

PN-ABR-199

THE  
NATURE AND  
PROBLEMS  
OF  
UNEMPLOYMENT  
IN  
SRI LANKA

L. L. Gunaratne and P. W. R. B. A. U. Herat

SRI LANKA ECONOMIC ASSOCIATION

## **SLEA – USAID Publication Programme**

### **Papers published under Phase I**

- 1. Capital Market in Sri Lanka – Current Problems and Future Prospects by W. A. Wijewardena.*
- 2. A Review of Industrial Policy and Industrial Potential in Sri Lanka by Dr Upananda Vidanapathirana.*
- 3. Monetary Policy in an Open Economy by Dr S. S. Colombage.*
- 4. Privatisation in Sri Lanka – The Experience During the Early Years of Implementation by Dr S. Kelegama.*
- 5. Foreign Trade – Experience in the Post Liberalisation Period by R. A. Jayatissa.*
- 6. An Evaluation of the Role of Non-Bank Financial Institutions in Sri Lanka by Dr N. L. Sirisena.*
- 7. Demand and Pricing of Commercial Energy in Sri Lanka by Dr H. N. S. Karunatilake.*
- 8. Economic Issues of Public Transport in Sri Lanka by K. G. D. D. Dheerasinghe.*

### **Papers published under Phase II**

- 1. Prospects of Developing Small Scale Industries by V. K. Wickremasinghe.*
- 2. An Evaluation of the Trends in the Energy Sector and Potential for Developing Renewable Energy by Prof. K. K. Y. W. Perera.*
- 3. Foreign Trade in Economic Development of Sri Lanka by T. S. N. Fernando.*
- 4. Fiscal Policy and Operations in the Post 1977 Period by Dr P. B. Jayasundara.*
- 5. Foreign Debt in Sri Lanka's Economic Development by K. Jegarajasingham*
- 6. Nature and Problems of Unemployment in Sri Lanka by Dr L. L. Gunaratne & Dr A. U. Herat.*
- 7. The Contribution of the Regional Rural Development Banks in the Upliftment of the Rural Sector by P. T. Sirisena.*
- 8. Financing of Education by M. R. Fernando.*
- 9. Sources of Energy and Sectoral Composition of Energy Consumption in Sri Lanka by R. Dheerasinghe.*
- 10. Impact of Financial Sector Reforms on the Budget and the Balance of Payments by Dr H. N. S. Karunatilake.*

PN-ABR-199

PN 27365

**THE NATURE AND PROBLEMS OF  
UNEMPLOYMENT  
IN  
SRI LANKA**

**L. L. Gunaratne and P. W. R. B. A. U. Herat**

**Sri Lanka Economic Association  
61, Carmel Road,  
Colombo 3.**

**Sept 1993**

This paper is one of the 18 papers, published under a special series of publications by the Sri Lanka Economic Association (SLEA) with financial assistance from the United States Agency for International Development (USAID). The objective of these publications is to provide economic literature on current and topical themes on the economy of Sri Lanka to a broad audience that is interested in economic issues, but has little or no background in theoretical economics, while maintaining high analytical standards. Hence, the papers have been written in simple language avoiding the use of sophisticated technical terms, mathematical equations and models etc. which are normally found in economic literature.

# THE NATURE AND PROBLEMS OF UNEMPLOYMENT IN SRI LANKA

## 1. Introduction

Unemployment, which inhibits the full utilisation of available labour, is in some sense, an important macroeconomic indicator of performance of the economy. In a different sense of the term, unemployment can pose a serious social problem as the frustration of job seekers who are unable to obtain work for reasonable remuneration, with the attendant problem of low level of income and poverty, can be manifested in discontent and discord. The persisting problem of unemployment has caused concern to policy makers in Sri Lanka for more than three decades, though its intensity has declined following liberalisation policy initiatives in 1977 and the consequent rapid growth experienced by the economy and the heightened phase of migration for foreign employment. This study is about unemployment in Sri Lanka, its nature, trends, problems and possible remedies.

## 2. What is Unemployment? Distinction between Unemployment and Under - Employment

According to a rigorous definition of the term used in the Central Bank's series of Consumer Finance Surveys (CFS), which has been adopted from International Labour Organisation (ILO) recommendations, persons in unemployment consist of those who had no work during the reference period but are actively seeking work or available for work, if work is found. Persons below 14 years of age and not employed and full time students are excluded from the unemployed even if

they are actively seeking work or available for work. A caveat is added to the effect that successive surveys have not adopted a uniform definition, which can complicate the analysis (see Appendix). Subject to this proviso, however, the orthodox definition of unemployment is still not adequate to cope with the problem of under - employment quite prevalent in developing countries. An employed person may nonetheless be considered under - employed if his employment is inadequate in relation to specified norms or alternative employment. Two principal forms of under - employment can be identified : first, Visible Under - Employment which reflects an insufficiency in the volume of employment (It occurs when a person is in employment of less than normal duration and is seeking or would accept, additional work). Second, Disguised Under - Employment which characterises inadequacy in income and skill utilisation, account being taken of one's occupational skill (training and working experience).

### **3. Theoretical Ideas on Forms of Unemployment - Seasonal, Cyclical, Structural and Frictional**

Levels of unemployment are influenced to a great extent by seasonality. This is particularly true of the Sri Lankan economy which is, by and large, dominated by agricultural activities. In an agricultural setting, the extent and pattern of seasonality in unemployment depend on the diversity of available employment opportunity, cropping pattern and local practices with respect to the timing of given operations in given crops. For instance, in Sri Lanka, unemployment is at a seasonal low during the harvest time of paddy and the seasonal peak normally occurs between the sowing time and harvest time. Cyclical or inadequate demand unemployment

(commonly known as above 'normal' or 'natural' level of unemployment characterised by frictional unemployment, and structural unemployment ) reflects shortfalls in the performance of the economy. Structural unemployment occurs when there is a mismatch in the labour markets with regard to job openings (vacancies) and the availability of persons with the requisite qualifications to fill those vacancies. According to a simple definition, a worker is structurally unemployed if he is unemployed and a job opening (vacancy ) exists that he is not qualified to fill. Unemployed workers qualified to fill the vacancies are deemed to be frictionally unemployed. For instance, joblessness related to geographical immobility falls into this category. The chief element in structural unemployment is the inability of unemployed workers to qualify technically for available job openings. Structural unemployment normally occurs when the economy is in a state of rapid technical change forcing workers to remain unemployed for sometime until they could adjust to the new skill requirements. A simple relationship emerges that total unemployment is therefore the sum of structural unemployment, frictional unemployment, cyclical unemployment and seasonal unemployment.

#### **4. Historical Trends in Unemployment, Growth and Labour Force since Independence**

##### **4.1 Unemployment**

Unemployment per se was not perceived as a real problem at the time Sri Lanka gained Independence in 1948, but it was then a problem arising from a lack of employable skills. The emergence of the problem in its present form dates back

to the early 1950s. The 1953 Consumer Finance Survey (CFS) recorded an overall unemployment rate of 16.6 per cent. Ten years later in 1963, the problem still persisted though to a lesser extent. The overall unemployment was 13.8 per cent according to the 1963 CFS. Between 1963 and 1973, unemployment assumed serious proportions, with an overall rate of 24.0 per cent in 1973, the highest on record (see 1973 CFS). perceptible improvement in the unemployment situation occurred following increase in semi - government employment after the mid seventies and the policy reforms in 1977 and the overall rate dropped to 14.8 per cent in 1978/79 according to the 1978/79 CFS. This favourable trend continued with overall unemployment declining further to 11.7 per cent in 1981/82 as revealed in the 1981/82 CFS. The latest survey in the CFS series in 1986/87 points to a reversal in this favourable trend with the overall unemployment rate increasing to 15.5 per cent in 1986/87. Recent surveys including the Quarterly Labour Force Survey conducted by the Department of Census and Statistics disclose that overall unemployment has varied between 15.0 per cent and 16.0 per cent from 1990 upto the present time.

## **4.2 Growth**

Economic growth as a means of alleviating the problem of unemployment enjoyed much vogue among economists and policy makers following the Keynesian tradition. Though the solution to the current problem is not so simple, as it is complicated by structural imbalances in labour markets, tracing back the history of economic growth in Sri Lanka will throw some light on the past attempts to deal with the problem. As unemployment estimates are available only for survey years and census years ( and in the present study, for the years

in which the surveys in the CFS series were conducted), average economic growth (defined as annual average growth of real GNP for the purpose of this study) is computed for the inter-survey periods. This is because the estimated change in unemployment obtained in a particular survey is the cumulative result of the developments in the labour markets and the performance of the economy between that survey and the preceding survey in the series.

The period immediately preceding 1953 (1951 - 1953) was characterised by the substantial overall impact of the Korean boom and the economy grew by an impressive 7.0 per cent during this period. With the tapering off of the Korean boom which, for the first time, brought into sharp focus some of the structural problems facing the economy, and the deepening of the economic crisis in the late 1950s, the annual average growth of the economy was a modest 3.5 percent during the subsequent inter-survey period 1954 - 1963. In the sub-period 1960 - 1963, however, following an improvement in the performance of the economy in the 1960s, the annual average growth of GNP was 4.0 per cent. Another noteworthy feature was that the Manufacturing sector grew by 5.4 per cent per annum during this sub-period which may have had a beneficial impact on employment. In analysing the growth performance during the 1964-1973 period, which averaged 4.2 per cent, two distinctly different sub-periods could be identified. The first sub-period of 1964-1969 marked a continuation of the favourable trend that started in the early 1960s, its annual growth averaging 4.9 per cent. In sharp contrast, the annual average growth of GNP in the 1970-1973 sub-period fell to 3.0 per cent against a background of stagnation in the plantation sector and the 1971 insurrection. This adverse trend

continued upto 1977. When the average growth performance of 4.8 per cent during the inter-survey period 1974-1979 is decomposed into two sub-periods, 1974 - 1977 and 1978 - 1979, growth averaged a meagre 3.4 per cent in the former sub-period, while the latter recorded an unprecedented growth of 7.6 per cent in response to the far reaching growth oriented policy package introduced in late 1977. The growth impetus continued in the next inter-survey period 1980-1982, but with reduced intensity as was evident in a slight slowing down of the economy. The economy grew by only 4.8 per cent during this period. The 1983-1987 inter-survey period was marred by civil strife which inhibited the effects of policy reforms. The result was slow growth during this period, which averaged only 4.1 per cent. This impaired growth performance continued upto 1989; economic growth averaged 2.4 per cent in 1988-1989. The year 1990 marked an upturn in the economy which continued in 1991 and 1992 and the annual average increase in GNP during 1990-1992 was 5.1 per cent.

### **4.3 Labour Force**

The labour force or economically active population consists of all those persons who supplied as well as those who were willing to supply their labour for the production of goods and services during the reference period. Thus, labour force is defined as the sum of the number of persons employed (for pay or on their own account, i.e. employers and self-employed or as unpaid family workers) and unemployed (as defined earlier). From this definition it is clear that the chief criterion for inclusion in the labour force is not actual employment alone but also the availability and active search for employment of those who are currently not working.

The proportion of the population in the labour force, which is termed the labour force participation rate or activity rate, is determined by the interplay of supply and demand factors in the labour markets. On the supply side, demographic change and composition, workers' skills, level of education and attitudes towards work which are conditioned by economic, cultural and social factors determine the participation rates. The major factors influencing the labour force participation rate on the demand side are the level of economic activity and the available technology.

The labour force participation rate was 35.6 per cent in 1953 but declined to 31.7 per cent in 1963. The major factor that caused this fall in the labour force participation rate was the rise in the proportion of dependants in the population due to an increase in the proportion of persons in the younger ages of below 14 years, ( the labour force threshold ) and a rise in the proportion of persons aged over 55 years, (the normal maximum age cut - off point for inclusion in the labour force). These changes in the age structure of the population were brought about by the relatively high fertility and declining mortality in the 1950s. A reversal of this trend was observed between 1963 and 1973 when there was a slight ageing of the population accompanied by a drop in the proportion of dependants in the younger age groups of below 14 years. This trend was consistent with a decline in fertility in the 1960s. Following this, the labour force participation rate rose slightly to 33.9 per cent in 1973. The age structure of the population continued to be a significant factor influencing the labour force participation rate as was evident in the increase in the proportion of the population in the broad working age group of 14-55 years from 51.9 per cent in 1973 to 56.9 per cent in

1978/79. This in turn caused the participation rate to increase sharply to 38.0 per cent in 1978/79. This was in large part due to the age cohort of persons who were born in the 1950s, characterised by the "baby boom", now reaching the normal employable age of over 14 years. Another contributory factor was a marked improvement in educational attainments of the population, particularly of females. Demand factors conditioned by a rapid growth of the economy in 1978 and 1979 also exerted a considerable "pull", inducing new job seekers to cash in on the new opportunities. Growth levelled off in the next three years and the labour force participation rate declined to 34.3 per cent in 1981/82 despite a further increase in the proportion of the population in the age group 14-55 years to 57.1 per cent. On the supply side, a rapid increase in net migration for foreign employment was also responsible for this decline in the labour force participation during this period.

The labour force participation rate rose to 38.1 per cent in 1986/87 largely due to supply factors such as the slowing down of the pace of migration and the continued improvements in female participation in education. Recent studies point to a further increase in the labour force participation rate to 40 per cent in 1992.

## **5. Past Attempts to Deal with the Problem and Their Effects**

The first documented reference to the unemployment problem has been in a report of a World Bank Mission published in 1953. Though the creation of new employment opportunities was again not explicitly addressed in this Mis-

sion Report, it has voiced some concern about rapid population increases exceeding production growth in the ensuing decade. Family planning was considered to be an important means of solving the problem at the time. A document published in 1955 as a sequel to this Mission, entitled The Six Year Programme of Investment, laid emphasis again on implications of rapid population growth and the attendant problem of structural unemployment but fell short of recommending a concrete plan of action to combat the problem. The dimensions of the problem at the time (in 1953) were a total of 490,000 persons unemployed out of a labour force of 2,951,000 persons. The main focus of Sri Lanka's first comprehensive development plan, the Ten-Year Plan (1959-1968) published in 1959, was the unemployment problem. As enunciated in it, one of its main objectives was the explicit objective of high employment, the other objective being a high rate of economic growth. The Plan, for the first time, recognised the shaping of the educational policy attuned to the expected growth in employment opportunities in the various sectors of the economy. The maximum emphasis was given to industrialisation, particularly developing small scale and cottage industries, as a means of absorbing the country's increasing workforce. Despite the emphasis given to the employment oriented strategies in the Plan it was never implemented as a consequence of a change in government in 1960 and the adoption of a series of short term implementation programmes (STIP). These STIPs were, in fact, the annual implementation programmes under the original Ten-Year Plan for the period 1961/62 - 1963/64 with some modifications. However, the implementation of the STIP was impaired by the deteriorating foreign reserves and declining export prices. Following this, in 1963, the total labour force was 3,375,000 of which 466,000

were unemployed. Thus in the intervening period (from 1953 to 1963) 448,000 new jobs had been created, which represented an annual employment growth of 1.7 per cent. The economy grew by 3.5 per cent and the growth of the labour force was 1.4 per cent on an annual basis.

A distinct feature of the annual development programmes during the period 1966-1970 was the emphasis on agricultural development, particularly food production, and import substitution, retracting from the policy of industrialisation as a means of addressing the unemployment problem as promulgated in the Ten-Year Plan. In fact, employment generation was never an explicit objective in these short-term plans, which had drastic consequences later, some of which were manifested in the 1971 insurrection. In the wake of the insurgency, a sense of urgency was greatly felt in addressing the burning issue of unemployment, particularly youth unemployment, and the outcome was the Five Year Plan 1972 - 1976 promulgated in 1971. The Plan, which brought to the fore the unemployment issue, envisaged a total employment generation of 810,000. The broad strategy of the Plan was the emphasis on the expansion and modernisation of agriculture, development and diversification of the export sector and selective industrialisation with emphasis on labour intensive techniques of production. Another distinct feature of the Plan was that its implementation involved a shift towards a heavily controlled regime with heavy state intervention. The Plan however, failed to achieve the desired objectives due to the confluence of several unfavourable external factors, lack of commitment and mismanagement of the economy, and the unemployment situation continued to deteriorate in spite of a significant increase in employment in the semi-government

sector (i.e. State Corporations, Boards etc.). By 1973, unemployment had soared to 1,078,000 persons out of a total labour force of 4,491,000 persons. This meant that while there were 1,116,000 new entrants to the labour force between 1963 and 1973 only 504,000 were able to find jobs, leaving a shortfall of 612,000 which together with the backlog of 466,000 unemployed in 1963 constituted the total unemployed in 1973. Youth unemployment assumed crisis proportions with 877,000 job seekers in the age group of 14-25 years. It is significant to note that this predicament was the result of the poor performance of the economy during this period, particularly the sub-period 1970-1973 which had an average growth of only 3.0 per cent (on the demand side of the labour market) and the rapidly growing labour force (on the supply side). The annual growth of employment generation was 1.6 per cent, while the labour force grew by 2.9 per cent per annum between 1963 and 1973. Thus, the gap between the labour supply and demand increased (supply overtaking demand by 1.3 percentage points per year) resulting in a sharp rise in unemployment.

The new Government which came to power in 1977 introduced a package of far reaching economic reforms aimed at ridding the economy of state intervention and controls. The broad economic policy objectives of this growth-oriented liberalisation package were to resuscitate the economy which was at a breaking point, restore vitality to agriculture, plantations, fisheries and trade, increase employment opportunities for youth, stimulate domestic savings and investment, reduce pressure on balance of payments and to move forward from economic stagnation to economic growth and development. The Government's Public Investment Programme played a

prominent role in the strategy with three lead projects, namely, the Accelerated Mahaweli Development Programme, the Export Processing Zone in the Greater Colombo Area and the Urban Development and Housing Development Programme. In the formulation of these programmes, foremost in the minds of the policy makers was the employment objective.

Pay-offs were fairly visible as early as 1979 when unemployment declined to 814,000 persons in spite of a net addition of 1,008,000 persons to the labour force between 1973 and 1979. Thus, the total employment creation during this period was 1,272,000 which was a remarkable achievement by any standard. This has to be viewed in the light of the contrasting growth performance during the sub-periods 1974 - 1977 and 1978 - 1979, the former recording a meagre average annual growth of 3.4 per cent while the average annual growth in the latter sub-period was an impressive 7.6 per cent. The annual average employment growth during the period was 5.4 per cent while the labour force expanded by 3.4 per cent.

After 1979, the impressive achievement on the economic front continued but with somewhat less vigor. Growth decelerated to an annual average of 4.8 per cent during 1980 - 1982 and labour force declined to 5,210,000 persons. A combination of demand factors, principally the slowing down of the economy, and supply side factors ( the increased pace of migration for foreign employment during this period in response to the incentives afforded under the new policy package among other things) was responsible for this decline in the labour force. Net migration, in fact, had an over-riding influence on the progress made in the unemployment situation with only 610,000 unemployed in 1982, the lowest on record after 1963.

The growth impetus faltered in the aftermath of civil riots in 1983 which had a devastating effect on the economy. The average annual growth declined further to 4.1 per cent during 1983-1987. The economy plunged into a low, a growth of only 1.5 per cent in 1987, the lowest on record after 1971. This impaired growth performance coupled with the tapering off of activity of major development projects, notably the Mahaweli Programme, and the slowing down of construction activity, resulted in a loss of momentum in employment generation. Demand for foreign employment reached a saturation level. Against this background, unemployment rose to 968,000 persons in 1987 (out of a labour force of 6,248,000). Only 680,000 employment opportunities were created between 1982 and 1987 though there were 1,038,000 new entrants to the labour force. The shortfall of 358,000 persons who could not find employment during this period together with the backlog of 610,000 unemployed in 1982, constituted the total unemployed in 1987. This outcome was thus the result of growth in labour supply unmatched by increases in labour demand (In fact the average annual growth of the labour force during this period was 3.7 per cent, compared with an employment growth of only 2.8 per cent).

This adverse growth trend continued upto 1990 when there were signs of a strong economic recovery with a real GNP growth of 6.6 per cent. The economy, particularly the Manufacturing sector, remained fairly buoyant during 1990 - 1992 (annual average economic growth was 4.1 per cent ) in response to further liberalisation measures and other policy reforms introduced after 1989. The activities of the Greater Colombo Economic Commission expanded with the setting up of two new Investment Promotion Zones. The Construc-

tion sector picked up and continued to grow following the rapid improvement in the security situation. There was also a significant expansion in the Services sector, particularly the Tourism sub-sector which was an important sector of employment creation. Self employment programmes, which received a high priority of the government, continued to play a significant role in employment creation. Migration for foreign employment contributed, in large measure, to a slowing down of labour force growth which in turn helped to ease the unemployment situation. Despite these positive developments which were responsible for a total employment creation of 528,000 (excluding foreign employment) between 1987 and 1992, unemployment exceeded 1 million persons in 1992, for the first time after 1977. The annual average employment growth during this period was 2.3 per cent per annum. The labour force grew by 2.2 per cent per annum to 6,960,000 in 1992.

## **6. Current Status**

The foregoing sections have dealt with the concepts of unemployment and the historical development of unemployment in Sri Lanka. The focus here will be on the current situation. The paper has adopted the results obtained from the Consumer Finance and Socio-Economic Surveys (CFS) of the Central Bank as the basis for analysis. The last CFS was conducted in 1986/87. Considerable changes may have occurred in the characteristics of unemployment in the intervening period. Hence, although the analysis in this section will be based on the CFS 86/87 data, these will be supplemented, where possible, by more recent data obtained from the Quarterly Labour Force Survey (QLFS) conducted by the De-

partment of Census and Statistics. It should be borne in mind however, that these two surveys are not strictly comparable.

## 6.1 Overall Unemployment

Unemployment (percentage)					
	1973*	1978/ 79*	1981/ 82*	1986/ 87*	1991 (Q3)**
Male	18.9	8.8	7.8	11.3	10.8
Female	36.4	23.9	21.3	23.6	25.0
Total	24.0	14.8	11.7	15.5	15.5

\* CFS - Central Bank

\*\* Quarterly Labour Force Survey - Third Quarter, 1991 -  
Census and Statistics Department

Unemployment had been at a historically high level in 1973. The situation had improved by 1978/79, with further improvement being experienced in the next few years.

The sudden boom in the economy resulting from the change of economic policies led to the overall rate of unemployment declining to its lowest level in decades in 1981/82. Thereafter, the unemployment rate has risen somewhat, but is still far less the level reached in 1973. Both the CFS 1986/87 and the Labour Force Survey for the 3rd Quarter of 1991 (QLFS) indicate an overall unemployment rate of 15.5 per cent. Currently available data point to an unemployment rate in the region of 14-15 per cent in 1992.

## **6.2 Detailed Incidence of Unemployment**

Overall unemployment is important. For purposes of targetting policies however, it is even more important to consider in greater detail, the incidence of unemployment among various groups. Various characteristics of the unemployed are therefore studied in detail in the following sections.

### **6.2.1 By Sex**

The incidence of unemployment among females has always been very significantly higher than the incidence of male unemployment. For example, in the CFS 1978/79, female unemployment was 23.9 per cent as against an unemployment rate of 8.8 per cent among males. In the CFS 1986/87 the percentages were 23.6 and 11.3 respectively. The Labour Force Survey (Quarter 3, 1991) had similar percentages. While it is true that there are fewer women in the labour force than men (they formed 34.2 per cent of the total labour force according to the CFS 1986/87), this proportion is increasing. Thus, if the female unemployment rate does not decrease, the overall unemployment rate will continue to increase.

### **6.2.2 By Sector and Age**

It has been argued that, in Sri Lanka, there are more families below the poverty line in the Rural sector than in the Urban sector. It is therefore of interest to consider the incidence of unemployment in the three sectors (i.e., Urban, Rural and Estate). The CFS 1986/87 showed that the rate of unemployment in the Urban and Rural sectors are quite close (Urban - 17.3 per cent, Rural - 16.0 per cent). One should,

however, bear in mind that this could perhaps be misleading. Much of the Rural sector employment would be generated by agricultural activity. Sri Lankan cultural practices are such that, usually, all the adult members of the family, and even older children, share in available agricultural activity. Thus, many family members would be employed, even though there may not be adequate work to keep all of them occupied throughout the working day. In contrast, employment in the Urban sector is much more likely to be more formal and person-specific, thus preventing sharing work among family members.

The lowest rate of unemployment is in the Estate sector, where most adults (especially in the Tea sector) have a reasonable guarantee of obtaining employment.

Of equal interest is the age category of the unemployed. The problems that arise as a consequence of youth unemployment (Sri Lanka's experience has been rather bitter in this area) differ from those that arise with high unemployment in older age groups. The CFS 1986/87 indicated that over a quarter of those unemployed were below 18 years, while over three quarters were below 25 years. The QLFS indicated that 63 per cent were below 24 years. In fact, the CFS 1986/87 showed that the rate of unemployment among those in the age group 19-25 years was 35.3 per cent. The QLFS showed the rate of unemployment among those below 19 years to be 41.1 per cent and the rate of unemployment of those between 20-24 years to be 56.9 per cent. Thus, it appears that youth unemployment continues to be the main source of unemployment in the country.

The vast majority of the unemployed are first time job seekers. CFS 1986/87 revealed that approximately 83 per cent of the total unemployed belonged to this group. In fact, over 70 per cent of the total unemployed were first time job seekers below the age of 25 years. That this situation has not changed appreciably after 1987 was evident in that the QLFS indicated that over 80 per cent of the total unemployed were first time job seekers and 56 per cent of the total unemployed were first time job seekers below 25 years.

### **6.2.3 By Educational Level**

Sri Lanka has enjoyed a very high literacy rate for many decades. The provision of free education, significant Government expenditure on education over many years and the existence of institutes of learning that have maintained extremely high standards for over a century have all contributed to this. However, more education leads to correspondingly higher social aspirations on the part of the educated. As the primary means of fulfilling these aspirations is often through employment, inability to obtain such employment leads to a sense of frustration and alienation. Unemployment among the educated is thus potentially a source of much discontent and social unrest.

Results from both the CFS 1986/87 and the QLFS showed that unemployment among the educated is a serious problem. Both surveys showed that around 45 per cent of all those unemployed were those who have obtained a secondary school education but have not passed the GCE Ordinary Level examination or its equivalent. A further 32 per cent of the unemployed had passed the Ordinary Level examination, but had not progressed further.

When one considers the rate of unemployment of those in the various educational categories, the CFS 1986/87 revealed that in the groups that have very low levels of education (i.e., those with primary education or less ) and in the case of graduates, the unemployment levels were comparatively low. Those with little or no education are less able to be selective in their choice of employment and are likely to grab whatever jobs are on offer. As there still exist, in both agriculture and non-agriculture, significant employment opportunities which do not require very high standards of formal education, it is not surprising that the rate of unemployment among those with little formal education was low. The low rate of unemployment among graduates is a welcome development, since graduate unemployment has at times been a serious problem in Sri Lanka. However, no evaluation is made here as to whether the work done by such graduates is in keeping with their training or abilities.

The rate of unemployment among those who have passed the Ordinary Level or the Advanced Level examination however, is a matter for serious concern. The CFS 1986/87 found that over a third of those who possessed the Advanced Level Certificate and over 28 per cent of those who possessed the Ordinary Level Certificate were unemployed. The implication of this is that those who drop out of the education system at the secondary and post-secondary levels are likely to encounter much difficulty in obtaining employment. The information obtained from the QLFS also confirmed that the rate of unemployment in these educational categories was very significant and much higher than the overall average.

### **6.3 Duration of Unemployment**

Whatever its duration, a period of unemployment is usually unwelcome, both from the point of view of the individual concerned and the economy as a whole. [From the perspective of the individual it results in lost earnings, a sense of frustration and even perhaps, a sense of desperation. From the perspective of the national economy, it represents a waste of resources and a potential threat to social stability.] However, short periods of unemployment are less of a problem than long periods. In fact, in any dynamic economy, there will be people who are moving from one job to another and are unemployed between jobs (referred to as 'frictional' unemployment). Most individuals are able to tide over short periods of unemployment either by using up accumulated savings or by borrowing. As the period of unemployment increases, these sources of funds dry up, leading to great hardship. Moreover, the individual can enter a vicious cycle wherein a long period of unemployment makes it more difficult to obtain a job (either because of a decrease in skills through non-use or because of a loss of contacts who might provide employment), and this difficulty lengthens the period of unemployment. Therefore, an analysis of the duration of unemployment is important.

The CFS 1986/87 showed that one fifth of the unemployed encountered in the sample had been unemployed for less than six months, while nearly a third had been unemployed for a period between seven months and one year. Almost half of those unemployed had been unemployed for over a year. In fact, nearly one in seven of the unemployed had been without

work for over three years. The position appears to have worsened by 1991. The QLFS showed that over 80 per cent of the unemployed had been out of work for a period exceeding one year.

## **6.4 Under-Employment**

In many developing countries, visible and disguised under-employment are as much a problem as unemployment. In fact, this could be even more insidious than unemployment, since the hidden nature of the problem usually means that not much attention is paid to its alleviation. Estimating disguised under-employment is a difficult task. However, data obtained in the CFS 86/87 permit the estimation of visible under-employment.

Visible under-employment in the CFS 86/87 was determined by comparing the number of days that a person actually worked, with the number of days that the person was willing and able to work. If the number of days worked was less than the desired number of days, visible under-employment existed.

CFS 86/87 indicated that almost half of those employed were in fact under-employed. As a proportion of the total labour force, the proportion under-employed in 1986/87 was found to be 38 per cent. This is certainly a matter for concern, for it implies that a total of 53.5 per cent (comprising 15.5 per cent unemployed and 38 per cent under-employed) of the total labour force is not being utilised to its full capacity.

The problem was most acute in the Estate sector, where approximately 52 per cent of the total labour force was under-

employed. Unemployment measured in conventional terms in this sector however, was found to be only 9.7 per cent, the lowest in all three sectors. On the other hand, the Urban sector, which had the highest level of unemployment (17.3 per cent), had only 26.8 per cent of its labour force being under-employed. Thus, one is led to question the adequacy of the conventional measure of unemployment to a developing country such as Sri Lanka, if the purpose of measuring unemployment is to obtain an insight into the under-utilisation of resources.

This discrepancy is also seen when unemployment and under-employment by sex is considered. Males who had a low unemployment rate of 10.8 per cent, had 37 per cent of their labour force under-employed, whereas females who had an unemployment rate of 25 per cent, had 33.7 per cent of their labour force under-employed.

The above measure of under-employed regards all those who worked less than their desired work period as being under-employed. A more accurate measure of the loss of resources is obtained by comparing the actual man-days lost, in relation to the desired number of man-days of work. The under-employment rate was thus defined as the total number of man-days for which work was not available, as a percentage of the total number of desired man-days of work of those who were employed. On this basis, the rate of under-employment in all sectors was found to be 22 per cent in 1986/87. Thus, even amongst those who were employed, almost a quarter of the available labour resource was not utilised. Based on this computation too, the rate of under-employment in the Estate

sector (19.4 per cent ) was found to be higher than the rate in the Urban sector (14.7 per cent) , in contrast to the results shown by the conventional measure of unemployment.

## 7. Possible Causes

That unemployment exists and that its effect is deleterious are obvious facts. Numerous governments and other organisations have attempted to reduce unemployment. If any attempts to deal with the problem are to be successful, they must consider the causes of the problem and not merely deal with the symptoms.

One obvious cause would be inadequate growth in the economy. This is almost a truism. Economic growth would undoubtedly help reduce the problem of unemployment. However, it could also be argued that productive use of these unemployed would, in fact lead to higher growth. The relation therefore appears to work in both directions. Therefore, it may be interesting to investigate, at a deeper level, the characteristics of the unemployed.

Based on the information obtained from the surveys, the following seem to have a serious impact on unemployment and its adverse repercussions :

- a) **The increase in the proportion of women entering the labour force, together with the relatively high rate of unemployment among women.** - This increase in the number of women in the labour force arises due to cultural and economic reasons. Many women in the Rural sector have traditionally been a part of the workforce in Sri Lanka. With economic development and changing social and cultural norms, not only does this proportion increase, but even women in the Urban sector

are drawn in larger numbers into the workforce. Better education, later marriages, smaller families etc., all encourage an increased inflow of women into the labour force. Another phenomenon that must be considered is economic necessity. Many women are being drawn into the workforce today to obtain a supplementary income for the family, because the male breadwinner's income is inadequate to meet the needs of the family.

- b) **The large number of school dropouts with secondary or post-secondary levels of education and the difficulties faced by these individuals in obtaining employment.** - Increased educational opportunities have resulted in a rise in the general level of formal education. However, it has also led to an increase in the number of dropouts, with some academic training, but without much practical or vocational training. Those who do not enter the universities, often find themselves ill equipped to obtain employment based only on their academic training.
- c) **The long duration of unemployment.** - A long period of unemployment leads to atrophied skills and discouragement. In the extreme, such individuals become unemployable. The problem appears to be that it becomes increasingly more difficult to obtain further training or alternative avenues of employment as the duration of unemployment increases. There does not appear to be any mechanism whereby such cases of chronic unemployment could be identified and special action taken.

## 8. Possible Remedies

The remedies to the unemployment problem must

necessarily depend on the nature and causes of the problem. The foregoing sections presented information on the dimensions of the problem which would be useful in identifying the remedial measures to eradicate it. The assessment of the successes and failures of past strategies made in the study would also be a useful guide in finding a solution to the problem. These findings would naturally help to formulate national employment strategies to absorb the growing labour force and to reduce unemployment and under-employment.

### **8.1 Twin Issues of Growth and Employment**

Conventional wisdom suggests that the fundamental cause of unemployment is the imbalance between growth of the labour force and the overall growth of the economy. This was corroborated by the findings of the study. One of the explicit aims of future economic policy should, therefore, be the achievement of rapid growth by exploiting the labour resources available in the country. In such a strategy it is possible to obtain simultaneously growth and a reduction of both unemployment and under-employment. The emphasis should, therefore, be on economic growth on a pattern which can be sustained and which generates wider and more productive employment opportunities in the process. The planned economic growth should, indeed, absorb in gainful employment, the new entrants to the labour force and the backlog of the unemployed, which exceeds one million persons. It would therefore be fundamental to any future strategy that employment should expand faster than the labour force so as to clear this backlog of unemployment. The clue to labour absorption lies in investment. Future policies should therefore be directed at improving investment performance which will depend on

the ability of the system to generate a higher level of savings and ensure an adequate flow of foreign capital into the country.

## **8.2 Technology and Employment**

The choice of appropriate technology with due attention being paid to the employment implications is of paramount importance in formulating future strategies. In particular, fiscal, financial and other incentives must be accorded so as to ensure that technology that is appropriate and adaptable to the labour abundant nature of the country is chosen and used. Such technology will result in the fuller utilisation of idle and under-employed labour resources.

## **8.3 Structure of Production and Employment**

While economic growth is a necessary condition for employment growth, it is by no means a sufficient condition. Growth must necessarily be accompanied by changes in the structure of the economy conducive to employment creation. Though further structural shifts away from agriculture to manufacturing and services will be a welcome trend, in so far as employment creation is concerned, agriculture will continue to play a crucial role as the provider of employment, but with a renewed emphasis on further diversification, modernisation and establishment of growth linkages with non-farm activities and enterprises. More importantly, the potential of agriculture for self-employment and subsidiary income creation should not be under-estimated. The incentive structure should favour setting up of industries and other activities with

prospects for high labour absorption within them and through linkages so as to maximise productive employment creation for a given investment programme. Agro-based industries which have substantial backward - and forward - linkages are a case in point. Assistance in this particular instance can be provided in the form of credit, infrastructure development and management development. The significance of the construction industry, which is known to have strong backward as well as forward linkages with other sectors of the economy with considerable potential for productive employment creation should also be taken into account. A major part of future employment creation, particularly self-employment creation, is expected from a growing services sector. Right policies and incentive structure must be in place to promote these sectors as a means of combating the unemployment problem.

#### **8.4 International Trade and Employment**

The choice of industries, including agro-processing, that have the potential of considerable employment creation is of crucial importance in pursuing an export-oriented growth strategy as a means of mitigating the unemployment problem. This means an emphasis on industries with high employment content whose products have access to foreign markets. The choice would naturally be subject to the dictates of comparative advantage. Employment objectives must be foremost in the determination of the incentive-mix accorded to export oriented industries, particularly those located in Free Trade Zones.

## **8.5 Education and Employment**

Detailed research into the unemployment problem points to a considerable amount of structural unemployment in the country. Education and Manpower policies play an important role in correcting structural imbalance stemming from the mismatch between employment opportunities and expectations on the one hand and employment opportunities and skills and education, on the other. The range of employment opportunities naturally depends on the structure of the economy and available technology.

In formulating future policies attention must be paid to the content and structure of education so as to bring skills and aspirations into closer harmony with the available employment opportunities, thereby reducing structural unemployment. The key to the solution lies in an education system which would be flexible and responsive to labour market conditions. Such a system would ensure a high degree of labour market mobility and avoid redundancy of labour following technological change in the course of transformation of the economy. This is in the medium and long term. In the short term, on-and-off the job training and re-training opportunities should be provided to address the problem. The structure of training must be responsive to the immediate training needs of those who want to acquire new skills required by new employment opportunities.

## **8.6 Foreign Employment**

Migration for foreign employment has, hitherto, played an important role in absorbing an increasing proportion of the

labour force thereby easing the unemployment problem. This will be so in the years to come and to ensure an unabated flow of migration the necessary incentive structure and institutions must be created. Migration for foreign employment, while helping to eliminate labour surplus in the short run, also confers other benefits to the economy through foreign remittances. Migrant remittances are an important source of foreign exchange to the country. As an income support for the families of migrant workers these remittances also have considerable income distribution and employment effects within the country. There is therefore a need for more government intervention in market development, placement, recruitment and welfare of the workers migrating for foreign employment. Institutional machinery must be created which will help potential migrants secure information on job placements abroad and monitor their progress while in employment abroad and after their return. Market development should take the form of reports on manpower demand of existing markets and diversification of destinations. Training becomes an important input in meeting the specific manpower demand of the existing markets and potential demand from new destinations.

## **9. Conclusion**

This study sought to examine the nature, trends, problems and possible remedies for unemployment in Sri Lanka. It was found that though unemployment, especially seasonal unemployment, has probably been in existence for a much longer period, the problem in its present form can be traced back to the early 1950s. Since then, unemployment has been an unpleasant fact of life, though its intensity has tended to

vary. The Consumer Finance Survey of the Central Bank, on which the paper bases the bulk of its analysis, indicates that the problem of unemployment was most acute in 1973 when the overall level of unemployment stood at 24 per cent of the labour force. Its impact was least in 1981/82, when the overall rate fell to a low of 11.7 per cent. Available data indicate that during the last six or seven years, unemployment has remained in the 15-16 per cent range.

It is found that unemployment is a function of both the supply of and the demand for labour. The size of the population, the age structure, general economic conditions and social norms within the country and the availability of alternative sources of employment abroad are found to be the major factors affecting the supply of labour, while the level of economic activity and available technology are important in determining demand. In fact, within the last two decades, foreign employment has been an important force in containing the level of unemployment within the country.

In view of the adverse repercussions of unemployment, a great deal of attention has been paid to alleviating the problem and to determining means of so doing. The macro economic plans prepared by various governments in power have all addressed the issue in one way or another. A preeminent view held is that economic growth is the best way to reduce unemployment. The findings indicate that growth certainly has a positive impact. However, it is perhaps not overall growth alone that matters, but also the means whereby the growth is generated.

A more detailed analysis of unemployment yields fundamental information that would be required in developing

methods to counteract the problem. Unemployment among females is found to be far more acute, with the unemployment rate among females being over twice the rate among males. With the increasing number of women entering the labour market, this tends to push up the overall unemployment rate. The latest available CFS data (1986/87) also show that unemployment is predominantly a problem among youth. Over three quarters of those unemployed were found to be under 25 years of age. The vast majority of these (over 80 per cent) were found to be first time job seekers. Education-wise, more than 85 per cent had a secondary school education. It is thus apparent that those who drop out of the educational system after obtaining a secondary level of education encounter great difficulty in obtaining employment and are the main contributors to the pool of unemployed. A further cause for concern is that the duration of unemployment is increasing. Although no unemployment could be considered beneficial, lengthy periods of unemployment have particularly unpleasant ill-effects.

Another fact revealed by the study was that unemployment measured in the conventional way may not represent the total picture of the problem. In addition to unemployment, under-employment too was found to be a matter for concern. Moreover, high under-employment was not coincident with high unemployment. For instance, although the Estate sector was found to have the lowest unemployment rate, under-employment was highest in this sector.

An overall evaluation of available information appears to indicate that though inadequate economic growth may be the leading cause of unemployment, the more proximate

causes appear to be the high level of unemployment among females and the difficulties encountered by secondary school dropouts in obtaining employment. These clearly are not independent factors, but are closely linked. Any attempts to alleviate the problem would probably require close attention to the removal of these proximate causes.

Any suggestions for remedying the problem of unemployment must necessarily consider the nature and causes of the problem. The findings of the study indicate that particular attention should be paid to achieving an increased growth rate utilising available labour resources. This could require that financial and other incentives be provided for the use of technology appropriate to the labour abundant nature of the economy. It is also evident that agriculture would continue to play a crucial role in providing employment. However, greater emphasis should be given to developing industries that would link agricultural activity with non-farm activity, such as agro-based industries. Special efforts should be made to develop labour intensive industries that have export potential. Educational and training schemes are required to create a closer harmony between available skills and employment opportunities. In view of the many beneficial effects of local labour being employed abroad, there is a need for government promotion in developing such foreign labour markets and providing appropriate training.

**Table 1**  
**Population, Labour Force Participation and Unemployment**  
**1953 - 1992**

Year	Population ' 000	Labour Force Participation (Per cent)	Labour Force ' 000	Unemploy- ment Rate (Per cent)	Unemployed ' 000
1953	8,290	35.6	2,951	16.6	490
1963	10,646	31.7	3,375	13.8	466
1973	13,249	33.9	4,491	24.0	1,078
1979	14,471	38.0	5,499	14.8	814
1982	15,189	34.3	5,210	11.7	610
1987	16,361	38.1	6,248	15.5	968
1990	16,993	40.0	6,800	15.8	1,074
1992	17,405	40.0	6,960	15.0	1,044

Sources: Annual Reports - Central Bank  
Consumer Finance Surveys - Central Bank  
Quarterly Labour Force Surveys of Census  
& Statistics Dept.  
Authors' Calculations

**Table 2**  
**Population Labour Force and Employment and Their Growth 1953 - 1992**

Year	Population		Labour Force		Employment	
	Number ' 000	*Growth Rate (Percent)	Number ' 000	*Growth Rate (Percent)	Number ' 000	*Growth Rate (Percent)
1953	8,290		2,951		2,461	
1963	10,646	2.5	3,375	1.4	2,909	1.7
1973	13,249	2.2	4,491	2.9	3,413	1.6
1979	14,471	1.5	5,499	3.4	4,685	5.4
1982	15,189	1.6	5,210	-1.8	4,600	-0.6
1987	16,361	1.5	6,248	3.7	5,280	2.8
1990	16,993	1.3	6,800	2.9	5,726	2.7
1992	17,405	1.2	6,960	1.2	5,916	1.6

\* Growth rates are computed for the inter-survey periods

Sources : Annual Reports-Central  
Bank

Authors' Calculations

**Table 3**  
**Migration for Foreign Employment and Indian Repatriation 1980-1990**

Year	Migration for Foreign Employment			Indian Repatriation	Net Outflow of Migration/ Repatriation
	Inflow	Outflow	Net		
1980	382,511	465,765	83,254	17,831	101,085
1981	522,082	548,286	26,204	24,058	50,262
1982	564,009	627,182	63,173	28,272	91,445
1983	525,251	607,335	82,084	22,327	104,411
1984	515,291	628,175	112,884	-	112,884
1985	495,324	504,313	8,989	-	8,989
1986	462,179	463,009	830	-	830
1987	392,167	435,962	43,795	-	43,795
1988	426,637	477,459	50,822	-	50,822
1989	421,469	441,071	19,602	-	19,602
1990	565,897	545,087	-20,087	813	-19,997

Source : Census & Statistics Dept.

**Table 4**  
**Performance of the Economy 1950-1992**

Period	Economic Growth* (Per cent)
1951 - 1953	7.0
1954 - 1963	3.5
1960 - 1963	4.0
1964 - 1973	4.2
1964 - 1969	4.9
1970 - 1973	3.0
1974 - 1979	4.8
1974 - 1977	3.4
1978 - 1979	7.6
1980 - 1982	4.8
1983 - 1987	4.1
1988 - 1992	4.0
1988 - 1989	2.4
1990 - 1992	5.1

\* Economic growth is computed as the annual average real growth of GNP for the inter-survey periods.

Sources : Annual Reports - Central  
Bank  
Authors' Calculations

**Table 5**  
**Age Distribution of Unemployed - By Sector 1986/87**  
 (Percentage)

Sector	Age (Years)						All Ages	Sectoral Unemployment
	14-18	19-25	26-35	36-45	46-55	Over 55		
Urban	21.7	54.0	18.1	5.5	0.5	0.2	100	19.7
Rural	25.5	51.3	17.8	4.2	0.8	0.4	100	73.7
Estate	51.1	36.9	10.0	1.4	-	-	100	6.6
All Sectors	26.4	50.9	17.4	4.2	0.7	0.4	100	100

Source : CFS 1986/87

**Table 6**  
**Incidence of Unemployment - By Sector and Age 1985/87**  
 (Percentage)

Sector	Age (Years)						All Ages
	14-18	19-25	26-35	36-45	46-55	Over 55	
Urban	50.6	38.9	12.3	4.5	0.1	0.5	17.3
Rural	48.7	36.7	11.4	3.3	1.0	0.7	16.0
Estate	42.1	17.8	3.5	0.1	-	-	9.7
All Sectors	48.0	35.3	10.6	3.2	0.7	0.6	15.5

Source : CFS 1986/87

**Table 7**  
**Proportion of the Unemployed Who are First Time Job Seekers by Sector,**  
**Sex and Age 1986/87**  
 (As a Percentage of Total Unemployed)

Sector/Sex	Age (Years)						All Ages
	14-18	19-25	26-35	36-45	46- 55	Over 55	
Urban - Male	21.7	44.4	7.2	0.5	-	-	73.9
- Female	19.7	50.7	12.2	2.3	-	-	90.0
- All	20.7	47.6	9.8	1.4	-	-	79.5
Rural - Male	32.8	42.0	6.2	0.3	-	-	81.3
- Female	16.5	49.5	18.3	2.9	0.1	0.2	87.5
- All	24.2	46.0	12.6	1.7	-	0.1	84.6
Estate - Male	53.5	29.6	1.4	-	-	-	84.5
- Female	41.4	28.6	5.7	1.4	-	-	77.1
- All	47.5	29.1	3.6	0.7	-	-	80.9
All Sectors							
- Male	32.0	41.6	6.1	0.3	-	-	80.0
- Female	18.7	48.4	16.3	2.7	0.1	0.2	86.4
- All	25.1	45.2	11.4	1.5	-	0.1	83.3

Source : CFS 1986/87

**Table 8**  
**Proportion and Incidence of Unemployment**  
**-by Education and Sex 1986/87**

(Percentage)

Education	Proportion			Incidence		
	Male	Female	All	Male	Female	All
No Schooling - Illiterate	1.5	2.3	1.9	2.6	3.2	3.0
No Schooling - Literate	-	0.1	-	-	4.5	1.3
Primary	12.7	7.7	10.1	4.2	6.8	5.0
Secondary	50.0	38.5	44.1	14.7	33.7	19.8
Passed GCE(O/L)	27.8	36.1	32.2	19.6	41.8	28.5
Passed GCE(A/L)	6.0	13.2	9.7	20.6	49.0	34.8
Undergraduates	1.7	1.1	1.4	68.0	54.5	61.7
Graduates	0.3	1.0	0.6	3.2	12.2	7.6
All Categories	100	100	100	11.3	23.6	15.5

Source : CFS 1986/87

**Table 9**  
**Proportion and Incidence of Unemployment - by Educational Category and Sex - 1991 Third Quarter**

Educational Category	Percentage					
	Proportion of Total Unemployment			Incidence of Unemployment		
	Male	Female	All	Male	Female	All
No Schooling	1.9	1.6	1.7	4.8	3.6	4.1
Grades 0-4	8.3	4.7	6.4	3.8	5.9	4.4
Grades 5-9	55.7	36.0	45.1	12.1	23.7	15.3
GCE (O/L)	24.2	40.0	32.7	16.1	50.1	29.1
GCE (A/L) and Above	9.9	17.7	14.1	17.9	39.1	28.2
All Categories	100	100	100	10.8	25.0	15.5

Source : Labour Force Survey - 1991 Quarter 3

**Table 10**  
**Duration of Unemployment 1986/87**

Duration (Months)	Percentage		
	Male	Female	Total
Under 3	10.7	8.5	9.6
4-6	10.5	9.6	10.0
7-9	6.7	5.1	5.9
10-12	30.0	23.3	26.5
13-24	24.1	23.3	23.7

Source : CFS 1986/87

**Table 11**  
**Duration of Unemployment - 1991 Third Quarter**

Duration (Months)	Percentage		
	Male	Female	Total
Less than 6	11.8	6.4	8.9
6 - < 12	10.0	9.5	9.7
Over 12	78.2	84.1	81.4
Total	100	100	100

Source : Labour Force Survey - 1991 Quarter 3

**Table 12**  
**Proportion of Under-Employed in Relation to**  
**Total Employed**

Percentage

Sector	Male	Female	Total
Urban	34.8	26.9	32.4
Rural	51.5	45.3	49.7
Estate	58.5	56.2	57.3
All Sectors	49.2	44.1	47.6

Source : CFS 1986/87

**Table 13**  
**Proportion of Under-Employed in Relation**  
**to Labour Force**

Sector	Male	Female	Total
Urban	30.3	20.0	26.8
Rural	45.8	33.4	41.8
Estate	52.9	50.7	51.8
All Sectors	37.0	33.7	38.0

Source : CFS 1986/87

**Table 14**  
**Rate of Under - Employment 1986/87**

Sector	Rate (Per cent)
Urban	14.7
Rural	24.1
Estate	19.4
All Sectors	22.0

Source : CFS 1986/87  
Authors' Calculation

**Appendix**  
**Definitions of Unemployed and Labour Force Used in the**  
**Central Bank's Series of Consumer Finance Surveys**

Year of the Survey	Reference Period*	Unemployed	Labour Force
1953	12 months preceding the survey period	<p>Persons who were seeking work but not able to find it at current rates of remuneration without changing their place of residence.</p> <p>In estimating unemployment the following classes of people were specifically excluded : those who worked for their family in peasant cultivation but received no monetary payments, those who were under 14 years of age and those who were 60 or more.</p>	<p>Persons actually working for remuneration in money or kind (either full or part time) (Generally during the 12 month reference period) plus the involuntary unemployed.</p>

Year of the Survey	Reference Period*	Unemployed	Labour Force
1963	2 months preceding the survey period	All those persons who had been looking for work and were willing to go out of residence to engage themselves in such work but were unable to find employment (Of the persons not in employment, the following categories were excluded in estimating unemployment (i) juniors under 14 yrs. (ii) people unable to work due to infirmities and (iii) those who did not actively seek work).	Persons who supplied (at least one day during the reference period), as well as those who were willing to supply, their labour for the production of goods and services during the reference period.
1973	2 months preceding the survey period	A person who was not in employment during the two months immediately preceding the survey and was actively seeking employment was classified as unemployed. A regularly employed	Labour force consisted of persons who supplied (at least one day during the reference period), as well as those who were willing to supply, their labour for production purposes.

Year of the Survey	Reference Period*	Unemployed	Labour Force
1973	(contd . . . . .)	<p>persons who had been temporarily out of work due to reasons such as illness was not treated as unemployed.</p> <p>(Of those not in employment, (i) juniors under 14 yrs. (ii) persons unable to work due to infirmities and (iii) those who did not actively seek work were not considered as unemployed).</p>	
1978/79	1 month preceding the survey period	<p>Unemployed were defined to be those who were not in employment but were actively seeking work at the going rates of remuneration.</p> <p>A person in regular employment who had been temporarily out of work due</p>	<p>Labour force comprised those persons who supplied as well as those who were willing to supply, their labour for the production of goods and services during the reference period. The labour force was defined as the sum of</p>

Year of the Survey	Reference Period*	Unemployed	Labour Force
1978/79	(contd . . . . .)	<p>to reasons such as illness was not treated as unemployed. (Those who were under 14 yrs. or were attending school were treated as not in the labour force even if they were actively seeking employment).</p> <p>Of the persons not in employment, the following categories were excluded in estimating unemployment (i) juniors under 14 yrs. (ii) those attending school regardless of their age and (iii) those who were above 15 years and were not actively seeking employment.</p>	<p>the number of persons employed (for pay, on their own account or as unpaid family workers) and unemployed. (A person with gainful employment of at least one day during the month immediately preceding the date of the survey was classified as employed)</p>
1981/82	1 week preceding the survey period	Unemployed persons were those who had no work during the reference	Labour force consisted of persons employed and unemployed. The

Year of the Survey	Reference Period*	Unemployed	Labour Force
1981/82	(contd . . . . .)	<p>week or were not temporarily absent from work due to illness or other reasons but were actively seeking work or available for work, if work was found.</p> <p>Persons below 14 yrs. and full time students were excluded from the unemployed even if they were actively seeking work or available for work. In addition, houseworkers, retired persons, the disabled and any others who were not employed and not actively looking for work were excluded.</p>	<p>employed persons consisted of those who worked for pay, profit or family gain at least one day during the reference week and those who had work to return to even though they did not work during the reference week.</p>
1986/87	1 week preceding the survey period	Unemployed persons were those who had no work during the reference	Labour force consisted of the employed and unemployed persons.

Year of the Survey	Reference Period*	Unemployed	Labour Force
1986/87	(contd . . . . .)	<p>week or were not temporarily absent from work due to illness or other reasons, but were actively seeking work or available for work, if work was found.</p> <p>Persons below 14 yrs. of age and not employed, full time students not employed, persons voluntarily unemployed such as house-workers, retired persons, the disabled and any others who were not employed and not actively looking for work or not available for work, were excluded from the unemployed.</p>	<p>The employed persons consisted of those who worked for pay, profit or family gain at least one day during the reference week.</p>

\* U \* Unemployment/Employment is determined by the economic activity status of a person for a specified period during the reference period. For instance, a person was deemed to be employed if that person had been in gainful employment for at least one day during the week preceding the CFS 1986/87.

## REFERENCES

Central Bank of Sri Lanka (Ceylon). **Annual Report** . Various Issues, Colombo.

----- **.Survey of Ceylon's Consumer Finances 1953.**  
Colombo, 1954.

----- **.Survey of Ceylon's Consumer Finances 1963.**  
Colombo, 1964.

----- **.Survey of Ceylon's Consumer Finances 1973.**  
Colombo, 1974.

----- **.Consumer Finance and Socio-Economic Survey of Sri Lanka 1978/79.** Colombo, 1981.

----- **.Consumer Finance and Socio-Economic Survey of Sri Lanka 1981/82.** Colombo, 1984.

----- **.Consumer Finance and Socio-Economic Survey of Sri Lanka 1986/87.** Colombo, 1990.

Coomaraswamy, Indrajit. "Employment Policies in Sri Lanka in the Post-Independence Era. " **People's Bank Economic Review.** Colombo (Feb. - May 1987).

Dias, Malsiri. **Migration to the Middle East Sri Lanka - A Case Study.** UNESCO Children's Secretariat, Ministry of Plan Implementation, Colombo, 1983.

Edgren, G and Muqtada, M. **Strategies for Growth and Employment in Asia Learning from within.** New Delhi : ILO Asian Employment Programme (ARTEP), 1989.

International Labour Organisation. **Matching Employment Opportunities and Expectations - A Programme of Action for Ceylon (Report).** Geneva : International Labour Office, 1971.

- . **Matching Employment Opportunities and Expectations - A Programme of Action for Ceylon (Technical Papers)** . Geneva: International Labour Office, 1971.
- . **Employment Policy in the Second Development Decade - A United Nations Family Approach.** Geneva: International Labour Office, 1973.
- Karunatilake, H.N.S. **The Economy of Sri Lanka.** Colombo:Centre for Demographic and Socio-Economic Studies, 1987.
- Khan, Azizur R. ; Islam, Rizwanul and Huq, Mahduzul. **Employment Income and the Mobilisation of Local Resources.** Geneva : Asian Employment Programme (ARTEP), International Labour Office, 1981.
- Korale, R.B.M. **Unemployment and Wages - A Case Study of Sri Lanka.** Department of Census & Statistics, Ministry of Plan Implementation, Colombo, 1987.
- . **A Statistical Overview of Employment and Unemployment Trends.** Institute of Policy Studies, Colombo, 1992.
- . **Employment and the Labour Market in Sri Lanka : A Review,** Department of Census and Statistics, Ministry of Plan Implementation, Colombo, 1988.
- Leonor, M.D. (ed.). **Unemployment, Schooling and Training in Developing Countries.** Geneva: International Labour Organisation, 1985.
- McCormick, B.J. and Smith, Owen E. **The Labour Market.** Middlesex: Penguin Modern Economics Readings, 1968.

- McCormick, B.J. and Smith, Owen E. **The Labour Market.** Middlesex: Penguin Modern Economics Readings, 1968.
- Ministry of Finance and Planning. **Facets of Development in Independent Sri Lanka - Felicitation Volume to Commemorate the 10<sup>th</sup> Successive Budget of Hon. Ronnie de Mel.** Colombo, 1986.
- Ministry of Plan Implementation. **Foreign Employment - Sri Lanka Experience.** Employment & Manpower Planning Division, Ministry of Plan Implementation, Colombo, 1985.
- Perlman Richard. **Labour Theory.** New York: John Wiley Sons, Inc., 1969.
- Richards, P.J. **Employment and Unemployment in Ceylon.** Paris: O.E.C.D., 1971.
- Richards, Peter and Gooneratne, Wilbert. **Basic Needs, Poverty and Government Policies in Sri Lanka.** Geneva: International Labour Office, 1980.
- Snodgrass, Donald R. **Ceylon: An Export Economy in Transition.** Illinois: Richard D. Irwin Ind., 1966.
- Wilson, Pitiyage. **Economic Implications of Population Growth: Sri Lanka Labour Force, 1946-81.** Canberra: The Australian National University, 1975.

**Sri Lanka Economic Association.**  
**Office Bearers for 1992/93**



- President - Dr H. N. S. Karunatilake
- Vice Presidents - Professor B. Hewavitharana  
Mr V. K. Wickremasinghe  
Dr M. R. P. Salgado  
Mr A. S. Jayawardena  
Dr L. L. Gunaratne
- General Secretary - Mr K. G. D. D. Dheerasinghe
- Assistant Secretary - Mr K. Jegarajasingham
- Treasurer - Mr M. R. Fernando
- Assistant Treasurer - Dr U. Vidanapathirana
- Editor - Dr N. L. Sirisena
- Assistant Editor - Mr T. S. N. Fernando
- Committee - Dr Gamini Corea  
Mr A. M. A. Abeysinghe  
Mr P. T. Sirisena  
Mr T. B. Subasinghe  
Dr S. Kelegama  
Mr Karunasena Kodituwakku  
Dr S. S. Colombage  
Professor K. Dharmasena  
Dr (Mrs) R. Jayamaha