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Services liberalization, only way to bridge skilled labour gap

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By Chandeeпа Wetthasinghe

Liberalization of professional services in Sri Lanka would go a long way towards filling the skilled labour gap in Sri Lanka and uplifting the country's skill levels, according to experts who spoke at a forum recently.

"It may be time for Sri Lanka to look at this option seriously," Institute of Policy Studies Executive Director Dr. Saman Kelegama said.

He said that Sri Lanka currently has a shortage of around 7,000-10,000 doctors and around 12,000 nurses and other specialist support personnel, which could be addressed by allowing for the trade of skilled labour between borders.



The country will also be facing a labour shortage of around 120,000 in the hospitality industry in the next 2 years if the 2.5 million tourist target is achieved, while the apparel industry is also facing acute labour shortages. These 2 industries bring in the largest share of foreign exchange.

However, many protectionist segments in the business community have boycotted services liberalization, going so far as to sabotage the negotiations of the Comprehensive Economic Partnership Agreement (CEPA) with India which liberalizes services.

Sri Lanka is currently following the General Agreement in Trade of Services (GATS) framework of the World Trade Organization (WTO) whereby foreigners can work in Sri Lanka under case-by-case approval.

“Sri Lanka can currently import any skilled labour as and when needed, but filling skilled gaps one by one is cumbersome for companies. They need to employ short term labour due to increased globalization. So the companies are frustrated,” Dr. Kelegama noted.

He noted that since the WTO’s Doha Development Agenda negotiations—which include worldwide trade liberalization—is at a standstill, countries would have to develop on the GATS framework within regional trade agreements, free trade agreements and CEPAs.

“It is possible to have ‘GATS plus’ frameworks in FTAs. If clearly defined, it is easier to attract foreign direct investments even without tax incentives. The flood gates opening does not happen. I haven’t heard of any country complaining about GATS,” he said.

He further added that a country’s sovereignty is not compromised, and Sri Lanka can stipulate what labour at what skill levels can be imported freely.

“The industries can request more. Requests had already been made by the maritime and IT industries in the CEPA negotiations,” Dr. Kelegama added.

Meanwhile Institute of Chartered Accountants Sri Lanka President Arjun Herath said that despite Sri Lanka having the 2nd largest number of accountants to population ratio in the world, importing accountants with higher skill will improve the local levels, since only a minority could be said to be above global standards.

Dr. Kelegama said that just 17 percent of Sri Lanka’s 8 million strong labour force are professionals, and yet, many of the highly skilled Sri Lankans migrate abroad.

“Sri Lanka is an exporter of labour despite local inadequacies,” he said.

While professionals from the legal, medical and financial sectors present at the forum agreed with the sentiments, the professional bodies noted that the Department of Commerce which should have consulted the industries had seemed reluctant to work with them when negotiating services liberalization under CEPA.

Bar Association of Sri Lanka Deputy President Saliya Pieris said that all laws in Sri Lanka would have to be revisited and amended to facilitate and create safeguards in the liberalization of services.

Recently, Policy Planning and Economic Affairs Deputy Minister Dr. Harsha de Silva too echoed similar sentiments at a forum dominated by protectionist businessmen.