



USAID
FROM THE AMERICAN PEOPLE

JOBS FOR THE 21ST CENTURY: SRI LANKA ASSESSMENT



Young woman at a training center in Galle, Sri Lanka

photography by Karl Grobl

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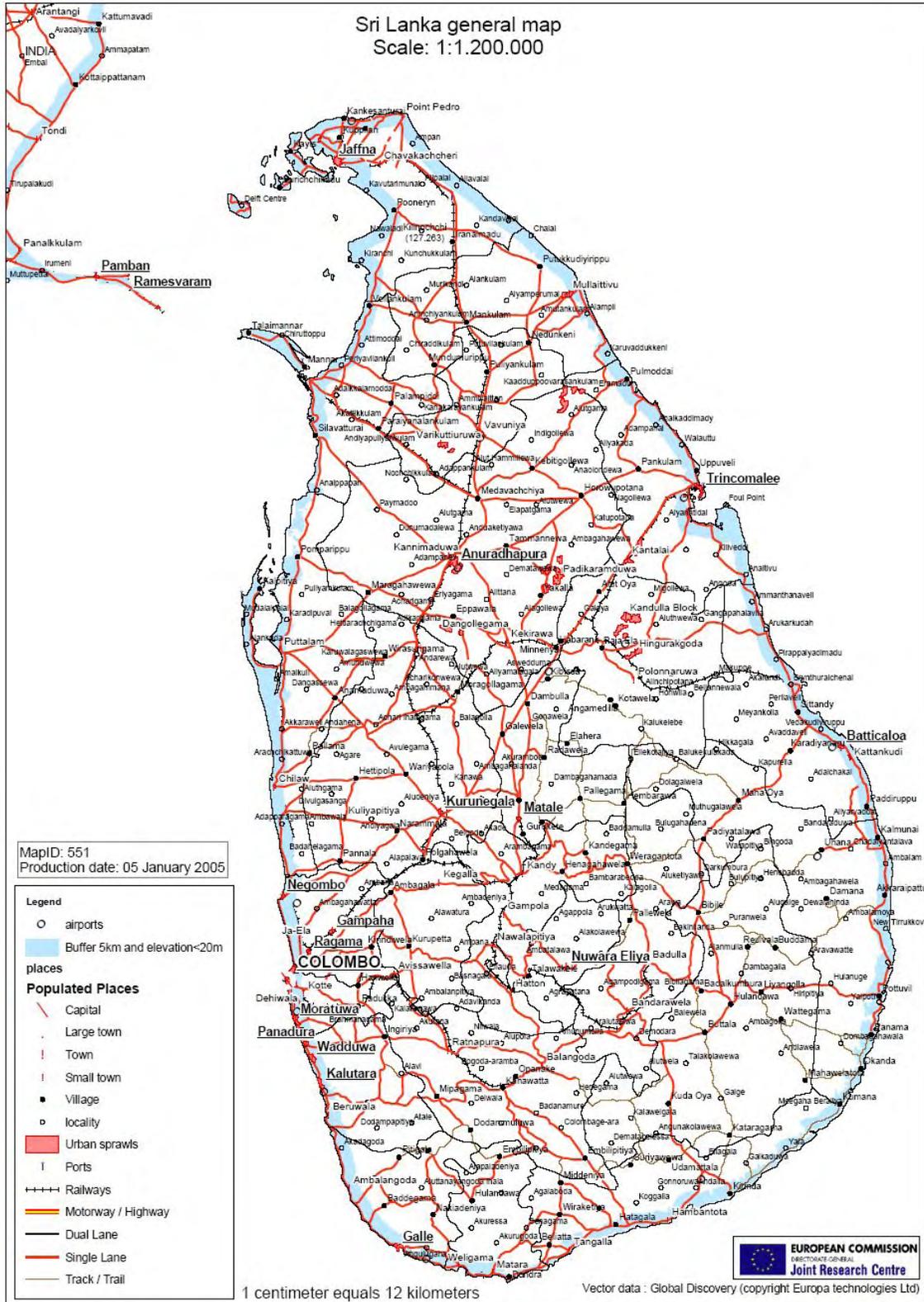
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Map of Sri Lanka



EXECUTIVE SUMMARY AND RECOMMENDATIONS

This report presents the findings, conclusions, and recommendations from a rapid assessment of “Jobs for the 21st Century for Sri Lanka,” jointly sponsored by the United States Agency for International Development/Bureau of Asia and the Near East (USAID/ANE) and the USAID Mission in Sri Lanka (USAID/SL). The USAID contractor, Education Development Center, Inc. (EDC), conducted this assessment. A seven-person team carried out the research and fact-finding in Sri Lanka from May 9 to May 31, 2006. Information was collected from a wide range of sources and surveys, reflecting a broad picture of the youth, economic environment and institutions, and programmatic issues shaping workforce development in Sri Lanka today. The report is organized around three main sections, and the following highlights the key findings of each section. Specific recommendations follow. In addition, a general strategy and objectives are identified based on these recommendations, and action programming is offered to provide guidance on how to move these findings into specific project objectives and activities.

Main Findings

Persistent youth unemployment continues for all youth, particularly the most educated. While the overall unemployment for adults over 30 years old is relatively low (less than 4 percent), the cost of unemployment is borne by the young. The long and persistent unemployment of Sri Lankan youth is particularly onerous for educated youth, who experience unemployment rates of 35 percent. *Educated unemployed youth (A-level completers) is the key target group examined in the Assessment.*

Skills mismatch is an underlying reason for the prolonged youth unemployment. The public education system at the senior secondary and tertiary system is oriented to education credentialism, not to skills competency, resulting in a structural skills mismatch in the system. Also, labor policies make for few incentives to hire youth permanently, thus contributing to the skills mismatch problem.

For most Sri Lankan youth, the future of jobs in their country is in the private sector.

- The slowly tightening labor supply reduces unemployment and puts pressure on firms to rethink their recruitment and incentive policies.
- Specific sectors are experiencing skills shortages—IT and tourism, certain occupational categories, and some geographical areas.
- Rural sectors require technical skills for agro-processing and agribusiness; urban and semi-urban sectors require technical skills for the service sector.
- Finally, public sector employment is on the decline even though educated youth and their families continue to prefer public sector employment, due to the lifetime employment and benefits it offers. The greater the exposure to work-based experience, the less youth prefer public sector employment.

The private sector demands key employability skills: “soft” skills, such as communication, problem-solving, and leadership; business English; and applied ICT. The transformation of training to support private sector employment must take account of the key “employability” skills—those skills that make youth workforce ready. *An important first step is for the training institutions to teach these basic workplace skills—soft skills, English, and ICT—and to test students on these skills and competencies.*

Private sector institutions, including tertiary non-university and non-profit institutions, are growing. There has been a rapid increase of private sector training provision in the country. At the tertiary non-

university level, private sector institutions have increased by 50 percent in the last five years. Thousands of small firms in urban and semi-urban areas of Sri Lanka provide short-term skills-training in English and IT. In addition, non-profit institutions have increased their institutional presence in the country, in programs for both in-school and out-of-school youth. USAID has supported many showcase programs, including the Junior Achievement International and Don Bosco Trust vocational programs. These private training providers constitute a new dynamic in the workplace training system in the country.

Summary of Recommendations

Recommendation: Change expectations of youth and their families by promoting “demand-driven” programming for youth workforce development. Programs should include several key components: (1) workplace orientation and work-based learning, through apprenticeships, mentoring, and youth entrepreneurship; (2) labor market information and counseling; (3) discussions among youth, private sector business, and industry representatives; (4) integration of existing services for cost-effectiveness. This “demand-driven” approach counters the current trend of on credentialism and test-taking to gain admission to university.

Recommendation: Emphasize targeting strategies to specific geographical regions, carefully distinguishing needs of the region by economic demand, educational profiles, and gender issues. Rural and urban regions differ significantly. In semi-urban and urban areas, the service sector is the important entry point for youth employment; in rural areas, agricultural and agribusiness sectors are the main points of entry. There is a critical need to develop specific strategies for agricultural and rural areas of the eastern region of the country. In addition, there are significant differences in educational profiles in these respective regions, as well as gender differences in labor market trends.

Recommendation: Support an integrated learning program that offers workforce skills and competencies in a single learning program. Such an integrated program should include courses in soft skills, business English and IT, as well as work-based learning and job placement. As part of these efforts, a program should identify key private sector training partners, such as small providers in English and IT training, to ensure their effectiveness to responding to workplace demands. Encourage active partnerships between the private sector and the training providers to help achieve these workforce linkages.

Recommendation: Encourage research and analysis, planning, and communication on the needs of youth workforce programs. The assessment identifies many opportunities to build on the success of past efforts, and to encourage more knowledge-sharing, research, planning, and communication on youth workforce programs in general. In particular, there is an urgent need for research and analysis of the types of effective youth workforce training for rural areas in the eastern region.

Moving from Recommendations to Project Action

The USAID Sri Lanka mission is now implementing a \$3 million demonstration project titled “Accelerated Skills Acquisition Program (ASAP) in Sri Lanka.” This project targets senior secondary students who have passed their Advanced Level (A/L) and/or Ordinary Level (O/L) General Certificates of Education. Its main goal is to demonstrate effective programs that can promote “employability” of youth unable to gain access to the university system. The project promotes collaboration with private sector training organizations to develop training youth (17–25 years old) on critical skills for employability (workplace skills, English, and computer literacy skills); develops business partnerships for workplace training collaboration; and conducts career guidance/job fair events to assure employment of program completers. Enhancing the capabilities of local training organizations is an important outcome of this project.

INTRODUCTION

The United States Agency for International Development (USAID) has supported a wide range of programs oriented to economic competitiveness and workforce development in Sri Lanka (SL). Through the Economic Growth Unit, the USAID/SL has initiated the Last Mile Initiative (LMI); the English-Computer-Based Learning (E-CBL), which improves English as a Second Language (ESL) and basic computer skills; the Young Entrepreneurs Sri Lanka (Junior Achievement) (YESL); and The Competitiveness Program (TCP). In addition to these activities, USAID/SL has been committed to the rebuilding of the tsunami-affected areas in the southern and eastern regions of the country. Included in this reconstruction effort has been the Vocational Educational Reconstruction Component (VERC) of the Tsunami Reconstruction Program (TRP) in select areas of the Eastern region of Sri Lanka. Additionally, USAID/SL has identified various workforce activities, such as English and career path counseling of youth, as priority areas.

This Assessment of Jobs for the 21st Century is conducted within the country context of USAID/SL, with technical assistance provided by EDC, contracted through the Global Workforce in Transition (GWIT) financing facility. This assessment, particularly the in-country research, reflects a large contribution by the USAID/SL Mission in terms of human and physical resources. Various USAID/SL staff, including a workforce development specialist, an education specialist, and an economist, participated as members of the assessment team, and the Mission has contributed significant resources. USAID consultants working on the VERC project in-country have also provided key insights and findings to this report.

One of the main goals of the report is to mesh current knowledge and information of Sri Lankan workforce development into a coherent strategy that examines the three main components of the assessment: the youth, the economic environment that shapes workforce demand, and the institutional supply of workforce training. In so doing, this report identifies key workforce issues and develops programming recommendations around a multi-project agenda for workforce development in the country. Two caveats must be noted in terms of the research and analysis of the report. As requested by USAID Sri Lanka, the Assessment focuses on three main issues: economic growth and competitiveness, an educational strategy oriented to secondary education, and targeting resources to the Tsunami Reconstruction areas of southern and eastern Sri Lanka.

In so doing, two issues are not addressed in the report. First, the report does not examine the issue of workforce and education in the conflict areas in northern Sri Lanka. The World Bank and other donors have conducted extensive prior research during the past five years in preparation of the Peace Accords of 2003. As will be explained in the report, these donors have taken the lead in funding for the conflict areas, particularly in poverty alleviation, and for that reason, USAID Sri Lanka will be complementing these resources. The second issue relates to the target audience. The priority target audience of USAID Sri Lanka is that of secondary school students, with particular attention to those students that successfully complete their A-level examinations. Senior secondary students form the largest cohort to enter the labor market, and they experience the most persistent unemployment. For that reason, the report does not carefully examine the needs of other target audiences, particularly the 30 percent of students who drop out of the system before entering secondary education. Other sponsored research has carefully looked at these other target audiences. (See World Bank, 2003).

Country Background

Youth unemployment has been a well-documented issue in Sri Lanka for over two decades. Persistent and long periods of unemployment for youth, particularly for educated youth, describe a long and bumpy road in terms of school-to-work transition. Unemployment rates hover around 35 percent for educated youth

ages 15 to 19 years. In Sri Lanka, higher education leads to greater unemployment. To a large extent, this result can best be explained by the skills mismatch between the education and private sectors. In the case of the education sector, credentialism orients the curriculum to passing the O-level (Grade 11) and A-level (Grade 13) examinations. In the employment sector, credentialism means that firms or the public sector hire and recruit based solely on the education credential. This credentialism system is the defining factor in youth and employment issues in the country.

The history of education and training in Sri Lanka largely provides the backdrop for the credentialism system. Radically reformed in the 1930s, Sri Lanka led developing nations in the concept of universal access to primary and secondary education. Today, the Ministry of Education states that 97 percent of the Sri Lankan youth attend primary school. There is limited dropout from formal schooling up until the ninth grade. However, the lack of emphasis on workforce skills and a tertiary system that is not well-financed has led to an educational system that is not developing a qualified private sector workforce.

Simply increasing the schooling of the general population does not necessarily lead to a qualified skilled workforce, given this limitation of the public education sector. Basic workforce attitudes and skills, such as numeracy, English, ICT skills, and other technical skills, have been identified as critical to success for private sector development. Of particular note, the soft skills of communication, problem-solving, and English acquisition form the skills foundation for workforce development in the country. Future workforce development programs need to focus on *what* general and specific skills are being taught in schools and other institutions and *how* these skills align with the needs and demands of the private sector. Additionally, there is a need to *create incentives and linkages*, within both public and private sectors, to adjust attitudes of youth and their families, to increase participation of firms and industries in workforce development, and to reform senior secondary, vocational technical, and tertiary education so that they will be geared to the new economic realities of Sri Lanka.

Program Objectives Adapted for Sri Lanka

To address these challenges, USAID/SL is planning to invest in workforce development programs, in both education/training (supply) and job creation (demand) for the target youth population in specific target regions within the country, as well as in workplace education and labor market information. The USAID education strategy focuses on enhancing employability through increasing relevance and opportunities for work experience. Under the mission's economic growth sector programming, USAID/SL increases investments in both the physical and institutional infrastructure that would result in creating real jobs. In addition, USAID /SL supports financial and policy reform to promote economic growth. The assessment examines three program components (3Rs) of the Jobs for the 21st Century initiative:

- **Ready and adaptive workforce.** Section I of this report examines the youth workforce, distinguishing by age, education, demographics, skills, geography, and expectations. The youth profile provides the key characteristics of the new entrants to the workforce in Sri Lanka, as well as the challenges they face in becoming absorbed into the employment sector. See Appendix A for detailed statistics on youth employment issues; Appendix B provides key statistics for targeting in tsunami-affected areas.
- **Real jobs.** Section II of this report examines the overall economic environment that shapes the workforce demand and labor market expectations of firms and workers. This section provides a wide range of information and analysis on the newly emerging demand areas, identification of specific incentives in the labor market structure, and an analysis of specific skills surveys by industry and public sector to assist in the formulation of workforce programming and projects in the country. See Appendix C for survey results of key employer and occupational workforce requirements.

- **Responsive institutions.** Section III of this report provides an institutional analysis of the current education and training institutions and of the exit from education and entry to the world of work, together with an institutional assessment of the current programs and projects. These projects are evaluated by target beneficiary, type of skills program, and geographical location of the program. Appendix D provides more detailed information on these various projects.

From the above information and analysis, Section IV summarizes and provides guidance to USAID/ANE and USAID/SL on specific findings and recommendations. It recommends a coherent strategy and program objective, together with possible programmatic options for the country. Please note that these options entail a wide range of initiatives that could be incorporated into a variety of projects.

Purpose and Methodology of the Assessment

The primary objectives of the assessment are to identify the key factors shaping the workforce development of youth in Sri Lanka. In conducting the assessment, specific attention has been given to the following issues: (1) the economic environment, including policies and programs, that shape workforce requirements in the country; (2) the current projects and programs existing in the country that have demonstrated responsiveness to private sector demands; (3) the general and specific skills required of youth as they enter the workforce system, as well as for the specialized occupational paths of youth; (4) current youth needs and characteristics for workforce development; and, lastly, (5) recommendations on strategy and programmatic options. Each of these issues is incorporated into the analysis of the four main sections of the report.

The assessment team, as part of its original work plan, reviewed written background material on the project (Appendix E) to gain a sense of its origins, focus, and current implementation status in the countries to be visited. As part of the three-week in-country research, the team carried out informational interviews in person with representatives from a wide range of public and private institutions in Sri Lanka, including Chamber of Commerce, representatives of private and public sector training institutions, private sector training providers, labor market service providers, and, most important, with the youth of Sri Lanka themselves. In addition, the team interviewed key donor organizations in the country, including USAID/SL, the World Bank, the Asian Development Bank, and Swiss Contact. A list of interviews is included as Appendix D of this report.

Moreover, various team members conducted specific questionnaires and research protocols during the in-country research. The Workforce Survey Questionnaire administered to the key competitiveness clusters provided invaluable information on the workforce requirements of key industry sectors. Secondly, the VERC program consultancy gave a general context for understanding of key technical and occupational skills requirements of the system. All of these efforts were coordinated with USAID/SL. These inputs provided key information in the assessment of workforce skills required for the private sector. Also, this report includes a full list of acronyms of institutions and programs visited and studied, as well as a complete bibliography of secondary research in Appendix E of this report.

Also, a large body of assessment and survey research already exists in the country, which has highlighted key issues in workforce development. Much of this information has been collected during the preparation of large vocational training and tertiary education loans in the sector. Further, the International Labour Organization (ILO) through its Youth Employment Network initiative has financed an intensive study in the school-to-work transition of youth in Sri Lanka. All of these survey data have been incorporated into this report.

The team, including USAID/SL members, were briefed on the Mission priorities at the beginning of the assessment, and then conducted debriefing sessions at the close of both the second and the third weeks. The recommendations of the team largely reflect this integrated approach to the assessment, whereby programmatic options are congruent with the priorities of the USAID/SL mission.

SECTION I. YOUTH EMPLOYMENT AND EDUCATION IN SRI LANKA

Youth Profile: How Do You See Yourself in the Future?

This youth profile section examines the key characteristics of youth in Sri Lanka, ages 15 to 24, with particular reference to the labor market and to educational and social expectations. As explained below, many of these trends have been well-documented through household, educational, and labor surveys of the Sri Lanka Department of Census and Statistics (referred to in this report as the Sri Lanka Census) and fully analyzed through economic and social assessments. However, understanding Sri Lankan youth is not simply examining a large compendium of data; it requires listening to the young people, through informal conversations and interviews, and allowing them to represent their own needs and expectations.

The in-country research work of the assessment team members allowed them to engage young people in Colombo, Galle, and the eastern coast. In all of these interviews, the expectations and hopes of the Sri Lankan youth are captured by the following questions: Where do you want to be in the next ten years? What are your goals? How do you see yourself in the future?

Box 1. Voices of Sri Lankan Youth

“I want to be a computer operator.”

“I inspire to own my own farm.”

“I want to work for the government as an extension agent.”

“I want to be a lawyer and make a lot of money . . . and buy a Mercedes!”

“I want to be a good citizen.”

“I want to be a policewoman yet my mother is opposed to it...I think she will change her mind!”

“I want to work in this hotel for three years through the management track, and then go on to the hotel restaurant and chef operation.”

Source: Assessment Team interviews

Youth in Sri Lanka have much in common with youth throughout the world. There is a tension between the new world of work and global opportunities, and the traditional systems of work patterns and family decision-making. Yet Sri Lanka youth face enormous levels of uncertainty, with lengthy and risky job searches, given the extremely time-consuming duration of job search and the limited mobility in the labor market. In short, the school-to-work transition of youth is arduous and inefficient, which influences the expectations and hopes of young people today in Sri Lanka. The following sections highlight the main trends that shape this transition process, in terms both of youth employment behavior and of the expectations of youth and their family that largely shape this school-to-work transition process.

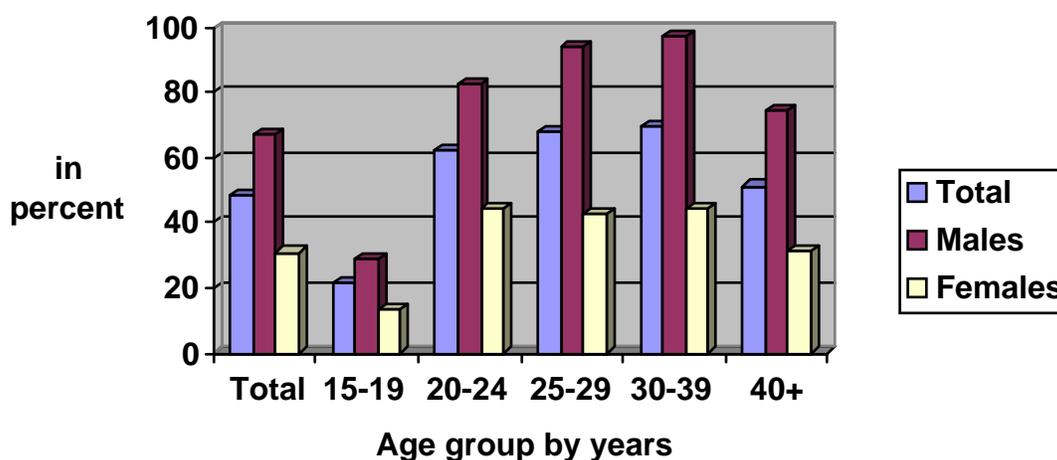
Main Trends in Youth Employment and Education

Four main trends regarding youth and their employment opportunities largely shape the current labor market environment and the school-to-work transition. The following discussion highlights these trends, using specific data that is offered below or in Appendix A.

Youth labor market participation has great divides based on age and gender

The youth labor force participation rates show that younger adults, ages 15 to 19 years of age have limited participation in the labor force; only 20 percent of youth ages 15 to 19 years participate in the labor market. Older youth overall have higher levels of participation, particularly male youth. Over 60 percent of youth ages 20 to 24 participate in the labor market. However these average data do not sufficiently tell the story, as there are large gender differences within it. (See Figure A-1 and Table 1-1 of Appendix A.)

Figure 1. Labor Market Participation Rates by Gender and Age, 2005
(in percent)



Source: Sri Lanka Census, 2005

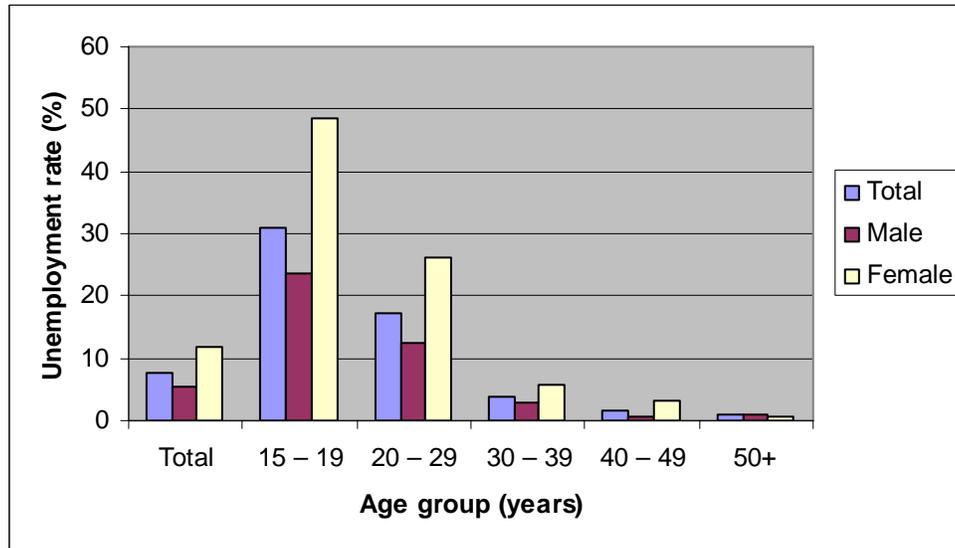
The significant gender differences between males and females in the labor market require gender-disaggregated data analysis. First let us look at the labor market participation of males and females. For males 15 to 19, labor participation is at 29 percent; but for older male youth ages 20 to 24, labor participation is at 83 percent; a very high percentage of all older youth males are employed.

Female youth are slower to enter the market, with only 13 percent of female youth ages 15 to 19 participating in the labor force. This number increases significantly, with up to 44 percent of female youth entering the labor force by ages 20 to 24. And while younger women definitely have a higher percent participation in the market, overall women's labor force participation is only 31 percent. (See Figure A-1 and Table A-1 of Appendix A for the data presentation.)

Youth suffer significant unemployment problems

Figure 2 provides a graphical representation of unemployment rates by gender and age in Sri Lanka. The unemployment rate includes the persons who did no work but were looking for work during the current week. Note that it includes only those that are active in the labor market, and not full-time students.

Figure 2. Unemployment Rates by Age and Gender, 2005



Source: Labor Force Survey, Sri Lanka Census, 2005

While unemployment for adults 30 to 49 years of age is relatively low (less than 3 percent for males over 30 years old), the cost of unemployment is borne by the young. Young males experience rates of unemployment at 24 percent (15 to 19 years) and 12 percent (20 to 29 years). Women face an even more difficult labor market search, with female rates of unemployment at 49 percent (15 to 19 years) and 26 percent (20 to 29 years). These results point to the persistent unemployment experienced by all youth in Sri Lanka. However, it is the large percentage of youth with senior secondary education that accounts for the largest cohort of unemployed youth, given their high labor market participation rates, from age 20 to 24 years.

These unemployment trends basically reflect an adult labor market that historically has been dependent on lifetime employment contracts and relatively low turnover. The rigidity of the adult labor market casts a long and wide shadow on youth employment opportunities, curtailing insertion and mobility of youth in the labor market. (See Tables A-2 and A-3 of Appendix A.)

For Sri Lankan youth, the higher the level of education, the higher the unemployment rate

According to earlier estimates calculated by the World Bank, unemployment increases with education, a perverse result that is most often blamed on credentialism in education. The highest rates of unemployment are experienced by A-level graduates. Using labor force surveys for ages 19 to 29, unemployment rates for A-level graduates are estimated at 34 percent. Male youth within this age range experience unemployment at 21 percent, while female youth experience it at 40 percent. O-level graduates, as well as university graduates, have a slightly lower rate of unemployment, at 27 percent and 26 percent, respectively. These findings point to an anomaly of the Sri Lanka education and human capital market: education does not necessarily improve one’s chances of getting a job in the short run. (See Tables A-3 and A-4 in Appendix A.)

Box 2. Where Are the Jobs for Sri Lankan Youth?

Based on the 2003 School-to-Work Survey, youth ages 15 to 24 find various employment opportunities in the workforce. For young men, the largest labor activity is in the *services sector* (almost 30 percent of youth go into the wide range of services that include retail, professional services, and tourism). For those with lower education, youth go into manual work as unskilled labor, representing 20 percent of male youth employment. *Self-employment* represents another large group of youth, 18 percent of male youth.

Young women face a similar employment profile with some important exceptions. *Services, self-employment, and manual work* are all important areas of employment for young female workers, at around 15 to 20 percent each. The distinction is in factory work, as around 20 percent of young women are employed in the garment and apparel industries. In short, self-employment, services, and, in the case of young women, the manufacturing sector, are the main avenues for youth in the labor market. This employment profile focuses on small firms for jobs for youth, firms that do not offer long-term contracts, benefits, or stability. This is the reference point for youth regarding the labor market, which must be remembered when examining the expectations of youth in the labor market. See Table A-8, Appendix A, which summarizes these key trends.

Source: ILO, 2003

The school-to-work transition is lengthy because the educational profile of youth does not align with demands of the economy

In short, the slow absorption of youth between the ages of 15 and 24 into the labor market is most often attributed to the mismatch—in terms of size, skills, and expectation—of youth labor supply to the workforce demands and rigidity of the labor market. In this regard, there are several key issues. The large supply of educated youth leaving the secondary and tertiary system represents about 50 percent of total students in the system, as shown in Table A-4 of Appendix A. The mass exodus of students from the system creates supply-side bottlenecks in the market.

These bottlenecks can be seen in terms of youth unemployment, with higher rates of unemployment for more highly educated youth. Almost 60 percent of unemployment can be attributed to individuals with senior secondary and tertiary education (O, A and higher education). Under this system, higher education postpones entry into labor market participation and creates a bunching of labor supply that takes several years to sort itself out. In addition, research shows that the mismatch is not simply in the sheer size of the supply, but also in the skills mismatch between the level of education and the demands of the economy. Throughout the in-country research, we heard from the private sector about the need for workers to “de-learn” and “re-learn” educational attitudes and skills. The greater the education, the more onerous it is for the private sector to re-orient youth to real workplace needs. Of particular concern is the preference of youth for public sector employment.

These findings point to an urgent need for the development of youth programs to address the persistent and significant school-to-work transition. Government, non-profit, and private institutions all have a role to play in developing meaningful youth programs that support workplace orientation, skills development, and youth personal and social development. The contributing institutions must acknowledge in public policy and private practices that the school-to-work transition in Sri Lanka is a time of youth development, not simply a negative state of youth unemployment. USAID can play an important role in educating policy makers and private sector institutions about the youth development initiatives that exist in the United States and other countries to support youth as they travel from school to work. This awareness in social policy should be a priority for the country.

Youth Labor Market Expectations

One of the main questions regarding youth transition is why the expectations and behaviors of youth have not adapted to the labor market reality. Why does the mismatch between demand and supply persist, even when it is widely documented and well-understood in Sri Lanka? For the past 15 years, researchers, policy-makers, and workforce specialists have pointed to the skills mismatch between the education and employment sectors. Three main explanations for the failure of youth to adapt expectations can be noted: preferences for public sector employment; the poor quality of general education; and the attitude toward “good jobs.” The following section details the key perceptions of youth regarding employment, and how these perceptions act as obstacles to the adjustment of the skills mismatch in Sri Lanka.

Youth favor public sector employment over private sector jobs

One of the most perplexing and persistent trends in youth and employment is the preponderance of youth preference for public sector employment. To examine this issue, let us look at the public/private sector distribution of employment in Sri Lanka. As published annually by Sri Lanka Department of Census and Statistics (Sri Lanka Census, 2004), public sector employment represents around 25 percent of salaried employment in the country, and only 13 percent of total employment in the country. Since 1990, public sector employment has declined from 20 percent of total employment to 13 percent of employment. In turn, private sector salaried employment has increased from 34 percent of total employment to 45 percent of total employment during that same time period (Sri Lanka Census, 2004a).

However the expectations and preferences of youth have not adapted to this new labor market reality. In the School-to-Work (STW) survey of youth, (ILO, 2003), 53 percent of youth currently in schooling programs stated their preference for government/public sector employment, while the second ranked preference was owning one's own business, which received 21 percent of preferences. This trend declines as students move into job search and employment status. Job-seekers prefer government jobs by 42 percent and owning one's own business by 23 percent, while employed youth prefer government jobs by 28 percent and owning one's own business by 36 percent. To the extent that the youth has direct experience in the world of work, the preference toward public sector employment declines (STW, 2003).

This trend is exacerbated when considering gender and education characteristics. Women consistently rank public sector employment higher than men. For example, women in school prefer public sector employment at 63 percent, while men rank it as 45 percent. Employed female youth prefer public sector employment at a level of 36 percent, almost half of those in school programs. It is clear that women consider the public sector as a main avenue for employment, however the more work-experienced the female youth, the less the preference for public sector employment (STW, 2003).

Similar findings can be found in terms of youth with completed O-level and A-level certification from the secondary education system. Students and new job seekers who have passed the O- and A-level exams have extremely high preferences for public sector employment (55 and 61 percent prefer that employment sector, respectively). Only with work experience does one see that youth change their preferences in terms of employment sector. These data provide a significant indication that work experience is a critical factor shaping youth expectations regarding public sector employment. The greater the exposure to the reality of work, the more youth adjust their expectations, coming to favor private sector employment over public sector employment (STW, 2003).

Youth perceive general education as the main obstacle to finding a job

Almost 50 percent of youth maintain that a poor general education is the main culprit in the lengthy job search. At the same time, youth rank a general education as the main credential for getting a job. No other factor even comes close, with lack of English at 8.2 percent and lack of influential contacts at 7.1 percent (STW, 2003).

Within the STW survey project, firms clearly state the general education credential as their top preference when recruiting youth. There is little preference by firms in recruiting based on certification from other training institutions or previous on-the-job training or any other types of training. The private sector feeds into this perception by requiring little for recruitment other than the general education credential. In this regard, the perception of youth largely mirrors the reality of the private sector, where general education remains the only credential used by firms for recruitment. These findings reveal that the world of youth in Sri Lanka is a credential-centric world. *These attitudes of youth simply reflect the preferences of firms—whereby general education credentials are the top screening criteria for recruitment.*

Youth perceive the private sector as a place of “bad jobs”

Throughout these interviews, the statement recurs that the skills mismatch relates more to attitude than to any specific technical or academic skills. Over and over again, the private sector comments that Sri Lankan youth do not have the “attitude” for private sector employment. Moreover, the private sector insists that higher education only makes youth more unemployable, in terms of attitude and general workplace skills. Perhaps this statement most accurately captures this attitude:

A good job includes a bonus, a reasonable salary, job security, and well treatment. It is good if there are permanent jobs in the private sector. But if they get fed up with an employee out of a small reason, they chase the employee away. They always concentrate on the beneficial output. I do not like a job with pressure. They don't think of the person. (Weligama youth, female, 9 years of O-level education) (ILO, 2004)

Where does a youth form such an expectation? First, it is important to understand where the main entry point for youth is in the labor market, that being the services and self-employment sectors and, most likely, in small firms. These sectors are traditionally without fixed contracts, benefits, or long-term stability. In the world of youth, either self-employed or employed in the services sector, there is little knowledge or information to distinguish between jobs, with the exception of public sector employment offering stability and pension benefits.

Second, youth prefer jobs with independent work. The STW survey 2003 shows that all youth, male and female alike, state the number one preference is independent work. Youth throughout the world dream of an independent life. Work is good if it allows for this independence. Low-pay or insecure jobs do not provide for this independence. Based on the STW survey, youth have extremely low expectations of income. In that regard, the current system falls extremely short. Entry-level jobs, many of them in the small enterprise sector, give youth very low expectations of how private sector employment will allow them to become independent. To change youth attitudes, one must remember that independence is the main goal for youth. Anything else would be just more of the same, continuing to live dependent on parents, with little definition of their individual selves. (STW, 2003)

One final issue relates to the role of parents within the Sri Lankan context. The STW survey poses questions to youth as individuals. Yet we know from past research that a significant factor in the education and employment decision is the family background particularly the mother's education. The higher the education of the mother, the more likely it is the youth has higher education rates. There is no question that within the Sri Lankan context, the change of attitudes of youth would require a change of attitudes on the part of parents. Yet all training and labor market programs are geared largely to youths as individuals. As has been demonstrated in other countries, to change persistent and traditional attitudes, would require specific interventions at the household and community levels. This is even more important in such a country as Sri Lanka, where social status and nepotistic family relationships guide the recruitment processes of firms, particularly small firms (Ranasinghe and Hartog, 1997).

To begin the process of change of expectations of youth, programs must include several key components: (1) workplace orientation and work-based learning, through apprenticeships, mentoring, and youth entrepreneurship; (2) labor market information and counseling about youth social and economic issues, including employment counseling and career development; and (3) dialogues with youth and their family, private sector business, and industry representatives around key school-to-work issues, including youth and their work expectations; private sector expectations of youth; entry jobs and career ladders; fair recruitment by skill competencies, and youth-parents dialogue.

Box 3. Looking at Yourself in the Mirror—The Story of a Sri Lankan Youth

The story of one Sri Lankan man best characterizes this chasm between work attitude and the school-to-work transition in the country. This man, whose identity will remain anonymous, tells the tale of his own transition: Once an excellent student in a top college preparatory, he went on to university, and then started to search for a job. When no opportunities came forth, he grew increasingly frustrated, and began to become more oriented toward radical policy and discourse. His parents, concerned by his growing resentment, used their savings to purchase the necessary services to get him a visa and work permit in West Germany. Here he found himself a janitorial job, sweeping floors. He remembers looking down at the floor, as if it were a mirror, and finally understanding the reality of the workplace. He realized that he also had contributed to the problem, and needed to change or adjust his attitude. And while there may be many factors that create the lack of employment opportunities for educated Sri Lankans, he did not want to be a victim of the situation. He returned to school and enrolled in a very specific course with an IT concentration. And now he has returned to Sri Lanka, making a contribution to the private sector growth of his country, and becoming a proud countryman.

Source: Assessment Team, 2006.

Targeting Youth in the Tsunami-Affected Area

In this section we will look at two geographic areas, the tsunami-impacted southern and eastern regions of Sri Lanka, and examine how patterns of education, employment, and ethnicity can be distinguished. For purposes of data availability and consistency, two communities will be distinguished: first, Matara in the semi-urban coastal belt of the southern area of the country, primarily Sinhalese; and second, Batticaloa, representing a rural sector of Tamil and Muslim ethnic groups in the eastern region of the country. No survey results are provided for the tsunami-affected district of Ampara, which is even more rural than Batticaloa. In addition, to provide a reference point, we include Colombo data. The labor force participation and unemployment data presented here are from 2004 labor force surveys. Given the crisis of the tsunami, no complete labor survey was conducted in 2005. Thus, these numbers reflect the employment, education, and workplace trends prior to the tsunami; they are provided essentially as benchmarks for the assessment.

Appendix B provides the main indicators and analysis of this targeting exercise for the three communities of Matara, Batticaloa, and Colombo. These results are distinguished by gender and by geographical region. From this analysis of these key demographic and labor market data, significant differences, as well as some similarities, emerge concerning employment opportunities for youth in the West, South and East.

- *Services and self-employment are key areas of the economy for youth.* Youth's entry into the labor market is similar in the eastern and the southern regions, where self-employment and services are important employment sectors. This holds true for both males and females, and across target areas affected by the tsunami of 2004. To a large extent, the self-employment/service sector provides the entry card for youth in the Sri Lankan economy. To a

much lesser, but better-known extent, the garment industry provides entry for young female workers and foreign employment in the Middle East provides entry for young male workers.

- *Differences emerge in terms of educational profile of target areas.* The Eastern region offers a less well-educated youth, one who has at most completed his or her O-level of education. *The rate of A-level male completers who reside in the eastern region is negligible.* The explanation for this is that those who complete A-levels leave the area after high school to obtain a higher tertiary education, whether university or non-university, either in Colombo or outside of Sri Lanka. Matara has a higher educational profile with a significant mass of students completing A-levels, as well as participating in vocational training programs.
- *Gender is the key characteristic distinguishing the market.* The greatest variation of all the data is simply by gender. The traditional labor market of Sri Lanka widely distinguishes between genders, in terms of labor participation, unemployment, and recruitment activities. Young women respond to this reality by extending their education, which then only exacerbates the problem, with female youth experiencing extremely high unemployment rates.
- *Ethnicity and education/job perceptions.* The survey results distinguished perceptions by ethnic background of youth. The results show that in terms of opportunities to schooling and formal education, Tamil and Muslim youth perceive large gaps in opportunities compared to Sinhalese youth. This contrasts with the results on gaps in job search, where all youth, regardless of ethnicity, find it difficult to find a decent job. In fact, youth unemployment is experienced by all youth, with 50 percent of youth in all ethnic groups experiencing job search of more than one year in duration. The only exception is that of urban Sinhalese youth, with shorter durations of job search; only 28 percent of urban Sinhalese youth have job searches over a year. (STW, 2003)
- *Two different worlds: Matara and Batticaloa/Ampara.* Across all of the indicators, there is a sharp distinction in the economic opportunities facing youth in the two target communities. Matara offers a wide range of employment opportunities, a vibrant manufacturing and services sector, a higher educational profile, and greater access for female youth into the labor market. This is in sharp contrast to Batticaloa and the eastern region, with rural employment largely restricted to agriculture and fishery, lower educational profiles, and extremely limited participation of female youth in the market.

Such findings point to the need for detailed targeting to specific youth populations when planning and programming youth training in the country; potential projects should accommodate to these relevant characteristics and work within the demographic realities of the country. Particularly, the eastern provinces have an extremely negligible target audience of A-level completers residing in the area. Self-employment and service sector employment are the critical entry points for youth in the two areas. And gender issues must be incorporated into programming to youth, given the large gap in terms of participation and unemployment rates, particularly in the eastern region.

Summary

These interviews, as well as the data, suggest two main conclusions: (1) it is the expectations of both youth and employers that must alter in order to adjust the educational profile to the economic demands of Sri Lanka; and (2) the adjustment process is markedly unique to the geographical area in question. Similar to other developing countries that have incipient labor markets, Sri Lanka finds itself with a large gap between a rigid, credential-based education system, which has little relation or orientation to the workplace, and the private sector and youth that continue to use the most traditional job search processes, enlisting help from family and friends. Given this scenario, just to match labor demand and supply may not solve the problem, since it simply encourages more of the same, too many entrants of a high educational profile for too few positions. Rather, as other countries and regions have learned and

acknowledged, a change of expectations regarding the labor market, both on the supply and demand sides, is necessary.

Following are the key findings and the recommendations of this section of the report.

- Youth participation in the labor market has great divides based on age and gender; gender differences distort the picture of labor participation and unemployment of youth in Sri Lanka.
- Prolonged, large, and persistent youth unemployment problems make experience the main determinant for employment status; employment and education do not mix in the short term. The higher the level of education, the more persistent and higher the unemployment rate for youth.
- The lengthy school-to-work transition is often explained by the mismatch between the demand and supply, whereby the educational profile of youth does not align with demands of the economy. The entry points for youth in the labor market are service sector and self-employment.
- Preference for public sector employment over private sector jobs persists, even though public sector employment is declining in Sri Lanka. Yet the greater the exposure of youth to the reality of work, the more they adjust their expectations, favoring private sector employment over public sector employment.
- Job-seeking youth perceive that general education is the main obstacle to finding a job, and not lack of specific skills (e.g., English) or even lack of influential contacts. These findings reveal that the world of youth in Sri Lanka is a credential-centric world. These attitudes of youth simply reflect the preferences of firms—whereby general education credentials are the top screening criteria for recruitment.
- Youth perceive that the private sector is a place of “bad jobs”—of job instability and a lack of independence. There is no question that within the Sri Lankan context, the change of youth attitudes would require a change of attitudes on the part of parents. Yet all training and labor market programs are geared largely to youths as individuals. As has been demonstrated in other countries, to change persistent and traditional attitudes, specific interventions would be required at the household and community levels.
- Differences of educational profile emerge for target geographic areas. The eastern region offers a less well-educated youth, one who has at most completed his or her O-level of education. Matara (southern region) has a higher educational profile with a critical mass of students completing A-levels, as well as participating in vocational training programs.
- Matara (southern) and Batticaloa/Ampara (eastern) are two very different worlds. All indicators of economic opportunities facing youth distinguish sharply between the two target regions. Matara offers a wide range of employment opportunities, a vibrant manufacturing and services sector, a higher educational profile, and greater access for female youth into the labor market. This is in sharp contrast to Batticaloa and the eastern region, with rural employment largely restricted to agriculture and fishery, lower educational profiles, and extremely limited participation of female youth in the market.

These findings point to the urgent need for youth programs developed around the persistent and significant school-to-work transition. Government, non-profit, and private institutions all have a role to play in providing meaningful youth programs geared to workplace orientation, skills development, and youth personal and social development. Public policy and private practices must acknowledge that the school-to-work transition in Sri Lanka is a time of youth development, not simply a negative state of

youth unemployment. USAID can play an important role in educating policy makers and private sector leaders to youth development initiatives that exist in the United States and other countries, as a first step toward effective youth development in Sri Lanka.

To begin the process of change of expectations of youth, programs must include several key components: (1) workplace orientation and work-based learning, through apprenticeships, mentoring, and youth entrepreneurship; (2) labor market information and counseling about youth social and economic issues, including employment counseling and career development; and (3) dialogues with youth and their family, private sector business, and industry representatives around key school-to-work issues. These dialogues should address youth and their work expectations; private sector expectations of youth; entry jobs and career ladders; fair recruitment by skill competencies, and youth-parents dialogue.

Also programs for specific regions of the country must be carefully targeted, particularly as they relate to education level and youth entry into the market. Self-employment and service sector employment is the critical entry point for youth in the two regions of interest. Particularly, the eastern provinces have an extreme negligible target audience of A-level completers that reside in the area. Gender issues must be incorporated into programming to youth, particularly in the eastern region.

The next section of this report will examine the overall economic environment of Sri Lanka and how economic growth, skills acquisition, and productivity are tied together in the current system. In so doing, the report evaluates the specific demand determinants of the workforce system and identifies key skills for the Jobs of the 21st Century in Sri Lanka.

SECTION II. ECONOMIC ENVIRONMENT AND WORKFORCE ISSUES

In this section we examine some of the key economic issues and determinants that shape the general workforce demand environment in Sri Lanka. To set the stage for this discussion, we consider a wide range of factors, including economic growth, investment rates, employment growth, technological transformation, labor and employment policy, and workforce skills requirements for specific industries. To begin, we distinguish between the two main frameworks that examine linkages between economy and workforce issues, delineating how these separate approaches lead to different institutional and programmatic responses.

Two Frameworks of Analysis: Static Versus Dynamic Models

The workings of an economy and how it interfaces with the demands and expectations of the labor market has been a well-researched topic in both developed and developing countries. To a great extent, the various frameworks of analysis largely reflect the conclusions of over fifty years of research on how workforce is connected to the larger economy. Two main frameworks of analysis can be distinguished: first, the static manpower planning approach of the 1950s and 1960s; and second, the dynamic model of labor market expectations of the 1970s and 1980s. In short, these models build on each other.

The main model of labor market predicts that supply adjusts to the demands of the private sector, focusing on production, investment, and economic growth, thus generating job growth in the economy. This model, the heart of manpower planning, has been used in development economics since the seminal work of Reynolds and Gregory (1965). Elaborations of this model examine the key factors that create jobs in an economy and address the quality and security of employment. These demand-based models for workforce provide a foundation for understanding how the productive economy creates a demand for labor. In the context of Sri Lanka, we will examine the main economic trends that largely shape this overall demand-supply context.

Traditional manpower and sectoral demand models have been criticized for being extremely static, focusing on a single prediction of demand and supply and on occupational requirements. Such models fail to consider the dynamics of the labor market, where information must be exchanged continuously in order to educate business and labor supply on the labor market realities. A second model, the dynamic model of labor markets, incorporates the issues that influence decisions in the labor market, both on the part of the workers and employers. These dynamic decisions often relate to issues of job search, hiring, and job turnover/retention. Employment policies, labor market practices, and labor attitudes and expectations are referred to as the main determinants of the dynamic environment of the economy and workforce. Sri Lanka, a country with a long history of entrenched employment, education, and private sector institutions, would need to change such expectations as part of a reform of these institutions (Akerlof and Yellen, 1986; Shapiro and Stiglitz, 1984).

So why are these frameworks so important to this assessment? It is simply that the type and scope of project intervention under each framework are significantly different. Under the traditional manpower model, the project would attempt to generate the specific supply of labor and skills to meet the demand of firms and sectors. This approach largely focuses on recruitment training, providing basic information, skills and orientation to workers for the specific workplace environment. In the case of Sri Lanka, recruitment training is associated with high training costs, fewer participants, and high placement. This recruitment training is accompanied by a litany of complaints from both the private sector and youth: there are never enough good recruits; youths' skills do not match workplace needs; the education system is completely out-of-touch with private sector reality. Those complaints are red flags indicating a system that fails to address the wider needs of the workforce, particularly to change the expectations of workers

and private sector. There is little information on mechanisms to connect the labor supply to the firm/sectors, and there are no premiums or incentives to transform existing education and training institutions to meet the private sector reality.

Since the early 1990s there has been a transformation of labor market and training programs to address labor market expectations. A wide range of programs have been developed, using the second, more dynamic model:

- Workplace and business education for primary and secondary schools
- Extracurricular activities oriented to workforce and entrepreneurship learning
- Integrated training, counseling, and labor market orientation for new entrants to the labor market
- Interactive learning and simulations of work-based experience
- A wider range of work-based learning programs for youth, including apprenticeships, shadowing, and mentoring activities

These school-to-work activities encourage better understanding between youth and employers and, in turn, alter expectations about the labor market. In so doing, they are oriented to a wider program of youth development focused on employment and jobs matching. Alongside these activities, there has been an emphasis on the reform of workforce programs to incorporate general skills and competencies oriented to workforce needs. This new approach of workforce competencies and the promotion of youth development and private sector programs are the building blocks for effective school-to-work transition.

The next section provides an analysis of the economic environment, both in terms of the macroeconomic demands in the market, as well as the changing expectations of the private sector to these new workforce realities. To construct a composite picture of this wider macro-micro economic environment and specific programs responding to this environment, we present a wide range of data and information.

Macroeconomic and Sector Trends of Employment

Four macroeconomic and sector economic trends largely frame the overall nature of demand for labor in the Sri Lanka. The following analysis highlights these key trends as well as the key issues related to targeting in tsunami-affected areas.

Economic growth continues at 6 percent, yet overall economic policy performance weakens economy

While average annual GDP growth has remained between 5.5 and 6 percent, the macroeconomic performance has weakened, and the overall fiscal situation has deteriorated (Sri Lanka Census, 2006). The economic policies of the Rajapakse administration, known under the name of the Mahinda Chintanaya economic program, have reinstated a wide range of economic subsidies, together with the return of public sector employment. For that reason, the International Monetary Fund (IMF) and World Bank have terminated all policy reform dialogue as well as policy-based lending in Sri Lanka. Most often cited as the return to a public sector employment policy is the creation of 45,000 public sector positions, which led to a massive shifting of young workers from private to public sector employment. This policy has led to the private sector exercising caution in terms of creating jobs and workplace initiatives with youth. And while the government continues to discuss the possibility of introducing additional programs to support private sector employment, no specific projects have actually begun to re-direct the public sector employment bias (Sri Lanka Census, 2006). As estimated in 2003, these policy constraints have a significant cost, calculated at approximately 2 percent of GDP. As of June 2006, there is no policy

lending or IMF program for policy reform with the Sri Lankan government (Sri Lanka Census, 2006; IMF, 2006).

Export performance is mixed: Primary products are winners; manufacturing goods are losers

Overall, total exports between 2004 and 2005 have enjoyed 10 percent increases (Sri Lanka Census 2005). While primary goods have experienced significant export growth, the manufacturing sector has been struck by major change. Specific coastal industries, such as fisheries, hard hit by the tsunami, have rebounded. This sector has enjoyed a 26 percent increase in exports, and is nearly at the same level of export performance as it was prior to the tsunami. Additionally, paper products, food-beverages, tobacco, fresh fruits, and natural rubber products have experienced significant gains in the export market during 2005 and 2006. Based on these data, agriculture and fisheries remain key to the export markets in the country.

Alongside these gains, the textiles and garments industries have been hit by the impact of the removal of quota protections of the Multi-Fiber Agreement. Exports in textiles and garments are down by 27 percent, and the value of exports in the sub-sector has declined from \$US 237 million in January 2005 to \$US 172 million in January 2006. Around half of the factories in this sub-sector have been closed because of this downturn, and many jobs have been lost due to the global shift in textile and apparel policy worldwide. The private sector industry maintains that the situation has stabilized, and that the firms that continue to export do so because of their capacity to comply with the social protection clauses of the international branding companies, as well as with the design and development of the Electronic Visa System (ELVIS) of the U.S. government (Board of Investment, 2006; Athukorala and Jayasuriya, 2004; TCP, 2006).

Export investment and job growth go hand in hand

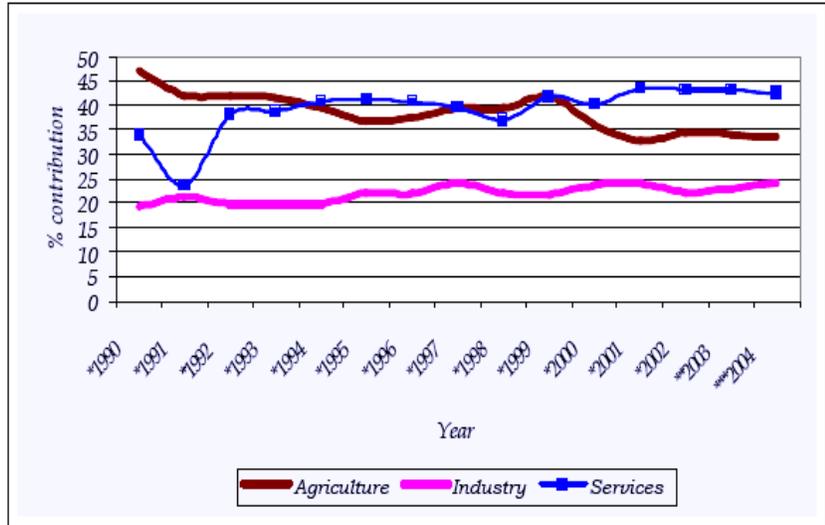
For the last two decades, export-oriented manufacturing and investment account for the bulk of new salaried employment opportunities in the country. The garment industry contributes over 33 percent of total employment in the organized manufacturing industry. New areas of export-oriented industries include rubber products, ceramics, footwear, and travel goods. The employment impact of these industries is enhanced by its linkages to small-scale manufacturing, a source of employment that is measured through the unorganized sector of the economy (Athukorala and Jayasuriya, 2004; TCP 2006).

Since the 1980s, there has been a noticeable increase in the number of foreign firms in other labor-intensive activities, particularly footwear, travel goods, plastic products, and jewelry. There also has been an increase in processing of primary products, which were previously exported in raw form, notably rubber-based products and ceramics. A clear correlation exists among the growth of manufactured exports, employment, and the growth of foreign firms. Though significant in terms of employment creation, these firms represent only 5 percent of total gross fixed capital formation in the country. Total investment represents around 25 percent of total GDP (Board of Investment, 2006).

Public sector and agriculture employment share declines, while manufacturing and service sector employment share increases

Similar to most countries adopting open market economic reforms, Sri Lanka has experienced a reduction of public sector employment. Since 1994, with the privatization of tea plantations in the country, public sector employment has been on the decline, from about 21.5 percent of total employment to approximately 13 percent of current total employment. Private sector employment has increased during this same time period from 33.8 percent to about 45 percent. Self-employment represents 30 percent of total employment in the economy (Sri Lanka Census, 2006).

Figure 3. Percentage of Distribution of Employed Population, 1990-2004



* Excluding Northern & Eastern provinces

** Excluding Northern province

*** Excluding Mullaitivu & Kilinochchi districts

Source: Sri Lanka Census, 2004a

Within the economy, there has been a shift from agricultural employment to manufacturing employment (see Figure 3). Agricultural employment has declined from 44 percent to 33 percent during the time period 1990 to 2004. During the same time, manufacturing sector employment has increased from 19 to 24 percent, and services sector employment has increased from 34 percent to 44 percent. These data confirm that at the national level Sri Lanka is moving from an agricultural economy to a service sector economy. The service sector is the largest component of GDP (54%). The service sector continues its strong expansion, fueled primarily by a strong growth in telecommunications, tourism, and financial services. *In the next twenty years, it is expected that the trend will continue with the service sector playing a more critical role in jobs creation in the country.*

Box 4. Fishery Sector. Targeted Sectors in the Tsunami-Affected Areas

Small-scale fishermen in the North and East have been hardest hit by the tsunami 2004. There are various estimates of the affected population, ranging from 35 percent of the tsunami population being employed in fishing (UNWFP, 2005) to around 22 percent of the tsunami population being employed in fishing (Sri Lanka Census, 2006). Needless to say, fishing was a critical livelihood for a large number of families, many of which were living on the edge of subsistence. It is calculated that approximately 19,000 boats were lost, in addition to the income lost, which has been calculated at around Rs 500 to 1000 per day in the Ampara area alone. Targeting specific resources and providing microfinance and training support to both fishermen and the overall sector are therefore of critical importance.

Percentage of Distribution of Employed Population by Selected Industry, Tsunami and Non-Tsunami Areas, 2004-2005

Year	<u>Industry group</u>							
	<u>Agriculture & Forestry</u>	<u>Fishing</u>	<u>Manufacturing</u>	<u>Construction</u>	<u>Wholesale & Retail Trade</u>	<u>Hotel & restaurants</u>	<u>Transportation & storage</u>	<u>Other</u>
*2004	31.9	1.5	17.7	5.2	12.3	1.6	5.6	24.1
** 2005	29.0	1.7	18.4	6.1	12.0	1.8	6.5	24.5
Tsunami area	4.7	22.5	18.0	6.4	16.3	2.7	5.6	23.7
Non tsunami area	29.8	1.0	18.4	6.1	11.9	1.8	6.5	24.5

Other includes financial services, public administration, education and health and social work.

* Excluding Mullativu & Kilinochchi districts

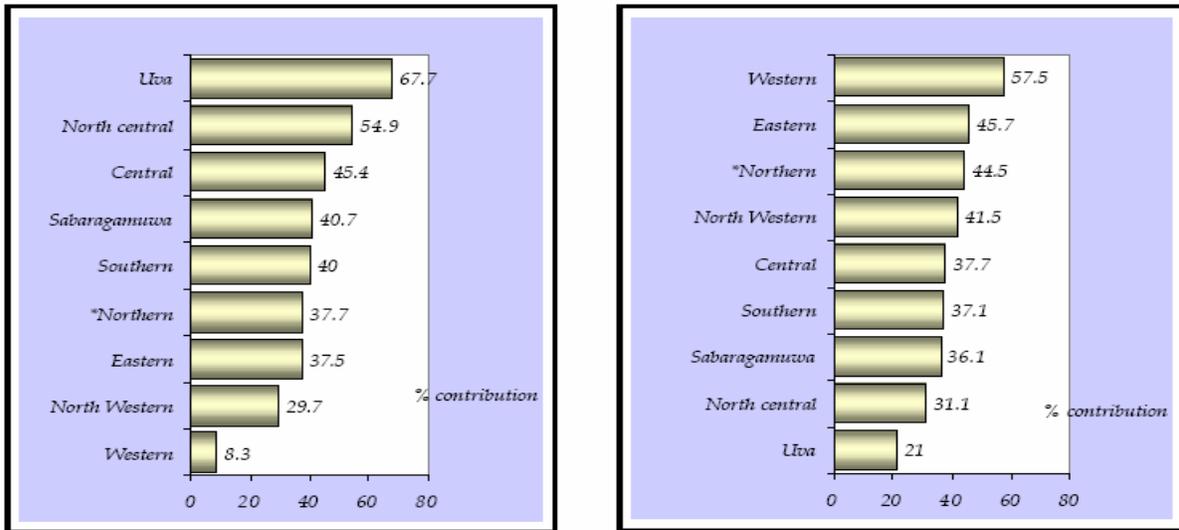
** All districts are included

Source: Sri Lanka Census (2006)

Services versus agricultural employment show extreme fluctuations by province and district. National trends provide an overall benchmark of the demand for labor within the economy. However, such macro trends can be misleading when applying them to specific geographic localities. For example, Figures 4-a and 4-b show the extreme differences in employment in the Eastern province (Batticaloa) and Uva (Ampara). These two provinces sit side by side on the eastern coast, both hard hit by the tsunami of 2004. Uva, a province where Ampara is located, has 68 percent of employment from the agriculture sector. The service sector represents a very small percentage, 20 percent of employment. On the other extreme is the Eastern province, where agricultural employment represents only 38 percent of employment. There, the service sector employment is estimated at around 46 percent, the second-ranking sector of employment.

These statistics contrast with the district data of Batticaloa and Ampara, which show more similar employment profiles. Batticaloa has agricultural employment (as a percent of total district employment) estimated at 35 percent, while in Ampara it is 45 percent. The service sector is a strong source of employment in both districts. Batticaloa shows 44 percent service sector employment, and Ampara shows 40 percent service sector employment. *These figures demonstrate the need for carefully targeting information by district and locality levels when estimating types of skills and demands for skills. They underscore the need to target service sector training to semi-urban and urban populations, and to target, very selectively, agricultural training or agribusiness training to specific rural localities (See Sri Lanka Census, 2004b).*

Figure 4. Provincial Agriculture and Services Employment



* Excluding Mullaitivu & Kilinochchi districts

Source: Sri Lanka Census, 2004b

Labor Market Expectations, Information, and Incentives

At first glance, the Sri Lanka labor market appears to be well-understood. A large amount of research and excellent data are available on unemployment and youth attitudes, also, many experts on the topic. Sri Lanka and its Department of Census and Ministry of Labour provide a sound historical data analysis of labor unemployment in the country. This survey measures labor participation, unemployment, and demographic data on the nature of the labor market. For this, the country must be commended.

Yet how does all of this information get used in the labor market? How do youth and the businesses adjust their attitude to the labor market reality? How do firms change their recruitment and job hiring practices to reflect current information on labor market trends? How do government planners use this information to adjust public education and training programs? Here the country is at an incipient stage of labor market development. For it appears that the behavior of students, new entrants, employers, and employed workers is still determined by traditional patterns of job search and recruitment, with institutions largely continuing to rely on supply-side models of workplace education and job training. In short, there is limited dynamic within the labor market system. And, as this analysis will demonstrate, there are key concerns that both the public and private sectors contribute to this problem. The following section highlights the key findings and country examples on labor markets dynamics in Sri Lanka.

Job search does not give incentives for specific skills

Throughout many of the interviews with private sector representatives, there was a barrage of complaints on the quality and attributes of youth entering the labor market. Such statements appear to beg the question—do not the private sector employers also have children and youth in their households? In short, the comments made by the private sector did not connect the reality of the workplace with that of the households, in a culture known for its strong family life. The disconnect between family perceptions and private sector expectations puts up a red flag for the study of recruitment and job search in the country. How do private sector employers use job search and recruitment to create incentives to attract youth with

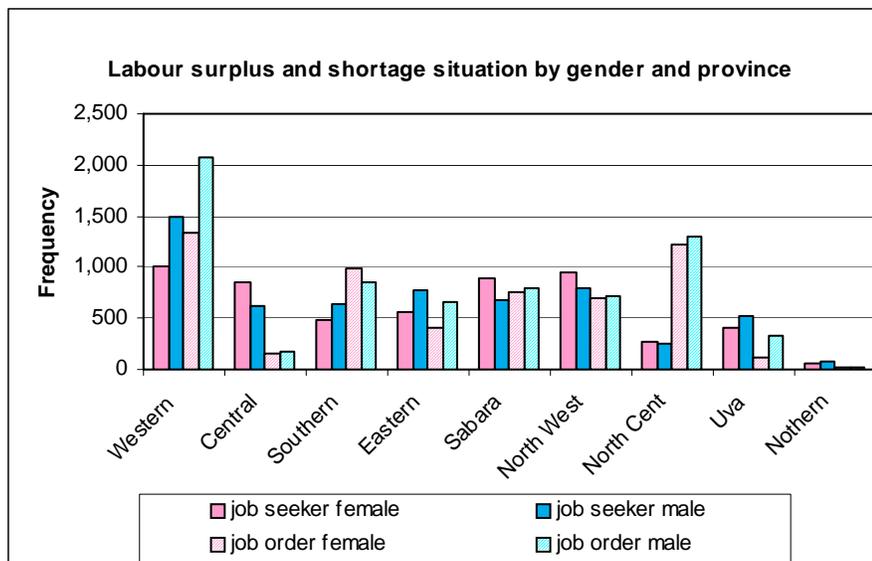
the greatest skills, those who are the most competent, and those who possess the best dispositions or attitudes toward work? Based on a series of surveys and interviews, there appears to be no evidence that the private sector recruits or hires based on competency. In fact, according to the early findings of JobsNet, firms seem to recruit at the lowest level possible and do not distinguish by skill levels of the new entrants (see Box 5). The JobsNet experience highlights that the private sector seems to be echoing the patterns of educational institutions: the only criterion for being hired is an education credential. (See <http://www.jobsnet.lk/> for more information on JobsNet information services.)

Alongside this recruitment pattern, we see that new-entrant training is largely recruitment/new hire training conducted by the private sector. The private sector provides recruitment training, which then leads to 100 percent job placement. This training is simply new-hire training, as youth are oriented to specific conditions and procedures in a plant or firm setting. Such training is not geared to larger needs of youth development. It does not orient youth to the wider needs of the labor market, or support them in articulating their career objectives. Under such a scenario, the private sector is not creating incentives in recruitment to reward specific attitudes and competencies. *To change the situation, first, the private sector must get involved earlier in the recruitment process: screening, testing, and orienting larger groups of youth; such procedures will in turn provide information on the demands of the private sector. Second, the private sector recruitment processes must reflect incentives, such as hiring and salary, in order to signal the market of the value of these skill competencies.*

Box 5. Learning from JobsNet

The first major labor market information project, established in 2003, collects information on jobs and job seekers both in local and foreign job markets. This information is analyzed with the objectives of matching job seekers to jobs, and of advising job seekers on improving employability through career guidance and further training. In 2005, approximately 30,000 jobseekers participated in the Web network. On the demand side, 4,400 job orders (e.g. job posting) were placed for a total of 100,000 job vacancies. It should be noted that the JobsNet is a voluntary service, and a fee is paid by the employer. Under such a system, firms participate if there is a high probability of a successful match. An analysis of the skills mismatch and recruitment practices provides evidence of specific labor trends in the country:

1. Majority of jobs (80 percent) are for inexperienced and unskilled workers in elementary and blue-collar occupations, both within and outside the country.
2. Majority (70 percent) of the job seekers are educated, having high levels of both formal and tertiary education.
3. Individuals with better English knowledge are more likely to obtain skills required for the higher end occupational ladder.
4. No gender bias in the network exists, whereby 51 percent of the job seekers are male and 49 percent are female.
5. A level of education is preferred for a few occupations (e.g. computer associate professionals, numeric clerk, administrative associate) while O-level preferences were more uniform across all occupational categories.
6. Geographical fluctuations across provinces. As shown in the figure below, the JobsNet estimates the following skills shortages and surpluses: the Western, North Central and Southern provinces have critical labor shortages while Uva province has large amounts of surplus labor.



Source: “Analysis of Skills Mismatch and Recruitment policies Based on JobsNet Data”, Arunatilake and Jayawardena (2006).

Job recruitment is based on family and social networks

Family and social networks are the main source of labor market information used in the recruitment and hiring processes of Sri Lankan youth. This finding is well-documented through a variety of studies. Most recently, the School-to-Work survey estimates that over 50 percent of youth use family or friends as their main contacts of information for job search. More important, this pattern is consistent across all provinces, rural and urban areas, ethnic groups, and gender.

There is only one caveat in the data: Private sector employers do not confirm this finding. The main avenue that the private sector uses to fill vacancies is reported to be through advertisements. About 63 percent of vacancies are reported as filled through advertisements. Family and friends are reported to represent only 22 percent of placements of vacancies. One might say that the posting of advertisements and consulting personal friends and family may not be exclusive events; that both events may occur simultaneously. This may be true, and probably best explains the differences of responses. Suffice it to say, family and social networks are a well-reported occurrence in job recruitment and hiring in the country (STW, 2003).

The use of social networks is widespread both in employers' recruiting and workers' job seeking throughout the world. Social contacts help workers to find jobs and employers to find employees. Indeed, it has been often stated that such contacts convey rich and reliable information, which spreads quickly and can increase efficiency of the hiring process. This is particularly important in environments with labor laws that require long-term hiring, wherein the firms bear the cost of the uncertainty of the skills and attitude of the employee.

However, several concerns arise regarding the transparency, the equity, and the impact on unemployment of such networks. There are many interpretations of use of these networks in the recruitment and hiring process. First, such informal networks are plagued with closed information, creating barriers to entry into the labor market. In Sri Lanka, a country plagued with social and ethnic conflict, these barriers are one key labor market source of tension. Second, referral-led hiring can lead to inequality, if the "good jobs" are referred only to a specific ethnic, racial, or socio-economic group. In a country where youth wait for an average of five years for their "good" job, discrimination through referral-led hiring can lead to increasing frustration and conflict among specific groups. And third, these social networks have proved to be correlated to youth unemployment and wages (Box 6).

Box 6. What Do Italian Youth Have in Common with Sri Lankan Youth?

Youth in Italy and Sri Lanka share an important characteristic: long-term persistent unemployment for higher educated youths. Labor researchers have examined key determinants of job search, recruitment, and hiring for these unemployed, educated youth and find one important shared characteristic: the presence of social networks in the job search process. In the case of both Italy and Sri Lanka, the use of family ties reduces the job search time. Yet these ties come with a cost. As proven with the Italian labor market, family ties reduce youth unemployment, but at the cost of youths taking lower-wage jobs, particularly in the small business sector. Given high rates of youth unemployment, firms offer lower wages for a longer period, thereby depressing wages and age-specific earnings and delaying occupational mobility. From a policy perspective, these social networks have a serious implication: Relying on one's family contacts does not lead to intergenerational career/income mobility for educated youth. Rather these social ties continue the same intergenerational patterns of employment and wages. Under this employment structure, education promotes neither equity nor opportunity, a true concern for youth in both countries (Labini, 2004; Fontaine, 2005).

Tightening labor supply reduces unemployment and puts pressure on firms to rethink their recruitment and incentive policies

One of the key dynamics of the labor market in Sri Lanka is the tightening labor supply, due to aging populations and low fertility rates. Annual average population growth is estimated at 1.1 percent (Sri Lanka Census, 2001). From this data, it is estimated that 47 percent of the population is either under 15 years of age or over 64. And demographers predict that aging will be a major issue by 2031, when the dependency population will exceed 50 percent. These demographic statistics reveal the tightening of labor supply over the long term for the country. Moreover, Sri Lanka's population has become increasingly urbanized. These two dynamics explain much of the labor supply trends, wherein non-agricultural employment now represents around 70 percent of employment in the country. Also unemployment has responded to this supply trend, with decreasing unemployment rates. Unemployment rates have fallen from their all-time high of 14 percent, to around 8 percent (2004). Note that these rates do not include the northern conflict areas or the military employed population (Sri Lanka Census, 2004a).

The demographic dynamics push for change under the traditional labor market structure of Sri Lanka. This structure has been best described as a “good jobs-bad jobs” market, as explained in Box 7. With a shrinking labor supply, firms will be pushed to raise wages and benefits for their employees. For large companies in Sri Lanka, this trend has already begun. Large firms interviewed in Sri Lanka openly discuss ways that they can provide incentives for their employees. Recruitment and hiring are also keys to making these incentives and benefits open and accessible to all. Smaller firms face even greater challenges, as they provide the greatest entry for youth into the labor market, and yet are the least prepared to address this issue in terms of their human resource policy. This shrinking of labor supply puts pressure on firms to rethink their overall recruitment, hiring, career ladder, and other human resource policies and practices. Firms, particularly small firms, will need to address this issue in a systematic manner through industry and business associations, to ensure that they remain competitive and also create incentives in this labor market.

Box 7. “Good Jobs-Bad Jobs”: The Story of Lifetime Employment and Pensions in Sri Lanka

One of the best-documented dilemmas of the labor market in Sri Lanka is the good jobs-bad jobs phenomenon. Under this scenario, well-educated youth prolong their job search in order to receive a “good-job” offer, in which they would receive higher wages or benefits due to the unique nature of the job. For many years, public sector employment, with its job-for-life security, pensions, and other benefits, has represented these “good jobs.” Also, jobs that are covered by labor regulation, such as the now-defunct Termination of Employment of Workmen Act (TEWA) also protect against firing. In 2003, specific changes were made in the TEWA—to cut redundancy payment and extend women’s overtime limit from 100 to 720 hours a year, allowing factories to impose longer working hours on female staff. Additionally, real wages of public sector employees have decreased during the decade. It is well-proven that jobs of large private sector contracts do not pay less, but do not offer the same pension benefits.

All of these dynamics point to the question—is the public sector job really a “good job”? Action research to address this question has been delayed given the current administration’s position, advocating no change to labor policy, and the termination of all IMF/World Bank policy reform lending (Rama, 1999; IMF, 2006).

Private Sector Responses to Workforce Issues

At the sector level of the economy, there has been a wide range of activities sponsored by USAID and other donors as well as government action to respond to the new economic dynamics shaping workforce issues. The following discussion highlights three key initiatives—The Competitiveness Program (TCP),

the IT Workforce Assessment, and the 300 Enterprise Program sponsored by the government. Each of these programs has been developed with the purpose of jobs creation tied to economic growth and competitiveness.

The Competitiveness Program and Its Workforce Requirements

The Competitiveness Program is a technical assistance project funded by the United States Agency for International Development (USAID) under a grant agreement with the Government of Sri Lanka. Under the agreement, TCP provides technical assistance to private sector associations and organizations that are committed to advancing industry competitiveness and economic development. The Competitiveness Program is the successor to The Competitiveness Initiative (TCI) that was launched in 2001. The TCI project improved the ability of Sri Lankan industries to understand the challenges and opportunities of globalization, including research on products, analysis of industry value chains, evaluation of competitiveness, marketing, cost savings, and quality control. This initial dialogue led to the formulation of the Competitiveness Program (TCP).

TCP works with selected groups of representatives from business and government who have agreed to form strategic task forces called “clusters.” An industry cluster consists of members from every part of the business process, from raw material producers, to manufacturers, to traders, to retailers dealing directly with consumers. It includes representatives from government, preferably regulators of a particular industry, and representatives from supporting industries that make business possible, such as packaging, shipping, financial services, and information technology.

So constituted, the cluster serves as a proxy for an entire industry. Working together, members of the cluster learn to appreciate one another's perspectives and needs, and can arrive at a consensus on strategy to determine what must be done to drive an industry forward. Since 2001 eight industries have stepped forward with commitments to work intensively with TCP on issues related to their industry's ability to compete in the global marketplace. These industries include ceramics, coir, gems and jewelry, information and communications technology (ICT), rubber, spices, tea, and tourism. See Box 8 for the survey results of workforce requirements of the specific eight sectors.

Box 8. Competitiveness Clusters Identify Key Skill Areas

Industry representatives have identified workforce development activities as a critical area in the eight participating industries. Survey responses from the eight industries are presented in Appendix C. They can be summarized as follows: (1) *Soft skills*, particularly of work attitude and communication, have been identified as critical for new workers in all of the sectors. (2) *Technical skills* are also ranked high in skills demand, relating to the specific technical processes within each industry. (3) *English and ICT skills* are key to some industries, specifically gems and jewelry and tourism. (4) There are *critical skills shortages in the ICT and tourism industries* and a huge shortage of qualified workers in the tourism sector.

This survey also provides a wealth of information on the institutional relationships of the training firms that conduct the specific new-entrant and in-service training for the companies, the costs of the training; the educational skills required for the sector, and an overview of recruitment and turnover in the industry. The total workforce of the eight industries represents 1,800,000 workers in the economy. Yet some sectors have very limited capacity to absorb new entrants (e.g., ceramics and coir) compared to other sectors (e.g., tourism).

Source: Research conducted by USAID Sri Lanka (see Appendix C)

The IT Sector Critical Workforce Assessment

Additionally, the IT sector has conducted an industry-wide study of the workforce requirements of 359 firms, including ICT suppliers, ICT users, and public sector institutions. The report offers one central conclusion: that there is a critical demand for training in the IT sector of the economy, with a skills gap of around 2,000 specialized workers emerging by the end of 2006. Moreover, the majority of the IT sector identifies soft skills, such as communication and interpersonal skills, as the critical skills for new recruits into the sector. The main findings of the workforce needs of this industry include:

- The IT workforce in Sri Lanka at the end of the 2004 stood at 20,2761, representing a 30 percent growth from 2003.
- The demand for IT workers was 5,724 in 2005, and was estimated to be at 5,034 in 2006.
- Around 4,300 graduates were required in 2005, with a supply of 3,600 in the labor market. This gap between demand and supply was expected to increase to around 2,000 workers in 2006.
- Largest job categories in terms of overall IT employment demand are in the following areas: enterprise systems consulting (33 percent increase from 2003 to 2004); software engineering (39 percent increase from 2003 to 2004); and technical support (19 percent increase from 2003 to 2004).
- Main skill gaps in new recruits to the IT market include: (1) communication and presentation skills (57 percent of all respondents), (2) creative thinking (50 percent of all respondents), (3) interpersonal skills (44 percent of all respondents), and (4) English skills (28 percent of all respondents).

This survey provides an excellent benchmark for the IT industry, and reconfirms one of the central findings of this report: that there is an urgent need for training of new recruits in the following areas: soft skills of communication, presentation skills, critical thinking, and interpersonal skills; English skills; and technical (IT) and sector-specific skills.

Box 9. “IT Plus” Strategy: Effective IT Skills Development at the Industry Sector Level

One of the most effective strategies to emerge from the IT industry worldwide is the linking of information technology skills development with industry sector initiatives. Under this strategy, IT needs are linked to the specific context of the industry sector, be it services, agribusiness, or tourism. In this linkage, the IT know-how is applied to the specific workplace context, and informs the student how best to use IT knowledge to solve real workplace problems. For that reason, the IT Plus strategy, as it is known, provides contextual learning about IT, which develops better communication, decision-making, and team-building. Throughout the World Bank IT services projects, a sectoral approach is adopted. (Susan Sargent, interview, World Bank, June, 2006)

English and ICT Workforce Requirements by Sector-Occupation

Under the funding of USAID/SL, the Vocational Educational Reconstruction Component (VERC) of the Tsunami Assistance has studied the English and ICT content in specific occupations of the tsunami-affected areas. The specific industry/skill areas include hospitality, construction, apparel, automotive, and electronics. This survey, the first of its kind in the country, specifies ICT/English skills by specific occupational requirements. The following bullets highlight some of the key findings from the report:

- The need for English skills is fairly consistent in all industries regardless of geographic location.

- The requirement for reading comprehension ranges from medium to high, across all industries, whether automobile mechanics or carpentry.
- The hospitality industry has a wide range of requirements, including such communication skills as high listening, reading, and speaking. This is a critical skill constraint in the tourism sector of the economy, with a significant employment impact through small and self-employment linkages.
- In terms of ICT skill, the industries require a wide range of skill competencies. The highest need is in the ICT electronics industry.
- Apparel and hospitality industries have considerable ICT skill requirements, particularly in basic literacy.
- Special ICT skills are noted. For example, sewing machine operators are required to know the function and operation of programmable machines. And while the requirements do not state that they need general literacy skills to perform the specialized requirement, it would be anticipated that they have general knowledge of how a computer works.

These findings demonstrate the overall requirement for skill in these key employment sectors. However, there is no clear evidence that these sectors provide incentives in terms of recruitment or hiring regarding these critical skills for the Sri Lankan workplace. For more detailed information, turn to Appendix C of this report.

Government Incentives for Rural Investment and Jobs Creation

The 300 Enterprises Program, an initiative of the Government of Sri Lanka, is an investment promotion program to relocate employment and investment to rural areas in Sri Lanka. Administered by the Board of Investment (BOI), the program aims to generate jobs creation in the rural areas. During the February to May 2006 period, BOI announced a total of 25 agreements with firms in a wide range of sectors, including tourism, manufacturing, agribusiness, and fisheries. It is estimated that these agreements have generated total investment of Rs 8,236 million, of which foreign direct investment (FDI) totaled Rs 2,029 million, and Rs 6,027 million worth of local investment was achieved. The total projected employment is 10,834 workers (BOI, 2006).

Foreign Employment, Domestic Migration, and Wage Remittances

The government of Sri Lanka, through its Bureau of Foreign Employment, actively promotes and regulates employment of Sri Lankans outside Sri Lanka. This policy and regulation, established in 1985, has been a cornerstone of employment creation outside of Sri Lanka. In addition, the government sponsors training of foreign workers through its Foreign Employment Agency. Over 200,000 Sri Lankans reside overseas for employment opportunities. The vast majority of these remittance workers (around 90 percent) are unskilled labor working in the Middle East. Approximately 70 percent of Sri Lankan migrants are women. Most of these workers are from rural areas of Sri Lanka, particularly the eastern region of the country. There is very little monitoring or evaluation of these foreign workers. Little information is available on the compliance with basic worker rights and protections that are the legal responsibility of the Sri Lankan Bureau of Foreign Employment.

In domestic migration, considerable attention has been paid to the prostitution of rural youth in the tourism industry. Sri Lanka is one of the favored destinations of pedophile sex tourists from Europe and the United States. Child care experts warn that child prostitution is being promoted to foreigners on the Internet, making Sri Lanka one of the worst countries for child abuse. To respond to this social issue, Sri Lanka has tightened laws on the exploitation of children, making pedophilia a non-bailable offense, with

the maximum penalty of 20 years in prison, and with victims entitled to compensation. With the sizeable number of migrant rural youths, both male and female, Sri Lanka is a key country to watch in terms of human trafficking and youth exploitation (Ministry of Labour Relations and Foreign Employment, 2005).

The risks related to youth migration are countered by the financial rewards to the Sri Lanka households, banking sector, and overall economy. Migrant labor remittances are rising significantly, representing around \$US 1.3 billion dollars. Also, the importance of migrant labor remittances to the economy can be seen when compared to foreign direct investment (FDI), foreign assistance, and net export earnings. As estimated in a World Bank report, “worker remittances in Sri Lanka have exceeded FDI inflows by 2 to 3 times; more than doubled net receipts of foreign assistance, and reached close to 25 percent of export earnings.” (Lasagabaster, Maimbo, and Hulugalle, 2005).

These significant revenues are equitably distributed between the rich and the poor. World Bank estimates show that around 27 percent of these revenues go to the unskilled, while 28 percent go to the highest income deciles. In short, remittance revenue acts as a critical income-generating role for specific sub-population groups in the country.

One issue remains unclear regarding this trend. There is no question that the demand for unskilled workers continues to grow in the global economy, particularly in the Middle East. Yet at the same time, Sri Lanka is facing a tightening of the labor supply due to reduced fertility and population growth rates. *The labor supply adjustment to these demographic pressures, as well as the private sector demand of skilled-unskilled labor in the country, are critical factors that influence the response of Sri Lankans to foreign employment. Action research to examine these issues within the context of an open macroeconomic model is needed.*

Summary

To highlight the key findings of this section, the following summarizes the main trends and recommendations that have been cited.

- Economic growth continues at 6 percent, yet overall economic policy performance weakens economy; export performance is mixed—with primary products as winners and manufacturing goods as losers; and export investment and job growth go hand in hand.
- In 2005, the World Bank and International Monetary Fund (IMF) terminated their policy reform dialogue, and there is no policy-based lending in the country.
- There are significant shifts in the employment structure: The public sector and agriculture employment have a *declining* share, while manufacturing and service sector employment have an *increasing* share.
- The private sector recruitment and entry-level jobs for youth do not distinguish or give incentives for specific skills.
- Job recruitment is based on family and social networks, not labor market information.
- The tightening labor supply reduces unemployment and puts pressure on firms to rethink their recruitment and incentive policies.
- Extensive survey work has been conducted by private sector associations and industry representatives, including eight competitiveness clusters; it has identified specific employment and skills needs.

- As estimated in a World Bank report, “worker remittances in Sri Lanka have exceeded FDI inflows by 2 to 3 times; more than doubled net receipts of foreign assistance, and reached close to 25 percent of export earnings.”
- Over 200,000 Sri Lankans reside overseas for employment opportunities; 80 percent of these workers are women

These findings point to the following issues to be addressed in planning and design of specific policies and programs in workforce development in the country.

- **Target workforce development to jobs creation sectors, such as the service sector in urban/semi-urban areas and to highly selective agribusiness in rural areas.** In the next twenty years, the service sector will play an increasing significant role in jobs creation in the country. The findings underscore the need to target service sector training to semi-urban and urban populations, and to target, very selectively, either agricultural training or agribusiness training to specific rural localities.
- **Involve the private sector in youth development.** The private sector must actively participate in a wide range of youth workforce development activities, such as workplace orientation and mentoring, identifying key skills for recruitment, and screening youth by these competencies. Secondly, incentives, such as hiring and salary, must be reflected in the private sector recruitment processes in order to signal the market of the value of these skill competencies.
- **Support skills-training for private sector development.** The following areas urgently need training of new recruits: soft skills of communication, presentation skills, critical thinking, and interpersonal skills; English skills; and technical (IT) and sector-specific skills. Best practice suggests that training should incorporate an “IT plus” strategy, which contextualizes IT training to the specific sector, such as IT and tourism, IT and manufacturing, IT and service. Under this integrative framework, IT is applied to the specific work context of specific sectors of the economy.
- **Establish a regional/global program to analyze the impact of foreign employment and wage remittances within the context of youth development in Sri Lanka.** The importance of regional-global income and employment to Sri Lanka is unquestioned. For youth, foreign employment is a safety valve, yet it presents large risks, given the lack of destination protections for these young people. Further, the remittance income has important effects on the rural economy of Sri Lanka. Action research is recommended to examine these open market issues and long-term economic and social development for the country, particularly as they relate to household enterprises and youth development in the rural areas of the country.

SECTION III. DYNAMICS OF WORKFORCE INSTITUTIONS, PROGRAMS, AND PROJECTS

In this section, we will examine the key factors shaping the institutions and programs in workforce training in the country today, while we identify key aspects of current programs and projects that offer examples of dynamic and demand-driven skills-training. This section identifies the institutional dynamics of the current macro system, in terms of structure, flow, and financing, and then examines key projects and programs that incorporate these new dynamics into project services, delivery, and institution decision-making to respond to new workforce demands. These projects provide some programmatic guidance to USAID/SL on building an effective strategy to link the private sector to training providers within the current institutional setting.

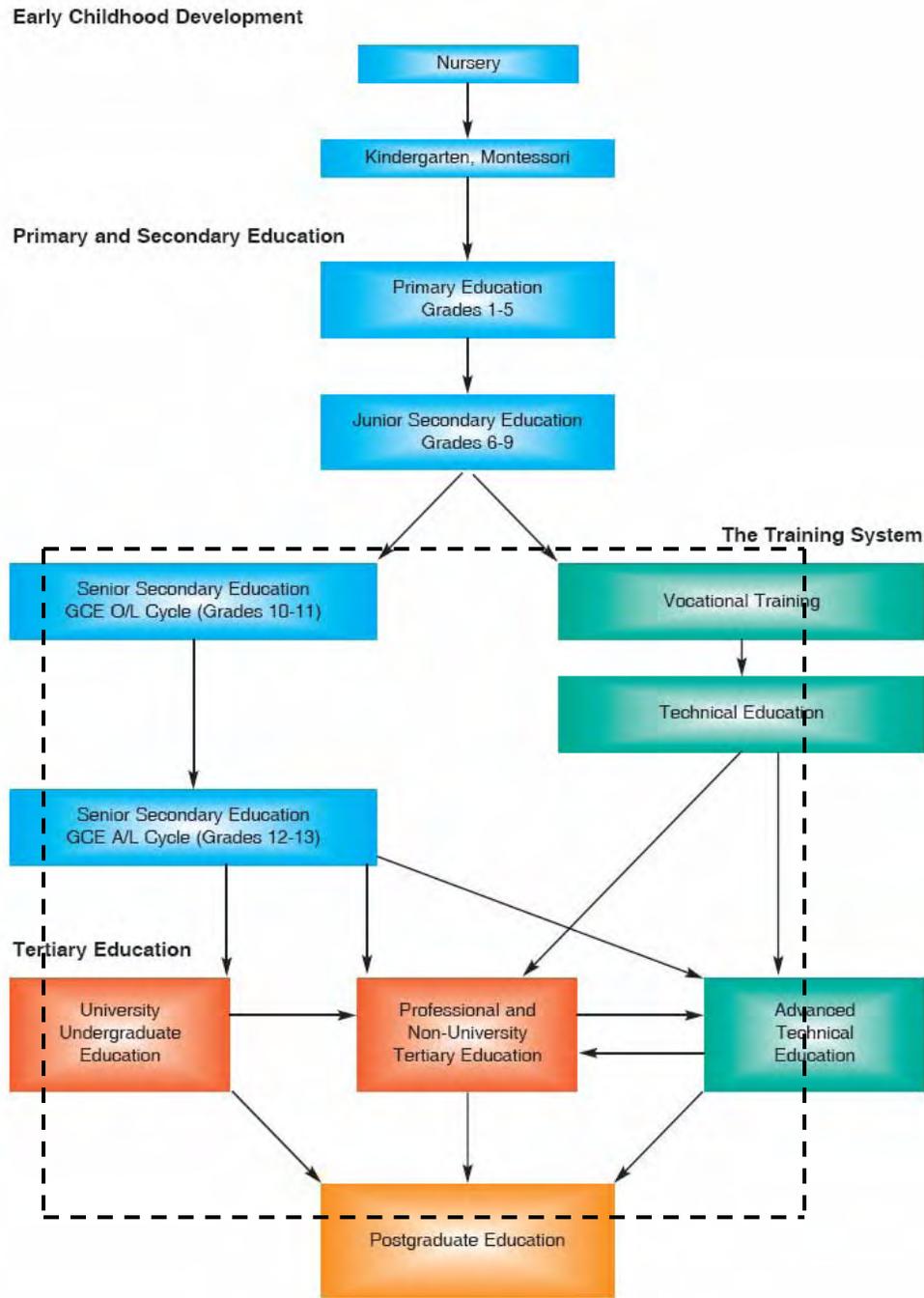
Institutional Framework, Flow, and Financing

In Sri Lanka, the education and training systems reflect a long tradition of promoting human capital development through universal access to basic and secondary education. Three main characteristics define this system. First, the system strongly emphasizes public sector financing of primary and secondary education. Second, with this primary focus, there remains limited capability by government to fund quality public university and private universities. Hence, tertiary education covers only 2 percent of the Sri Lankan educational system, compared to 6 percent in other parts of Asia. Third, the establishment of private schools for Grades 1 through 9 has been banned since the 1960s. Private education in tertiary education, while not certified in Sri Lanka, has been a growing institutional presence in the country.

Institutional framework

Figure 5 presents this educational and training framework for the country. The education sector is organized into four major educational stages: early childhood development (ages 3 to 5), formal schooling of primary (Grades 1-5), junior secondary (Grades 6-9), and senior secondary (Grades 10-13). The third stage is vocational training and technical education, which is a separate branch of the system, beginning at Grades 9 to 11. The fourth stage is tertiary education and training, which is open to students successfully completing the GCE A-level examination, the highest level of senior secondary education, or those graduating from a technical institution. In terms of the workforce development training system, the main areas of activity relate to the senior secondary education, the vocational training system, and the tertiary education system in the country. The institutional area is denoted in Figure 5, as the area within the dotted lines of the institutional mapping.

Figure 5. Institutional Framework of Education and Training in Sri Lanka



Source: World Bank, 2005

Two main country policies and programs exist within this larger institutional framework: the reform of general education and vocational training, and the tsunami relief educational efforts that continue to rebuild Sri Lanka. Since 2000 to 2003, the government of Sri Lanka has established a wide range of initiatives to reform the public education sector system, including the reform and upgrading of primary and secondary education, the reform of vocational education, and the improvement of the relevancy and quality of tertiary education. These large education reform projects, financed by the Asian Development

Bank and the World Bank, have begun to address the concerns regarding the general quality of education in the country. As will be discussed later in this section, specific projects have received monies from these new initiatives, such as the financing of a jobs placement program, Tharuna Aruna Center, and specific vocational education reform initiatives through the Technical Education and Vocational Training (TEVT) and the Skills Development Project of the Ministry of Skills Development, Vocational and Technical Education. These large reform projects, totaling \$US 600 million provide financial assistance for basic, secondary, and tertiary education programs. Eight large loan projects include: General Education II (IDA/World Bank); Teacher Education and Teacher Deployment Project (IDA/World Bank), Secondary Education Modernization Project (ADB), Primary English Language Project (DFID/UK), Basic Education Sector Programme (GTZ/Germany), Junior School Improvement Project (JICA/Japan), and Development of Science and Mathematics in the Primary and Secondary Levels in Sri Lanka (JICA/Japan). The main objectives of these initiatives are to promote quality education and to support education for all.

The second area of priority for the country is the reconstruction of educational facilities and start-up programs that were adversely affected by the tsunami. In that regard, key educational programs, such as the Vocational Education Rehabilitation Component, are now underway in order to reconstruct specific vocational schools, and to assist these schools in rebuilding their curriculum and training programs. USAID/SL is financing technical assistance and providing construction funds to support this project. To a large extent, any action by USAID to sponsor out-of-school youth workforce development complements current action by the government to enhance skills-training of youth in the country.

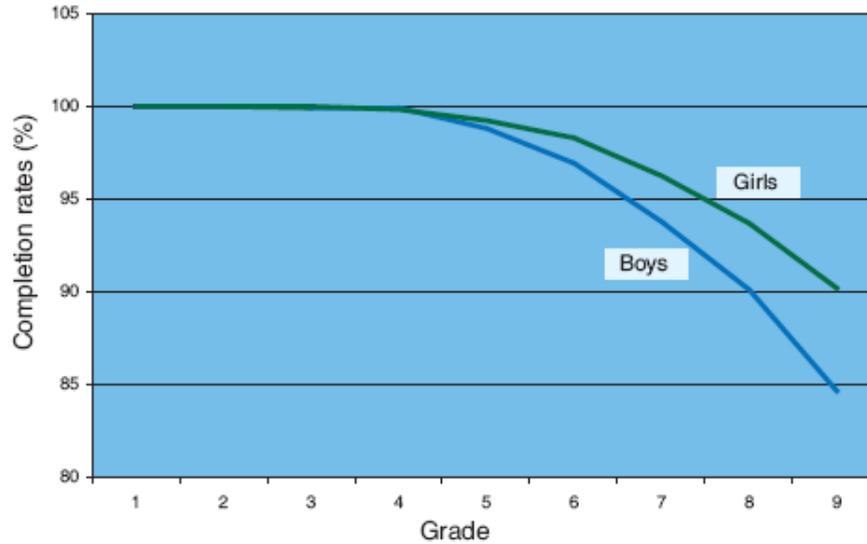
These two areas of country policies largely set the institutional stage for workforce development institutions in the country. In short, a large amount of activity is occurring in the country at this time, and is particularly targeted to public-funded programs. Concurrently, there is limited knowledge or coordination among the new private sector providers of ICT, English, and other technical skills, particularly in the tertiary level education.

Training in Sri Lanka primarily refers to youth training. Approximately 90 percent of all training in the country is targeted to youth, either through vocational and technical training for those enrolled in secondary and higher education, or for new entrant/recruitment training, which orients youth to the procedures, attitudes, and practices of specific firms or sectors. Moreover, general workplace education and/or business education is extremely limited in the country, with only select courses in vocational-technical schools, some select programs in higher education, and out-of-school programs, such as Young Entrepreneurs Sri Lanka (YESL). Overall, the public school curriculum is not oriented to workplace demands and a jobs counseling component is just now becoming incorporated into secondary and tertiary education. *In short, the youth of Sri Lanka are not introduced to the world of work, with the exception of the vocational and technical education systems. This limited workplace orientation in the public education system, which enrolls the majority of Sri Lankan youth, is a major reason for youth's false expectations and misperceptions regarding the labor market.*

Exit and entry from education system

The Sri Lankan education system is a universal coverage system, with 97 percent of its 4.5 million children initially enrolling in the system in 2004. The net enrollment rates of the system remain high up until the ninth grade, when it is estimated that 30 percent of the children drop out of the system. Sri Lanka is best known for these high net enrollment rates in primary education

Figure 6. Net Education Enrollment Rates, Sri Lanka, 2001



Sources: World Bank, 2005, Ministry of Education, 2002

The cracks in the system appear at Grades 9 through 12, through the secondary school enrollment rates, together with the passing rates of the GCE O-level and A-level examinations for graduation (Figure 6). Approximately 4.5 million students are enrolled in the 9,500 schools in Sri Lanka each year. However, 30 percent drop out before Grade 9 for reasons of poverty, disabilities or handicaps, or the problems of economically disadvantaged geographical regions, such as rural hinterlands, conflict-affected areas, and estate areas. The Ministry of Education is currently addressing these secondary education issues through the reform initiatives, as stated earlier in this report.

The remaining 70 percent continue to complete their secondary education, and sit for their O-level and A-level examinations. The students who do not successfully complete the exam must leave the education system and go off to enter the world of work, or study in vocational or non-formal education, or study abroad. Based on Table 1, approximately 450,000 students take the O-level exam, and with 1:3 ratio of pass-fail, there are around 273,000 students who must leave the system at that point. Many fewer students are affected by the A-level exams, as the total number of students taking this exam is much smaller, at around 200,000. With a pass rate of 1:2, about 100,000 students are eligible for university, and about 100,000 are entering the workforce at the time. Of those 100,000 A-level completers, only 10 to 12 percent are admitted to public university. The other students who have completed A-levels are eligible for tertiary education, such as the technical institutes and private education providers, or they seek overseas university placement.

Table 1. Illustration of Student Flow, 2001

<ul style="list-style-type: none"> ■ 456,829 sat for O-level exams; 273,000 failed. ■ 198,509 sat for A-level exams; 98,329 qualified for university; ■ 11,962 admitted to public university.
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Table 2. Completion Rates for O- and A-Levels of Senior Secondary Education, 2002

Province	Number of Students Appearing For the GCE O/L Examination	Number of Students Completing the GCE O/L Examination And Qualifying for The GCE A/L Cycle	Proportion of Students Successfully Completing the GCE O/L Examination %	Number of Students Appearing For the GCE A/L Examination	Number of Students Completing the GCE A/L Examination	Proportion of Students Successfully Completing the GCE A/L Examination %
Western	78,832	37,674	48	49,051	26,543	54
Central	48,641	15,757	32	24,564	13,491	55
Southern	48,390	17,801	37	27,337	15,599	57
North-Eastern	41,659	13,088	32	28,088	16,254	58
North-Western	41,609	15,779	38	22,226	12,892	58
North-Central	22,180	6,769	31	10,305	5,413	53
Uva	26,262	8,104	31	11,684	6,120	52
Sabaragamuwa	34,743	11,842	34	18,681	10,597	57
Sri Lanka	342,316	126,814	37	191,936	106,909	56

Sources: World Bank, 2005; Ministry of Education, 2002

The goal of a young person pursuing a degree in public education is to pass the A-level exam, obtain a place in the university, and after that obtain employment in the public sector. Unfortunately, only about 2 percent of those who sat for O-level exam are taken into universities. The national curriculum must be taught in all schools, public, private, and “international.” This curriculum is rigid and focuses on teaching for the test, not on problem solving.

As Table 2 indicates, there are significant size differences in the cohort group of A-level and O-level leavers by province. Uva, the rural province in eastern Sri Lanka, has an extremely small cohort of 6,120 students. The Southern province has a cohort that is estimated at 15,000 completers of A-level. The Western province has a cohort group of 26,500 completers. In terms of the absolute benefits of the senior secondary system, the large western urban populations have significantly higher absolute populations. This reflects the large number of A/L enrollees in the Western province, not the percentage of pass rates within the difference provinces. Much of the attention to secondary education within the Ministry of Education is to rectify this problem, in terms of quality and expansion of schools in these other regions of the country.

These general education enrollment and completion data suggest several key trends in the exit of youth from the educational system, *and into the workplace system*:

- The majority of students enter the workforce with some secondary education (80 percent) but most likely without O-level passes (30 percent) and/or A-level complete education (15 percent).
- Exiting the system is largely associated with the failure of passing the required number of subjects to gain O/L or A/L certification or to move on to the next stage of the O-level or A-level coursework.
- Sheer size of the cohort groups is the largest for the O-level leavers and completers. The A-level complete cohort group is extremely small compared to the rest of the system, and varies widely according to province and/or district data.

Box 10. Where Are the A-Level Completers in Uva and Eastern Provinces?

One of the key issues is the geographical targeting of youth in Sri Lanka. For the rural area of Uva, which includes the Ampara district, there has been little evidence of youth holding a complete A-level certificate. The School-to-Work youth survey 2003 did not measure any significant populations of A-level completers in the eastern region. One of the main issues is that the A-level completer cohort is extremely small, especially compared to the other provinces of the country. Only 6,120 students complete their A-levels in Uva, representing 7 percent of the provincial educational enrollment population, a proportion higher than the national average. Of these, most of the students go on to higher tertiary education. As estimated by the World Bank, 35 percent of these students go to a university, and 55 percent go to professional and technical schools through non-university private providers. Interestingly, these students attend classes primarily in urban centers, while living with a friend or family member.

Source: World Bank, 2005

These results show that targeting strategies for training must be extremely sensitive to the overall completion rates of O- and A-levels. Rural regions, in particular, may have few A-completers actually living in the area, as they would be attending university or other tertiary institutions elsewhere, if possible. *Students with A-level incomplete have limited educational opportunities, as they are eligible for only technical short-term certificate training. All A-completers are eligible for university and all other forms of tertiary education.*

Key reforms needed in the TEVT sector

Paralleling the general education system is the technical education and vocational training (TEVT) sector in Sri Lanka. This system represents a myriad of public, private, and NGO institutions that offer specialized services, short-term training, and skills certification at the senior secondary and tertiary levels of education. In addition, successful TEVT secondary students become eligible to take the O-level and A-level examinations. For those students who do not have O-level credentials, the local rural vocational education centers allow admission. There has been considerable growth of enrollments in the TEVT program, from around 32,000 students in 1990 to 70,000 students in 2002. Most of these programs start after completion of the senior secondary level of schooling and go up to the diploma level. The first tier of training programs consists of certificate courses designed to produce semi-skilled to craft-level workers; it usually requires a pass at the O-level. The courses last about three to five months. The next tier of courses consists of diploma programs, which currently cater to students who passed their A-level examinations with relatively good marks in mathematics, physics, and chemistry. The objective of these programs is to train skilled technicians, who would perform a broad spectrum of work at a level somewhere between that of a skilled worker and an engineer.

Throughout the country research, interviews were conducted with students and administrators of the TEVT system, with particular attention to the National Training Institutes for O- and A-level completers in the education system. Here are some of the main observations based on these interviews:

- Physical facilities are dilapidated aging structures, yet are clean and well-utilized.
- Overall, students appear to have the learning skills needed to apply basic concepts to problem-solving and skills-training, and they are highly enthusiastic.
- Highly structured learning includes little interactive or simulation techniques.

- Most students are placed in apprenticeship, yet there is no follow-up of students tracking their assignments, or of the jobs placement following the apprenticeship.
- Given that the curriculum is fixed by the Ministry of Education, there is no way to revise it, which is why, the administrators explain, they do not solicit feedback from the private sector.

These findings point to the large obstacles in the reform of the TVET system in the country, which requires flexibility for local decision-making regarding curriculum, major investment for facilities and technology, and retraining of faculty in private sector processes and demands.

Funding the education/training system

Sri Lanka prides itself on its universal access to education. As part of this policy, the country finances all public education and workforce systems through its domestic budget. Investment in this sector is high, particularly in recent years. Donor financing, through loans and grants, equals around \$US 600 million, which includes \$US 235 million from the Asian Development Bank, and \$225 million from the World Bank. These loans and grants have provided key financing to support the upgrading of primary and secondary education, the strengthening and expansion of vocational and technical education, the post-tsunami rehabilitation of infrastructure, and the establishment of IT infrastructure in the schools, working with USAID. While all of these projects are now underway, they have undergone considerable delays and revisions of projects in the vocational and technical area, as well as in tertiary education reform.

In addition, a wide range of NGO and private providers assist in the financing of youth training and business education programs. As will be discussed in the next section, several key NGOs provide youth training. These programs provide some access to low-income youth to cover these private training costs. These costs are considerable, as it is estimated that a one-year study of technical training in a private facility would come to R 50,000, or \$US 500. Across the interviews with deliverers of technical, professional, and English training, the costs of courses ranged from R 5,000 to R 50,000, depending on the technical skills, the technology required, and the duration of the training. Training is expensive in Sri Lanka, as it is primarily oriented to technical training. Very little is provided in terms of general workplace training, such as communication and presentation skills, decision-making, team-building, all soft skills that oftentimes are more important in a work setting than technical skills. The next subsection of this report will examine these issues, and then address how they relate to planning cost-effective training in the country.

Box 11. The Beginnings of Competency-Based Instruction in the Training System

The vocational-technical system is a credential-based system that flows from the basic certificate through the “craft” certificate and then the diploma level, to the technical diploma or engineering level. Traditionally, groups of students take a course that is determined within a timeframe, i.e. a three- or six- or nine-month “school year.” Only recently has competency based instruction (CBI) been introduced, in forty areas of instruction at the Vocational Training Authority (VTA) level. A certificate or diploma means only that a person has completed the program's time requirement; no level of competency is clearly defined. In the traditional system, a student in a graduating class could be an expert, that is, be a “master” craftsman, or simply have been there and passed a final test with a minimal grade.

Many of the voc-tech programs have established links with private enterprise, so that students can benefit from apprenticeship programs. Many of the students are then employed by the participating enterprises. However, none of the voc-tech institutions maintains any formal monitoring or tracking programs, nor is there any registered feedback from the participating enterprises. Some NGOs have a modest understanding of where their graduates are and what they are doing, but no formal tracking systems have been established or maintained.

Formal tracking of graduates or completers does not seem to occur at all, either in the general or in the voc-tech system, in either public or private institutions. Thus there is no scientific way to obtain feedback regarding job sustainability or skill and knowledge gaps. Several previously mentioned studies have provided some basic information to support the generally held beliefs that young people seeking employment, even though they have completed O- or A-levels or have obtained a certificate or diploma from a voc-tech institution, still lack “attitude” or soft-skills, IT, and English language competencies.

Source: Interviews, ADB (2006)

Current Youth Workforce Projects and Their Key Characteristics

This section analyzes the current projects on the ground in Sri Lanka that address workforce development issues in the country, with particular emphasis on the tsunami-affected areas of the Southern and Eastern provinces. To collect this information, the assessment team visited a variety of public and private institutions and business enterprises and interviewed many educators, business people, international specialists, and bureaucrats. Appendix D contains a description of entities visited, including various facilities located in the Southern and Uva provinces. These projects largely form the institutional fabric for the USAID/SL workforce program. Twenty-two institutions/projects are featured in this institutional summary. Table 3 provides highlights of the key elements of these projects, as well as a description of their components: target beneficiary, programmatic focus, geographical concentration, and some constraints in and misunderstandings by the current institutions and projects conducting youth training in the Sri Lanka.

Table 3: General Program Options for Out-of-School Youth in the South and East Who Have Achieved A-Level and O-Level

DEMOGRAPHIC CATEGORY	PROGRAM FOCUS	INTERVENTION EXAMPLES FOR SOUTH REGION	INTERVENTION EXAMPLES FOR EAST REGION
O/A-level leavers both sexes	English language training Basic IT skills Soft Skills SME training	<ul style="list-style-type: none"> • Chambers of Commerce • NGOs • Don Bosco (Hambantota, Balapitiya, Tangala) • Private IT schools • Private English Schools • VAT and higher level gov't vocational institutions • MOE non-formal institution (Galle) 	<ul style="list-style-type: none"> • Chambers of Commerce • NGOs • Swisscontact • Don Bosco (Monaragala) • Private IT schools • Private English schools • VTAT and higher level gov't vocational institutions
Females	Office management Beauty parlor Operations and management Catering/bakery	<ul style="list-style-type: none"> • Chambers of Commerce • Gov't vocational institutions • Private schools in Galle/Colombo 	<ul style="list-style-type: none"> • Chambers of Commerce • Gov't vocational institutions
Males	Farm Management Construction Management	<ul style="list-style-type: none"> • Gov't vocational institutions • On-the-job 	<ul style="list-style-type: none"> • Hardy Technical College • On-the-job
Urban both sexes	Plant management Store management Small business operator Tourism Mid-level Hotel employee	<ul style="list-style-type: none"> • On-the-job • Gov't Training Institutions • Don Bosco • On-the-job 	
Rural both sexes	Farm management NGO employee Construction	<ul style="list-style-type: none"> • Gov't Training Institutions • On-the-job 	<ul style="list-style-type: none"> • Hardy Technical College • On-the-Job • Swisscontact

Source: Assessment Team, 2006

The following key institutions participate.

- The Don Bosco Trust provides an integrated service for vocational training at ten centers (including Hambantota). This successful program effectively targets unskilled youth, and offers an integrated training program, including general workplace orientation in a wide range of regions of the country.
- The Chamber of Commerce network offers a wide range of services to businesses as well as youth training in ICT and other technical skills. The Chambers in Galle, Hambantota, and Ampara provide a model of decentralizing training services to rural and smaller communities.
- Several private companies, such as the DSI Sampson Information Technology Center in Galle, sponsor youth training programs. Currently, these programs are 25 percent subsidized by private sector companies.
- Small initiatives have already begun in specific TCP clusters, for example, the Rapid Information Technology Conversion program. This model program integrates IT training with soft skills training, in an effective outplacement program for tertiary graduates.

Alongside these best practices, the institutional assessments of these projects reveal the following challenges.

- Underutilization of computer equipment and facilities was characteristic of almost all the programs. Much of this utilization relates to the weekend learning programs of youth and the limited curricular offerings at the centers.
- Outside a few “best practice programs,” there is a proliferation of small IT/English programs, of questionable quality and very limited curricular offerings. Most of the private providers specialize in only one type of training, and provide little if any self-assessment by competencies of the student.

Alongside this institutional information, the following analysis highlights the main issues that relate to these institutions and the current programs offered in the country. Specific suggestions are made to incorporate “promising practices” of current programs and to address main challenges of youth workforce development in the country.

- **Promote workforce competencies, not education credentialism.** Training providers distinguish clearly among their target audiences. The O-leavers/completers are most likely to take technical and vocational certificate courses, largely in occupation-specific training. The A-level completers are eligible for higher tertiary courses in a wider range of technical subjects. This great divide between O-level and A-level passes carries on the tradition of credentialism in the system. There is very little evidence of students being tested on practical skill competencies that are oriented to the workplace. The transformation of training to support private sector employment must take account of the key “employability” skills—those skills that make youth workforce ready. Competitive workforce systems require skills that are oriented to productivity and competitiveness. Projects should be designed to promote these workforce skills and competencies. *An important first step is for the training institutions to teach these basic workplace skills—such as soft skills, English, and ICT—and to test students on these skills and competencies. Such a project would not screen on educational credentials, but would conduct pre- and post-testing of students on the core workplace skill competencies.*
- **Address gender bias through business and IT curriculum offerings.** The traditional training structure reflects the specific occupational paths of specific students. Here gender has played a large role, as female students are tracked into specific occupations segregated from males. This tradition of

gender bias is alive and well in Sri Lanka, with most female students tracked into cosmetology, secretarial skills, and cooking. However, several points of light seem to be emerging, in terms of breaking down this occupational segregation. *First, computer-based training, accounting training, English for commerce and other IT applications, have opened an avenue for women in the training programs. Second, self-employment and business administration are additional areas of particular interest for female students*

- **Re-orient high-cost technical training to integrate soft skills with English and IT training.** Most of the courses conducted by public and private providers have a heavy technical skills component. However, much of the value of the courses is perceived to be from the certificate credential obtained, not from the competencies that the student has acquired. Further, soft skills, job counseling, labor market information, and self-assessment services have not yet been integrated adequately into many of these programs. Using the existing examples of soft-skills training, either from private sector training providers or from youth training programs (e.g., GTZ, Swiss Contact, and Don Bosco), *integrate various skills and competencies into a total package of skills required to become workforce-ready. This means that special technical skills-training should incorporate English for business, and IT training for the specific occupation or sector.*

Box 12. How to Create a Structure of Cost-Effective Training

Throughout countries with limited and incipient development of the training market, a tendency persists to provide a high degree of technical training, but very little additional training in more general skills, such as communication and other soft skills, which have been identified as key to building flexibility in a country's workforce. These countries also have extremely high costs of training, given the level of specialty technology, teaching, and facility requirements. This contrasts with developed countries, such as the United States, where a private sector market, valued at \$100 billion per year, offers services to firms and corporations for these soft skills. Most of the in-firm training addresses the communication and other soft skills that are critical for team-building and cooperation, skills that promote productivity for firms and industries in any country. These communication skills introduce diversity and gender into the workplace, as they enable workers to move from conflict to cooperation in their workplace setting. Most important, the soft-skills training is cost-effective per participant. Soft-skills training is offered most effectively in groups and for short duration, so its costs are minimal compared to the expensive and technology-laden cost of technical training. As proven in many countries, a mix of training in technical skills, communication skills, and problem-solving skills can reduce the cost per participant.

Source: US Department of Labor, 1992

- **Support active private sector and NGO leadership.** Throughout the three weeks of interviews and visits to training institutions, we found many examples of outstanding leadership in the youth-training initiatives. The Don Bosco Trust, the initiatives of the Chambers in Galle and Hambantota, the specific initiatives of the DSI, Aiken-Spence, and the Rapid Information Technology Conversion (RITC) program, are all exemplars of the private sector training orientation to the training market. To a large extent, the institutional fabric of private sector training is woven by these private sector and NGO leaders. However, little information exchange or networking takes place among these leaders, or assistance in terms of fund-raising, pricing of training products, effective delivery. *There is an urgent need to develop private sector leadership and coordination among NGOs and private sector training providers. Outreach, information exchange, and evaluation of training courses and programs are just a few of the types of assistance that could be offered to these leaders.*
- **Strengthen the small providers in English and IT training.** There are thousands of small firms in urban and semi-urban areas of Sri Lanka that provide short-term skills-training in English and IT.

These firms offer a short three-month course to upgrade skills, primarily in business English and in computer applications for work, particularly in basic word processing and spreadsheet formats. In the case of IT, there are several international franchises, such as the Singapore Informatics Centers, such as the DSI Sampson IT Center in Galle, offer a range of courses through the Singapore Informatics franchise, including IT certification and diplomas. For the majority of the providers, though, there is no quality control through a certification system, as the state does not provide oversight on these centers or provide assistance to them. *Strengthening these small private providers of skills-training is a first step in creating a market for private sector training services in Sri Lanka.*

Box 13. Showcase Project: Youth Entrepreneurs of Sri Lanka (YESL)

One of the most valuable initiatives in workforce education in Sri Lanka is the extracurricular activity sponsored by YESL/Junior Achievement. First, it is important to note that no organized workforce education exists within the public education system. Therefore, YESL plays a critical role in introducing the world of business to Sri Lankan youth. This program, as detailed in Appendix D, offers a wide-range curriculum to students from Grades 7 to 13, including general business education to building one's own business. The program has reached around 40,000 youth, with the majority of these youth in Grades 7 to 9. The program is extracurricular; at a cost of \$8 per participant, it provides a general orientation and knowledge of business to Sri Lankan youth, mostly in urban and semi-urban areas. The phenomenal success of the YESL program, growing at around 120 percent per year, has put strains on its current institutional management and administrative organization.

Source: YESL/Sri Lanka and Assessment Team evaluations

- **Consolidate the institution before scaling up activities to other target groups or regions, in order to ensure a sound management and administrative structure.** A consolidation process prior to scaling up of NGO programs can strengthen administrative, management, and organizational structures. The NGO consolidation and capacity-building is an important stage of development, as has been shown in many countries worldwide.
- **Assess regional programming challenges, particularly in rural areas.** Based on site visits to Ampara and the eastern region, we note that few strong institutions are involved in youth training in the eastern region (see Swiss Contact projects). Moreover, the target beneficiary audience has a distinct education profile, mostly O-level completers. There is little evidence that the A-level completers are looking for employment in this region, as few positions recruit from this more educated youth group. *There is need for greater analysis and planning for agricultural programs in the eastern region. A variety of activities could support the planning effort, such as a youth mapping exercise to identify the specific needs of youth and their families in the eastern region, a full inventory and questionnaire of existing institutions in the East, and a larger dialogue with small businesses, agribusiness, and farmers to foster youth development and education in the eastern region.*
- **Promote understanding of demand-driven training.** Throughout the public and private training environment, there is confusion between definitions of demand-driven programs versus projects. Throughout most of Sri Lanka, the traditional ILO model is used, which consists of occupationally derived demands for workforce. This model determines the specific skills required for the specific occupations that are required for the specific sector of the economy. Such projects do incorporate critical skill information into the design of the curriculum and training delivery of courses. However, these training programs, often occupation-based, are extremely difficult to implement, and do not “simplify” the skills standards process of certification.

Supply-side projects emphasize decision-making of the youth participants; demand-side projects emphasize decision-making of the private sector firms. Under the demand-side model, projects must

identify specific processes and activities to involve private sector firms in the project process, such as apprenticeships and internships, screening through job fairs, identification of criteria for the selection of participants. In Sri Lanka, few projects have openly provided good examples of such interaction between training provision and private sector decision-making. For examples of this type of program, see the RITC program in Appendix D. *Educating NGOs and private providers of these demand-driven models is an essential issue as part of any project.*

SECTION IV: KEY FINDINGS, STRATEGY, AND RECOMMENDATIONS

This assessment has examined a wide range of topics relating to workforce development in Sri Lanka: the youth and their labor market expectations; the characteristics of three geographical areas; the economic environment—its determinants, policies, incentives, and information; the private sector response to these workforce demands; and the training and service institutions within the public and private sectors, including their ability to be responsive to the private sector. This composite picture of the demand and supply of the labor market, the policies and practices that shape the market, and the institutional response to the market are the main components of this assessment. This summary integrates the key findings and recommendations, as it emphasizes the development of an overall strategy and programmatic focus for USAID/SL in addressing workforce issues.

Key Findings

Well-Known Truths Regarding Youth and Workforce Trends

The story regarding youth and unemployment is a sad tale that has been told for the last two decades. It is well-understood that youth participation in the labor market has great divides—in terms of age and gender. The long and persistent unemployment of Sri Lankan youth is particularly onerous for educated youth. The highest rates of unemployment (35 percent) are experienced by those with senior secondary and tertiary education in the country. These barriers disappear at around age 30, where the lifelong employment and low turnover in all sectors assures the Sri Lankan workforce of a job for life.

Skills mismatch is the most cited reason for this prolonged employment, as the public education system at the senior secondary and tertiary system does not educate youth for the private sector, but rather prepares them for public sector employment. The education system is simply out of touch with employer needs in the private sector. The declining share of public sector employment and the growth of the manufacturing and services sector have both put pressures on the system to reform. Increasing competition in world markets makes real employee skills more important to Sri Lankan employers. Nevertheless, education policy reforms have not been forthcoming, and the credential system oriented to public sector employment remains in place.

A second factor is that the public sector policy on labor market maintains incentives for public sector employment, through pension and other benefits systems. With the recent aberration of increased public sector hiring, youth left private sector employment to catch the last wave of public sector upsizing. Such behavior demonstrates that old habits die hard, and that youth preference for public sector employment continues today. Policy actions by the government, such as doling out public sector jobs in low priority functions, do not demonstrate commitment for a private sector strategy of employment and economic growth. As if dancing the tango, the Sri Lankans have taken one step forward, two steps back, and now must figure out how to maneuver these traditional policies to the new dynamics of the economic, financial, and labor markets of the private sector.

New Workforce Dynamics Encouraging Change

At the same time, the assessment identifies key private sector and employment trends pushing a new dynamic in the economy and workforce. First, the slowly tightening labor supply reduces unemployment and puts pressure on firms to rethink their recruitment and incentive policies. Firms, particularly small firms, need to address this issue in a systematic manner through industry and business associations, to ensure that they remain competitive and also create incentives in this labor market. Second, specific sectors are experiencing skills shortages already—IT and tourism, as well as specific occupational

categories and geographical areas. And third, public sector employment is on the decline. Overall, the recent hiring of 45,000 public sector workers does little to mitigate this trend. For most Sri Lankans, the future of jobs in their country is in the private sector.

Alongside these dynamics, some motivated private sector industries have shown their commitment to identifying key skills for future development. The eight competitiveness clusters of ceramics, coir, gems and jewelry, information and communications technology, rubber, spices, tea, and tourism have identified specific skill needs and, in several cases, are now developing overall strategies for their sectors. Further, there is significant increase in jobs in the skill-intensive service sector, such as financial services, port logistics, insurance, and tourism. Key skills already identified consistently by many economic sectors include soft skills, ICT skills, English, and other technical skills. Throughout the Chamber of Commerce network, there was a resounding statement on the needs for workforce ready youth. Several private sector initiatives directly support and finance youth employment training and projects.

One important finding that emerged from the survey data, interviews, and analysis was the use of the educational credential for recruitment and hiring by the private sector. Based on employer surveys, the most cited qualification for positions was the educational credential. Also, family contacts are cited as another important issue for recruitment. Under such a system, the private sector and education system are two book-ends, both distinguishing youth simply by the educational credential based on rote-learning and memorization. Such a recruitment and hiring system provides no incentives for initiative, leadership, communication, or other skills that have proven to be critical for productivity in the workplace.

Furthermore, the higher rates of completion within the senior secondary system increase pressures on the system. Higher-educated youth do not want to accept factory and unskilled employment. These youth push for change, from both the inside and the outside of the education system. There has been a large increase in tertiary non-university enrollments, reflecting that youth will move to other channels to receive skills-training outside formal university. All of the factors—labor supply, economic growth, and skills shortages—push the environment for change.

Entry Points into the Workplace and Expectations of Youth

The majority of Sri Lankan youth leave the school system between 9th and 12th grades. To a large extent, the career potential of the student is determined by the secondary school credential. As we have seen, most students who receive only an O-level pass are tracked into unskilled manufacturing or self-employment. Within the education system, the only mobility for the O-level incomplete and complete is through vocational and technical education system. The A-level completers, representing around 15 percent of the entire system, have more opportunities. The most preferred route is to go to public university, which is free; however only a relatively small percentage (2 percent) will be accepted. The remaining students can go to other tertiary education institutions, including the private technical education and institutes.

The majority of youth who go into the workplace between 11th and 13th grade (A-incomplete) find work in service and self-employment sectors. For young men, the largest labor activity is in the services sector (almost 30 percent of youth go into the wide range of services that include retail, professional services, and tourism). For those with lower education, youth go into manual work as unskilled labor. Self-employment represents another large group of youth. Young women face a similar employment profile with some important exceptions. Services, self-employment, and manual work are all important areas of employment for young female workers.

Their expectations revolve around two main issues. First, there is always a preference for public sector employment, regardless of education. For many youth, private sector simply is equated with their point of entry: the self-employed and unskilled service sector. It is perceived as a place of “bad jobs” and little independence. There is little comprehension or discussion on career potential or mobility of a private

sector profession. Second, the youth perceive that the general education credential and family contacts are the main factors determining recruitment. In such an environment, the competency and motivation of youth is not considered. The report found that to change these attitudes of an individual, work experience is the most important factor.

Targeting Two Different Worlds: Southern Versus Eastern Region

USAID/SL asked the Assessment Team to examine the tsunami-affected region. In so doing, the team made specific findings about the economic sector, gender, educational level, and other attributes of the target audiences.

- **Services and self-employment are key areas of the economy for youth.** To a large extent, the self-employment/service sector provides the entry card for youth in the Sri Lankan economy. This holds true for both males and females, and across target areas affected by the tsunami of 2004. Self-employment skills, such as identifying small business opportunities, basic business planning, and accounting, may be particularly important to offer the eastern coast of Sri Lanka, since so few companies exist there.
- **Major differences emerge in the educational profiles of the two target areas.** The eastern region offers a less well-educated youth, one who has at most completed his/her O-level of education. *The rate of male A-level completers who reside in the eastern region is negligible.* The explanation for this is that those who complete A-levels leave the area after high school to obtain a higher tertiary education, whether university or non-university, either in Colombo or outside of Sri Lanka. Matara has a higher educational profile, with a critical mass of students completing A-levels, as well as participating in vocational training programs.
- **Gender is the key characteristic distinguishing the market.** The greatest variation of all the data is simply by gender. The traditional labor market of Sri Lanka widely distinguishes between genders, in terms of labor participation, unemployment, and recruitment activities. Young women respond to this reality by extending their education, which then only exacerbates the problem, with educated female youth experiencing extremely high unemployment rates.
- **Two different worlds: Matara and Batticaloa/Ampara.** Across all of the indicators, there are wide differences between the job opportunities in the rural and the urban communities. Matara, a semi-urban community, offers a wide range of employment opportunities, a vibrant manufacturing and services sector, a higher educational profile, and greater access for female youth into the labor market. This is in sharp contrast to the rural and isolated eastern region of Batticaloa/Ampara; here rural employment is largely restricted to agriculture and fishery and lower educational profiles, with extremely limited participation of female youth in the market.

Such findings highlight the need for detailed targeting to specific youth populations by planners and programmers of youth training in the country. Particularly, the eastern provinces have a negligible target audience of A-level completers that reside in the area. Self-employment and service sector employment are the critical entry points into the labor market for youth in the two areas. And gender issues must be incorporated into programming to youth, given the large gap in terms of participation and unemployment rates, particularly in the eastern region.

Strategy and Recommendations

Recommended Response: Private Sector Workforce Strategy

Given the overall policy environment in the country, USAID/SL has promoted a private sector strategy of private sector workforce development. The Assessment Team resoundingly supports this private sector

strategy, building on past achievements and new dynamics in the workforce institutions and economic competitiveness of the country. Three main policy sectors are incorporated into this strategy:

- the promotion of country competitiveness and productivity, continuing the efforts of the TCP project
- the promotion of demand-driven youth workforce development programs
- continuing efforts for the rebuilding of the tsunami-affected region, by targeting in the southern and eastern areas of the country

In building a private sector youth workforce development program, three main objectives can be identified: (1) Support a youth workforce development program, oriented to the specific needs of the target beneficiaries of youth, ages 15–25, and identifying specific linkages between youth and the private sector and training/educational institutions. (2) Promote private sector development, oriented to specific aspects of youth workforce development, such as identifying key actions and activities, particularly as they relate to recruitment, job search, human resource development, and career ladder issues. (3) Promote institutional strengthening of NGO and private providers of training, with specific reference to building linkages between youth, the training/service provider, and private sector.

Specific Recommendations

Recommendation: Change expectations of youth and their families by promoting “demand-driven” programming for youth workforce development. Programs should include several key components: (1) workplace orientation and work-based learning, through apprenticeships, mentoring, and youth entrepreneurship; (2) labor market information and counseling; (3) discussions among youth, private sector business, and industry representatives; (4) integration of existing services for cost-effectiveness. This “demand-driven” approach counters the current trend of on credentialism and test-taking to gain admission to university.

Recommendation: Emphasize targeting strategies to specific geographical regions, carefully distinguishing needs of the region by economic demand, educational profiles, and gender issues. Rural and urban regions differ significantly. In semi-urban and urban areas, the service sector is the important entry point for youth employment; in rural areas, agricultural and agribusiness sectors are the main points of entry. There is a critical need to develop specific strategies for agricultural and rural areas of the eastern region of the country. In addition, there are significant differences in educational profiles in these respective regions, as well as gender differences in labor market trends.

Recommendation: Support an integrated learning program that offers workforce skills and competencies in a single learning program. Such an integrated program should include courses in soft skills, business English and IT, as well as work-based learning and job placement. As part of these efforts, a program should identify key private sector training partners, such as small providers in English and IT training, to ensure their effectiveness to responding to workplace demands. Encourage active partnerships between the private sector and the training providers to help achieve these workforce linkages.

Recommendation: Encourage research and analysis, planning, and communication on the needs of youth workforce programs. The assessment identifies many opportunities to build on the success of past efforts, and to encourage more knowledge-sharing, research, planning, and communication on youth workforce programs in general. In particular, there is an urgent need for research and analysis of the types of effective youth workforce training for rural areas in the eastern region.

Specific Programming Options Based on the Assessment

The following offers programming options that would support the recommendations put forward in the above section. The main objective would be to promote youth workforce development through specific actions: (1) youth outreach and counseling on the world of work; (2) “employability” skills boot camp; (3) training of trainers in private and NGO providers; and (4) small grants program to support competitiveness clusters and promotion of best practice of small business in HRD. Graph 1 presents the framework for this project, and the following presents a brief description of possible program options:

- **Outreach and Career Guidance Program.** This component supports the start-up activities of the project. At the same time, it builds the youth-parents-private sector dialogue and labor market information, keys to a better understanding of major factors shaping youth and their households with respect to expectations of work and job search, as well as to firms and their recruitment and training processes. Much of this process is oriented to the career guidance program and its outreach to NGOs. A network of career guidance professionals, recruitment specialists, and youth experts will be established; specific techniques are to be identified to link youth to jobs; and NGOs are to be trained in these new methods.

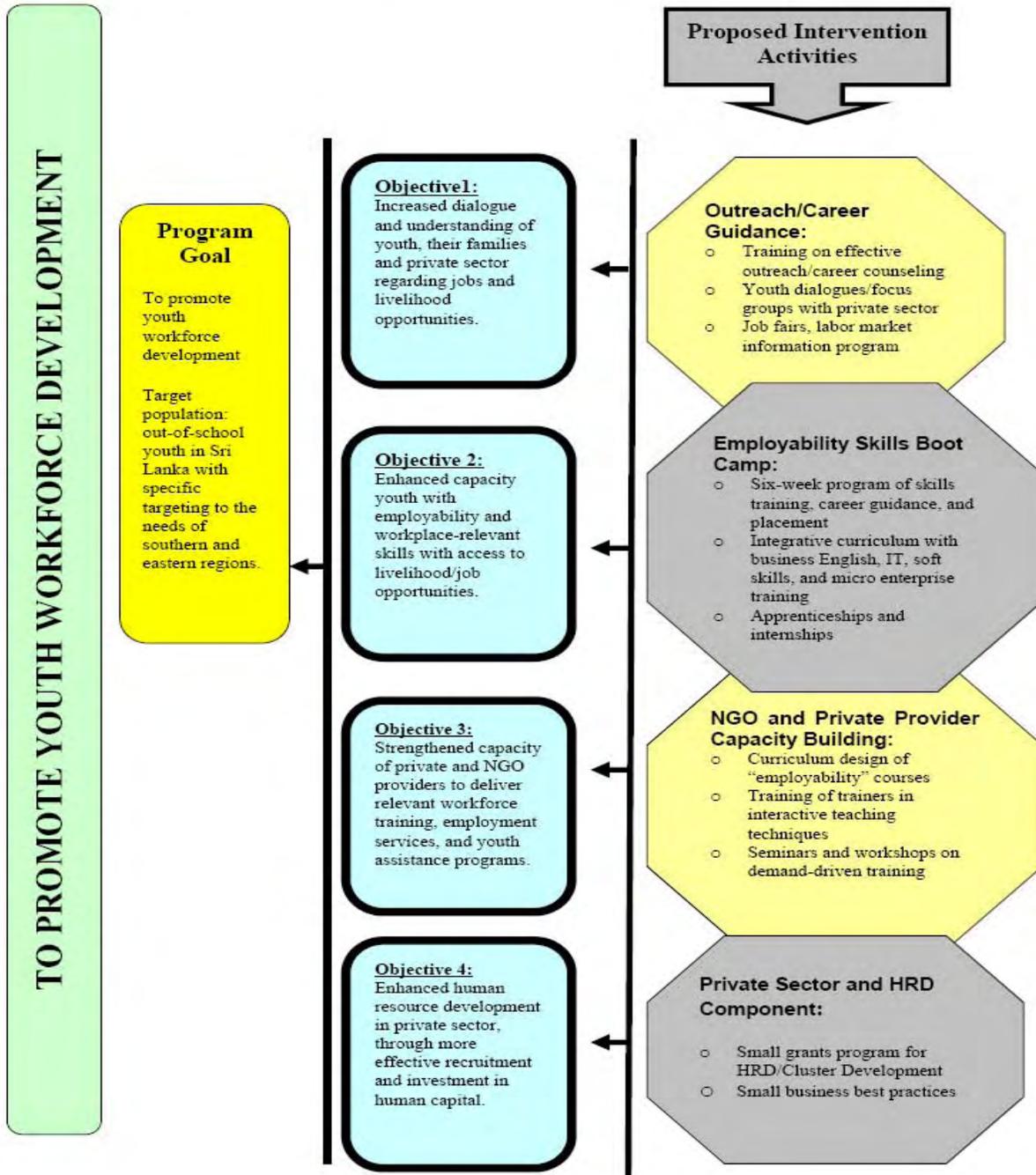
As has been discussed in the institutional analysis of this report, a host of new initiatives, in both public and private sector institutions, now focus on training of counselors in public secondary schools, JobsNet, and university recruitment programs. Bringing youth, private sector, and education/training institutions together to address these essential career counseling and labor market information issues is a timely and important step in linking education to workforce in this country.

- **Employability Skills Boot Camp.** This skills-training provides an integrative and interactive service package for a six-week training period; it includes basic skills in business English, IT applications, soft skills, and micro-enterprise/entrepreneurship. In addition, a work-based learning component, such as apprenticeship/internship/service learning, is included at the end of the experience. One of the most important features of this skills-training is the interactive and dynamic aspect of the instruction. Based on in-country research with NGO and public sector training institutions, the interactive learning is a priority in terms of making it relevant to youth.
- **NGO and Private Provider Capacity Building.** To support the service delivery, the third component provides capacity-building to NGO and private providers of training, including the design of “employability” skills and competencies training for the programs, training of trainers within the providers in the integrative skills curriculum, and seminars and workshops on demand-driven training. At present, a large number of training institutions, both non-profit and private, conduct skills-training for youth in the country. There is little understanding of the effectiveness or curriculum of these various institutions, no oversight of them, and little technical assistance to build their capacity. Networking these institutions, helping them to build partnerships in terms of services and beneficiaries, and evaluating their instructional program and cost-effectiveness are critical steps in improving the supply side of this workforce development issues.
- **Private Sector and HRD Component.** This final component links specific action between the private sector and human resource development, particularly as it relates to recruitment and job search by youth. In addition, it promotes best practices of small firms, including open and transparent recruitment based on specific skills and competencies, career ladder and employment growth opportunities, and linkages between youth workforce programs and private sector initiatives.

The eight TCP clusters have performed some skill needs assessment for their respective clusters. The TCP Workforce Survey (Appendix C) provides the initial feedback from these clusters in identifying critical skills and shortages for the future. These first steps can easily be transformed into a more active and targeted program to develop human resource capacity for each sector. The program can identify a wide

range of training initiatives, as well as important human resource development policies and practices to provide incentives and promote recruitment in these critical sectors. Each of the sectors has very specific and distinct needs, depending on the specialized skills, the level of technological competences, and the sheer size of the number of recruits for the sector. Partnership programs can be developed with each sector to ensure that broader sector goals are achieved and to address the specific challenges of each sector. This would extend the impact of the investment that USAID has made in The Competitiveness Program over the past six years.

Graph 1. Youth Workforce Development Program for Sri Lanka



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Abbreviations and Acronyms

A/L	Advanced Level
ACT	Accelerated Career Track (Program)
ACT	Accelerated Career Training (Program)
ADB	Asian Development Bank
ATI	Advanced Technical Institute
B.Tech	Bachelor of Technology
B.Tech.Ed.	Bachelor of Technical Education
BOI	Board of Investment
CBT	Competency Based Training
CCC	Ceylon Chamber of Commerce
CGTTI	Ceylon - German Technical Training Institute
CIM	Chartered Institute of Marketing
CIMA	Chartered Institute of Management Accountants
CITI	Clothing Industry Training Institute
CoT	College of Technology
CVTC	Community Vocational Training Centers
CVTC	Crash Vocational Training Courses
DEP	Distance Education Partnership
DFID	Department for International Development
DPSL	Development and Peace Sri Lanka
DSI	D. Samson Industries
DSRSL	Democratic Socialist Republic of Sri Lanka
DSS	Divisional Secretariats
DT	Diploma in Technology
DTET	Department of Technical Education and Training
DVTC	District Vocational Training Center
E-CBL	English-Computer-Based Learning
EMIS	Education Management Information System
EPF	Employee Provident Fund
ETF	Employee Trust Fund
E-CBL	English-Computer-Based Learning
FCCISL	Federation of Chambers of Commerce and Industry of Sri Lanka
FEA	Federation of Exporters' Associations
FTEP	First Technical Education Project
G.C.E.A/L	General Certificate of Education - Advanced Level
G.C.E.O/L	General Certificate of Education - Ordinary Level
GCE	General Certificate of Education
GDITVS	Gamini Dissanayake Institute of Technology and Vocational Studies
GDP	Gross Domestic Product
GEM	Global Evaluation and Monitoring
GOSL	Government of Sri Lanka
GPS	Graduate Placement Service
GTZ	German Technical Cooperation
HND	Higher National Diploma
HNDE	Higher National Diploma in Engineering
HRD	Human Resources Development
HRIP	Human Resource Investment Project
ICDs	Industrially Developing Countries
ICs	Industrialized Countries

IDA	International Development Association
IET	Industry-led Employment and Training
IIMI	International Irrigation Management Institute
ILO	International Labour Organization
IMF	International Monetary Fund
IPP	Industry Placement Program
ISC	Industry Sector Council
ITABs	Industry Training Advisory Bodies
ITOs	Industry Training Organizations
ITUM	Institute of Technology - University of Moratuwa
JICA	Japan International Cooperation Agency
LMI	Last Mile Initiative
LMS	Labour Market Survey
INGRIN	INGRIN Institute of Printing and Graphics Sri Lanka
M & E	Monitoring and Evaluation
MCC	Municipal Councils
MOBIS	Management, Organizational and Business Improvement Services
MOE	Ministry of Education
MSDVTE	Ministry of Skills Development, Vocational and Technical Education
MTET	Ministry of Tertiary Education and Training
MTR	Mid Term Review
MVTU	Mobile Vocational Training Units
NAITA	National Apprentice and Industrial Training Authority
NATP	National Association of TEVT Providers
NCCSL	National Chamber of Commerce of Sri Lanka
NCEE	National Center of Excellence for English
NCGE	National Certificate of General Education
NCPA	National Child Protection Authority
NDT	National Diploma of Technology
NEC	National Education Commission
NGO	Non-Governmental Organization
NIBM	National Institute of Business Management
NITESL	National Institute of Technical Education of Sri Lanka
NVQ	National Vocational Qualification
NVTC	National Vocational Training Center
NYSC	Nation Youth Services Council
O&M	Operation and Maintenance
O/L	Ordinary Level
OBB	Output Based Budgeting
OJT	On the Job Training
OP	Partner Organizations
OUSL	Open University of Sri Lanka
PIU	Project Implementation Unit
PRET	Project for Rehabilitation through Education and Training
PSC	Project Steering Committee
PSs	Provincial Secretariates
RDA	Road Development Authority
RITC	Rapid Information Technology Conversion program
RVTC	Rural Vocational Training Center
SAT	Scholastic Aptitude Test
SDP	Skills Development Project
SEC	State Engineering Corporation

SLIATE	Sri Lanka Institute of Advance Technical Education
SLIP	Sri Lanka Institute of Printing
SLITHM	Sri Lanka Institute of Tourism & Hotel Management
SLTRP	Sri Lanka Tsunami Reconstruction Program (USAID/SL-funded project)
SME	Small and Medium Enterprises
SOE	Statement of Expenditure
STEP	Second Technical Education Project
STW	School-To-Work Survey (ILO, 2003)
TA	Technical Assistance
TC	Technical College
TCP	The Competitiveness Program
TEDP	Technical Education Development Project
TEVT	Technical Education and Vocational Training
TEWA	Termination of Employment of Workmen Act
TOR	Terms of Reference
TOT	Training of Trainers
TRP	Tsunami Reconstruction Program (USAID/SL-funded project)
TVEC	Technical Vocational Education Commission
UGC	University Grants Commission
UNIVOTEC	University of Vocational Technology
UVT	University of Vocational Technology
VERC	Vocational Education Reconstruction Component (USAID Tsunami project)
VTA	Vocational Training Authority
VTBR	Vocational Training and Business Recovery (Project)
VTRWY	Vocational Training for Rural Women and Youth
WDC	Workforce Development Council
WUSC	World University Service of Canada - Sri Lanka
WFP	World Food Programme
YESL	Young Entrepreneurs of Sri Lanka (Junior Achievement)

Appendix A: Salient Characteristics of Youth Employment and Education

Data and Methodology of Youth Profile

Sri Lankan youth have been subject to extensive study, measurement, and analysis in the last five years. With persistent rates of high unemployment—particularly for well-educated Sri Lankan youth—a host of quantitative and qualitative surveys have examined the reality and expectations of Sri Lankan youth. These include:

7. International Labor Organization, “School-to-Work Transition of Youth in Sri Lanka,” 2004. With a sample of 1,840 household interviews, youth were identified throughout the country based on four main categories: in-school youth, young job seekers, self-employed youth, and employed youth. This extensive survey examined all aspects of youth and their experiences, including education and job expectations, and provides a significant sample in the northern conflict areas. Additionally, the survey gathered data on demand-oriented trends from fifty employers in the country.
8. Sri Lankan Labour Force Survey/Census. This Survey/Census has been conducted quarterly since 1990, and provides levels and trends of employment, unemployment, and labor force statistics country-wide. Due to the tsunami of 2004, this survey was not conducted quarterly in 2005, but rather as a special survey in August 2005. The 2005 data are collected as a national sample of 5,350 housing units and stratified by tsunami and non-tsunami areas.
9. Sri Lanka Education Survey/Census 2006. Additionally, the Sri Lankan Census collects educational statistics on enrollments, including repetition and completion rates, as well as a host of additional surveys and studies on the cost and benefits of education, investment in education, and the training markets, coordinated with the World Bank. (See “Treasures of the Sri Lankan Education System,” World Bank, 2005).

The richness of this comprehensive data regarding youth at the household, education, and labor market levels provides a unique methodological situation for the Assessment. Rather than re-creating the wheels of past research by conducting primary research on youth and training issues, the Assessment uses the extensive findings from past studies of the school-to-work youth in the country, and integrates them into a meaningful institutional and economic context. Moreover, it highlights the key findings that relate to specific cohort groups, the leavers of the high school system, who face a prolonged job search and skills mismatch issues in the labor market. Finally, the on-site interviews of youth at specific training and educational centers allowed the research to be sensitized to the overall youth context of the country.

Salient Characteristics of Youth

Table A-1. Labor Force Participation Rates by Age and Sex

Age group (yr.)	Sex		
	Total	Male	Female
Total	48.3	67.1	30.9
15 – 19	21.4	28.9	13.2
20 – 24	62.3	82.7	44.4
25 – 29	68.0	94.1	42.9
30 – 39	69.7	97.1	44.6
40+	51.3	74.5	31.1

Table A-2. Unemployment by Age and Gender, 2005

All Island	7.7	5.5	11.9
15 – 19	30.8	23.5	48.5
20 – 29	17.2	12.4	26.3
30 – 39	3.8	2.8	5.7
40 – 49	1.5	0.5	3.3
50+	1.0	1.1	0.7

Table A-3. Percentage Distribution of Duration of Unemployment by Education Level

Duration	Level of education				
	All levels	Below Gr. 5	Gr. 5-9	G.C.E. (O/L)	G.C.E. (A/L) & above
Total	100.0	100.0	100.0	100.0	100.0
Less than 6 months	19.9	18.9	15.5	13.9	16.4
6 to less than 12 months	11.7	12.0	13.7	12.2	12.5
12+ months	68.4	69.2	70.8	73.9	71.0

Source for above tables: Sri Lanka Census. August 2006

Table A-4. Unemployment Rates by Level of Schooling, Ages 19-60 and Ages 19-29, 2002.

Education level	Age 19-60			Age 19-29		
	Male %	Female %	Total %	Male %	Female %	Total %
No schooling	2	1	1	6	1	4
Primary education	2	3	2	6	10	7
Junior secondary education	4	7	5	11	15	12
Secondary education	9	13	10	18	21	19
GCE O/L qualified	8	17	11	21	36	27
GCE A/L qualified	10	21	15	27	40	34
Graduates	6	12	9	21	30	26
Postgraduates	3	2	3	na	na	na
All education groups	6	11	8	17	27	20

Source: World Bank estimates, based on the Department of Census and Statistics, Labor Force Survey (2002).

Note: The unemployment rates for postgraduate educated individuals in the age range 19-29 were not calculated due to the small sample of observations available.

Returns to Schooling and Probability of Labor Market Employment

Two caveats must be noted. In the long run, education is a significant determinant of higher professional status and income. As measured in recent World Bank studies, the higher the level of education, the higher the professional status of individuals, particularly for men. Table 1-5 of Appendix A provides estimates of the probability that for men in the professional occupations, 95 percent are tertiary graduates, and for women in professional occupations, 97 percent are tertiary graduates.

Table A-5. The Impact of Education on Occupational Achievement (2002)

Marginal Effects Derived from a Multinomial Logit Model. Maximum-Likelihood Estimates

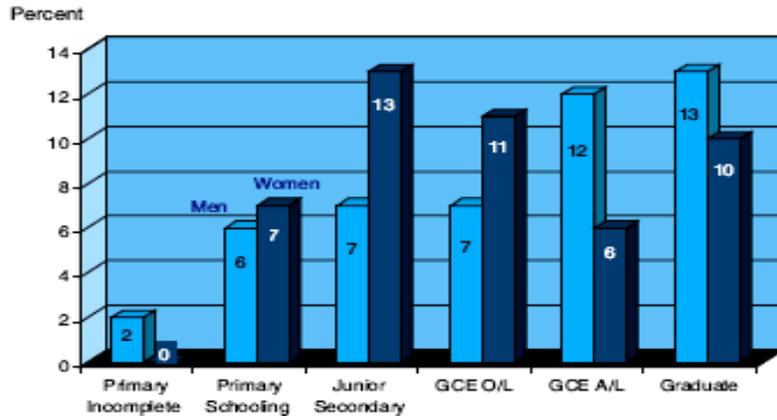
Occupational group	Men			Women		
	Compulsory education	Senior secondary education	Tertiary education	Compulsory education	Senior secondary education	Tertiary education
Legislators, senior officials and managerial occupations	0.01	0.76*	0.91*	0.11	0.77*	0.89*
Professionals	0.01	0.79*	0.95*	0.07	0.82*	0.97*
Technicians, clerical, sales and service workers	0.34*	0.57*	0.01	0.31*	0.52*	0.12
Skilled workers, crafts persons and artisans	0.56*	0.24*	0.01	0.72*	0.21*	na

Source: World Bank estimates, based on the Department of Census and Statistics, Labor Force Survey. The base occupation category, against which the log-odds ratios of the multinomial logit model have been calculated, is elementary occupation. Values have been rounded to the nearest second decimal. The marginal effects marked with an * are statistically significant at the 5% level.

Secondly, the long run private returns to schooling are robust. Figure A-1 shows that particularly for men, education at senior secondary and tertiary has returns in the 12 to 13 percent level. Females enjoy such returns for O level and tertiary education (11 and 10 percent rates of return, respectively). However, for women, A level returns to education sharply decrease to 6 percent, which in turn reflects the limited access and opportunity for women in the labor market with this level of education. These findings point to the long run efficiency of the labor market in terms of education. However, as we have seen, it is a very long and bumpy ride to get into the labor market, where expectations of youth must adjust to the

reality of the demands of the labor market. Additionally, such results do not demonstrate the access to these employment opportunities. (World Bank, 2005; Martin Rama, 1999)

Figure A-1. Rates of Private Returns to Schooling, Gender Disaggregated, 2003



Source: World Bank estimates, derived from Selectivity Corrected Earnings Functions, Two-Stage Least Squares Estimates. The regression equations underlying the computations are controlled for other factors affecting earning, such as experience, technical training, labor supply, employment sector and economic sector. Controls for innate ability were not available in the data. Hence, the estimated returns to education may be slightly upward biased, including ability components. Note: Values have been rounded to the nearest integer.

Selected Labour Force Indicators

	Year							
	1996	1998	2000	2001	2002	2003*	2004**	2005***
Labour force participation rate								
<i>by sex</i>								
Both sexes	48.6	51.7	50.3	48.8	50.3	48.9	48.6	48.3
Male	65.9	67.5	67.2	66.2	67.9	67.2	66.7	67.1
Female	31.6	36.4	33.9	31.9	33.6	31.4	31.5	30.9
<i>by residential sector</i>								
Total	48.6	51.7	50.3	48.8	50.3	48.9	48.6	48.3
Urban	44.4	45.2	44.9	44.2	46.0	44.4	44.9	45.5
Rural	49.5	52.7	51.2	49.6	50.9	49.6	49.2	48.7
Unemployment rate								
<i>by sex</i>								
Both sexes	11.3	9.2	7.6	7.9	8.8	8.4	8.3	7.7
Male	8.2	6.5	5.8	6.2	6.6	6.0	6.0	5.5
Female	17.7	14.0	11.1	11.5	12.9	13.2	12.8	11.9
<i>by selected age groups(yr)</i>								
20 - 29	22.0	19.3	17.4	18.4	20.1	19.4	19.2	17.2
20 - 24	29.1	25.4	23.0	24.4	27.0	26.4	25.9	24.6
25 - 29	14.4	12.4	10.9	11.3	11.6	11.4	11.4	9.5
<i>by selected educational levels</i>								
G.C.E.(A/L) & above								
Both sexes	19.0	17.5	14.9	15.3	16.8	16.5	16.8	13.8
Male	10.1	9.4	8.8	10.1	10.8	10.4	10.5	8.9
Female	28.3	25.8	21.5	21.5	23.0	23.3	23.8	19.1
Employed population								
<i>by sex</i>								
Both sexes	5536216	6049388	6310247	6235588	6519415	7012755	7440226	7518007
Male	3856411	4004621	4241546	4248877	4395164	4833483	5087861	5134765
Female	1679805	2044767	2068701	1986711	2124250	2179272	2352365	2383241
<i>by industry (percentage)</i>								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	37.4	39.3	36.0	32.6	34.5	34.0	33.5	30.7
Manufacturing	14.6	14.9	16.6	17.0	16.5	16.5	17.7	18.4
Other	48.0	45.8	47.4	50.4	49.1	49.5	48.8	50.9
<i>by no. of hours worked per week (percentage)</i>								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0	4.9	5.3	7.2	4.3	5.6	7.5	5.2	4.7
1 - 9	1.8	2.3	1.9	1.5	1.5	1.8	1.6	1.5
10 - 39	32.0	32.9	32.7	28.2	32.0	32.6	28.7	27.6
40+	61.3	59.6	58.2	66.1	60.9	58.1	64.5	66.2

* Excluding Northern province

** Excluding Mullativu & Kilinochchi districts

*** All the districts are included

(Before 2003, estimates excluded both Northern & Eastern provinces)

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Department of Census & Statistics, 15/12, Maitland Crescent, Colombo 7
 Telephone 2695291, Fax 94-11-2697594, Email :sample.survey @ statistics.gov.lk
 Web address: www.statistics.gov.lk

Table A-7. Unemployment Rates by Age and Province, 2004.

Province	Total	Age Group			
		15 – 19	20 – 24	25 – 29	30+
All Island	8.3	28.3	25.9	11.4	2.3
Western	8.1	34.9	24.9	8.9	2.4
Central	6.6	20.9	20.5	10.3	1.7
Southern	9.8	30.8	32.4	17.2	2.4
Northern **	9.2	22.0	28.3	15.5	1.8
Eastern	10.5	26.7	35.7	12.9	2.6
North Western	7.6	23.3	21.7	11.1	3.0
North Central	8.1	28.9	26.0	10.3	1.8
Uva	7.1	21.9	26.9	10.0	1.3
Sabaraganwua	9.0	34.0	25.1	12.6	2.5

** Multiativa and Kilincchchi districts were excluded due to some problems observed in sampling.

Province	Total Employed	Employee			Employer	Own Account Worker	Unpaid Family Worker
		Total	Public	Private			
Total	7,394,559	4,395,124	963,852	3,431,272	216,019	2,090,660	692,756
Western	2,074,153	1,421,564	295,256	1,126,308	83,817	483,881	84,890
Central	887,120	561,014	111,243	449,771	16,336	211,356	98,414
Southern	943,933	527,447	116,932	410,516	18,624	291,988	105,873
Northern **	235,298	142,185	36,732	105,453	14,294	66,234	12,585
Eastern	454,726	248,026	73,553	169,473	13,001	146,595	47,103
North Western	951,744	542,304	119,318	422,985	30,283	281,678	97,480
North Central	470,741	168,283	71,494	96,788	8,274	209,349	84,835
Uva	597,336	291,278	51,920	239,358	9,840	183,484	112,735
Sabaragamuwa	779,509	493,023	82,404	410,619	21,549	216,095	48,841

** Mullativa and Kilinochchi districts were excluded due to some problems observed in the sampling frame.

Table A-9. Employed Population by Employment Status—Males 2004

Province	Total Employed	Employee			Employer	Own Account Worker	Unpaid Family Worker
		Total	Public	Private			
Total	5,049,648	2,973,570	600,381	2,373,189	194,773	1,652,322	228,983
Western	1,456,253	968,695	182,905	785,790	75,876	377,902	33,780
Central	572,011	349,747	64,089	285,658	14,163	177,953	30,148
Southern	624,234	351,640	68,569	283,071	16,488	222,668	33,438
Northern **	186,728	112,262	24,576	87,685	14,082	52,950	7,435
Eastern	350,615	211,059	57,915	153,144	12,635	111,693	15,228
North Western	659,355	376,378	72,642	303,736	27,855	221,367	33,755

North Central	317,042	113,688	48,932	64,756	6,187	172,340	24,827
Uva	364,377	176,368	31,917	144,451	8,802	144,946	34,262
Sabaragamuwa	519,032	313,734	48,836	264,898	18,686	170,502	16,110

** Mullativa and Kilinochchi districts were excluded due to some problems observed in the sampling frame.

Source: Sri Lanka Census. District and Provincial Level Tables. Sri Lanka Labour Force Survey. 2004.

Table A-10. Employed Population by Employment Status—Females 2004

Province	Total Employed	Employee			Employer	Own Account Worker	Unpaid Family Worker
		Total	Public	Private			
Total	2,344,911	1,421,554	363,471	1,058,083	21,246	438,339	463,772
Western	617,900	452,869	112,352	340,518	7,941	105,979	51,110
Central	315,108	211,267	47,153	164,113	*	33,403	68,265
Southern	319,698	175,808	48,363	127,445	*	69,320	72,434
Northern **	48,569	29,923	12,155	17,768	*	13,284	5,150
Eastern	104,111	36,967	20,638	16,329	*	34,902	31,875
North Western	292,388	165,925	46,676	119,249	*	60,310	63,725
North Central	153,699	54,594	22,562	32,032	*	37,009	60,008
Uva	232,960	114,910	20,003	94,907	*	38,538	78,473
Sabaragamuwa	260,477	179,290	33,568	145,721	*	45,593	32,731

* Reliable estimates cannot be provided due to the small cell size.

** Mullativa and Kilinochchi districts were excluded due to some problems observed in the sampling frame

Source: Sri Lanka Census. District and Provincial Level Tables. Sri Lanka Labour Force Survey. 2004.

Appendix B: Targeting Analysis of Tsunami-Affected Regions: Batticaloa/Ampara and Matara/Southern Region

Appendix B presents the main indicators and analysis of this targeting exercise for the three communities of Matara, Batticaloa, and Colombo. These results are distinguished by gender and by geographical region.

1. *Labor Force Participation (LFP) rates.* In all three districts, the LFP rates are similar for men, around 67 percent. Yet for females, there is a wide variation in LFP, with Matara having higher rates of participation, 40 percent, and Batticaloa lower, 20 percent. (Census 2004)
2. *Unemployment rates.* There are few distinctions between unemployment rates in the West-South and Eastern provinces, except for gender. Matara and Colombo have similar rates of unemployment, at 6 percent range for men and 12 percent range for women. Unemployment rates for males in the Eastern province are estimated at 8 percent, slightly above those of the West-South provinces. Yet, female unemployment is almost double on the East coast, where 23 percent of women are unemployed, compared to the West-South region of 12 percent. (Census, 2004)
3. *Employment activity of male youth.* The economic activity of youth dramatically differs among the specific regions of Sri Lanka. Clearly, Colombo and Matara share some similarities. Around a third of male youth in both the West and the South are employed in the services industries. However, there are key distinctions between these two areas. In Matara, agriculture and factory work represent a combined 30 percent of all employment activity by youth. There is relatively little self-employment in Matara (11 percent), and manual workers, such as those in construction, represent only 11 percent of youth employment.

The employment profile of male youth in Batticaloa widely differs. Sixty percent of male youth in the East are self-employed or employed in manual labor. Services and clerical work absorb around 30 percent of male youth in this area. Male youth work very little in agriculture-related jobs, only 6 percent, and not at all in factory work. Clearly, the employment profile in the eastern region is oriented to unskilled and uneducated labor.

4. *Employment activity of female youth.* There are important distinctions for female youth in employment activity. First, the large manufacturing firms in the footwear and apparel industries predominantly hire women, translating into 53 percent of the woman in Matara employed in factory work. The remaining women in Matara district work in services or are self-employed.

In Batticaloa, the employment patterns of female youth are very similar to those of male youth. Self-employment is the largest activity of female youth in the Eastern district, with 33 percent of women finding work in this informal sector. Clerical represents 27 percent, and manual work represents 23 percent of total employment.

5. *Educational profile of male youth.* The Matara educational profile of youth is higher than that of Batticaloa, but still most of the students leave the system by the end of their O-levels, particularly male students. Eighty (80) percent of male youth have an education of O-level complete or below in Matara; and 95 percent of male youth have an education of O-level complete or below in Batticaloa. In terms of male A-level complete, there is a significant group in Matara, around 12 percent. There is negligible education of A-level male youth in Batticaloa. Also note that vocational education represents around 10 percent of youth in Matara, but is not sufficient to be measured in Batticaloa.
6. *Educational profile of female youth.* Gender distinctions are particularly important in Matara. Female youth have increased educational attainment, with 20 percent of female youth completing

their A-level education. Also around 10 percent of females in Matara complete vocational training. In the case of Batticaloa, females are slightly, but not significantly, more educated. Females completing O-levels is 22 percent, higher than males, but females completing A-levels is only 4 percent, lower than males.

7. *Education levels and unemployment rates.* As analyzed earlier, A- and O-leavers, even though a small group, have persistent unemployment problems in the system. For male youth, A-level graduates have the most persistent problem in being absorbed by the labor market, and particularly in the South and East region, as compared to Colombo. Female youth have even more difficulty, particularly in Batticaloa. Female youth with O- and A-levels of education face unemployment rates as high as 38 percent in Batticaloa, well over a third of these well-educated young women. This compares with levels of 12 to 14 percent in Matara and Colombo.

Main Youth Indicators and Trends

Source: ILO, STW Survey 2003

Table B-1: Percentage of respondents by economic activity of respondents and gender

Occupation of respondent	Matara	Batticaloa	Colombo
Male			
Manual Work	11.3	25.4	21.9
Business Related	7.5	6.8	9.5
Services	35.8	15.3	35.0
Clerical & related	1.9	15.3	0.7
Self employed	11.3	30.5	23.4
Agriculture Related	15.1	6.8	0.7
Factory Work	15.2	0.0	8.0
Other	1.9	0.0	0.8
Total	100.0	100.0	100.0
Female			
Manual Work	2.6	23.0	14.5
Business Related	5.3	6.6	3.4
Services	18.4	9.8	22.2
Clerical & related	0.0	26.2	8.5
Self employed	7.9	32.8	27.4
Agriculture Related	13.2	0.0	4.3
Factory Work	52.6	1.6	17.9
Other	0.0	0.0	1.8
Total	100.0	100.0	100.0

Table B-2: Percentage of Respondents by Current Educational Level and Gender

Current Level of Education	Matara	Batticaloa	Colombo
Male			
No formal education	0.0	7.6	4.7
Primary	5.2	21.2	11.3
Secondary	39.7	48.3	40.1
GCE O/L level	39.7	17.8	27.7
GCE A/L level	12.0	5.1	9.5
Technical Training	1.7	0.0	2.2
Vocational training	1.7	0.0	3.6
Degree	0.0	0.0	0.9
Total	100.0	100.0	100.0
Female			
No formal education	0.0	1.6	4.5
Primary	0.0	13.9	11.8
Secondary	28.6	57.4	39.8
GCE O/L level	36.9	22.1	32.2
GCE A/L level	25	4.2	7.7
Technical Training	0.0	0.8	1.2
Vocational training	9.5	0.0	2.0
Degree	0.0	0.0	0.8
Total	100	100	100.0

Source: ILO, STW Survey 2003

Table B-3: Youth Labor Force Participation and Unemployment

Labor Force Participation	Matara	Batticaloa	Colombo
Total	53.5	41.4	46.2
Males	67.7	67.2	67.0
Female	40.1	20.7	26.5
Unemployment rates			
Total	7	10.6	7.4
Males	6.0	8.3	5.8
Females	12.6	23.4	11.1
Unemployed by Education			
Total			
Below Grade 5	n/a	n/a	3.8
Grade 5-9 / Year 6-10	7.5	6.4	7.8
GCE O/L	15.2	20.0	9.2
GEE A/L and Above	22.6	29.2	10.0
* See entire region of			
Males			
Below grade 5	n/a	n/a	4.1
Grade 5-9 / Year 6-10	6.5	2.6	6.6
GCE O/L	12.0	8.8	8.1
GEE A/L and Above	13.3	14.4	6.3
Females			
Below grade 5	n/a	n/a	n/a
Grade 5-9 / Year 6-10	11.1	13.6	11.1
GCE O/L	12.0	36.1	12.0
GEE A/L and Above	14.8	37.9	14.8

Source: Sri Lanka Provincial and District Labour Census 2004

Appendix C: Key Survey Results from Enterprise-Based and Occupational Surveys

This appendix presents findings from the following two surveys and studies.

1. Competitiveness Cluster Survey Results and Feedback.

The Competitiveness Program (TCP) research. Sponsored by USAID/SL/EGAT.

2. Competency Based Requirements of Main Occupations in Tsunami-Affected Regions.

Vocational Education Rehabilitation Component-VERC: Skill Gaps Assessment, May 2006.

Financed by USAID/SL. Research conducted by CM2Hill.

Table C-1. The Competitiveness Program Cluster Survey Results and Feedback

Cluster	Importance of Workforce Skills to Competitiveness	Skills level improvements most beneficial in:	Most important skills	Employment in Cluster	Apex Org.	Biggest problem getting & keeping skilled employees	Receptivity to superv. & HR Mgr. training	Employment level	Skill importance ranking
Ceramics	Very Important	Laborers	1. Technical skills 2. Attitude 3. Problem solving	25,000 (2003)	The SL Ceramics Council	Lose employees to more lucrative sectors	Very receptive	Increase	1. Technical skills 2. Soft skills 3. English 4. Computer literacy
Coir	Important	Technicians Laborers	1. Attitude 2. Technical skills 3. Teamwork	35,000	Coir Council Intl.	Archaic proc. practices & difficult working conds. at mills result in difficulty in attracting younger labor. Perception as lower social status jobs.	No opinion	Remain stable	1. Technical skills 2. Soft skills 3. English 3. Computer literacy
Gems and Jewelry	Very Important	Technicians	1. Technical skills 2. Attitude 3. English 3. Confidence	173,550*	Sri Lanka Gem & Jewelry Assn.	Lack of interest of crafts people to seek knowledge and learn best practices.	Somewhat receptive	Increase	1. Technical skills 2. Soft skills 3. English 4. Computer literacy
ICT	Very Important	Entry level mgrs/sups. Technicians	1. Technical skills 2. Attitude 3. English	13,982 (2006)	Sri Lanka ICT Assn. (SLICTA)	1. Need more Comp. Sci. graduates 2. Improved compensation	Very receptive	Increase	1. Technical skills 2. Soft skills 3. English 4. Computer literacy
Rubber	Very Important	Mid-high level managers	1. Technical skills 2. Problem solving 3. Communication	300,000 230,000 prodn. 70,000 procesg	SL Soc. of Rubber Industry	Need to improve instructional methods used in in-house training	Somewhat receptive	Increase	1. Technical skills 2. Soft skills 3. Computer literacy
Spices	Important	Technicians	1. Attitude 2. Technical skills 3. Teamwork	250k Farmers 1.5k processg. employees	The Spice Council	No answer	No answer	Remain stable	1. Technical skills 2. Soft skills 3. Computer literacy 4. English
Tea	Very Important	Entry level managers/sups	1. Attitude 2. Problem solving /conceptual skills 3. Technical skills	1,000,000	CTTA TASL, Tea Cluster	Attitude of job applicants, competition from high growth industries, ie apparel.	Somewhat receptive	Remain stable or decrease	1. Soft skills 2. Technical skills 3. English 4. Computer literacy
Tourism	Very Important	Laborers	1. Customer service 2. Confidence 3. English	53,776 (2003)	The Tourism Cluster	Employees job hopping for better benefits	Very receptive	Increase	1. Technical skills 2. Soft skills 3. English 4. Computer literacy
Totals	6 Very Important 2 Important 0 Not Important	2 Entry level managers/sups. 4 Technicians 3 Laborers	6 Attitude 3 English 0 Ability to use computers 3 Problem solving 7 Technical skills 1 Customer service 2 Teamwork 2 Confidence 0 Assertiveness	1,851,308	na	na	3 Very receptive 3 Somewhat receptive 0 Not receptive 2 No opinion	5 Increase 3 Remain stable 1 Decrease	1. Technical skills 2. Soft skills 3. English 4. Computer literacy

Summary of Survey (paper survey and interviews) of Cluster Specialists and Cluster Business Representatives

The TCP has worked on competitiveness issues with the eight clusters since 2001. These eight clusters represent approximately 25% of the economy of Sri Lanka. The survey results were supplemented by structured interviews with each Cluster Specialist. In most cases a representative from the private sector of the respective cluster participated in the interviews along with the Cluster Specialist.

The clusters represent the following industries:

- Ceramics
- Coir
- Gems and Jewelry
- Information and Communications Technology (ICT)
- Rubber
- Spices
- Tea
- Tourism

The following highlights the key findings of a survey of eight Cluster Specialists (Program Specialists) employed by The Competitiveness Program (TCP). All recipients responded to the survey (n=8). Also, all of the clusters participated in the interviews (n = 8). The survey and interviews were done in May 2006. The interviews produced many pages of background and suggestions from the cluster specialists and business representatives. A small sample of notes from the interviews follows.

Ceramics

- As some ceramics firms move to leaner manufacturing methods many less supervisors are needed. In one firm, a plant that used to have one supervisor for each 7 employees now has one supervisor for each 24 employees. As the shift to an empowered workforce is made the employees are becoming responsible for more activities (that were once done by supervisors) and therefore they need to have a broader skill set.
- Employees increasingly need confidence and the ability to present and sell their views.
- TCP's collaboration with Moratuwa University in an Industry Placement Program (IPP) is seen as very successful. Non-IPP graduates' starting salaries were 12,000 Rupees monthly and they needed an average of 9 months to find a job after graduation, while IPP graduates' starting salaries were 13% higher and they averaged only one week of job search after graduation.
- Companies pay IPP participants 4,000 Rupees monthly.
- Math, chemistry, and design are important subjects.
- Almost no design work for production pieces of ceramics is currently happening in Sri Lanka.

Coir

- Could be helpful to provide soft-skills-training to the Coir Research Development and Training Center.
- Millers (mill owner/operators) could use computer training.
- The CRDT Center plans to train 500 mill workers and 50 mill managers in short skills-upgrading courses in the second half of 2007.

Gems and Jewelry

- Gem and Jewelry Institute (GJI) is a public/private partnership. The GJI wants to offer diploma level training for O-level graduates. Current training offered by Technical Colleges, Gems and Jewelry Research and Technology Institute of Ratnapura, and the Vocational Training Authority were viewed by the business representative as very insufficient in quality.
- GJI is interested in developing multi-user spaces in which individual craftspeople would share workspaces and equipment and be able to access training more conveniently.
- Most training is Colombo-centric. GJI would like to see more training offered outside of Colombo.

ICT

- Business process outsourcing is growing in Sri Lanka.
- “Only Moratuwa, Colombo, and Peradeniya Universities put out graduates that are ready to be productive in ICT upon graduation.”
- Counseling in A-level classes needed to inform young people about career opportunities in ICT.

Rubber

- Rubber industry has two components—production and processing. The workforce need and training needs in each vary substantially.
- Many opportunities could exist to facilitate improvements in the quality of training at the Plastics and Rubber Institute (PRI), UVA University (new university coming up close to Moneragala city, and the Moneragala training center that will be developed.
- The Plastics and Rubber Institute gives largely A-level graduates industry-specific training leading to a diploma.
- Large Moneragala rubber project will develop 5,000 hectares for rubber cultivation with International Fund for Agricultural Development (IFAD) funds. Plan is for 40,000 hectares eventually.
- Moneragala rubber project will develop a training center to train small holders and extension agents. The training center will be managed by a consortium of private sector rubber companies. The government has committed to giving more than 50% of the land for small holders to females. Assisting the Moneragala training center could help the gender balance of our workforce development program. However training center will not open till 2008.

Spices

- 70% of spice production comes from small holders. 30% comes from fairly organized companies.
- Training all links in the supply chain to meet international standards (mainly for sanitation and cleanliness, organic certification is also occasionally sought) is a very sizable training need. This includes Hazard Analysis at Critical Control Points (HACCP). Traceability is a part of many international food-processing standards, so this drives the need to train each step in the Value Add process, from producer/grower to processor to exporter.
- Lots of spice cultivation is in the central region of the country, cinnamon is grown in the Southeast.

Tea

- Sector does lots of on-the-job training
- Sector does hire lots of A-level graduates, but many of their jobs are in Colombo district in processing, dealing, and exportation.
- 60% of Sri Lankan tea production comes from the South (low country tea). 40% of Sri Lankan tea comes from the Central region (high country tea.)

- Much of production in the South comes from small holders who cultivate less than 50 acres. Many smallholders cultivate less than an acre.
- Jobs for A-level graduates as tasters, brokers assistants, accountants.

Tourism

- Huge shortage of employees in every level from entry-level manual labor to managers.
- “Industry is heading for huge HR shortfall.”
- 11,000-12,000 rooms capacity presently is expected to grow significantly in coming years.
- Lots of job-hopping between companies because of the competition for talent. Sri Lankan hospitality firms take employees from each other and countries such as Dubai are starting to take many employees.
- Hotels are already contributing 1% of their revenues into a Tourism Act fund. Part of the fund will go to revamping the Hotel School, which is seen as requiring major overall and better leadership.
- “Interested in year-long professional development for mid- and high-level managers covering finance, HR, and decision-making, in which the participants would study part-time.”
- Hard to recruit women for many hotel jobs because of the reputation of “wine, women and song.”
- Mount Livinia has a small training center.
- Hotel School has an Austrian partner.
- Hotel School will behave as a private sector company, with a board made principally of private sector representatives.

Interview Participants

- *Ceramics*
 - Preminda Fernando, Cluster Program Specialist
 - Neil T. Boghalande, Head of Human Resources, Royal Ceramics Lanka Ltd.
- *Coir*
 - Zahara Cader, Cluster Program Specialist
- *Gems and Jewelry*
 - Zahara Cader, Cluster Program Specialist
 - Sellakumar Kandasamy, Lalilka Jewelry, and Gems and Jewelry Institute
- *Information and Communications Technology (ICT)*
 - Tuan Jamaldeen, Cluster Program Specialist
 - Ashique
- *Rubber*
 - Lakna Paranawithana, Cluster Program Specialist
- *Spices*
 - Alex Ponweera, Cluster Program Specialist
 - Sarada De Silva, Chairman, The Spice Council
- *Tea*
 - Dilhara Goonewardena, Cluster Program Specialist
- *Tourism*
 - Preminda Fernando, Cluster Program Specialist
 - Srilal Miththapala, Vice President, Tourist Hotels Assn. of Sri Lanka
- *Overview of Business Community*
 - John Varley, Chief of Party, The Competitiveness Program
 - James Mudge, Economist, TCP
 - Pradeep Liyanamana, Workforce Development Program Manager

Exemplary Training Programs

- *Ceramics*: Ceramics Industry Placement program, developed by TCP and Moratuwa University, increases the employability of ceramics students by giving them experience on the job in a guided internship.
- *Coir*: The cluster's partnership with the coconut development authority and Common Fund for Commodities (CFC) proposed coir research development and training center (CRDT) project is targeted at addressing technological and training issues in the milling sector. Training in this project is due to commence during the last 6 months of the project, i.e., second half of 2007.
- *Gems and Jewelry*: The workforce development program is conducted by the Gem and Jewelry Institute in partnership with TCP.
- *ICT*: Rapid IT Conversion Program, developed by TCP and Moratuwa University, increases the employability of unemployed non-IT graduates by giving them five months of IT coursework, lab practice, practical student project, and one-month of placement with an IT firm.
- *Spices*: None
- *Rubber*: None
- *Tea*: Most companies conduct on-the-job training. Plantation-related skills development provided by National Institute for Plantation Management (NIPM).
- *Tourism*: Most companies conduct on-the-job (OJT) training. Plantation-related skills development provided by National Institute for Plantation Management.

Other suggestions from survey on what USAID can do to help cluster companies get or develop the employee skills they need:

- *Ceramics*: Programs designed to improve the skills mentioned in question 4 (concerning priority skills needed by cluster) would be of great benefit in increasing industry competitiveness, but they need to be implemented over a long period of time to insure effectiveness and results. Getting support from companies during implementation might be arduous even though they would agree its necessary.
- *Coir*: Partnering with the Coir Research Development and Training Center project and complementing the proposed training program in additional areas, such as soft skills development and use of computers in business, would be an opportunity. Depending on the success of the project, could look at a longer term program beyond the project life of CRDT Center with the Coconut Development Authority.
- *Gems and Jewelry*: Promote gems and jewelry as a viable and lucrative sector for employment among school leavers and dropouts.
- *Gems and Jewelry*: Train school leavers and dropouts in all areas, and place them with potential employers through a placement program.
- *ICT*: Help take the Rapid Information Technology Center (RITC) program to the next level.
- *ICT*: Assist the Center of Excellence in English Instruction in Perideniya University.
- *ICT*: Introduce Active Instruction techniques to state university faculties.
- *ICT*: Introduce soft skills into curricula both at school and university levels.
- *Rubber*: The Sri Lankan rubber industry is a globally competitive industry, and its firms are competing with high-end firms. They need highly competent technical personnel and extremely good managerial personnel. USAID can assist in these two areas.
- *Rubber*: Rubber plantation/smallholder sector has different needs. The large Moneragala Project could use many types of workforce assistance.
- *Spices*: Training at producer level on good agricultural practices (GAP) and good manufacturing practices (GMP).
- *Spices*: Training of cinnamon peelers.
- *Tea*: Workforce Development programs, by using incentive schemes, should have elements of:
 - o *Targeted workshops for sub-sectors/companies*

- *Grant assistance for promotion of interactive training models*
- *Development of soft skills, conceptual/strategic thinking*
- *Tourism:* Programs designed to improve the skills mentioned in question 4 (concerning priority skills needed by cluster) would be of great benefit in increasing industry competitiveness, but they need to be implemented over a long period of time to insure effectiveness and results. Getting support from companies may be difficult during implementation.

Notes: * Gems and Jewelry gives approximate total employment in cluster as 173,550. This is made up of:

- 25,000 craftspeople
- 20,000 gem cutters
- 120,000 miners
- 8,000 gem dealers
- 200 heat treatment
- 350 gemologists

Table C-2 and C-3 were developed from a survey conducted by the Vocational Education Reconstruction Component of USAID's Sri Lanka Tsunami Reconstruction Program. The respondents were employers in technical fields and the survey rated the importance of English skills.

Table C-2: English Language Skill Levels Rating					
INDUSTRY/SKILL		RECEPTIVE		PRODUCTIVE	
		LISTENING	READING	SPEAKING	WRITING
HOSPITALITY					
	Reservations	5	5	5	5
	Front Desk	5	5	5	5
	Chamber Boy	5	2	5	2
	Restaurant Server	5	2	5	2
	Bartender	4	3	4	2
	Cook/Baker	2	4	2	4
	Maintenance	2	3	2	3
	Animators	5	5	5	5
CONSTRUCTION		LISTENING	READING	SPEAKING	WRITING
	Bar Bender	2	3	2	2
	Plumber	2	3	2	2
	Mason	2	3	2	2
	Painter (Buildings)	2	3	2	2
	Carpenter (Buildings)	2	3	2	2
	Carpenter (Furniture)	2	3	2	2
	Aluminum Fabricator	2	3	2	2
	Electrician	2	4	2	2
	Welder	2	4	2	2
APPAREL		LISTENING	READING	SPEAKING	WRITING
	Sewing Machine Operator	2	3	2	2
	Mechanics for Factory Floors	2	4	2	2
	Pattern Makers	3	4	2	2
	Cutters	2	3	2	2
	Quality Inspectors and Quality Controllers	3	4	2	2
	Fabric Inspection	2	3	2	2
	Computer-Aided Color Matching	3	4	2	3
	Supervisor Training	3	4	2	3
	Work Study	3	4	3	3
AUTOMOTIVE/ENGINE MECHANICS		LISTENING	READING	SPEAKING	WRITING
	Automobile Tinker	1	2	1	2
	Automobile Painter	1	2	1	2
	Small Engine Mechanic	1	3	1	2
	Automobile Electrician	1	4	1	3
	Automobile Mechanic	1	4	1	3
	Automobile Air-Conditioning Mechanic	1	4	1	3
ELECTRONICS		LISTENING	READING	SPEAKING	WRITING
	Household Appliances	1	4	1	3
	Diagnostic Technician	2	4	2	3
	Automated Systems	3	4	2	3

Source: CM2Hill Addressing Skills Gaps; VERC documentation, USAID, May2006

Table C-3: Information and Communications Technology Skill Levels					
INDUSTRY/SKILL	Computer Competence			Internet SEARCHING	
	LITERACY	OFFICE APPS	SPECIAL		
HOSPITALITY	Reservations	5	3	5	3
	Front Desk	5	3	5	3
	Chamber Boy	3	1	3	1
	Restaurant Server	3	1	3	1
	Bartender	3	1	3	1
	Cook/Baker	2	1	3	1
	Maintenance	3	1	3	3
	Animators	5	3	3	5
CONSTRUCTION					
	Bar Bender	1	1	1	1
	Plumber	1	1	1	1
	Mason	1	1	1	1
	Painter (Buildings)	1	1	1	1
	Carpenter (Buildings)	3	1	3	1
	Carpenter (Furniture)	1	1	1	1
	Aluminum Fabricator	2	1	3	3
	Electrician	3	3	4	3
	Welder	3	3	4	3
APPAREL					
	Sewing Machine Operator	1	1	4	1
	Mechanics for Factory Floors	3	3	3	3
	Pattern Makers	4	2	5	3
	Cutters	4	1	4	3
	Quality Inspectors and Quality Controllers	4	3	3	4
	Fabric Inspection	4	2	3	3
	Computer-Aided Color Matching	5	3	5	4
	Supervisors	4	4	3	3
	Work Study	5	5	5	3
AUTOMOTIVE/ENGINE MECHANICS					
	Automobile Tinker	1	1	1	1
	Automobile Painter	1	1	3	1
	Small Engine Mechanic	4	3	3	1
	Automobile Electrician	4	3	3	1
	Automobile Mechanic	4	3	3	1
	Automobile Air-Conditioning Mechanic	4	3	3	1
ELECTRONICS					
	Household Appliances	5	4	5	4
	Diagnostic Technician	5	4	5	4
	Automated Systems	5	4	5	4

Source: CM2Hill Addressing Skills Gaps; VERC documentation, USAID, May2006

Appendix D: Key Institutional and Program Characteristics of Main Training and Labor Service Providers

These pages summarize interviews with the specific institutions that provide administrative, management, and program capacity to target specific youth in Sri Lanka, particularly in the southern and eastern regions of the country.

Aitken-Spence Corporation
Description: <i>In-firm recruitment and employee training, workplace orientation</i> 140-year old, large, multi-faceted holding company that operates 10 businesses, including garment manufacturing, hotels, shipping, tourism, tea and rubber plantations, insurance, printing, power generation, and lottery. 15,000 employees.
Facilities: Offices and plants throughout the country, but very little in southern or eastern regions.
Programs: Corporate Management Training program. Managing Director said that most university graduates “have brilliant minds, but are absolutely useless,” so the company puts emphasis on introductory training in English, problem-solving, management. Uses Japanese Buddhist interactive program. New hires are moved from one sector to another during first year to see where they fit best. Uses top training provider, GTA. Outstanding interactive methodology in training.
Target Beneficiaries: Employees. Most programs aim at new hires, but some, like English, are provided for regular employees in need of better communication skills.
Counseling Services: HR department regularly evaluates employees, counsels them in terms of additional training needs, and recommends promotion.
Comments: All private companies have requirements for social responsibility.
Finances: Private company.
Programmatic Possibilities: Social responsibility of companies could be a factor in encouraging Aitken-Spence to co-finance workforce development programs, demonstrate their employee training to small enterprises that contract with the companies, demonstrate their interactive training methods to other providers and businesses through workshops and seminars.

Ceramics Industry Placement Program
<p>Description: <i>In-firm recruitment training, workplace orientation</i> The Ceramics Industry Placement Program (IPP) is designed to benefit Ceramics students from the Department of Materials Engineering of the University of Moratuwa. It is a 22- to 24-week program in which third-year students studying ceramics work full-time at ceramic manufacturing factories. The students are given a monthly stipend and are responsible for performing real work.</p>
<p>Facilities:</p>
<p>Programs: The objective is to increase the employability of the students by giving them guided, practical experience at ceramic factories.</p>
<p>Target Beneficiaries: Students from the Department of Materials Engineering of the University of Moratuwa.</p>
<p>Counseling Services: Students receive career guidance through seeing how real workplaces operate.</p>
<p>Comments: This program is a very good start for increasing the employability of the students, but more training is needed to develop the core skills of the students. The students have to make better use of the classes offered at their university as well as the training guide developed by TCP to improve these skills and to use the placement program to network with the CEOs and decision-makers at the factories. The university needs to use this placement program as a benchmark and improve the Ceramics program accordingly.</p>
<p>Finances: TCP project.</p>
<p>Programmatic Possibilities: TCP program might be useful in developing the workforce program for O/A level leavers.</p>

Certificate-Level, VTA Technical College - Galle
<p>Description: <i>IT, English, and voc-tech skills</i> VTA certificate-level center.</p>
<p>Facilities: Large two-story building with classrooms, workshops, and computer lab.</p>
<p>Programs: Variety of vocational skill programs, English, basic IT training. Students receive 20 rupees for every day they attend.</p>
<p>Target Beneficiaries; Currently 450 youth with basic education and above.</p>
<p>Counseling Services: Outplacement in apprenticeships for six months. No feedback to institution.</p>
<p>Comments: Director said that most jobs available require IT companies to come to seek graduates and that their satisfaction is noted since they keep coming back when they have openings. GTZ is providing technical consulting services.</p>
<p>Finances: Government and GTZ.</p>
<p>Programmatic Possibilities: Would need agreement with Ministry of Skills Development to provide a workforce program.</p>

Chambers of Commerce Business Centers Galle, Hambantota, Ampara
Description: <i>IT, English, Business Management</i> Membership made up managers/owners of small and large businesses. Lobby group. Interest in upgrading employees and business opportunities for respective regions.
Facilities: Minimum of two rooms within Chamber offices with a computer lab (approximately 8 computers) and a large air-conditioned classroom with tables, chairs, whiteboard that can accommodate 50+ participants.
Programs: IT, marketing, business management. Galle Chamber reports “Back-to-Business” (BtB) program, under which R 1.5 million in loans (max per loan of R 50,000) from Asia Foundation, of which R 1.1 million was recovered in first year.
Target Beneficiaries: BtB participants: 1,500 firms.; GTZ business nucleuses are 400 participants (20 groups of 20 SMEs); DSI Footwear Training recruitment training program. At the time of visit, no courses were being offered in Galle, but plans are to renew courses in June. At Ampara the Chamber was offering a course in marketing. The Director of the Hambantota center was briefly interviewed in Colombo and told the team that they also plan to renew courses in June.
Counseling Services: Not relevant. Recruitment and SME training only.
Finances: Fees are charged for courses. The majority of participants are sponsored by employers. GAP stores has provided funds for business center programs.
Comments: Chamber identification of youth workforce needs: More communication skills in English; more time on task with computers; and more applications in business management.
Programmatic Possibilities: Chambers should be able to manage USAID workforce training program. They have some trainers on board and are able to identify other possible trainers or potential trainers.

Dava Gamage Garment Factory Ampara
Description: <i>In-firm recruitment and employee training</i> Team visited site with over 2,000 workers. Mr. Gamage owns sugar plantations, airplanes, hotels, and other manufacturing plants. He is a self-made man and hails from Ampara, where he is the President of the Chamber of Commerce and highly interested in improving economic and social conditions of the region.
Facilities: Two garment factories in Ampara employing over 3,000.
Programs: On-job training for operators.
Target Beneficiaries: Employees.
Counseling Services:
Comments: Need training in health care, first aid, workplace security.
Finances: Private.
Programmatic Possibilities: Gamage could accept co-financing workforce development programs in the region; expand their recruitment training to more new-entrant training; demonstrate their employee training to small enterprises that contract with the companies; demonstrate their interactive training methods to other providers and businesses through workshops and seminars.

<p>Don Bosco Trust</p>
<p>Main center at Negombo, Western Province. Other centers at Balapitiya and Tangala (Southern Province); Moneragala (UVA province); Hendala in Wattala area; Nochchiyagama, close to Anuradhapura, Kurunegala, Kandy, and Nachipuram in Kilinochchi district. New center being built in Hambantota.</p>
<p>Description: <i>IT, English and voc-tech skills</i> Mission is the rehabilitation, vocational training, and broad human development of poor, disadvantaged, abandoned, orphaned children and youth, to improve their chances for a successful future.</p>
<p>Facilities: The team observed two sites in Negombo. The main vocational-technical center consists of ample workshops (see list below) and classrooms, offices, dormitories for 350 youths, and residences for some staff. The other center consists of a classroom building, computer lab (USAID-equipped), very large open but roofed auditorium, and a building that houses offices and residential quarters for priests and brothers. Funds to build and equip the facilities were obtained from various governments, including Canada, Italy, Belgium, the Netherlands, and USA.</p>
<p>Programs: (1) The Don Bosco Vocational-Technical Center provides training on a wide variety of specialty skills: Air Conditioning & Refrigeration, Baking, Carpentry, Computing, Electrical/Electronics, Three-Wheel Vehicle Repair, Building Maintenance, Industrial Mechanics, Motor Mechanics, Outboard Motor Repair, Printing.</p> <p>The Center is presently caring for approximately 100 child tsunami victims who are housed in the Junior Hostel. In addition, the Center conducts daily tutoring classes in the afternoons, free of charge, for children from the neighborhood from Grade 1 to Grade 11.</p> <p>(2) The other center in Negombo is the Youth Center. In a two-story building financed by the Italian Air Force, there is a computer lab, funded by USAID, through the Salesians USA, for the Girls in the Vanguard (GIV) project. The GIV program also operates at the Don Bosco center in Nochchiyagama. For the first time, the Sri Lankan Salesians are educating girls, offering them basic computer skills and English. The mid-term evaluation of the GIV in July 2004 reports that the goal is to have 300 girls complete the information technology certification program and 200 to be employed by mid-year 2006. However, the same report estimates that only 102 girls will actually complete the program by the termination date.</p> <p>The mid-term evaluation of GIV recommended the development of much broader life skills/employment preparation training, which encompasses the relevant personal and professional issues faced by students (e.g., communication skills, positive workplace relationships, time management, organizational skills, professional writing). Training should be regularly integrated into coursework rather than in one-day workshops.</p> <p>The Saturday that the team visited the Youth Center, in a large open-sided auditorium, built with funds provided by an Italian bank, the team found over 1,000 children from 3rd through 11th grades taking practice tests under the supervision of their own school teachers, who were receiving a small incentive to work with their students in after hours. These students from the surrounding neighborhoods come in the evenings to make use of the sports facilities and the fully equipped gymnasium. The Don Bosco Youth Center is very active; it participates in tournaments, musical shows, dramas, and various social service activities.</p>
<p>Target Beneficiaries: (1) At present the Vocational-Technical Center in Negombo has 500 students receiving instruction from 7:55 a.m. through 4:15 p.m. 350 live at the center, the others come from the neighborhood. In addition, 750 youth and young adults receive academic tutoring, in evenings and weekends.</p> <p>(2) Over 1,500 youth are tutored at all of the five Youth Centers at present.</p>

Don Bosco Trust

Counseling Services: Since Don Bosco is a religious NGO, workers take special care in counseling/shepherding their young student-trainees. Social, psychological, and spiritual counseling is available for all regular students. At intake the youth have the opportunity to explore the different skill areas and choose the ones they want to pursue. The instructional system includes not only training in the chosen skill, but training in production and marketing. Don Bosco helps place the graduates in jobs, but the team was unable to obtain information on the percentage of graduates that actually obtain immediate employment, as they do not keep a database with this information. However, several of the skill areas were established as a result of demand from business and industry: general maintenance, electronics, hotel workers, IT, three-wheel repair, air conditioner and small appliance repair.

Finances: Brother Gabriel Garniga is the “Economer” or fundraiser and financial manager. He is Italian and has been in Sri Lanka with Don Bosco for over 21 years.

A percentage of the funds needed to support operations comes from the sale of goods and services produced by the students. The training program has the aim of not only instructing youth in skill areas, but also having them learn to produce quality goods and services and “sell” them as well. People from the neighborhood bring small appliances for repair; chairs and desks for schools are manufactured and sold; grating for home windows and doors as well as cakes are made and sold. Autos and three-wheel taxis are repaired.

Comments: The team was told that the most requested “course” is English. They also have received requests from business and industrial employers to prepare youth in digital electronics. They are searching for financial support to equip this area. The course in General Maintenance was also requested by the hotel industry, and Don Bosco has had success in placing all of the graduates of this certification program. In Hambantota Don Bosco is in the process of building, equipping and opening a school for training youth for the hotel industry.

Programatic Possibilities: Don Bosco has shown their willingness to manage programs funded by international agencies (e.g., GIV), and to have competent trainers on staff or to identify others as necessary. It may be possible for DB to manage a workforce training program for O/A leavers in their centers located in the South and East.

DSI Sampson IT Center in Galle
Description: <i>IT</i> Private IT center owned by DSI (shoe manufacturing company). Viewed by DSI as a service for the public. Center is a Singapore Informatics franchise and certifies through Cambridge Certification.
Facilities: Downtown location, 2 classrooms, 2 computer labs, 30 computers.
Programs: Basic IT, Certificate IT, Diploma CS through Cambridge Certification. Four-month course minimum; Certificate requires 12 months.
Target Beneficiaries: All ages in basic IT, Voc. Ed. Instructors and classroom teachers; mostly O-level complete; 150 students per session.
Counseling Services: None available.
Comments: Could add computer-assisted instruction in English.
Finances: DSI subsidizes Center at R 30,000 per month. Fees charged. 12-month course costs R 52,000 plus exam cost.
Programmatic Possibilities: Could manage workforce/English training program if additional staff is added, or could partner with local Chamber.

Employers' Federation of Ceylon
Description: <i>Executive Training</i> Federation of 480 companies with over 480,000 employees. Lobby activities. Focus on social and employment issues. Interface with Ministry of Labor, ILO and trade unions.
Facilities:
Programs: Assisted government to develop the National Employment Policy.
Target Beneficiaries: 480 employers
Counseling Services: Assist and support members on labor issues, collective bargaining thru mediation centers.
Comments: The Federation has no actual training programs.
Finances: Membership fees
Programmatic Possibilities: Co-financial support for workforce development program could be sought from members in targeted regions through this entity.

Gihan Talgodapitiya Associates (GTA)
Description: <i>Recruitment and employee training for clients, workplace orientation, mentoring.</i> Private sector training company with headquarters in Singapore and branches in Sri Lanka and Bangalore, India.. Owned by Sri Lankan (G. Talgodapitiya) , who holds an MBA and is a doctoral candidate in management at a Dutch university. Consists of three associated companies. Currently has 300 corporate clients in Sri Lanka, principally garment industries, banks, insurance companies, and plantations. Has 12 full-time trainers and employs many part-time.
Facilities: Has training spaces in Colombo and uses spaces in businesses and universities.
Programs: Personnel Development Institute (personality and character building), Prime Recruitment Network (job placement help), and Garment Industry Management Institute (trains supervisors and higher level employees).
Target Beneficiaries: Middle- to top-level white-collar employees
Counseling Services: Unknown
Comments: Mr. Talgodapitiya told the team that the garment industries need O/A-level employees in areas of quality control, production technicians, work-study officers, merchandisers. However, these jobs would require at least a B-pass in Math at the O level.
Finances: Charges fees
Programmatic Possibilities: This is a for-profit company that would be interested in working with USAID's workforce development program and might be able to establish programs in the target areas. However, they have neither offices nor centers at present in these areas. They could partner with business or NGO entities that are rooted in the areas.

Hardy Technical Training Institute Ampara
Description: <i>IT, English (focus on reading and writing), voc-tech skills</i> SLIATE Diploma-level government vocational institution
Facilities: Fifty-year-old center comprising classroom/shop/computer lab building, large auditorium, dormitories for 400 students, rustic cafeteria, animal sheds, and 25-hectare farm with small vegetable and tree plantings. Labs have 50 new computers.
Programs: Only program offered currently is diploma in agriculture engineering
Target Beneficiaries: 120 A-level leavers enrolled at present. Capacity for over 400.
Counseling Services: none evident
Comments: Hardy is seen as a center for Singhalese youth, and is boycotted by nearby Tamil and Muslim populations. Director informed team that Kuwait is in process of loaning SLIATE funds for improvement of physical facilities of their institutes. However other interviewees in Ampara doubt that they will target Hardy, due to ethnic problems. Director also showed team his wish list for new course offerings: Civil, Mechanical, and Electrical Engineering; diplomas in English, Accounting, Business, and IT.
Finances: Government
Programmatic Possibilities: Has space and computer labs, but due to ethnic problems is not recommended, unless workforce program is aimed at strictly Singhalese population from immediate Ampara area.

Ministry of Education, Non-Formal Education Resource Center in Galle
Description: IT, English, other languages, voc-tech skills
Facilities: Classrooms, workshops, laboratories in 2 two-story buildings adjacent to public school. Computer lab with 7 computers.
Programs: Center offers 21 vocational programs and instruction in 5 languages. Three programs—Graphic Design, Auto CAD, and Drafting—are demand driven. National Apprentice and Industrial Training Authority (NAITA) certificate programs in Accounting and Marketing that include apprenticeship. All courses are eight-month, two-days-per-week.
Target Beneficiaries: Enrollment of 450, ages 18-25, minimum basic education. Certificate in Secretarial, Motor Mechanics, and Electronics courses target O- and A-level leavers.
Counseling Services: Center personnel assist completers in job search. Center has good relationships with local employers.
Comments: Graphic Design and Auto CAD completers can draw entry level monthly salary of 25,000 rupees (teachers earn between 10,000 and 12,000 rupees). Drafting can earn 15,000 rupees. Center staff has an excellent relationship with Chamber & DSI. Also close ties to JobsNet.
Finances: Government. No fees charged to students. Students in certificate programs receive 20 rupees daily from the government.
Programmatic Possibilities: Key here is quality of management staff. Could manage an O/A level workforce development program if agreement is developed with MOE.

National Chamber of Commerce
Description: <i>Executive training, job fairs</i> 415 corporate members including local Chambers. Another 2,000 small enterprises are affiliated.
Facilities:
Programs: Holds regular seminars on products and labor-employment policies, as well as job fairs. Also provides management and entrepreneurship training for SMEs. President sits on Tharuna Aruna board and spearheads ties with businesses to collaborate with apprenticeship program.
Target Beneficiaries: Members and affiliates
Counseling Services: Provides job counseling to graduates of Peradeniya University Agriculture School
Comments: Annual National Business Excellence Awards are coveted and prestigious.
Finances: Membership
Programmatic Possibilities: Cooperation in securing co-participation of target region businesses with workforce development program

The Open University of Sri Lanka Galle
Description: <i>IT, English, other university-level courses</i> 4 regional and 16 district centers in country. Distance-education institution offering university degrees, diplomas, and certificates.
Facilities: Galle center is located outside the city on a rural road. Two-story building with 2 classrooms, 1 auditorium, 1 small meeting room, 1 lab with about 20 computers, offices, and library.
Programs: 150-hour basic computer program x 6 months. English program, business management programs.
Target Beneficiaries; A-level passers.
Counseling Services: None evident
Comments: 70% of students enrolled in 1-year certificate programs. 50% have jobs. Director wishes to add higher-level IT programs (e.g., Web design). Hopes to be included in ADB Distance Education Modernization Project.
Finances: Government. Also, students pay 3,500 rupees per course.
Programmatic Possibilities: Facilities would be excellent for workforce development program, however, would need signed agreement with Open University authorities. Training personnel could be found in area. Transportation stipend would probably be necessary to attract participants. No food service available in vicinity, so lunch would have to be brought in (either by participants or catering service).

Rapid Information Technology Conversion (RITC) Program
<p>Description <i>High-level IT</i> The RITC program is designed to rapidly convert unemployed non-IT university graduates into technicians ready for entry-level employment in IT. Program was implemented in 2005 by the Moratuwa University and The Competitiveness Program, a USAID-funded program.</p>
<p>Facilities: ITC is a program or a program design, not an institution or location.</p>
<p>Programs: Academic instruction in computer programming, database management, user requirements, and other technical aspects of IT were combined with extensive practical hands-on experience in lab work, applied project, and internship. “Hard” technical skills-building was combined with instruction in soft skills such as problem solving, assertiveness, confidence, networking, career awareness. Students participated in business communication networking events, mock interviews, and resume writing assistance to enhance the students’ social skills and ability to “sell” their skills. Professors received some orientation to active instruction techniques. Main curriculum includes the following instructional periods: 3 months (class instruction), 1 month (comprehensive project), and 1 month (internship). This design gave the students significant exposure to practical project work in the comprehensive project stage and to the needs of and real work conditions in IT businesses during the internship stage.</p>
<p>Target Beneficiaries: The “rapid, intensive, conversion” design of the RITC program can be targeted to various groups. The 2005 implementation targeted unemployed university graduates who had difficulty in the job marketplace after studying liberal arts degrees.</p>
<p>Counseling Services: Private sector representatives gave the RITC students extensive career guidance when they made presentations on IT careers and while students were at companies in their one-month industry placements.</p>
<p>Finances: The rapid and intensive nature of the RITC program design has cost advantages over training designs that require many more months of training. Employers’ scholarships paid for \$250 of the \$400 program tuition.</p>
<p>Comments: RITC program could be implemented for many other occupations and locations. There seems to be enough demand for Certified Open Source/Open Software and Systems Technicians that this field could be a strong candidate for a future implementation of the RITC model. Open source professionals state that individuals with almost no computer experience could be given the skills to be certifiable and employable as open source technicians in even much less than the 5 months of the 2005 RITC program.</p> <p>Main criteria for selecting future occupations in which to apply this model should be:</p> <ul style="list-style-type: none"> • Strong employment demand • Existing training provider that can deploy the training in a very intensive timeline • Willingness of companies to invest in sponsorships <p>The model could also be modified to allow <i>private</i> training organizations to implement rapid conversion training with accreditation from a certifying university such as the Public Private Partnership for IT Training (P³IT²)</p>

Rapid Information Technology Conversion (RITC) Program

Programmatic Possibilities:

Lessons Learned from the pilot; recommendations for future RITC programs:

- Apply strict timeline, and schedule plenty of time for critical activities such as student recruitment.
- Implement recruitment activities well before program start. When a large applicant pool is recruited, the program will be able to select a more homogenous student group. This will reduce wide diversity of student backgrounds, which makes instruction difficult.
- Specify in-depth the administrative activities for which the training provider will be responsible. This should help ensure that the provider dedicates sufficient administrator time to the project.
- Dedicate time to orienting faculty to the particular challenges of teaching students with widely varying levels of experience in a very intensive program, and continue providing faculty development training.
- Applying a 3-1-1 model (3 months class, 1 month comprehensive project, 1 month industry placement) proved successful. Future implementations will want to assign the comprehensive project topic some weeks before the end of class sessions so that the students are well prepared for project once that month starts.

Sacred Heart School, Galle

Description: IT, English (focus on reading & writing)

Public, girls-only secondary school operated by Catholic Church

Facilities: Large centrally located facility with classrooms, library, offices.

Programs: O- and A-level studies; extracurricular activities include Interaction Club which does all of its activities communicating in English.

Target Beneficiaries: High pass rates on A-levels (70 percent); only 35% of graduates go on to university.

Counseling Services: Messages on walls saying “women should be submissive”

Comments: After completing studies, many girls who do not get into university take classes in English and IT at local public and private institutions. Others take jobs in garment industry.

Finances: Government and Church. No fees charged to students.

Programmatic Possibilities: Church itself might be interested in managing workforce training program in other spaces that they have available (e.g. social hall); expansion of workforce education extra-curricular activities, such as Interaction Club.

Skills Development Fund Ltd.
Description: <i>Pre-job training in basic soft skills, apprenticeship.</i> Autonomous job-training entity under Ministry of Skills Development and Public Enterprise Reforms. Has its own board of directors.
Facilities: Uses SILATE and other Ministry spaces
Programs: Training in leadership, motivation, time management, communications, IT. 95% of courses taught in English.,
Target Beneficiaries: Fee-based in-service training program for employees of private sector. Charges 40,000 rupees for training package.
Counseling Services: Participants are certified by Technical Vocational Certificate, and the program provides subsequent monitoring for three months if the client (employer) pays fee.
Comments: The team was told that this program had not been operating currently, however, the President of the Employers' Federation told the team that he has accepted to return to the board following the appointment of the new director of the Fund, whom the team interviewed.
Finances: Government plus fees charged.
Programmatic Possibilities: Take a look to see whether their training programs could be used in the workforce program; expand their recruitment training to more new-entrant training; demonstrate their employee training to small enterprises that may be clients with the company; demonstrate their interactive training methods to other providers and businesses through workshops and seminars.

Sri Lanka Insurance Co.
Description: <i>In-firm recruitment and employee training, workplace orientation.</i> Privatized in 2003, with over 200 headquarter employees, largest insurance company in country. There are 2,000 agents throughout country.
Facilities: In-house training rooms
Programs: Training in soft, management and communications skills. They apply IQ & TOEFL tests and an interview in hiring process. Conduct regular training needs assessments. Have training modules on CD ROMs.
Target Beneficiaries: Employees and agents
Counseling Services: After hiring, new employees spend time in all departments and are closely supervised and counseled before final placement.
Comments: Director and HR manager are bright, modern, "new-thinking" people who recognize the need for regular training.
Finances: Company
Programmatic Possibilities: Company has submitted proposal to create an Institute of Skills Development for both employed and potential new entrants, to be funded by 10 corporations. The training program would first train trainers, then provide training in English, soft skills, and IT; would also provide career counseling. A second tier of programs would include industry-specific skills (marketing, insurance, health care, etc.) and special skills (manners, etiquette, etc.). The Institute would be willing to manage a USAID workforce development program.

Swisscontact Ampara
Description: <i>Soft skills, voc-tech skills, apprenticeship, mentoring, and shadowing</i> Swiss development agency-funded program aimed at getting youth employed.
Facilities: Team visited offices in Ampara. Unclear as to where they do their training.
Programs: 18-month program in which they provide basic vocational and life-skill training and closely monitor participants as they are placed into jobs.
Target Beneficiaries; 200 youth, most of whom have not reached O-level.
Counseling Services: Their project is called a “counseling” program in that they create a family-like environment for the participants and closely guide them through initial training and job placement.
Comments: Swiss funding is ending, and they are searching for funds to continue and expand the program
Finances: Swiss government.
Programmatic Possibilities: USAID could consider providing funds to enable Swiss Contact to manage a workforce program for O&A level leavers.

Tharuna Aruna II
Description: <i>Pre-job soft skills, simulation of in-firm training, apprenticeship</i> World Bank loan component project with purpose of aiding university graduates obtain jobs.
Facilities: Training programs held at universities
Programs: Current program consists of a 5-day orientation and 12-months on-the-job monitoring where participants have been placed through agreements with companies. Previous orientation (Tharuna Aruna I) was three-months long and included attitude training (time management, motivation, etc.), English (one month, 7 hours daily), IT training, and counseling sessions; then six-months on-job monitoring.
Target Beneficiaries: University graduates, mostly from the liberal arts areas. At present 1,036 in the program.
Counseling Services: TA II services provided during the initial 5 days
Comments: Team met with Mrs. Rodrigo, the architect of TA I and II who was on her way out after disagreements over changes imposed by new government. She disagrees with the reduction in orientation program.
Finances: WB loan. Participants receive 1,000 rupees for orientation, and 6,000 monthly during on-job training.
Programmatic Possibilities: Very political and probably nothing to offer for workplace program.

JobsNet, Ministry of Labour
Description: Labor market jobs-matching information offered through the Web; self-assessment questionnaire offered on the Web to assess youth employability
Facilities: Web server facility to operate large jobs-matching service
Programs: Job-posting services, resume and other skills development service for youth
Target Beneficiaries: 3,000 job seekers; 4,400 job orders
Counseling Services: Job-matching service
Comments: Limited number of skilled jobs
Finances: Fee-based system paid by the employer
Programmatic Possibilities: Use database for comparison for tracking students in project.

Young Entrepreneurs of Sri Lanka (YESL)
Description: <i>Simulation of in-firm training, soft skills</i>

<p>Junior Achievement Program Overall mission is to assist young people to become business creators rather than simply job seekers, to act as a socially responsible incubator of ideas, and to mentor student entrepreneurs in innovative pursuits. Its objectives are to instill in the youth an understanding of the role of private business, to offer practical training to all educational levels—primary, junior secondary, and senior secondary. The program teaches children and youth on starting a business, and actively involves the private sector in the program.</p>
<p>Facilities: After-school program in schools; Ministry of Education donates school space and teaching center space.</p>
<p>Programs: Business education programs, including Orientation to Work, Entrepreneurship, and Student Businesses; program goal is to reach 10 percent of school children, with priority on school leavers at the O/A levels.</p>
<p>Target Beneficiaries: YESL commenced operations in 1998 with 9 schools and 1,600 children. Currently there are 3,035 schools, nearing 40,000 children. Currently has 250 senior, 88 mid (O level) and 1800 junior level groups called “companies.”</p>
<p>Counseling Services: Teachers are trained to be facilitators who can provide guidance and counseling to the companies.</p>
<p>Comments: A worthy program, but targets youth who can pay fees.</p>
<p>Finances: Has been dependent on external donors and is now facing problems as they have not focused on garnering support from national sources.</p>
<p>Programmatic Possibilities: Rural-based program oriented to O-level students. New program would focus on farm families, expanding the current small program of 25 families. A good program; however, consideration must be given to whether or not to underwrite fees if USAID/SL decides to use the program in target regions where most of potential participants are unable to pay fees. Also must consider whether YESL would be capable of managing program in target regions.</p>

<p>Youth Employment Network – ILO</p>
<p>Description: ILO/UN program to establish youth employment initiative. Managed by Ministry of Skills Development and Public Enterprise Reform with grant from German government.</p>
<p>Facilities:</p>
<p>Programs: In process of completing National Action Plan. Focus on 4 “Es”: Employment creation, Equal Opportunities, Employability, Entrepreneurship.</p>
<p>Target Beneficiaries: Unemployed youth throughout country</p>
<p>Counseling Services:</p>
<p>Comments: Grist but no meat yet.</p>
<p>Finances: small initial grant from German gov’t. SL gov’t seeking WB funds to implement.</p>
<p>Programmatic Possibilities: Should explore possibility of partnering should program get underway in near future.</p>

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Appendix F: Interview List of In-Country Research

Location / Meeting Regarding	Contact Person
Chamber of Commerce, JobsNet, TCP	
Embassy for Security Briefing	--
USAID Conf. Room (Initial Program Planning)	--
CH2M Hill (Work Orientation)	--
Chamber of Commerce	
UNICEF (Counseling Life Skills)	
YESL - Young Entrepreneurs Sri Lanka, 47B, Railway Avenue, Nugegoda.	Pathmasiri Dias
Info Share	
Galle - 1 or 2 Vocational Training Centres and Secondary Schools	T. G. M. Kariyawasam
CH2M Hill (Youth Development Programs)	Dr. G.A.G. Gunasekera
Ministry of Education, Guidance and Counseling	
Ministry of Education, ADB/SEMP	Anura Dissanayake
Gihan Talgodapitiya Associates	Gihan Thalgodapitiya
World Bank, Colombo 3.	Harsha Athurupana
Aitken Spence, Vauxhall Street, Colombo 2.	Ranjan Brito
ADB Backstop Team from Phillipines	
Asian Development Bank	Johanna Boestel
Ministry of Education, Guidance and Counseling	Mr. Premasiri
WUSC - World University Service of Canada	Doug Graham
Sri Lanka Business Development Center, 305, 5th Floor, Huejay Bldg., Colombo 2.	Charitha Ratwatte
Skill Development Fund, Ministry of Skill Development and Vocational Training, No. 354/6, "Nipuna Piyasa," Elvitigala Mawatha, Colombo 5.	Buwaneka
Asian Development Bank (ADB)	Ms. Boestel
ILO, 202-205, Bauddhaloka Mawatha, Colombo 7.	Ms. Tine Staermose / Ms. Shizuka Arao
TCP - Ceramics Cluster, World Trade Center	Mr. Preminda Fernando

TCP - Nathan Associates	John Varley
TCP - Coir, World Trade Center	Zahara Carder
University of Colombo, Guidance Dept.	Ajith
TCP - Tourism Cluster, World Trade Center	
TCP - Spices Cluster, World Trade Center	Mr. Alex Ponweera
TCP - Tea Cluster, World Trade Center	Dilhara Gunewardane
TCP - ICT Cluster, World Trade Center	Mr Tuan Jamaldeen
TCP - Rubber Cluster, World Trade Center	Mr. Lakna Paranavithana
USAID Conf. Room (Interim Briefing)	
The Employers' Federation of Ceylon	Mr. Gotabaya Dassanayake
Tharuna Aruna Institute, 354, "Nipuna Piyasa," Colombo 5.	
Don Bosco Trust	Mrs. Nandani Rodrigo
Tourism Cluster	Brother Gabriel
Ministry of Vocational Education	Mr. Srilal Miththapal
Hardy Senior Technical Training Institute, Ampara	Earle Fernando
Chamber of Commerce & Industry, Ampara	Mr. Navarathne
Swiss Contact, Ampara, GA 77, Industrial Area, Ampara	Mr.K.M.I. P. Kulasekera
English Teacher in Ampara	Mr. Ameer
	Stephan de Butscher
Colombo/Coir Cluster	Hanoon Umar
The World Bank	Harsha Aturupane
Rubber Cluster	