

6.9 The Role of Migration on Reducing Unemployment in Sri Lanka

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ABSTRACT

The aim of this study is to evaluate the employment generation ability within the economy and how far migration for employment can contribute to reducing the unemployment in Sri Lanka. A distinctive characteristic seen in the Sri Lankan economy during the previous four and half decades until 1997 was the experience of two-digit rate of open unemployment (ILO, CB, and DCS various). Currently, 7 % of the labour force is out of work in Sri Lanka (CBS, 2006), and this is fairly a high rate of unemployment compared to that of other countries in the region. In this context, this research identified the following four major hypotheses developed to analyze the unemployment problem in Sri Lanka: Skills Mismatch Hypothesis (ILO Mission, 1971); Slow Growth Hypothesis (Kelly, 1983; Patabendige, 2004 and 2006); Queuing up for the Public Sector Jobs Hypothesis (Glewwe, 1987; Dickens and Lang, 1996), Queuing up for more Secured Private Sector Jobs Hypothesis (Rama, 1994) and Factor Market Distortion Hypothesis (Patabendige, 2004).

The mismatch hypothesis indicates that the types of work which people are willing and able to do, do not match the pattern of opportunities that are available, indicating that the unemployment that prevails or a considerable part of it is the product of structural mismatch (ILO, 1971). The ILO team (1971) attributed this mismatch primarily to the formidable rate of education expansion emphasizing its poor quality and content. The slow growth hypothesis emphasizes that starting from the early 1950s whenever the economic growth has become slow unemployment has risen. Queuing up hypotheses highlight that people, specially educated youths, are waiting for receiving employment either in the public sector or more secured jobs by Acts such as TEWA (1971) in the private sector. Factor market distortion hypothesis emphasizes that both labour market and capital markets have been distorted from the controlled era that was prior to the 1977 and continued to the present day in favour of adopting capital intensive or labour saving technologies and whereby greatly limiting employment generation.

The study examined empirically whether or not skills mismatches have been faded away with the passage of time, and it found that in most of the areas they are still found contributing to remain unemployment high. Then, with regard to the slow growth hypothesis, starting from 1953 only in the period 1978 to 1982 the highest GDP growth, which was around 6.5 % could be achieved resulting in unemployment being reduced from about 19 percent in 1978 to 11 percent in 1982. Nevertheless, the economy could not achieve that much of GDP growth in other periods so far. Queuing up attitudes in obtaining respectable jobs in the public and the formal private sector could not be seen disappeared throughout the period and not easy to change their mind set to do whatever job available; and finally, labour market distortions brought by a large number of labour laws, labour union influence, low productivity, poor industrial relations etc originated and firmly rooted in the dirigist policy era prior to the 1977 have not been able to change sufficiently to be consistent with the open economic policies in the ensuing period

which has favoured adopting more labour saving technologies by limiting employment generation.

Because of these constraints the study finds that employment generation within the economy has been largely contained, and, therefore, in this scenario the role of migration is crucial in mitigating unemployment problem in Sri Lanka. Past evidence shows that 350,000 to 400,000 people found employment in Middle East countries between 1977 and 1984 as such migration contributed greatly to reduce unemployment among other reasons from 1978 to 1982 period (Kelegama and Trichelevam, 1995). Then, again unemployment increased in the latter part of the 1980s for which declining of migration to Middle Eastern countries for employment contributed much owing to slacking labour demand in these countries during this period. Then, generating more than 150,000 foreign jobs per annum with employment increase in other sectors led to reduce unemployment from 1990 onwards (CBS, various). Based on these evidences the study concludes that with an environment of continuously remaining of skills mismatches, slow growth in the economy, queuing up or waiting for more reputed jobs and prevailing of factor market distortions one of the significant strategies for mitigating unemployment is the encouragement of migration for foreign employment.

Key words: *Migration, unemployment, skills mismatch, factor market distortion, and capital intensive technology.*