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PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

4.1 Overview

Inflation continued to remain at single digit levels for the third consecutive year in 2011.

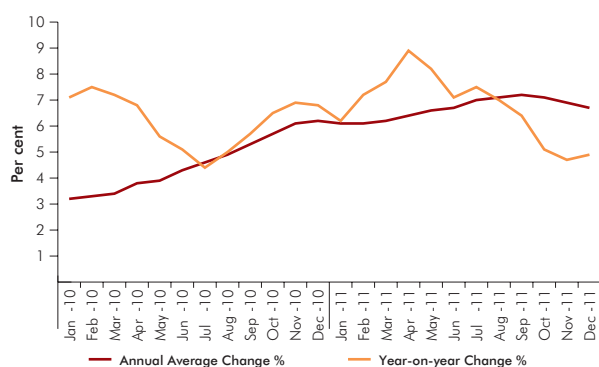
Year-on-year inflation and annual average inflation have remained at single digit levels since February 2009 and August 2009, respectively. In 2011, annual average inflation, as measured by the Colombo Consumers' Price Index (CCPI) (2006/07=100), moved upward gradually since February to reach its peak level of 7.2 per cent in September before decelerating to 6.7 per cent by year end. Year-on-year inflation, which followed an increasing trend from February 2011, reached 8.9 per cent in April 2011 and moderated thereafter recording 4.9 per cent in December 2011. The relatively high inflation observed during the first few months of the year was mainly due to an upsurge in prices as a result of supply disruption caused by adverse weather conditions that prevailed in major cultivation areas. Although the price escalation due to supply disruptions was temporary, the increase in inflation on a year-on-year basis remained for a few months owing to the low base in 2010. Further, several upward revisions of administered prices, especially of LP Gas and petroleum products during the year also impacted directly and indirectly on inflation, at varying intensities. The real wage increases during the year also exerted some pressure on prices from the demand side. However, significant improvements in the domestic

supply conditions coupled with the moderation of prices of food commodities in the international market, amidst a relatively stable exchange rate helped contain inflation in 2011. Benign inflation expectations also helped restrain any undue pressure on the general price level. Meanwhile, year-on-year core inflation, which continued to follow an increasing trend from March 2011 to July 2011, dropped markedly in August 2011 and continued the downward trend reaching 4.7 per cent in December 2011. Concurrently, annual average core inflation, which increased gradually up to September 2011, decelerated continuously thereafter recording 6.9 per cent by year end.

Nominal wages of employees in both the public and private sectors increased in 2011.

The increase in the Cost of Living Allowance (COLA) and the special allowance granted to some categories of public sector employees from January 2011, as proposed in the Budget, led to the nominal increase in public sector wages. Nominal wages of the informal private sector increased at a higher rate in 2011 compared to 2010. Their real wages also increased. Minimum wages of the formal private sector whose wages are governed by the Wages Boards also increased in nominal terms while the increase was more significant in the Industry and Commerce sector and the Services sector. These two sectors in the organised private sector also

Chart 4.1

Colombo Consumers' Price Index
(2006/07=100)

recorded increases in real wages. However, the Agriculture sector employees suffered a decrease in their real wages in 2011. As a result, there was a slight erosion of the overall real wage rate index in the formal private sector in 2011 as compared to 2010. Overall, the real wage rate index of the public sector remained at the same level as in the last year as the increase in nominal wages was completely offset by the increase in the price level.

The rate of unemployment dropped to its lowest ever rate of 4.2 per cent in 2011 from 4.9 per cent in 2010. The broad based economic growth complemented by the various infrastructure development projects contributed to reduce unemployment during the year. A change in the composition of employment among major industry groups was also observed in 2011. Accordingly, the shares of the Agriculture and Industry sectors in total employment increased in 2011 while that of the Services sector declined. However, the Services sector, which made the largest contribution to the economic growth during the last

few years, continued to generate more employment opportunities in 2011 as well. A notable decline in youth unemployment was also witnessed in 2011. Employment in all categories improved in 2011 compared to 2010 with more contribution from the unpaid family workers, self-employed and public sector employees. Meanwhile, the improvement in labour productivity observed during the last few years continued in 2011 as well. The foreign exchange earnings from foreign employment continued to increase in 2011 in spite of a marginal slowdown observed in respect of the number of departures for foreign employment.

4.2 Prices

Price Movements and Contributory Factors

Colombo Consumers' Price Index (CCPI)

The general price level, as measured by the CCPI (2006/07=100) increased in 2011 over 2010 due to the combined effect of both demand and supply side factors. In absolute terms, the Index rose by 7.2 index points from 147.2 in December 2010 to 154.4 in December 2011. This reflects in the annual average change of the CCPI or average inflation, which registered an increase of 6.7 per cent in 2011. The annual average rate of inflation remained around 6 per cent during the first three months of the year and continued to increase thereafter, reaching a high of 7.2 per cent in September 2011. Subsequently, it decelerated gradually to 6.7 per cent by December 2011. Year-on-year inflation followed an increasing trend during the first four months of 2011 and reached a peak level of 8.9 per cent in April before decelerating to 4.9 per cent in December 2011.

Table 4.1

Changes in Price Indices

Index	Average Index			Year-on-year Percentage Change		Annual Average Percentage Change	
	2009	2010	2011 (a)	Dec. 2010/ Dec. 2009	Dec. 2011/ Dec. 2010 (a)	2010/2009	2011/2010 (a)
CCPI (2006/07=100)	133.6	141.9	151.5	6.8	4.9	6.2	6.7
WPI (1974=100)	3,500.9	3,893.0	4,306.5	17.6	-6.1	11.2	10.6
GDP Deflator	315.8	338.9 (b)	365.4	-	-	7.3	7.8

(a) Provisional

(b) Revised

Sources: Department of Census and Statistics
Central Bank of Sri Lanka

BOX 9

Revision of Base Period of Colombo Consumers' Price Index to 2006/2007

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PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

The Department of Census and Statistics (DCS) revised the base year of Colombo Consumers' Price Index (CCPI) from 1952 to 2002 in November 2007. At the same time, it was decided to rebase the CCPI once in five years in order to reflect changing consumer preferences over time. Accordingly, in 2011 the DCS revised the base period of CCPI to 2006/07. The base year revision leads to update of weights assigned to items, addition of new items and removal of existing items in the basket of goods and services, where necessary, in order to reflect the consumption pattern in the new base period. Accordingly, the weights of the CCPI were revised by the DCS based on the Household Income and Expenditure Survey (HIES) conducted in 2006/07. With this revision, the previous series of CCPI with the base year of 2002 was discontinued since June 2011 and the new series of CCPI (2006/07=100) has been introduced.

The CCPI has continued to remain as the official consumer price index and is also used to determine the cost of living allowance payable to workers, where applicable. As the CCPI is used to measure the general price level and thereby the inflation, which is a key macroeconomic indicator used in various policy formulations, it is imperative to maintain the relevance and representativeness of CCPI. In this backdrop, rebasing of price indices on a regular basis is very important for policy formulation.

The salient features of CCPI (2006/07=100) are given in Table B 9.1 with a comparison of CCPI (2002=100).

Table B 9.1 Salient Features of CCPI (2002=100) and CCPI (2006/07=100)

Component	CCPI (2002=100)	CCPI (2006/07=100)
Base Period	2002	2006/07
Reference Population	All Urban	All Urban
Geographical Coverage	Colombo District	Colombo District
Sample Size	1,300 Households	1,200 Households
Price Collection Centres (a)	12	14
No. of Items	334	373
Total Basket Value (Rs.)	17,996.38	27,972.11

Source: Department of Census and Statistics

(a) In addition to 12 price collection centres at Pettah, Maradana, Wellawatte, Dematagoda, Grandpass, Borella, Kirulapone, Dehiwala, Kotte, Nugegoda, Kolonnawa and Ratmalana under CCPI (2002=100), Special economic centres at Ratmalana and Narahenpita have been also included in CCPI (2006/07=100).

As in the revision of the base year with 2002 the basket of goods and services of CCPI (2006/07=100) was classified according to the "Classification Of

Individual Consumption by Purpose" (COICOP) that has been introduced by the UN System of National Accounts. The number of price collection centres has increased from 12 to 14 located in Colombo and suburbs while the number of items in the basket increased from 334 to 373. There are 11 categories, including 'Hotels and Restaurants' that has been added as a new category according to the COICOP classification. This category in the new index is similar to the 'Meals bought from outside' category in the previous CCPI (2002=100), and hence could be compared.

The weight structure has changed with the revision of the base period. Accordingly, the weight of the largest sub-group, 'Food and non-alcoholic beverages' has dropped to 41.0 per cent in the new index from 46.7 per cent in the previous index. Further, the weights of Health, Recreation and Culture, and Education also reported decreases while all other categories reported increases in their weights.

Table B 9.2 compares the weights of major categories in the two base periods of CCPI.

Table B 9.2 Colombo Consumers' Price Index: Weights by Main Categories

Category	CCPI Base: 2002=100 (%)	CCPI Base: 2006/07=100 (%)
1. Food and Non-alcoholic Beverages	46.71	41.03
3. Clothing and Footwear	3.08	3.14
4. Housing, Water, Electricity, Gas and Other Fuels	18.29	23.72
5. Furnishing, Household Equipment and Routine Household Maintenance	3.22	3.60
6. Health	4.18	3.16
7. Transport	9.47	12.26
8. Communication	4.42	4.75
9. Recreation and Culture	2.18	1.50
10. Education	5.79	3.94
12. Miscellaneous Goods and Services	2.65	2.89
Total	100.00	100.00

Source: Department of Census and Statistics

Simultaneously, Core inflation index, which is mainly used for policy purposes, was also revised by the DCS. Accordingly, instead of excluding entire food and energy items from the overall CCPI basket, the new core inflation index is compiled by excluding the items of fresh food, energy, transport, rice and coconuts from the basket. The basket used for compilation of core inflation represents about 65 per cent of the overall index.

Table 4.2

Retail Prices of Key Imported and Domestically Produced Items

Item	Unit	CCPI (2006/07=100) Weight %	Price - Rs.						Percentage Change				
			Annual Average			Dec.			Annual Average		Year-on-Year		
			2009	2010	2011 (a)	2009	2010	2011(a)	2010/ 2009	2011/ 2010 (a)	Dec. 2010/ Dec. 2009	Dec. 2011/ Dec.2010 (a)	
Domestic	Rice - Samba	1kg	1.96	72.66	72.05	68.38	77.54	72.30	68.19	-0.8	-5.1	13.4	-6.8
	Rice - Kekulu (Red)	1kg	0.85	62.53	60.14	57.27	65.55	59.19	56.80	-3.8	-4.8	14.5	-9.7
	Rice - Kekulu (White)	1kg	0.60	61.74	54.26	56.58	63.19	57.89	56.33	-12.1	4.3	11.7	-8.4
	Rice - Nadu	1kg	0.35	63.53	60.79	59.25	67.88	60.95	58.95	-4.3	-2.5	14.6	-10.2
	Coconut (medium)	nut	1.84	26.01	33.59	41.01	29.64	47.18	33.78	29.1	22.1	-27.7	59.2
	Fish - Kelawalla	1kg	1.11	523.43	598.15	632.32	523.33	639.43	652.30	14.3	5.7	-17.2	22.2
	Beans	1kg	0.43	114.99	135.26	167.34	134.22	157.17	175.07	17.6	23.7	-19.8	17.1
	Brinjals	1kg	0.19	76.75	87.04	90.84	103.70	105.75	87.31	13.4	4.4	14.2	2.0
	Eggs	each	0.37	10.75	13.60	11.64	15.19	16.53	9.67	26.5	-14.4	30.5	8.8
Imports	Sugar	1kg	1.12	81.97	93.78	96.11	88.50	99.61	92.91	14.4	2.5	-7.9	12.6
	Milk Powder - Anchor	400g	3.21	251.73	234.35	255.92	225.00	244.00	264.00	-6.9	9.2	-12.1	8.4
	Dhal-Red	1kg	0.73	199.70	165.40	149.20	177.33	168.32	131.95	-17.2	-9.8	18.9	-5.1
	Wheat Flour	1kg	0.20	70.84	69.61	83.92	71.67	82.43	84.07	-1.7	20.6	-14.6	15.0

(a) Provisional

Source: Department of Census and Statistics

Inflation in 2011 moved almost in line with the changes in Food and non-alcoholic beverages sub-index due to its dominant share within the overall index. The Food and non-alcoholic beverages sub-index, which has the highest weight of 41.0 per cent in the CCPI, contributed to 60.0 per cent of the annual average change in the overall CCPI during the year. The annual average change in the Food sub-index, which increased by 7.1 per cent in January 2011, reached the peak level of 10.7 per cent in August 2011 and decelerated thereafter to 8.8 per cent by December 2011. The year-on-year increase of the Food sub-index was 2.5 per cent as at end 2011. Although the prices of key items such as dhal, eggs, big onion, red onion, coconut and coconut oil decreased during the reference period, the price increases of fresh vegetables, fruits, fish and sea food, meat, bread, cereals, milk powder, condiments and meals bought from outside contributed towards this increase in the Food sub-index.

Availability of sufficient stocks in the market as well as the price ceilings imposed on rice by the government since December 2010 helped maintain the average price of rice at low levels during 2011. Despite the fact that the production of paddy recorded a 9.9 per cent drop in 2011 when compared to 2010, on average, the price of rice declined by 2.6 per cent in 2011. Although prices

of almost all varieties of rice recorded marginal increases during February and March 2011 in response to the set-back in paddy production during Maha harvest resulting from heavy rains and floods which prevailed in major producing areas, prices began to decelerate subsequently until September. The bumper paddy harvest reaped during the Yala season helped improve the domestic supply of rice and moderate prices. However, a slight increase in prices was observed towards the year end due to seasonal factors.

The average prices of almost all varieties of both low-country and up-country vegetables and leafy vegetables increased during 2011. This increase was mainly due to the supply shortages that prevailed at the beginning of the year as a consequence of heavy rains and floods experienced in major producing areas. However, the prices of vegetables began to decelerate substantially from April onwards in line with the improvements in supply, but increased gradually towards the year end following seasonal factors. The overall impact of the above developments led to an increase in the weighted average price of vegetables by 7.4 per cent in 2011 compared to 2010. Meanwhile, the average prices of coconut and coconut oil increased by 24.7 per cent and 27.8 per cent, respectively, in 2011 compared to 2010 despite the increase in coconut production.

Table 4.3

Revisions to Key Items with Administered Prices 2009 - 2011

Item	Unit	Price (year end) - Rs.			Percentage Change		
		2009	2010	2011	2010/2009	2011/2010	
Diesel	1 ltr.	73.00	73.00	84.00	0.0	15.1	
Kerosene	1 ltr.	51.00	51.00	71.00	0.0	39.2	
Petrol	1 ltr.	115.00	115.00	137.00	0.0	19.1	
Gas - Shell/Litro (a)	12.5 kg	1,550.00	1,652.00	2,046.00	6.6	23.8	
Gas - Laugfs	12.5 kg	1,421.00	1,520.00	2,046.00	7.0	34.6	
Furnace Oil (1000)	1 ltr.	52.70	48.70	48.70	-7.6	0.0	
Furnace Oil (1500)	1 ltr.	32.70	40.00	50.00	22.3	25.0	
Furnace Oil (3500)	1 ltr.	26.00	40.00	50.00	53.8	25.0	
Electricity - Fixed Charges	Tariff Block	First 30 units	60.00	60.00	30.00	0.0	-50.0
		31 - 60 units	90.00	90.00	60.00	0.0	-33.3
		61 - 90 units	120.00	120.00	90.00	0.0	-25.0
		91 - 180 units	180.00	180.00	315.00	0.0	75.0
		Above 180 units	240.00	240.00	315.00	0.0	31.3
Electricity - Unit Charges	Tariff Block	First 30 units	3.00	3.00	3.00	0.0	0.0
		31 - 60 units	4.70	4.70	4.70	0.0	0.0
		61 - 90 units	7.50	7.50	7.50	0.0	0.0
		91 - 120 units	16.00	16.00	21.00	0.0	31.3
		121 - 180 units	16.00	16.00	24.00	0.0	50.0
		181 - 600 units	25.00	25.00	36.00	0.0	44.0
		Above 600 units	25.00	25.00	36.00	0.0	44.0
Water - Unit Charges	Tariff Block	00 to 05 units	3.00	3.00	3.00	0.0	0.0
		06 to 10 units	7.00	7.00	7.00	0.0	0.0
		11 to 15 units	15.00	15.00	15.00	0.0	0.0
		16 to 20 units	30.00	30.00	30.00	0.0	0.0
		21 to 25 units	50.00	50.00	50.00	0.0	0.0
		26 to 30 units	75.00	75.00	75.00	0.0	0.0
Bus Fare		-	-	-	0.0	7.6	

(a) Prices from 2010 represents those of Litro.

Source: Central Bank of Sri Lanka

The domestic prices of red onion and potato, on average, also increased by 61.9 per cent and 10.5 per cent, respectively, while the price of big onion dropped by 5.9 per cent in 2011. However, prices of big onion and red onion declined by 35.0 per cent and 63.9 per cent, respectively, between January and December 2011.

Prices of fresh fish and seafood remained high, on average, over the previous year mainly due to increased demand and fluctuations in supply due to changing weather conditions. Despite the growth of fish production by 15.6 per cent in 2011, the weighted average price of fresh fish increased by 5.1 per cent when compared with that of 2010. The prices of most varieties of fish recorded increases in the range of 0.4-13.4 per cent in 2011. However, a decline of fish prices was experienced from February to April and from September to November due to seasonal factors complemented by favourable weather conditions. In line with the increased fish prices, the prices of all varieties of

dried fish also showed an increase. Meanwhile, the prices of chicken and eggs decreased by 3.4 per cent and 13.3 per cent, respectively, on average in 2011. The price of eggs declined significantly by 28.4 per cent between January and December 2011 due to improvement in local production.

The upward adjustment of prices of fuel and LP gas on several occasions during the year in line with the international price increases, mainly due to supply constraints following recent geopolitical tensions and perceived risks to supplies in the international market, has had direct as well as indirect impacts on the general price level. The import price of crude oil, which was at US dollars 95.33 per barrel in January 2011, increased to US dollars 119.45 per barrel in April 2011 and declined gradually, although with considerable fluctuations, to reach US dollars 110.57 per barrel by end 2011. Accordingly, the average price of crude oil imported in 2011 increased by around 36.6 per cent from US dollars

79.52 per barrel in 2010 to US dollars 108.59 per barrel in 2011, compelling the upward revision of domestic fuel prices. These price adjustments resulted in an increase in the prices of diesel, petrol and kerosene per litre by 15.1 per cent, 19.1 per cent and 39.2 per cent, respectively, in 2011. These revisions, especially to the price of diesel, have had an adverse impact on the retail prices of commodities through increased cost of production and transport charges. The bus fares were also increased by 7.6 per cent with effect from 1 July 2011. Meanwhile, the price of a 12.5 kg cylinder of LP gas of both Laugfs and Litro was also increased on several occasions during 2011. The overall impact of the above price revisions caused a 29.0 per cent increase in the average price of LP gas, from January to December 2011. These price revisions also had an indirect impact on the CCPI through increased prices of prepared food.

Price increases of several key food commodities were effected during the year in line with price increases in the international market. Accordingly, the price of wheat flour was increased by Rs. 3 per kg with effect from 19 April 2011, and it led to an increase in the price of a loaf of 450g bread by Rs. 2. As a result, the average price of wheat flour and bread increased by 21.1 per cent and 17.2 per cent, respectively, in 2011 compared to 2010. Further, the maximum selling price of a 400g packet of milk powder was increased by Rs. 20 with effect from 3 May 2011 reflecting a 8.6 per cent increase in the average price in 2011.

The upward revision of the Special Commodity Levy (SCL) on certain imported food commodities on several occasions during the year also exerted some pressure on the CCPI. The SCL on potato was increased from Rs. 10 per kg to Rs. 35 per kg on several instances during 2011 in order to safeguard the farmers and to stabilise prices in the domestic market. Similarly, the SCL on big onion and garlic was also adjusted upwards from Rs.10 per kg to Rs. 25 per kg with effect from 10 August 2011. In addition, the SCL on crushed or ground chillies was increased by Rs. 40 per kg with effect from 13 October 2011 while the same on Maldive fish and dried fish increased by

Rs. 250 per kg and Rs. 100 per kg, respectively, with effect from 21 November 2011. Although these tax revisions had some bearing on the CCPI, it helped protect domestic producers of those items by discouraging importation of the same in excess quantities. However, the appreciation of the rupee by 2.26 per cent on an annual average basis in 2011 helped reduce the pressure on the CCPI through imported items up to a certain extent.

Increases in the sub-indices of Housing, water, electricity, gas and other fuels; Transport; and Clothing and footwear also contributed to the annual average change in the Index. These categories contributed to 12.8 per cent, 12.7 per cent and 5.7 per cent, respectively, of the annual average increase of the Index in 2011. The increase in the Transport sub-index was mainly driven by the upward adjustments to fuel prices and bus fares. All the other sub-groups of the Index i.e., Health; Education; Furnishing, household equipment and routine maintenance; Miscellaneous goods and services; Recreation and culture; and Communication, also contributed marginally to the increase in annual average inflation.

Year-on-year core inflation, which is computed by excluding fresh food, energy, transport, rice and coconut from the CCPI basket, continued to increase from March to July 2011, but declined subsequently to 4.7 per cent by December. Annual average core inflation, which was largely stable during the first few months of the year, however, showed an increasing trend since May 2011 and stood at 7.6 per cent, the peak level, in September. The trend reversed and annual average inflation continued to decline thereafter reaching 6.9 per cent by year end. The contribution to the annual average change in the core inflation index came mainly from the sub-indices of Food and non-alcoholic beverages (62.5 per cent); Clothing and footwear (8.7 per cent); and Housing, water, electricity, gas and other fuels (8.6 per cent) during 2011.

Wholesale Price Index (WPI)

WPI, which is used to measure the price movements at the primary market level, moved on an increasing path during the first quarter of

2011 on a year-on-year basis, recording the peak level of 23.0 per cent in March 2011. However, it gradually declined thereafter to reach a negative 6.1 per cent by December 2011.

Meanwhile, annual average WPI continued an increasing trend during the first nine months of the year to record 15.1 per cent in September 2011 from 11.5 per cent in January 2011. However, the increasing trend has revised thereafter, reaching 10.6 per cent by year end. The Food sub-index recorded an annual average increase of 10.3 per cent in 2011. All the other sub-indices, except Chemicals and chemical products, which declined by 10.2 per cent, recorded increases on an annual average basis in 2011. When the sector-wise classification of WPI is considered, the prices of all three sub-categories i.e., Domestic, Import and Export, increased by 5.5 per cent, 11.7 per cent, and 14.5 per cent, respectively, on an annual average basis, by year end. Price increases in coconut oil, coconut, cocoa, rubber and pepper contributed to the increase in the Export group. Similarly, under the end-use classification of the WPI, prices in all three categories, i.e., of Consumer, Intermediate and Investment, increased by 9.9 per cent, 13.9 per cent and 4.1 per cent, respectively, on an annual average basis in December 2011. Among all the commodities in the WPI basket, the price increases of wheat flour, coconut oil, sugar and Maldivian fish contributed largely to the increase in the Consumer category while the price increases of wheat grain, lorry tyres, cocoa, rubber, petrol, auto diesel and kerosene oil contributed to the increase in the Intermediate category.

GDP Deflator

The GDP deflator, which measures the overall price change in the economy, increased by 7.8 per cent in 2011 compared to 7.3 per cent in 2010. As in the previous year the Agriculture sector continued to register the highest rate of inflation in 2011. However, inflation in the Agriculture sector declined to 8.6 per cent in 2011 from 9.4 per cent in 2010, led by the relatively low growth

Table 4.4 Sectoral Deflators and GDP Deflator

Sector	Index			Percentage Change	
	2009	2010 (a)	2011 (b)	2010/2009 (a)	2011/2010 (b)
Agriculture	344.8	377.1	417.4	9.4	8.6
Industry	323.0	342.4	366.5	6.0	7.5
Services	304.7	327.6	351.9	7.5	8.0
GDP	315.8	338.9	364.8	7.3	7.8

(a) Revised
(b) Provisional

Sources: Department of Census and Statistics
Central Bank of Sri Lanka

in prices in the rubber, coconut and fishing sub-sectors during 2011. Prices in the Industry sector increased by 7.5 per cent in 2011 compared to 6.0 per cent in the previous year, however, it recorded the lowest inflation rate among the three major sectors in the economy. The increase was mainly driven by the growth in manufacturing sub-sector prices. Meanwhile, the Services sector recorded the second highest inflation rate of 8.0 per cent in 2011 largely due to the growth in the prices in import trade; banking, insurance and real estate; and domestic trade sub-sectors.

4.3 Wages

The nominal wages of both public and private sector employees increased in 2011 as compared to the previous year. The increase in nominal wages was significant among the employees in the informal private sector whose wages are determined freely in the labour market. Meanwhile, the overall nominal wage rate index of the formal private sector whose wages are governed by the Wages Boards also recorded an increase in 2011. With the upward revision of public sector wages effected in January 2011, the annual average nominal wages of public sector employees also increased in 2011 compared to 2010. Overall, real wages of the informal private sector increased while that of the formal private sector decreased in 2011 due to the decline in real wages in the Agriculture sector compared to the last year. Meanwhile, the overall real wage rate index of central government employees recorded no change during the year as the increase in nominal wages was completely offset by the increase in the price level in 2011 while real wages of government school teachers increased marginally.

Table 4.5

Wage Rate Indices

(December 1978=100)

Employment Category	Index						Percentage Change					
	Nominal			Real (a)			Nominal			Real (a)		
	2009	2010	2011 (b)	2009	2010	2011 (b)	2009	2010	2011 (b)	2009	2010	2011 (b)
1. Government employees												
Central government employees	4,502.8	4,651.6	4,964.5	159.0	154.7	154.7	9.4	3.3	6.7	5.7	-2.7	0.0
Non-executives	4,082.4	4,210.4	4,490.1	144.2	140.1	139.9	8.9	3.1	6.6	5.2	-2.8	-0.1
Minor employees	4,943.5	5,116.1	5,465.1	174.6	170.2	170.3	10.0	3.5	6.8	6.3	-2.5	0.1
Government school teachers	3,215.3	3,321.7	3,576.1	113.5	110.5	111.5	9.4	3.3	7.7	5.7	-2.7	0.9
2. Workers in Wages Boards Trades												
All Wages Boards Trades	2,171.4	2,865.3	2,996.1	76.7	95.3	93.3	4.9	32.0	4.6	1.5	24.3	-2.0
Workers in Agriculture	2,349.4	3,327.6	3,427.2	83.0	110.7	106.8	2.7	41.6	3.0	-0.6	33.4	-3.6
Workers in Industry and Commerce	2,054.0	2,199.0	2,402.1	72.5	73.1	74.9	9.4	7.1	9.2	5.9	0.7	2.4
Workers in Services	1,545.8	1,673.3	1,851.8	54.6	55.6	57.7	12.8	8.2	10.7	9.3	1.8	3.8

(a) Real wage rate indices are based on CCPI (2002=100) in 2009 and CCPI (2006/07=100) from 2010 onwards.

Sources: Department of Labour
Central Bank of Sri Lanka

Public Sector Wages

The nominal wage rate indices of public sector employees increased further in 2011. This increase was mainly due to the special non-pensionable allowance equivalent to 5 per cent of the basic salary and enhancement of the monthly COLA by Rs. 600 granted to the public sector employees from January 2011. Accordingly, the monthly COLA payable to public sector employees whose initial monthly salary was less than Rs. 22,935 rose from Rs. 5,250 to Rs. 5,850 since January 2011. In addition, increase of salary scales of Sri Lanka Principals' Service and Sri Lanka Teachers' Service from January 2011 also contributed towards increasing nominal wages of the public sector. The nominal wage rate indices of non-executive officers, minor employees and government school teachers rose by 6.6 per cent, 6.8 per cent and 7.7 per cent, respectively, in 2011, compared to increases in the range of 3.0-3.5 per cent in 2010. Consequently, the overall nominal wage rate index of the central government employees increased by 6.7 per cent compared to 3.3 per cent in 2010.

Real wages of public sector employees reflected mixed trends in 2011. Minor employees and government school teachers enjoyed real wage increases of 0.1 per cent and 0.9 per cent, respectively, in 2011 while non-executive officers suffered a real wage erosion of 0.1 per cent. In the previous year, the real wages of non-executive officers, minor employees and government school teachers decreased by 2.8 per cent, 2.5 per cent

and 2.7 per cent, respectively. The overall real wage rate index of central government employees remained unchanged in 2011 compared to the real wage rate decrease of 2.7 per cent recorded in the previous year.

Formal Private Sector Wages

Nominal wages of the organised private sector, as measured by the minimum wage rate indices of employees whose wages are administered by regulations under the Wages Boards, increased by 4.6 per cent in 2011 as compared to the previous year. The minimum wage rate indices in the three major categories of the formal private sector, namely, Agriculture, Industry and Commerce, and Services increased in nominal terms by 3.0 per cent, 9.2 per cent and 10.7 per cent, respectively, in 2011 compared to that of the previous year. The relatively higher increases in nominal wage rate indices in the Services sector and the Industry and Commerce sector in 2011 were mainly attributable to the substantial increase in the minimum wages of employees in these two sectors, in August 2010.

As per the nominal wage rate indices adjusted for inflation, the formal private sector employees in the Industry and Commerce and Services sectors have enjoyed increases in their real wages while employees in the Agriculture sector suffered a real wage loss in 2011. Accordingly, the real wages in the Industry and Commerce and Services sectors increased by

2.4 per cent and 3.8 per cent, respectively, in 2011 while the real wage rate index in the Agriculture sector declined by 3.6 per cent in 2011. As a result, the overall real wage rate index for employees in the formal private sector declined by 2.0 per cent in 2011 compared to the previous year.

Informal Private Sector Wages

Daily wages of the informal private sector increased in both nominal and real terms in 2011. The informal private sector comprises all employees who fall outside the public sector and formal private sector. Wages in the informal private sector tend to get adjusted to reflect both demand and supply conditions in the economy and the level of the reservation wage of labour. The wage information in this sector covering agriculture and building construction is collected under the Country Wide Data Collection System (CWDCS) of the Central Bank.

Daily wages of the informal private sector, in nominal terms, increased by an average rate of 11.9 per cent in 2011. The increases in nominal wages of employees in the Agriculture

and Construction sectors were 12.1 per cent and 11.1 per cent, respectively, in 2011. Within the Agriculture sector, the average daily wages in the sub-categories of Tea and Coconut increased by 13.3 per cent each while those in the sub-categories of Paddy and Rubber increased by 11.2 per cent and 10.9 per cent, respectively, in 2011 compared to those in 2010. The increases were relatively higher in sub-categories in the Agriculture sector in 2011 compared to those in the previous year. The higher wage increase in the Coconut sub-sector was mainly due to the shortages of labour. Despite a drop in tea production and its average price, wages in the tea sub-sector recorded an increase in 2011. In addition, higher rubber prices in the international market led to the increase in nominal wages for employees in the Rubber sub-sector as the producers were able to make higher payments to the respective workers.

Daily wages for carpenters and masons in the Construction sector recorded higher increases of 11.9 per cent and 10.3 per cent, respectively, in 2011 following increases of 6.7 per cent and 6.9 per cent, respectively, in 2010. This increase was partly attributable to the continued high demand

Table 4.6

Informal Private Sector Daily Wages by Sector and Gender

Sector	Annual Average (Rs.)			Percentage Change			
	2009 (a)	2010 (b)	2011 (b)(c)	Nominal		Real (d)	
				2010	2011 (b)(c)	2010	2011 (b)(c)
1. Agriculture Sector							
Tea							
Male	488	545	617	11.7	13.2	5.1	6.0
Female	356	396	438	11.2	10.6	4.7	3.6
Rubber							
Male	532	588	658	10.5	11.9	4.1	4.8
Female	416	474	490	13.9	3.4	7.3	-3.2
Coconut (e)							
Male	651	700	783	7.5	11.9	1.2	4.8
Paddy							
Male	613	658	704	7.3	7.0	1.1	0.2
Female	423	454	530	7.3	16.7	1.1	9.3
2. Construction Sector (e)							
Carpentry							
Master Carpenter - Male	934	1,000	1,115	7.1	11.5	0.8	4.4
Skilled and Unskilled Helper - Male	615	656	729	6.7	11.1	0.4	4.1
Masonry							
Master Mason - Male	925	994	1,093	7.5	10.0	1.2	3.0
Skilled and Unskilled Helper - Male	623	667	729	7.1	9.3	0.8	2.4

(a) Wage information is based on monthly wages from 90 data collection centres.

(b) Wage information is based on monthly wages from 102 data collection centres.

(c) Provisional

(d) Real wage rate indices are based on CCPI (2002=100) in 2009 and CCPI(2006/07=100) from 2010 onwards.

(e) Female participation is minimal in these sectors.

Source: Central Bank of Sri Lanka

for workers for construction activities coupled with the shortages of such workers due to migration for foreign employment.

Gains in the real wages of the employees in all the sub-categories in the Agriculture and Construction sectors were recorded in 2011. Accordingly, the daily real wages of Coconut, Tea, Paddy and Rubber sub-sectors in the Agriculture sector, increased by 6.2 per cent, 6.1 per cent, 4.1 per cent and 3.8 per cent, respectively, on average in 2011. Meanwhile, the real wages of masonry and carpentry sub-sectors in the Construction sector recorded increases of 3.3 per cent and 4.8 per cent, respectively. Overall, both the Agriculture and Construction sectors recorded a relatively higher increase of 5.0 per cent and 4.0 per cent, respectively, in real wages in 2011 compared to real wage increases of 2.5 per cent and 0.5 per cent, recorded in 2010.

4.4 Population, Labour Force and Employment

Population

The mid-year population in 2011, is estimated at 20.87 million, an increase of 1.0 per cent, over the previous year. Population in all districts, except in Mullaitivu, increased in 2011. Higher increases in population were recorded in Colombo, Kandy, Ratnapura, Kurunegala, Gampaha, Galle, Badulla, Ampara, Puttalam, Anuradhapura and Kalutara districts, which together contributed to nearly 70 per cent of the overall growth in population in 2011.

Table 4.7 District-wise Population

District	'000 Persons			
	2010	2011 (a)	Change (a)	Percentage Change (a)
Colombo	2,553	2584	31	1.2
Kandy	1,431	1447	16	1.1
Ratnapura	1,125	1139	14	1.2
Badulla	886	897	11	1.2
Kurunegala	1,563	1577	14	0.9
Gampaha	2,177	2191	14	0.6
Galle	1,084	1096	12	1.1
Anuradhapura	830	840	10	1.2
Kalutara	1,135	1144	9	0.8
Matara	839	847	8	1.0
Nuwara Eliya	761	768	7	0.9
Ampara	644	654	10	1.6
Batticaloa	543	550	7	1.3
Puttalam	779	789	10	1.3
Jaffna	611	617	6	1.0
Matale	497	504	7	1.4
Trincomalee	374	380	6	1.6
Hambantota	571	576	5	0.9
Moneragala	440	445	5	1.1
Polonnaruwa	410	415	5	1.2
Mullaitivu	148	144	-4	-2.7
Killinochchi	156	160	4	2.6
Vavuniya	174	177	3	1.7
Kegalle	818	823	5	0.6
Mannar	104	105	1	1.0
Total	20,653	20,869	216	1.0

(a) Provisional

Source: Registrar General's Department

Labour Force

According to the Quarterly Labour Force Survey (QLFS) conducted by the DCS, the labour force, which is defined as the economically active population aged 10 years and above, increased marginally by 1.6 per cent to 8.24 million in 2011, compared to 8.11 million in the

Table 4.8

Household Population, Labour Force and Labour Force Participation^(a)

Item	2008	2009	2010	2011 ^{(b)(c)}			
				Q1	Q2	Q3	Annual
Household Population (d) '000 Persons	16,320	16,578	16,862	16,950	17,190	17,126	17,088
Labour Force '000 Persons	8,082	8,074	8,108	8,133	8,308	8,266	8,236
Employed	7,648	7,602	7,707	7,784	7,957	7,943	7,894
Unemployed	434	471	401	350	352	323	342
Labour Force Participation Rate (e) per cent	49.5	48.7	48.1	48.0	48.3	48.3	48.2
Male	67.8	66.6	67.1	65.9	66.3	67.4	66.5
Female	33.2	32.8	31.2	31.9	32.3	31.1	31.8

(a) Data excludes the Northern Province.

(b) Quarterly Labour Force Survey for the 4th Quarter of 2011 was not conducted by the DCS.

(c) Provisional.

(d) Aged 10 years and above.

(e) Labour force as a percentage of household population aged 10 years and above.

Source: Department of Census and Statistics

Table 4.9

Employment by Economic Activity^(a)

Sector	'000 Persons							Percentage of Total Employment			
	2008	2009	2010	2011 (b)(c)				2008	2009	2010	2011 (b)(c)
				Q1	Q2	Q3	Annual				
Agriculture	2,490	2,476	2,520	2,511	2,684	2,610	2,602	32.6	32.6	32.7	32.9
Industry	2,005	1,910	1,867	1,951	1,878	1,916	1,915	26.2	25.1	24.2	24.3
Manufacturing	1,414	1,348	1,318	1,389	1,349	1,357	1,365	18.5	17.7	17.1	17.3
Construction (d)	591	562	548	563	529	559	550	7.7	7.4	7.1	7.0
Services	3,154	3,216	3,320	3,321	3,394	3,423	3,380	41.2	42.3	43.1	42.8
Trade and hotels, etc.	1,095	1,119	1,196	1,178	1,217	1,165	1,187	14.3	14.7	15.5	15.0
Transport, storage and communication	448	445	484	507	432	529	489	5.9	5.9	6.3	6.3
Finance, insurance and real estate	241	227	264	266	301	276	281	3.2	3.0	3.4	3.6
Personal services and other	1,370	1,426	1,375	1,370	1,446	1,453	1,423	17.9	18.8	17.9	17.9
Total employment	7,648	7,602	7,707	7,784	7,957	7,943	7,894	100.0	100.0	100.0	100.0
Percentage of Labour Force	94.6	94.2	95.0	95.7	95.8	96.1	95.8				

(a) Data excludes the Northern Province

Source: Department of Census and Statistics

(b) Quarterly Labour Force Survey for the 4th Quarter of 2011 was not conducted by the DCS.

(c) Provisional

(d) Mining and quarrying, electricity, gas and water categorised under Construction.

previous year.¹ The total labour force comprised 7.89 million employed persons and 0.34 million unemployed persons. Meanwhile, the labour force participation rate (LFPR), which is the ratio of the labour force to the total population aged 10 years and above, increased marginally to 48.2 per cent in 2011 from 48.1 per cent in the previous year. The contribution to this increase came from female LFPR, which was estimated at 31.8 per cent in 2011 compared to 31.2 per cent in the previous year. Meanwhile, there was a marginal decrease in the male LFPR to 66.5 per cent in 2011 compared to 67.1 per cent in the previous year.

Sector-wise LFPRs indicates that participation in the rural sector was higher than that in the urban sector in which the participation rate of females was significantly lower than that of males. The gender analysis of the LFPRs over the years shows that the participation rate of males has been more than twice that of females throughout the recent past. However, the declining trend observed in respect of the female labour force participation over the last few years reversed and recorded a marginal increase in 2011 compared to that in 2010.

¹ The levels and trends of labour force, employment and unemployment in Sri Lanka are based on the Quarterly Labour Force Survey (QLFS) conducted by the DCS. The coverage of the QLFS was extended to the Eastern Province since the first quarter of 2008. Though the DCS plans to expand its sample coverage to the entire country, the Northern Province was not covered fully by the QLFS during the last few years. Accordingly, the labour force data excluding the Northern Province has been used in the analysis, unless otherwise stated. In addition, the QLFS for the 4th quarter of 2011 was not conducted by the DCS.

Employment

According to the QLFS, the number of employed persons increased by 2.4 per cent to 7.89 million in 2011 as compared to that of 7.71 million in 2010.² The commendable performance in the economy in 2011 with a high and broad based growth of 8.3 per cent was the major contributory factor to the increased job opportunities in 2011.

A change in the composition of employed population among the major industry groups was observed between these two periods. Accordingly,

Table 4.10

Status of Employment^(a)

Period	Per cent					
	Public Sector Employees	Private Sector Employees	Employers	Self-Employed	Unpaid Family Workers	Total
2008	15.2	41.2	2.9	30.3	10.5	100.0
2009	15.5	42.1	2.6	29.2	10.6	100.0
2010	14.3	41.2	2.6	31.5	10.4	100.0
2011 (Annual) (b)(c)	14.3	40.4	2.9	31.4	11.0	100.0
1st Quarter	13.6	40.5	3.1	31.9	10.9	100.0
2nd Quarter	14.4	40.6	2.7	31.6	10.7	100.0
3rd Quarter	15.0	40.2	2.8	30.7	11.3	100.0

(a) Data excludes the Northern Province

Source: Department of Census and Statistics

(b) Quarterly Labour Force Survey for the 4th Quarter of 2011 was not conducted by the DCS.

(c) Provisional

² The QLFS conducted by the DCS defines an employed person as one who is engaged in some kind of work for pay, profit or family gain (unpaid) during the survey period. According to the status of employment, persons working as paid employees, employers, own account workers (self-employed), or unpaid family workers during the survey period were considered as employed persons in the QLFS. This includes persons with a job but not at work during the survey period. Employees absent from work due to illness, bad weather or labour disputes are also considered as employed.

Table 4.11 Public Sector Employment

Sector	2009	2010	2011(a)	Percentage Change	
				2010/ 2009	2011/ 2010 (a)
Government (b)	1,047,041	969,574	986,386	-7.4	1.7
Semi-government (c)	266,543	250,017	246,091	-6.2	-1.6
Public Sector	1,313,584	1,219,591	1,232,477	-7.2	1.1

(a) Provisional
 (b) Central Government, Local Governments and Provincial Councils
 (c) State Corporations, Statutory Boards and State Authorities

Source: Central Bank of Sri Lanka

the shares of the Agriculture and Industry sectors in total employment recorded increases in 2011 while that of the Services sector recorded a contraction. Agriculture sector predominantly generated the largest number of employment during the year while the Services sector, which continued to make the largest contribution to the overall economic growth during last few years, generated the second highest employment. Accordingly, the share of the Agriculture sector in total employment increased to 32.9 per cent in 2011 from 32.7 per cent in the previous year. The increased employment generation in the Agriculture sector could be attributed to the cultivation of new lands, particularly in the Northern and Eastern provinces, supplemented by agricultural drives initiated by the government. Meanwhile, the share of employment in the Industry sector increased marginally to 24.3 per cent in 2011 from 24.2 per cent in 2010 while that of the Services sector decreased marginally to 42.8 per cent in 2011 from 43.1 per cent in 2010. The drop in the share of employment in the Services sector to the total employment was observed in the Transport, Storage and Communications; and Trade and Hotels sub-sectors.

In terms of employment status, the shares of unpaid family workers and employers increased in 2011 while that of public sector employees remained at the same level as in 2010. Irrespective of the decline in the relative shares of private sector employees and own account workers, the number of employees in these categories recorded increases in 2011. Despite the share of the private sector declining in 2011, it continued to maintain its dominance registering

the major share of 40.4 per cent as against 14.3 per cent held by the public sector. Meanwhile, the unpaid family workers category generated the highest number of employment followed by the self-employed category, which generated the second largest number of employment opportunities during 2011. The growth in the number of employers, self-employed and unpaid family workers reflects the fact that the growing economy has created more employment opportunities in the unorganised sector in recent years. The increased employment generation in the Agriculture sector in 2011 further confirms the contribution, especially of unpaid family workers and self-employed workers, in lowering unemployment in Sri Lanka.

Unemployment

According to the QLFS, the unemployment rate continued to decrease noticeably to 4.2 per cent in 2011 as compared to 4.9 per cent recorded in 2010. The total number unemployed was estimated at 342,000 in 2011 compared to 401,000 in the previous year. This decline was associated with the healthy growth experienced in all three sectors of the economy, led by the conducive macroeconomic environment that helped create more employment opportunities in 2011.

The increasing trend in unemployment observed since 2008 among those with GCE (A/L) and higher qualifications registered a decline in 2011. Accordingly, the unemployment rate in this category decreased significantly to 9.0 per cent in 2011 from 11.6 per cent in the previous

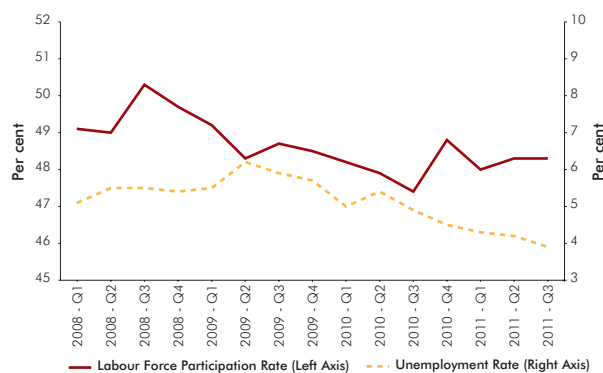
Chart 4.2 Trends in Labour Force & Unemployment (2008-2011)

Table 4.12 Unemployment Rate (Unemployed as a percentage of Labour Force)^(a)

Category	2008	2009	2010	2011 (b)(c)			
				Q1	Q2	Q3	Annual
All	5.4	5.8	4.9	4.3	4.2	3.9	4.2
By Gender							
Male	3.7	4.3	3.5	3.0	2.7	2.5	2.7
Female	8.4	8.6	7.7	6.7	7.0	6.7	6.8
By Age Group							
15 - 19	20.8	20.9	20.3	14.6	16.4	15.1	15.4
20 - 29	13.7	15.4	13.8	12.8	13.2	11.3	12.4
30 - 39	3.1	3.7	3.1	2.8	2.3	3.0	2.7
40 and above	1.2	1.4	1.0	0.8	0.8	0.5	0.7
By Educational Level							
Grade 4/Year 5 and below	-	-	-	-	-	-	-
Grade 5-9/Year 6-10	4.5	5.0	3.6	3.2	3.6	3.0	3.3
GCE (O/L)/NCGE	7.8	8.5	6.9	5.3	5.8	4.3	5.2
GCE (A/L)/HNCE and above	10.5	11.2	11.6	10.0	7.8	9.3	9.0

(a) Data excludes the Northern Province.

Source: Department of Census and Statistics

(b) Quarterly Labour Force Survey for the 4th Quarter of 2011 was not conducted by the DCS.

(c) Provisional

year. Concurrently, the unemployment rate among those with GCE (O/L) qualifications also declined to 5.2 per cent in 2011 from 6.9 per cent in 2010.

The unemployment rate among the age group of 15-29 years also decreased in 2011. More precisely, youth unemployment among the age group of 15-19 years and 20-29 years dropped significantly to 15.4 per cent and 12.4 per cent, respectively, in 2011 from 20.3 per cent and 13.8 per cent, respectively, in 2010. In addition, it is noteworthy that youth unemployment rates of both males and females were lower than those of the previous year.

Foreign Employment

In view of its contribution to reduce the pressure on unemployment in Sri Lanka, overseas job opportunities continued to be a vital source of employment, despite a marginal slowdown observed in migration for employment in 2011. Following the usual pattern, there was a further increase in departures for foreign employment during the first three quarters of 2011 while a slowdown was registered in the last quarter of the year. According to the estimates of the Sri Lanka Bureau of Foreign Employment (SLBFE), the total number of departures for foreign employment in 2011 decreased marginally by 1.7 per cent to 262,960. A decline in placements for overseas employment was observed in the categories of

skilled and semi-skilled employees, middle level employees and housemaids. The largest decline in departures for foreign employment occurred in the category of housemaids whose relative share in the total departures decreased continuously from 46.0 per cent in 2009 to 41.0 per cent in 2011. Meanwhile, a noticeable growth in migration for foreign employment was registered by professionals and clerical and related worker categories despite the fact that the number and share of the same category to the total departure still remained at a very lower level.

The relevant authorities continued to take initiatives in 2011 to generate more foreign employment opportunities and enhance the protection and welfare of Sri Lankan migrant workers and their families left behind. These measures mainly aimed at achieving the targets set by the Ministry of Foreign Employment Promotion and Welfare to make Sri Lanka the best provider of professional, technical and skilled manpower to the global market while bringing in foreign exchange earnings of US dollars 10.0 billion by 2015. The Ministry strategises achieving this target through a policy which entails an upward shift from unskilled to semi and skilled grades through a policy that envisages to improve the image of Sri Lanka as a source country that provides high calibre professional, technical and skilled personnel in specialised fields such as nursing, nautical services, accountancy, information technology, banking and

engineering. The new policy approach also aims at concentrating on the human dimension of migrant labour while re-branding the emigrant workforce. It emphasises on pre-departure training, re-skilling and giving due attention to safety of the worker. These measures further include implementation of regulatory measures to streamline recruitment procedures, conducting training programmes for foreign job seekers in different fields of employment and improving accountability of foreign employment agencies. Migrated employees were further protected through the provision of welfare facilities and extension of assistance to overcome difficulties and problems faced by them. Recruitment agencies for foreign employment were further strengthened through regulation of these agencies, which in turn helps the people look for foreign employment from genuine service providers. These policy initiatives to promote foreign employment are expected to set up a strong basis for medium to long-term growth in foreign employment, in terms of both numbers and volume of remittances.

The policy changes to find new sources of foreign employment and to obtain more placements abroad for high calibre skilled and professional categories, had a positive impact on foreign employment placements in 2011. Departures of professionals and clerical and related worker groups for foreign employment recorded increases in 2011 while housemaids and semi-skilled worker groups recorded decreases. Departures of housemaids, who continued to dominate the Sri

Table 4.14 Foreign Employment Departures by Destination

Country	2010		2011 (a)		Change (a)	
	Number	Share	Number	Share	Number	Share
Qatar	54,676	20.4	52,553	20.0	-2,123	-3.9
Saudi Arabia	70,830	26.5	68,637	26.1	-2,193	-3.1
U A E	42,310	15.8	39,339	15.0	-2,971	-7.0
Kuwait	48,108	18.0	50,657	19.3	2,549	5.3
Other	51,583	19.3	51,774	19.7	191	0.4
Total	267,507	100.0	262,960	100.0	-4,547	-1.70

(a) Provisional Source: Sri Lanka Bureau of Foreign Employment

Lankan foreign employment industry, decreased further by 4.4 per cent to 107,816 in 2011. As a result, the relative significance of housemaids within the total departures for foreign employment also declined to 41.0 per cent in 2011 from 42.1 per cent in 2010. Similarly, the middle level and skilled labour groups also recorded decreases in departures leading to declines in their relative share of each manpower category as compared to 2010. Despite initiatives taken by the government to discourage unskilled labour migration, which is the third category in order of significance, it recorded a large increase in departures for foreign employment while increasing its relative share in the total departures to 24.1 per cent in 2011 from that of 22.6 per cent in 2010. As in 2010, the number of departures as well as the relative share of males departing for foreign employment was higher than that of females in 2011. However, both male and female migration decreased in 2011 compared with 2010. Thus, the gender composition of male and female departures registered a ratio of 52:48 in 2011 compared to 51:49 last year.

Table 4.13 Departures for Foreign Employment

Employment	2009		2010		2011 (a)	
	Number	Per cent	Number	Per cent	Number	Per cent
Total Placement	247,126	100.0	267,507	100.0	262,960	100.0
By Source						
Licensed Agents	156,567	63.3	160,498	60.0	146,456	55.7
Other	90,559	36.7	107,009	40.0	116,504	44.3
By Gender						
Male	119,381	48.3	136,850	51.2	135,870	51.7
Female	127,745	51.7	130,657	48.8	127,090	48.3
By Manpower Category						
Professional	2,832	1.1	3,057	1.1	3,835	1.5
Middle Level	6,388	2.6	6,884	2.6	6,106	2.3
Clerical and Related	6,719	2.7	7,923	3.0	9,888	3.8
Skilled Labour	61,321	24.8	71,537	26.7	67,703	25.7
Semi Skilled Labour	6,015	2.4	4,932	1.8	4,169	1.6
Unskilled Labour	50,173	20.3	60,422	22.6	63,443	24.1
Housemaid	113,678	46.0	112,752	42.1	107,816	41.0

(a) Provisional Source: Sri Lanka Bureau of Foreign Employment

The foreign employment market continued to concentrate largely on the Middle Eastern region absorbing more than 90 per cent of the departures for foreign employment, which consisted mainly of housemaids. Within the Middle Eastern region, Saudi Arabia, Qatar, Kuwait and U.A.E accounted for 80.3 per cent of the total departures for foreign employment in 2011. Of these countries, the total departures to Qatar, Saudi Arabia and U.A.E, which together contributed for 62.7 per cent of the total migrant workers in 2010, recorded decreases in 2011. The departures to all the other countries recorded a marginal increase leading to an increase in the relative share of these countries within total departures to 19.7 per cent from 19.3 per cent in the previous year. Many steps taken towards promotion of foreign employment, which include the relevant authorities entering into Memorandum of Understanding (MOU) with labour receiving countries, development of various information sharing networks that link different stakeholders, government to government recruitment systems etc., have contributed to enhance foreign employment opportunities.

Foreign employment continued to be an important and stable source of foreign currency inflows to the country. Total foreign remittances received from migrant workers in 2011 increased by 25.0 per cent to US dollars 5,145 million compared to US dollars 4,116 million received during the previous year. The steps taken to enhance welfare and protection of migrant workers at the work place, extending post-arrival support to workers, attending to welfare of families left behind by the migrant workers and other awareness programmes etc. would make foreign employment more attractive to potential migrating workers thereby paving the way for a further increase in the foreign exchange earnings.

Labour Productivity

Overall, labour productivity continued to improve in 2011 following the trend observed over the last few years. Labour productivity measured in terms of GDP per worker (at constant prices of 2002) increased by 5.7 per cent in 2011

over the previous year to Rs. 362,800 per worker. The increase in productivity can be attributed mainly to the growth in productivity of the Industry (by 7.6 per cent) and Services (6.7 per cent) sectors while productivity of the Agriculture sector suffered a setback of 1.7 per cent during the year.

Since Sri Lanka is planning to position itself as a regional investment destination, it is imperative to increase investment opportunities across all sectors of the economy. The notable achievement of productivity in the Industry sector could be attributed to the improved processes and practices followed, research and development activities undertaken and new technologies introduced. In view of the global challenges and local barriers, which could be experienced in the process of development, it is necessary to have continuous improvement in productivity of all sectors in the economy in order to sustain competitiveness and retain the market share.

Productivity in the Services sector could be further improved through productivity enhancement systems, effective application of Information and Communication Technology (ICT) and adoption of a customer focused approach. As plans are in place to increase the per capita income to a level of US dollars 4,000 by 2016, and to re-position the economy as a regional hub for Maritime, Aviation, Commercial, Energy and Knowledge, an improvement of productivity in the Services sector would be crucial in achieving a higher economic growth that will realise such a target.

Table 4.15

Labour Productivity by Major Economic Sector

	2009	2010	2011 (a)
GDP at Constant (2002) Prices, Rs. million	2,449,214	2,645,542	2,863,854
Agriculture	295,097	315,610	320,346
Industry	701,129	760,334	838,932
Services	1,452,988	1,569,598	1,704,576
Labour Productivity, Rs.'000 per person (b)	322.2	343.3	362.8
Agriculture	119.2	125.3	123.1
Industry	367.1	407.3	438.1
Services	451.8	472.8	504.3

(a) Provisional

(b) Based on employment data excluding the Northern Province.

Sources: Department of Census and Statistics
Central Bank of Sri Lanka

Table 4.16

Strikes in Private Sector Industries

Year	Plantation			Other (a)			Total		
	No. of Strikes	No. of Workers Involved	No. of Man Days Lost	No. of Strikes	No. of Workers Involved	No. of Man Days Lost	No. of Strikes	No. of Workers Involved	No. of Man Days Lost
2008	34	34,014	41,525	17	3,917	24,130	51	37,931	65,655
2009	2	300	300	6	4,720	7,365	8	5,020	7,665
2010	9	3,185	23,037	6	1,923	2,034	15	5,108	25,071
1st Quarter	3	804	14,220	3	369	408	6	1,173	14,628
2nd Quarter	2	449	6,009	1	218	218	3	667	6,227
3rd Quarter	2	332	1,208	2	1,336	1,408	4	1,668	2,616
4th Quarter	2	1,600	1,600	-	-	-	2	1,600	1,600
2011 (b)	19	6,692	23,513	8	3,807	15,673	27	11,039	39,186
1st Quarter	1	106	106	1	1,500	5,356	2	1,606	5,462
2nd Quarter	4	433	3,028	3	1,272	7,697	7	1,705	10,725
3rd Quarter	6	1,062	2,102	3	970	2,490	9	2,572	4,592
4th Quarter	8	5,091	18,277	1	65	130	9	5,156	18,407

(a) Includes semi-government institutions and all other private institutions.

(b) Provisional

Source: Department of Labour

As Agriculture by nature is dependent to a large extent on the vagaries of the weather and other natural forces, variation in productivity of this sector over time is inevitable. The decline in productivity of the Agriculture sector in 2011 was attributed to the contraction of production caused by the adverse weather conditions experienced in the first quarter of 2011. The improvement of productivity in the Agriculture sector is particularly important as it helps keep the price of food items low, which in turn helps the economy attain a higher real growth. Therefore, in addition to the development of infrastructure facilities, improving farmer awareness on proper usage of fertilizer, improved seeds and new technologies, innovations and mechanisation should be given higher priority within the development programmes.

Labour Relations and Labour Market Reforms

Labour relations have improved noticeably in recent years. The effective implementation of policies, timely action taken and positive intervention by the authorities helped restore industrial harmony in the relevant sectors, thereby enhancing overall productivity. The situation in 2011 is particularly commendable compared with the environment that prevailed prior to 2009 where prolonged industrial disputes used to cause extensive damages to the economy. The recognition of social dialogue as an effective method of policy making and in

fostering sound workplace relations is imperative to gear productive employment through industrial harmony.

Although the number of strikes and man-days lost increased moderately in 2011, these numbers were significantly lower than those experienced before 2009. The number of strikes and man-days lost in the private sector increased during 2011 compared to the previous year. Accordingly, the number of strikes in the private sector increased to 27 in 2011 compared to 15 reported during 2010 while total man-days lost increased to 39,186 in 2011 compared to 25,071 in the previous year. Similarly, the number of workers involved in the strikes also increased to 11,039 from 5,108 in 2010. The increase in the total number of strikes was mainly due to the increase in industrial disputes in the plantation sector.

Improving the regulatory framework and promoting social dialogue and labour relations were considered important to strike a balance between the flexibility and security of the labour market. As the issues relating to labour and employment are said to be complex and extensive, initiatives were taken in 2011 to reconsider existing legal provisions in this regard. Accordingly, Industrial Disputes (Amendment) Act, No. 39 of 2011 was introduced on 6 October 2011 in order to meet the modern day requirements. Maximum penalty for unfair labour practices was increased by the said amendment to serve as a sufficient deterrence.