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Sri Lanka's election pledges: Do we really need that many new jobs?

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Table 1: Unemployment rate by age group, level of education and gender –First Quarter 2015

| | Sri Lanka | Age group in years | | | Level of education | | |
|-----------|-----------|--------------------|-------|---------|--------------------|---------|-----------------|
| | | 15-24 | 25-29 | Over 30 | Below GCE O/L | GCE O/L | GCE A/L & above |
| Sri Lanka | 4.7 | 21.7 | 8.7 | 1.6 | 2.7 | 6.6 | 10.1 |
| Male | 2.9 | 15.3 | 4.1 | 0.9 | 2.0 | 4.5 | 5.3 |
| Female | 7.9 | 31.2 | 15.9 | 2.8 | 4.2 | 10.6 | 14.3 |

Source: Quarterly Report of the Sri Lanka Labour Force Survey, 2015, First Quarter, DCS



By Bilesha Weeraratne

With the general election just days away, all contesting parties have pledged new job opportunities; the United National Party's (UNP) election manifesto pledges one million new jobs in five years, the United People's Freedom Alliance (UPFA) tops it off with 1.5 million jobs by 2020, while the Janatha Vimukthi Peramuna (JVP) promises 60,000 jobs per year through Board of Investment (BOI) projects. But does Sri Lanka need that many jobs?

Current status

The country's unemployment rate was 4.3% in 2014, while during the first quarter of 2015 it reached 4.7%. This level of unemployment, however, does not indicate that Sri Lanka's labour market is in a terrible state. In fact, it is worth reminding that full employment is not 0% unemployment, and that full employment is an acceptable figure above 0% that is consistent with stable inflation.

Figure 1 depicts Sri Lanka's unemployment rate in 2014 compared to several selected countries. For instance, in the UK and USA unemployment rates in 2014 were 6.2 %, while in Japan it was 3.6%. In China and India it was 4.1% and 3.6% respectively.

Sri Lanka does not have a dire need for the creation of that many new jobs. On the contrary there is a growing shortage of skilled and unskilled labour in many sectors i.e. apparel, plantations and construction. Hence, this existing level of unemployment in Sri Lanka is more nuanced than the

inadequacy of jobs. Hidden within the 4.7% unemployment rate are the specific issues such as huge disparities in unemployment rates across age groups, the noticeable gender gap in Labour Force Participation Rate (LFPR), and underemployment.

Youth unemployment and new entrants

Amidst somewhat complacent 4.7% overall unemployment, those in the age group of 15-24 years have a high unemployment rate of 21.7% - nearly five times the national average (see Table 1). Similarly, those aged 25-29 years have an unemployment rate of 8.7% – nearly twice the national average. The high-level of youth unemployment in Sri Lanka is mainly due to new entrants to the labour market. New entrants (also called first time job seekers) often endure a longer stint of unemployment looking for the ideal job that meets their aspirations. As noted by the International Labour Organisation (ILO), jobs available in Sri Lanka are either unattractive to young persons due to; the precarious nature of employment, perceptions of youth about the occupation, stigma attached to the particular occupation, or the sector, or because labour market opportunities simply do not meet their aspirations. A media article points out that youth unemployment “is more marked amongst ‘educated’ young persons who have often secured a qualification without relevant work experience. It is perhaps better articulated as a misunderstanding of the demands of the world of work. Hence once qualified they raise the bar of their aspirational goals, soon to be disappointed and disillusioned.” As seen in the left most panel in Table 1, unemployment is highest among the more educated. Hence, the mere availability of more jobs will have limited impact on solving youth unemployment issue in Sri Lanka.

Low female labour force participation

Along with youth unemployment, low female Labour Force Participation Rate (LFPR) is another specific issue in the country's labour market. LFPR is the percentage of people who are working/ looking for work (defined economically active), to the total working age population.

Despite female LFPR being a driver of growth and development, in Sri Lanka there is a large gender gap in LFPR. In the first quarter of 2015, the female LFPR rate was 36.4%, which is half the male rate of 73.9%. This low level of LFPR among women is an indication of the relatively low availability of employment opportunities in Sri Lanka that are suitable for women.

As such, despite sounding attractive in the run up to an election, these pledges to create millions of new employment opportunities will have a limited impact on addressing specific issues of youth unemployment and low LFPR. Moreover, such job creation has the potential to contribute to the growing issue of underemployment - working fewer hours than one desires to work or being employed in a job that does not fully utilise the skills/training.

Unfortunately, Sri Lanka only measures the first form of underemployment – in terms of hours employed, and latest available estimates (2013) indicates that such underemployment was 3.5%. Nonetheless, though not estimated, the other form of underemployment is rampant in the public sector, i.e., the recent graduates' employment scheme to the position of District Service Officers and most previous graduate employment schemes fail to utilise these graduates' full potential.

In conclusion, Sri Lanka does not need that many new jobs. Instead, the focus should be on generating adequate good jobs – with greater added value, better wages and working conditions, that are targeted

to address youth unemployment and low female labour force participation.

[Dr. Bilesha Weeraratne is a Research Fellow at the Institute of Policy Studies of Sri Lanka (IPS). To view this article online and to share comments, visit the IPS Blog 'Talking Economics' – www.ips.lk/talkingeconomics.]

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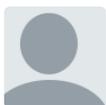
Eshini • 3 months ago

Great article. However I feel that it has missed two important points.

1. It is vital for Sri Lanka to move its population out of agriculture, especially small land holders into more productive and gainful employment. Currently Sri Lanka's agricultural sector is highly politicized and receives large subsidies upon which many of its players rely on, making the sector less competitive. Therefore job creation in the manufacturing sector in particular will be a good source to absorb most of the mass unskilled labour that can be moved out of agriculture.

2. Pushing for more job creation in the private sector will also allow the government to reduce the size of the public sector while making it more efficient and productive.

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jaya • 3 months ago

The writer is no Economist; just a layman !! While agreeing with Ms.Weeraratne as regards the well researched article (SL needs Economic Analysts of this nature more than ever) and on the salient points about unemployment in SL, I find the promise of 100,000 jobs to be created a little bit dubious whoever comes forward with it !! Both RW and MR have promised not only jobs but also Himalayan salary increases notably to the public sector !! What is the type of jobs they propose to create !! Earlier Govts., dumped most of their "catchers" on to the hapless CTB !! There were "checkers" and there were

"checkers" to check on the "checkers". There were layers of "checkers" checking on other "checkers"!! There were depot superintendents who were a category again "checking" !! This pattern runs through the public sector !! There are Admin.Trainees!! : "Samurdhi Personnel" who add little value to the economy !! I would opine that rather than creating "dubious" jobs Govts should endeavor to create more small & medium level "entrepreneurs" like in Japan and Korea !! These entrepreneurs will in turn employ at least 2 or 3 other persons and so on !! However, all the Govts who came into power in SL have not created the ambience for the emergence of entrepreneurs !! During Sirima's tenure of Govt., any one who was becoming a success was looked down as a threat to the regime !! Either the enterprise was expropriated under the infamous "Business Acquisition Act " They were taxed to extinction !! There were stories of formerly rich people picking "dust bins". Sirima was besides herself with joy !! The JVP who now professes themselves to be business friendly had a different idea then "Kapaw, Kotaw, Maraw mostly small entrepreneurs and boutique keepers !! The UNP on the other hand was business friendly but only towards those affluent types !! Small entrepreneurs were a different "cup of tea" to them !! MR of course takes the crown !! When businessmen were keen to set up business a large "santhosum" had to be paid to the Ministers and Dy.Ministers concerned for that privilege !! Most entrepreneurs stopped on the track !! This is how SL has conducted itself !! I for one do not believe that 100,000 jobs will be created or that much small businesses will open in the near future !! SL is and will be an sorry "Asiatic Congo" !!

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