of the prices of items in the Non-food category also contributed to a certain extent. Except for May and June 2018, overall food prices exhibited a declining path during the first nine months of the year, supported by favourable supply side developments. Non-food prices, on the other hand, exhibited an overall increasing trend during the first nine months of the year mainly due to upward adjustments to the administered prices of fuel, gas and bus fare. Headline inflation, as measured by the year-on-year change of NCPI, mostly remained below mid single digit level during the first nine months. The year-on-year underlying inflation based on NCPI was less volatile during the period. Inflation expectations, particularly of the Corporate Sector, were largely in line with actual inflation. In terms of wages, a real wage erosion was observed in the formal sector, while the informal sector recorded a positive real wage growth. On the employment front, the Labour Force Participation Rate (LFPR) declined while the unemployment rate increased during the first half of 2018, compared to the same period of 2017. The decline in LFPR was due to both the decline in the labour force and the increase in working age population. The government continued to take measures to promote entrepreneurship and business start-ups through various programmes, which are likely to expand employment opportunities in the period ahead. However, many structural deficiencies such as skill mismatches and gender disparities still remain in the labour market, creating labour shortages across many emerging sectors. Opportunities for foreign employment also declined as reflected by the number of departures for foreign employment with the ongoing geo-political developments in major Sri Lankan migrant employment destinations. In the public sector, several strikes occurred, having some adverse impact on economic activities of the country and social lives of the general public, while data from the Department of Labour showed a decline in private sector strikes.

Developments in 2018

Prices

Movements of the General Price Level

- **The general price level, as measured in terms of the NCPI moved on a declining trend during the first three months of 2018, increased until July 2018 and declined thereafter**. Further, CCPI also followed a similar pattern during the period under review. The general price level largely followed the movements of the prices of the items in the Food category during the period. The prices of items in the Non-food category, which moved on an increasing trend, also contributed towards the movement of the general price level.

- **The prices of items in the Food category, which was mostly in line with the prices of items in Volatile Food[1], moved on a declining trend during the first four months of 2018, increased until June 2018 and declined thereafter.** The declining trend of Volatile Food prices during the first four months of 2018 was mainly driven by the declines observed in the prices of rice, vegetables and onions in addition to the intermittent declines observed in the prices of coconut, fresh fish and potatoes. Thereafter, prices of most items in the Volatile Food namely, fresh fish, vegetables, potatoes and onions increased particularly during May and June 2018 driven by seasonal factors. However, in July 2018 significant price declines were observed in the items such as rice and coconuts. Volatile Food prices declined further in August and September 2018 driven by price declines of rice, coconuts, fresh fish and vegetables. The prices of most varieties of rice moderated during the first nine months of 2018 as a result of recovery in paddy production during 2017/18 Maha season and the import of rice. The prices of fresh fish, which were at lower levels during the beginning of the year, began to increase in a rapid manner during the second quarter of the year owing to reduction in fish production resulted by seasonal factors. However, fish prices somewhat eased during third quarter of the year. The government allowed the imports of coconut kernel since December 2017 in order to contain the rising coconut prices due to decline in coconut production caused by prolonged drought conditions. Moreover, the coconut production, which was severely affected during 2017, recovered during second quarter of 2018. Accordingly, the price of coconuts recorded a decline in January 2018, remained around the same levels until March 2018 and began to decline further thereafter. The prices of vegetables followed a declining path until April 2018 and followed an increasing path thereafter before recording a decline in August 2018 and further in September 2018. Meanwhile, prices of potatoes and big onions also followed a similar pattern during the period under review while red onions which declined during the beginning of the year remained at same levels thereafter before declining in August and September 2018.

- **Within the Food category, prices of items other than Volatile Food eased during the first two months and exhibited an overall increasing trend thereafter.** Within these items, prices of dhal and sugar moved in line with their price movements in the international market. The price of dhal decreased at the beginning of the year and remained around the same levels before recording a marginal decline in August 2018, while the price of sugar followed a declining trend during the period under review except for the marginal increase observed in September 2018. The price of milk powder was revised upward with effect from 05 May 2018. The increase observed in prices of milk powder, dried fish and eggs have caused an upward pressure on prices of food items during the period from April to July 2018. The price of wheat flour and bread were revised upward by Rs.5 each with effect from 01 September and 04 September 2018, respectively, while price of milk powder was revised downward with effect from 19 September 2018.

1 Volatile Food includes rice, meat, fresh fish and sea food, coconuts, fresh fruits, vegetables, potatoes, onions and selected condiments.

- **The prices of items in the Non-food category moved on an increasing trend, during the first nine months of 2018**. The administered price revisions to fuel, LP gas, bus fares and train fares contributed towards this increase. An increase was observed in prices of some prepared food in the Restaurants and Hotels sub-category subsequent to the price increase of LP gas. Moreover, an increase was observed in transport charges of bus fare, train, taxi/three wheelers and school vans subsequent to the price increases in fuel. It is noteworthy that the cost of healthcare services other than the hospital room charges was excluded from Value Added Tax (VAT) with effect from 02 July 2018.

Consumer Price Indices and Headline Inflation

National Consumer Price Index (NCPI)

- **The NCPI, which reflects the price trends of the basket of consumer items at the national level, followed a declining trend during the first three months of 2018, moved on an increasing trend from April to July 2018 and declined thereafter.** Accordingly, the NCPI which was 125.8 index points in January 2018 declined to 122.8 index points in March 2018, increased to 126.6 index points in July 2018 and declined to 124.4 index points by September 2018. The movement of NCPI during the period was mainly driven by the Food category, except for April, May

Figure 4.1
Contribution to Month-on-Month % Change NCPI (2013=100)

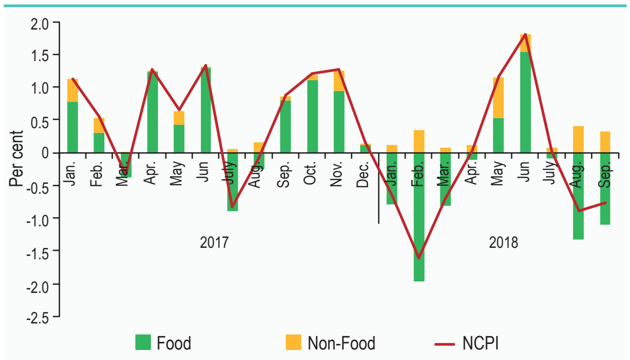
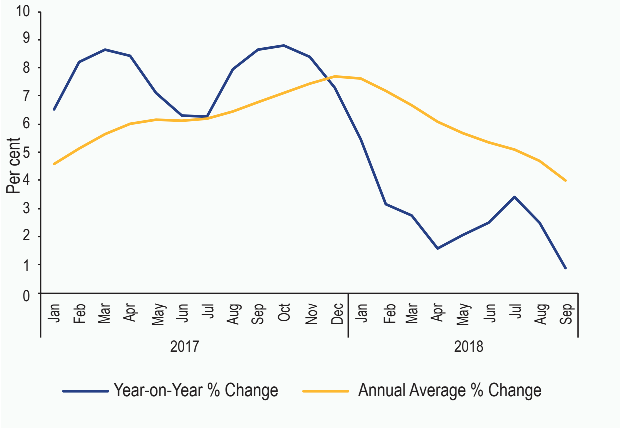


Figure 4.2
Movements of Headline Inflation NCPI (2013=100)



and July 2018 where the movement was driven largely by the Non-food category.

- **Headline inflation as measured by the year-on-year change in the NCPI declined during the first four months of the year and followed an increasing trend until July 2018 and declined thereafter.** As such, year-on-year NCPI inflation decreased from 5.4 per cent in January to 1.6 per cent in April 2018 and increased thereafter to 3.4 per cent in July 2018 before declining to 0.9 per cent, lowest since January 2016, in September 2018. Meanwhile, the annual average NCPI inflation reversed its increasing trend observed during 2017 and moved on an overall decreasing trend from 7.6 per cent in January 2018 to 4.0 per cent in September 2018.

Colombo Consumer Price Index (CCPI)

- **The CCPI, which measures the price developments of urban areas of the Colombo district, also demonstrated a similar trend to that of NCPI during the first nine months of the year**. The CCPI which was 122.8 index points in January 2018 declined to 121.4 index points in March 2018 and increased thereafter and recorded 124.9 index points in September 2018. During the period under review, except for the months of April and August 2018, the movement of CCPI was mainly driven by the movements of the Food category.

- **Year-on-year CCPI based headline inflation was on a decreasing trend until April 2018 and on an increasing trend thereafter before declining in September 2018.** As such, year-on-year CCPI inflation, which was 5.8 per cent in January 2018, decreased to 3.8 per cent in April 2018 and gradually increased thereafter to 5.9 per cent in August 2018 before declining to 4.3 per cent in September 2018. Meanwhile, annual average CCPI inflation followed a declining trend from 6.6 per cent in January 2018 to 5.4 per cent in September 2018.

Core Inflation

- **The NCPI based year-on-year core inflation remained stable during the observed period**. Accordingly, the year-on-year NCPI core inflation moved on a decreasing trend during the first five months of 2018 from 2.1 per cent in January 2018 to 1.7 per cent in May 2018. However, this trend reversed thereafter and the NCPI core inflation increased and reached 3.1 per cent in September 2018. Meanwhile, the year-on-year CCPI core inflation, which exhibited mixed movements during the observed period, was 3.5 per cent in January 2018 and recorded 3.8 per cent in September 2018.

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Producer's Price Index

- **The Producer's Price Index (PPI, 2013 Q4=100), compiled by the DCS, that measures the change in the prices received by domestic producers of goods and services, followed mixed movements during the first eight months of 2018**. Producer prices in all sub-sectors namely, Agriculture, Manufacturing and Electricity and Water Supply increased in general with mixed movements during the observed period. Meanwhile, producer price inflation as measured by the year-on-year change in the PPI showed a declining trend during the first eight months of 2018, except for March and July 2018, following mostly the trend of producer price inflation observed in the Agriculture sub-sector.

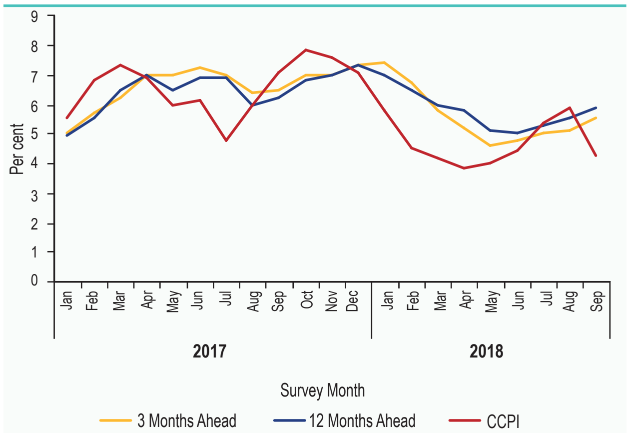
Impact of Fiscal Policy Measures on Prices

- **Several fiscal policy measures taken during the period under review had a direct impact on the general price level**. The decision to import rice and coconut kernels to contain the escalating domestic prices had a favourable impact on the price level. It is noteworthy that the Special Commodity Levy (SCL) of certain imported food commodities such as potatoes and big onions, which were revised upward during the off season, escalated prices due to lower supply. The decision to implement the cost reflective pricing formula for fuel prices with effect from 11 May 2018 was timely as the decision was taken during the period where the inflationary pressure was low.

Inflation Expectations

- **Inflation expectations of the Corporate sector decreased since January 2018 until it reversed its direction in July 2018**. The trend in inflation expectations observed during the first nine months of 2018, was in line with the direction of actual inflation as reflected by official price indices. However, cascading effects of recent fuel price hikes and the depreciation of domestic currency stimulated the expected inflation of the Corporate sector. Meanwhile, inflation expectations of the Household sector, which naturally remains at an elevated level than that of the Corporate sector, increased in September 2018, subsequent to the

Figure 4.3
Inflation Expectations of the Corporate Sector



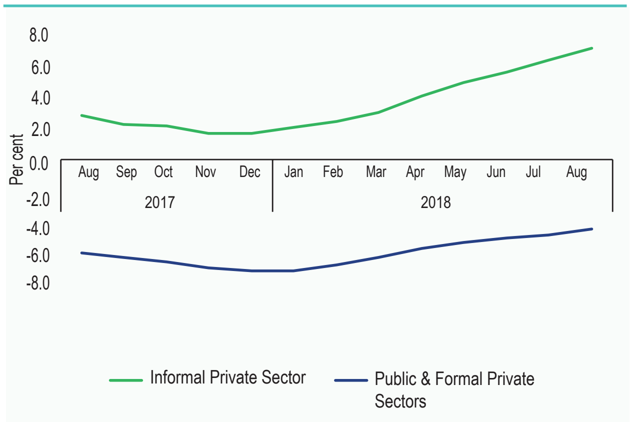
continuous decline in expectations from May to August 2018. Domestic supply side conditions and fuel price hikes were quoted as main reasons for their anticipated inflation.

Wages

- **Nominal wages of public sector employees, as measured by the public sector wage rate index (2012=100), increased marginally by 0.1 per cent in the first eight months of 2018, due to the inclusion of the interim allowance to the basic salary on a staggered basis.** However, public sector employees experienced a real wage erosion of 2.7 per cent during the same period. On 20 August 2018, a 15-member special salaries commission was appointed to resolve salary anomalies in the public sector.

- **Nominal wages of the employees in the formal private sector, as measured by the minimum wage rate index (1978 December=100) of employees whose wages are governed by the Wages Boards Trades, increased marginally by 0.1 per cent in the first eight months of 2018.** This was mainly due to the increase of minimum wages in Printing, Textile, Tyre and Tube manufacturing and Garment manufacturing trades in August 2018. Real wages of employees in the formal private sector declined by 4.4 per cent during the same period, as the percentage increase in the nominal wage rate index was marginal.

Figure 4.4
Annual Average Change in Real Wage Rate Indices



- **Nominal wages of informal private sector employees, as measured by the informal private sector wage rate index (2012=100), increased notably by 13.3 per cent during the first eight months of 2018 as wages in the informal sector are mostly determined based on labour demand and supply conditions.** Meanwhile, real wages in the informal private sector also increased significantly by 10.0 per cent during the first eight months of 2018. Increases of wages in masonry and carpentry trades were observed during the period under review owing to the increased demand for labour in related sectors.

Labour Force and Employment

- **As per the statistics published by the DCS, working age population[2] increased in the first half of 2018 although its' productive contribution towards the labour force remained below potential due to persistent structural issues in the labour market.** The Labour Force Participation Rate (LFPR) declined to 51.5 per cent during the period under review while the Female LFPR, which gathered momentum during 2017, declined to 33.0 per cent. Meanwhile, the overall unemployment rate increased to 4.5 per cent. The unemployment among youth, educationally qualified and females continued to remain at high levels without any signs of improvement, even though the demand for labour remains remarkably high. Employers continued to stress upon the fact that the mismatch in the demand and supply of labour is a result of the inconsistency between stagnated human capital development process and changing job market requirements. The recent inconsistent movements exhibited by the labour market indicators may be attributable to the large informal sector, which was affected by adverse weather in the recent past and the modern day labour dynamics such as shortened job life cycles, high labour turnover and voluntary unemployment.

2 Working age population comprises both the economically active population (labour force) and the economically inactive population, aged 15 year and above.

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Table 4.1
Labour Force, Employment and Unemployment (a)

Item	2017		2018	
	H1	Year	H1	Projections (Annual)
Household Population, '000 (Age 15 years and above)	15,749	15,844	16,191	16,088
Labour Force, '000	8,551	8,567	8,343	8,736
Employed, '000	8,184	8,208	7,966	8,343
Unemployed, '000	367	359	377	393
Labour Force Participation Rate (% of Household Population)	54.3	54.1	51.5	54.3
Unemployment Rate (% of Labour Force)	4.3	4.2	4.5	4.5

(a) Provisional

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

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Labour Force

- **Amidst an increase of 2.8 per cent in the working age household population, the labour force declined by 2.4 per cent to 8.343 million persons in the first half of 2018, from 8.551 million in the corresponding period of 2017.** The labour force comprises the economically active population, aged 15 years and above, who are either employed or unemployed. The decline in the labour force was notable among females, particularly in the rural sector. Meanwhile, economically inactive population, which forms a part of the working age household population, increased by 9.0 per cent during the first half of 2018 compared to the same period in the previous year. The noticeable increase in the economically inactive population was mainly caused by the weather related disturbances occurred through several cultivating seasons, which affected the Agriculture sector initially and then spilled over to Industry and Services sectors. Further, the 13 Years Guaranteed Education Programme, which was conducted as a pilot project during 2017 and 2018 is presumed to have caused economic inactivity among the youth, due to engagement in studies.

- **The Labour Force Participation Rate (LFPR), which is the ratio of the labour force to the working age population, declined to 51.5 per cent in the first half of 2018 compared to 54.3 per cent in the corresponding period of 2017 as a result of the decline in the labour force amidst an increase in the working age population.** Decline in both female and male LFPR in the first half of 2018 compared to the same period last year, contributed to this development. The male LFPR was 73.0 per cent and female LFPR was 33.0 per cent in the first half of 2018. As active economic participation by females still remains below potential, increasing the female labour force naturally becomes a sustainable solution for the acute labour shortage in the economy. This would lead to increased household income levels and would facilitate the desired growth momentum in the economy with improved living standards.

Employment

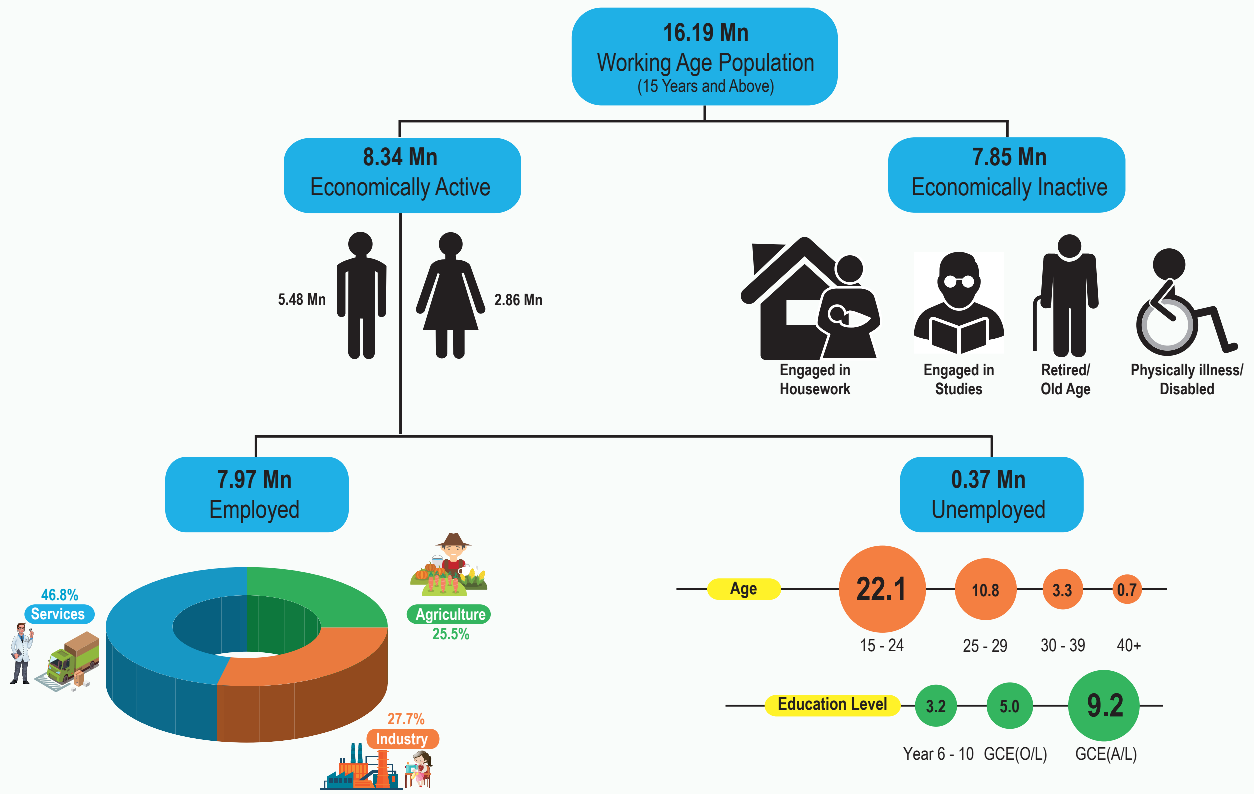
- **The number employed, which reflects the fulfilled labour demand in the economy decreased by 2.7 per cent to 7.966 million in the first half of 2018 compared to 8.184 million in the corresponding period of 2017.** With regard to sectoral employment, Services sector continued to be the foremost employment generator, accounting for 46.8 per cent of total employment. Agriculture and Industry sectors contributed to 25.5 per cent and 27.7 per cent of total employment, respectively, during the first half of 2018. The decline observed in the number employed can mainly be attributed to extreme weather conditions experienced in the recent past. The number employed in the Agriculture sector, which was directly affected by extreme weather conditions, declined notably by 6.2 per cent in the first half of 2018 compared to the same period in 2017. The spillover effects of weather disruptions also passed on to the other sectors, specially those are mainly dependent on agricultural inputs or connected directly to agricultural activities.

- **In terms of employment status, the number employed in all sectors except the public sector, decreased during the first half of 2018.** The public sector employment increased by 9,590 persons in the first half of 2018 compared to the same period in the previous year. As per the Department of Management Services, the total number of employees in the public sector was 1,370,885 at the end of the first half of 2018. The public sector institutions include Ministries, Departments, Special Spending Units and State Owned Enterprises.

Unemployment

- **The unemployment rate increased to 4.5 per cent in the first half of 2018 compared to 4.3 per cent recorded in the corresponding period of the previous year.** The total number of unemployed persons during the period under review was estimated at 376,984 compared to 366,734 in the same period of last year. The male unemployment rate marginally increased to 3.0 per cent from 2.9 per cent and the female unemployment rate increased to 7.4 per cent from 6.8 per cent. This reflects that the decline in employment has largely been felt by the female labour force in the economy than the male labour force. These developments continue to stress upon the fact that the gender based disparity in the labour market is prominent and makes the female labour force vulnerable and more sensitive to the changes in the economy.

Figure 4.5
Labour Market Snapshot - First Half of 2018 (a)



(a) Provisional

Source: Department of Census and Statistics

- **Unemployment rates of all age categories below 40 years have increased during the first half of 2018.** Youth[3] unemployment continues to remain at a significantly high level and reached 22.1 per cent in the first half of 2018. On the other hand, age groups between 30-39 years and 40 years and above recorded relatively low unemployment rates of 3.3 per cent and 0.7 per cent, respectively. The unemployment rate of the age group 40 years and above has decreased in the first half of 2018 compared to the corresponding period of the previous year. The main reasons for the higher employability in the higher age categories are job related skills and work experience of job seekers. The relatively high unemployment among the youth is a sign of inadequacy in utilisation of the most productive group of human capital. On the other hand, this creates an additional burden for higher age categories as they are required to be employed even after retirement age to provide for unemployed youth, possibly with a status of underemployment. This could lower the living standards of higher age categories and create serious social issues.

- **In terms of education level, the highest unemployment rate was reported among persons with higher educational attainment.** As such, the unemployment rate among GCE (A/L) and higher level of educational attainment was 9.2 per cent in the first half of 2018 compared to 8.0 per cent in the corresponding period of the previous year. High unemployment among the educationally qualified could be mainly attributable to skill gaps in the labour market. Higher unemployment among the educationally qualified could lead to underemployment, which in turn could result in low salaries/benefits and job dissatisfaction among the educated youth.

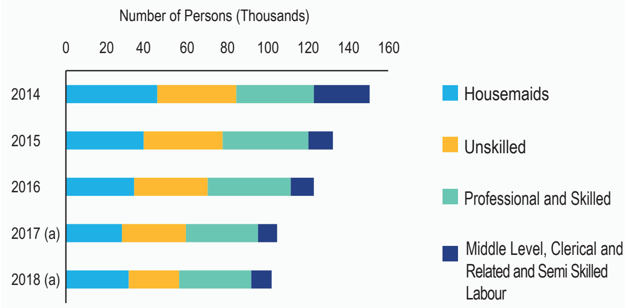
Foreign Employment

- **The overall departures for foreign employment declined in the first half of 2018 by 2.4 per cent, despite the increase in female departures.** The declining trend in total departures for foreign employment observed in the recent past can be mainly attributed to the policy actions taken by the government to minimise the departures of unskilled labour. Further, emerging national policies of major migrant labour destinations such as Middle Eastern countries to restrict foreign labour and increased demand from the domestic labour market as a result of labour shortages in emerging sectors also contributed towards this decline. Male departures and female departures in the first half of 2018 accounted for 62.0 per cent and 38.0 per cent of total departures, respectively. Male departures decreased by 8.3 per cent and female departures increased by 8.8 per cent in the first half of 2018 compared to the corresponding period of 2017. Female departures continued the increasing trend exhibited since the first quarter of 2017.

- **Unskilled employees and housemaids represented 55 per cent of total departures for foreign employment in the first half of 2018.** Worker departures under Professional, Middle Level, Clerical and Related and Housemaid categories increased while worker departures under Skilled, Semi-Skilled and Unskilled categories showed a decline in the first half of 2018 compared to the same period in the previous year. A considerable 79 per cent of the female migrant workers departed as housemaids during the first half of 2018. Departures under

3 Aged 15-24 years

Figure 4.6
Departures for Foreign Employment by Skills
(First Half of the Year)



(a) Provisional

Source : Sri Lanka Bureau of Foreign Employment housemaid category reached 31,062 during the first half of 2018 showing an increase of 11 per cent compared to the first half of previous year. This signals the need of evaluating the long term effectiveness of the policies implemented to ensure safe and skilled migration. Implementation of policies to encourage departures under higher skill categories need to be further strengthened to ensure the sustainable growth in the inflow of foreign remittances in the future as the economy's dependence on worker remittances is considerable. Professional and middle level categories accounted for only around 7 per cent of total departures in the first half of 2018.

Labour Relations

- **Several strikes occurred in the public sector interrupted economic activities of the country and the society at large**. Media reports reveal that 7 strikes occurred in the public sector in the first eight months of 2018 in sectors such as health, education, postal and transportation, which had a significant impact on the daily lives of the general public and disrupted the social and economic activities of the country. However, data from the Department of Labour reflect a decline in the strikes of private industries, in terms of the number of strikes, workers involved and man days lost due to strikes. The number of man days lost declined by 43 per cent to 18,840 in the first half of 2018, compared to 33,353 in the corresponding period of 2017, mainly as a result of the decline observed in the sectors other than the Plantation sector. Workers involved in strikes declined to 3,573 during the period under review, compared to 6,855 workers in the same period in the previous year. However, the Plantation sector experienced a slight deterioration of labour relations during the first half of 2018 with 1,177 workers engaged in 9 strikes creating a loss of 8,879 man days for the sector, which is about 2.5 times higher compared with the first half of 2017.

- **The Ministry of Labour and Trade Union Relations has taken several measures in the first half of 2018 to address long lasting labour market issues emanating from rigid and less flexible labour laws in the country.** The Cabinet approval has been granted to introduce a 'Single Employment Law' to address issues related to anomalies and discrepancies among existing labour laws with regard to terms and conditions of employment in the private sector. Provisions are to be included in the proposed legislations to ensure full and productive employment without discrimination, to prevent sexual harassment in the workplace and to introduce provisions relating to flexible working arrangements. Amendments were brought to Maternity Benefits Ordinance No. 32 of 1939 and Shop and Office Employees Act No. 19 of 1954 to grant maternity benefits for female workers in the private sector irrespective of number of children with the view of encouraging females to join the labour force after maternity period. Measures were taken towards prevention and elimination of forced labour, revising the list of Hazardous Occupations with the view of positioning Sri Lanka as a country which produce and export ethical products to the international market. Further, with the view of enhancing industry harmony, the Department of Labour has initiated a 'Social Dialogue Platform' in order to reduce workplace disputes while increasing productivity.

Labour Productivity

- **Labour productivity measured in terms of Gross Value Added (in 2010 prices) per hour worked increased by 6.0 per cent to reach Rs. 472.14 per hour worked in the first quarter of 2018 compared to Rs. 445.28 in the corresponding period of 2017.** All three sectors reported a positive growth in labour productivity when compared to the corresponding period of 2017. The Services sector exhibited the most efficient use of the labour resource, recording the highest productivity of Rs. 566.05 per hour worked, and was closely followed by the Industry sector with a productivity level of Rs. 556.29 per hour worked. The improvement in overall labour productivity during the first quarter of 2018, compared to the corresponding period of the previous year was contributed by both the improvement in Gross Value Added and the decline in the number of hours worked. Continuing the trend observed in the recent past, the Agriculture sector registered the lowest productivity of Rs. 155.48 per hour worked, during the first quarter of 2018.

Expected Developments

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Prices

- **Inflation is expected to remain around the mid-single digit level during the remainder of 2018**. Well anchored inflation expectations, forward looking approach of monetary management, favourable domestic supply conditions are expected to help maintaining the general price level at benign levels. Nevertheless, against such favourable developments, there could be some degree of upward pressure on prices emanating from several factors. The possible upward administered price revisions to the items in the Non-food category such as fuel, LP gas and electricity charges, and inflationary pressure caused by price movements of imported items arising from weakening of the domestic currency due to dollar strengthening and the possible reversal of the declining trend in international prices of consumer goods are such factors.

- **Excessive supply of volatile food items such as vegetables during some seasons resulted in extremely low prices in the market thereby generating low income for farmers.** In order to address this issue, attention must be paid on limiting the excessive cultivation of the same variety during the same period in the country. In this regard, the government needs to explore the feasibility of developing a strategy to provide necessary advice/guidance on production and marketing information to farmers. An information dissemination mechanism, which uses available information and big data analytics, can be implemented to channel relevant and timely information to farmers through a designated help desk at each Grama Niladari division. Further, the emphasis should be placed on promoting fair trading practices at dedicated economic centres such as Pettah and Dambulla to minimise market disruptions and price asymmetries between markets.

Labour Force and Employment

- **Avenues need to be opened for private education institutes with proper accreditation and quality standards to produce labour market ready candidates**. The allocation of students to national universities should be done with proper attention to future labour demanding sectors since producing graduates with limited career prospects could lead to further socio-economic issues amidst the ageing population phenomenon. However, there could be objections for expanding private university education from certain sectors of the economy, which need to be managed in order to provide tertiary education access to students who cannot enter the non-fee levying national university system. This would support the building of a skilled work force as well.

- **The re-orientation of vocational training institutes is vital in addressing labour shortages in utilising the untapped rural potential.** Vocational training institutes need to necessarily join hands with the private sector to modernise and standardise the courses provided while breaking the supply driven training models and promoting demand driven models. Coordination among similar training institutes also remains a key where their rigid mandates need to be made flexible in order to effectively liaise with the private sector. On the other hand, rural population approximately accounts for 80 per cent of total population, which provides a large base in terms of labour capacity utilization. The outreach of vocational training institutes to the rural sector through effective communication strategies, door-step awareness programmes on available career opportunities and on the job training opportunities would enhance the skills of the rural sector, particularly that of the youth. Such strategies would support in developing a human capital base to cater the domestic labour requirement and would be gainful in the medium to long-term in achieving regional development goals of the government.

- **Rigid labour laws incentivise unprotected part-time and casual employment, dragging a major portion of employed population towards informal employment.** In order to grab career opportunities available in the modern-day economy with around the clock industries, it is important that the archaic legal restrictions are removed to facilitate an optimal labour market. As such, arrangements such as flexi hours, part time work and spread over of working hours need to be evaluated for implementation, across regions and industries, without having the need to obtain approval from authorities on a regular basis. It would also support to fully utilise more than 65 per cent of the total female household population who are economically inactive at present. In the process of such reforms, the importance of youth representation in labour councils emerges as the future labour market would need to meet the ever-changing requirements of the millennial and subsequent generations.

- **Labour-saving investments by enterprises could be a possible solution to the acute labour shortage in the economy.** New initiatives such as automation of existing business processes through Artificial Intelligence (AI), Robotic Process Automation (RPA), Machine Learning, etc. could save labour as well as enhance productivity along the value chain. This would also facilitate the retainment of scarce human capital for activities that are not repetitive by nature and for activities that need more creativity. In order to promote such productivity enhancement measures, the government can intervene by introducing concessionary loan schemes for local entrepreneurs who develop and use such solutions and establishing tax concessions for foreign investments of similar nature.

- **The decline in foreign employment could lead to a decline in workers' remittances, which could adversely affect the external current account and need to be rectified through promoting skilled category departures**. The aforementioned reforms and re-orientation of the education system and vocational training institutes, along with the industrial expertise of the private sector could support the buildup of a skilled labour force, which is ready and qualified to be employed internationally. This leads to the increase in workers' remittances as the direct benefit while indirectly improving the living standards of their families. Thus, promoting skilled labour departures while discouraging departures in unskilled categories need to be further strengthened.