

6.14 Status of Employment in Sri Lanka: What does it reveal?

Sugeeth S. Patabendige
Department of Marketing Management, University of Kelaniya

ABSTRACT

Breaking down employment data by status in employment is useful for understanding both the dynamics of the labour market and the level of development of economies (ILO, 1999). If the majority of workers in a country are in the wage and salaried category, it indicates that the country is economically and socially more advanced. If the population of the self-employed and unpaid family workers is sizeable, it could be an indication of low job growth (low labour demand) in the formal economy and many have to depend on the informal sector for their living indicating a poor development with widespread poverty. Over the years and with economic growth one would expect to see a shift in employment from the agricultural to the industrial and to service sectors which, in turn, could lead to more wage and salaried workers in many countries. A corresponding shrinking share of agriculture would lower the share of unpaid family workers who are very widespread in the rural sector in developing countries (ibid, 1999).

According to the ILO (1999) Report, developing countries are divided into three groups in regards to status in employment. In one extreme of this grouping, there are fast-developing economies where, over time, there has been a fall in the share of self-employed and unpaid family workers, and a rise in the share of wage and salaried workers with corresponding economic growth and rise in living standards. In the countries of the other extreme, what can be seen is a slow growth and lack of job creation in the formal sector resulting in declining numbers of wage and salaried workers and a rise in self-employment and the number of unpaid family workers. Then, the countries which are in the middle category in status in employment are the economies which have experienced a rise in the share of wage and salaried employees, as well as a rise in the self-employed. Based on these classifications using secondary data on status of employment in Sri Lanka this study attempts to make useful conclusions about the behaviour of the Sri Lankan labour market.

As revealed by the data analysis of this study the percentage of total salaried employees in the Sri Lankan labour market dropped from 62.4 in 1991 to 59.0 in 2008 while the percentage of total non-salaried persons increased from 37.6 in 1991 to 41.0 in 2008. Further, data comparison

shows that job creation in the formal private sector is not large enough to capture job losses in the public sector due to the privatisation and closure of some of the SOEs under economic reforms intensified after 1990. As such, the share of public sector employment declined from 26 per cent of the total employed labour in 1991 to 14.9 per cent in 2008 while the size of the private sector employees has only increased from 40.0 per cent to 41.1 per cent in the corresponding period. The size of the employers, category throughout the study period has fluctuated around 2.5 per cent of the workforce.

As a whole, compared to the salaried employment, non-salaried employment in Sri Lanka has grown faster indicating that more and more people are engaged in low income and low productivity activities. As Betcherman (2002) highlights, this condition can be considered as a worsening of the labour market situation in Sri Lanka. This shows that the private sector under reforms, despite making it as the engine for growth, has not shown a substantial progress in demanding labour as expected. The manufacturing industrial sector especially shows a stagnant situation in absorbing labour after 1995. The share of labour absorption by this sector varies around 16.5 after 1995 (CBSL, various). The public sector's employment share too cannot be expected to be increased substantially from the current level in the near future. Further, employers' category has not increased throughout this period indicating a lack of real entrepreneurs in the economy. Taking these trends into consideration, the study highlights the requirement of increasing the size of employers' category in the structure of the status of employment of the country (which has been very low around 2.5% of workforce) through promoting entrepreneurship for generating a substantial level of employment in the economy converting job seekers into entrepreneurs through various means including promoting entrepreneurship education in higher educational institutions such as universities.

Key Words status of employment, labour market, salaried workers, unpaid salary workers and entrepreneurs.