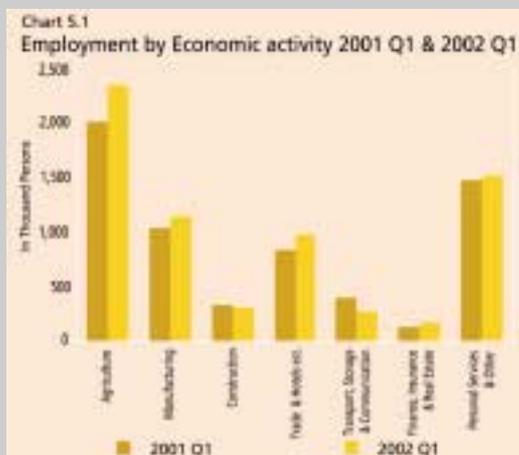


5. LABOUR MARKET

The expected turnaround in the economy in the second half of 2002 will give rise to new economic activities, thus creating more employment opportunities than in the second half of 2001. With the increase in employment, the unemployment rate, which rose to a peak of 8.7 per cent in the first quarter of 2002 in response to the poor economic performance in 2001, is expected to revert to its declining trend by the end of 2002 and settle at around 8.5 per cent in 2002.



Labour Force Participation

- ◆ In the first quarter of 2002, the labour force, i.e., the sum of the employed and the unemployed, increased by 565,000 to 7.3 million when compared to the first quarter of 2001. This increase reflects an increase in the number of employed by around 450,000 and the unemployed by around 115,000.
- ◆ The labour force participation rate, i.e., the ratio of labour force to household population aged 10 years and above, increased to 51.7 per cent in the first quarter of 2002 compared to 49.2 per cent in the first quarter of 2001. This may signify a greater willingness on the part of the household population to participate in economic activity, following on an economic downturn and increased cost of living.
- ◆ A significant feature in the increase in the labour force participation rate observed in the first quarter of 2002 is the increase in the female participation rate at a faster rate than the male participation rate. The male participation rate increased to 67.9 per cent in the first quarter of 2002 from 66.8 per cent in the first quarter of 2001. The female participation rate increased to 35.9 per cent from 31.9 per cent.

Employment Opportunities

- ◆ The private sector remained the major source of employment generation in the country, while the

contribution of the public sector diminished further.

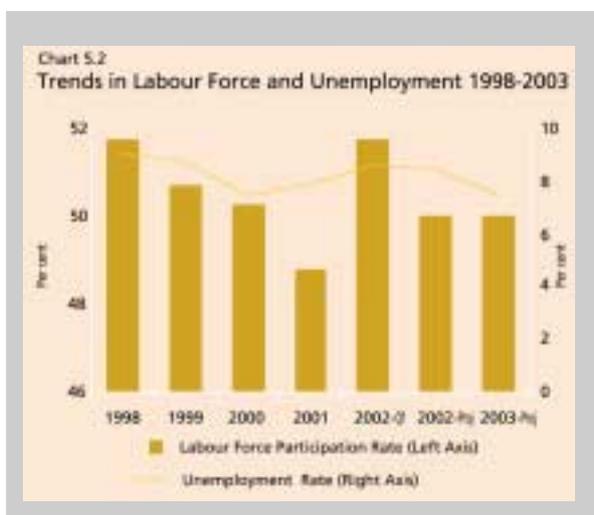
- ◆ Among the five broad categories of the employed, viz., public sector employees, private sector employees, employers, self-employed (own account workers) and unpaid family workers, the share of private sector employees increased to 45.2 per cent in the first quarter of 2002 from 43.0 per cent in the first quarter of 2001 and remained the highest. The share of public sector employees decreased to 12.7 per cent in the first quarter of 2002 from 14.7 per cent in the first quarter of 2001.
- ◆ Employment in the agriculture sector increased significantly in 2002 due to the increase in paddy production, which generated more employment opportunities during the 2002-Maha season compared to the 2001-Maha season. The percentage share of employment in agriculture increased to 35.1 per cent in the first quarter of

2002 from 32.1 per cent in the first quarter of 2001.

- ◆ The trade and hotels sectors showed improvement during 2002 compared to 2001 in employment generation. Its share increased to 14.6 per cent in the first quarter 2002 from 13.2 per cent in the first quarter of 2001.

Unemployment

- ◆ The unemployment rate, which had declined for a decade from 1990 to 2000, started to rise in 2001 reflecting the impact of the poor economic performance that year and, with a lag, would rise in 2002 as well. It rose to 7.9 per cent in 2001, compared to 7.6 per cent in 2000 and stood at 8.7 per cent at the end of the first quarter of 2002.
- ◆ The female unemployment rate increased to 12.8 per cent from 11.7 between these periods, while male unemployment increased at a slower rate, to 6.5 per cent from 5.8 per cent.
- ◆ High unemployment among educated youth continued to be evident from the higher unemployment rates of 22.9 and 18.7 per cent in the 15-19 and 20-29 year age groups and unemployment rates of 12.0 and 16.7 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 Ministry of

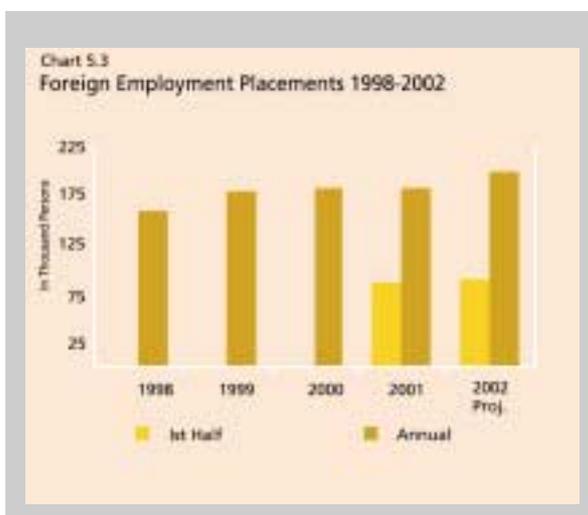


Labour has prepared a Draft National Employment Policy-2002 to employ educated youth, not only in the domestic labour market, but also in the international labour market, by providing appropriate training with the support of the private sector.

- ◆ Further, the proposed employment service outlets throughout the country to be established by the Ministry of Labour 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 to information on foreign job opportunities to provide comprehensive information on labour demand to job seekers.

Foreign Employment

- ◆ Foreign employment progressed steadily during the first half of 2002 compared to 2001 in the absence of flight reductions or delayed departures such as were experienced in the period that had



followed the terrorist attack on the Katunayake International Airport in July 2001. Based on this progress, the annual projection for foreign employment placements is around 198,000 in 2002, compared with 184,000 in 2001.

- ◆ According to the Sri Lanka Bureau of Foreign Employment (SLBFE), the registered number of departures for foreign employment during the first half 2002 was marginally higher, at around 90,000, compared to 87,000 in the first half of 2001. As this trend is expected to be uninterrupted, the second half of 2002 is expected to generate around 108,000 employment placements compared to 97,000 in the second half of 2001, which was affected by adverse internal and external events.
- ◆ The percentage share of female employees decreased marginally to 66 per cent in the first half of 2002 from 68 per cent in 2001. The share of housemaids in total foreign employment placements continued to remain highest among all categories of employment and was around 55 per cent during the first half of 2002.

Labour Relations

- ◆ The number of strikes in the private sector during the first half of 2002 was higher, at 62, compared to 49 in the first half of 2001. Although the number of workers involved in strikes decreased, the total man-days lost increased to 40,619 in the

first half of 2002 from 29,384 in the first half of 2001. Of the total number of strikes in the private sector during the first half of 2002, the number of strikes in the plantation sector was 28.

Labour Market Reforms

- ◆ The first in a series of labour market reforms to be implemented was the amendment to Section 68 of the Factories Ordinance Act of 1942. This Act, which restricted the number of overtime hours for female employees to 100 hours per year, was amended and passed in Parliament on 6 August. The amendment relaxed the overtime limit to 60 hours per month. The amendment will provide legal cover for those who were already violating the 100 hours per year limit of overtime under the previous law, and is necessary, especially in the garment trade.
- ◆ The Industrial Disputes Act of 1950 will be amended shortly. This amendment will make it mandatory for labour tribunal cases to be completed in 120 days (4 months), arbitration cases to be completed in 60 days (2 months), and termination applications coming before the Labour Commissioner General to be processed in 30 days (1 month). The proposed formula will be known as the 421 Formula.
- ◆ The amendments to the Termination of Employment Act (TEWA) No.45 of 1971 will include a clearly stated formula for compensation in order to estimate the cost of restructuring and will establish a safety net to look after those affected by restructuring plans. Under the safety net programme, retrenched workers will be provided with jobs and training, according to their requirements and market needs, through the proposed employment outlets to be established in every district in the country. A fund to supplement compensation to those who lose employment is to be established by the Ministry of Labour with the support of the private sector. This will be a major component of the safety net.