

# Executive Summary

Young people are viewed as an asset in the labour market, with the potential to contribute significantly toward a productive economy. However, they are also a vulnerable group, and can face a wide range of challenges in transitioning between school to the world of work, adjusting to changing labour markets and types of jobs, and dealing with skills mismatches. Vulnerability in the labour market is commonly measured by the unemployment rate. However, other potentially vulnerable young persons—for instance those who are neither in the labour force nor in education or training—have received relatively less attention. The concept of NEET—referring to young people **Not in Education, Employment, or Training**—focuses not only on those who are jobless, but also on those who lack access to learning opportunities or those who are inactive in the labour market.

The consequences of being NEET are grave, with high risks of both labour market and social exclusion. It is therefore important to identify root causes and determinants of falling into NEET, so that appropriate policies can be devised to ensure the productive engagement of young persons in the economy. So far, this is an area of policy attention largely limited to European and other developed countries. Consequently, in this study, we examine the NEET population in Sri Lanka, and identify potential risk factors of falling into NEET status and belonging to

specific NEET subgroups. We estimate binomial and multinomial logistic regression models, using secondary data from the 2016 Labour Force Survey conducted by the Department of Census and Statistics of Sri Lanka.

Descriptive analysis shows that females account for 67% of overall NEETs, largely driven by the family carer subgroup—primarily involved in caring for children—who is the largest NEET subcategory and is also predominantly female. Voluntary or other NEETs and unemployed NEETs also account for around one-fourth each of the NEET population, with younger NEETs in the 15-19 age group representing a relatively large share of voluntary and other NEETs. Our binomial logit estimates identify the following as key risk factors of falling into NEET: being female or of ethnic and religious minorities, belonging to the 20-24 age group, having very low or very high levels of education, being illiterate in English, belonging to a low-income household or one headed by a male, having young children, living in more remote areas, and belonging to areas with relatively low youth unemployment rates. The multinomial logit model provides important information on particular factors that push an individual into a specific NEET subgroup. Falling into NEET due to unemployment is more common among the highly educated, particularly among males, while poorer transport facilities increase the chances of being a female unemployed NEET.

On the other hand, being female, having children under the age of five, being married, and belonging to ethnic and religious minorities increases the likelihood of becoming a family caring or voluntary or other NEET. The tendency of becoming NEET by choice is also more prevalent among the younger age cohort. Location is the most important determinant of becoming a discouraged NEET, particularly for males in the estate sector and for females in more rural provinces.

Our findings point to several policy implications in reducing the NEET rate and engaging more of Sri Lanka's youth in education, training, and the labour market. First, with regard to female family carers who account for the largest share of NEETs and also face relatively higher risks of becoming NEET, it is important to explore policy options that can release women from household responsibilities and bring them into the labour market, including the provision of good quality and affordable childcare options. Preventing Sri Lankan youth from becoming unemployed NEETs calls for improving the employability of educated youth through imparting of job-relevant skills as well as more white-collar job creation in line with youth aspirations. To lower the risks of youth falling into the voluntary or unspecified NEET category—largely prevalent among young persons upon completion of school education—improving the quality of vocational education and training, assisting in school-to-work

transitions, and providing career guidance, are essential. Lastly, given that being a discouraged NEET is largely tied to locational disadvantages, initiatives such as

financial and mobility assistance for disadvantaged youth to cover the costs of living while participating in a certain learning or employment opportunity are important.

Additionally, ongoing efforts to improve connectivity, particularly between the estate and urban sectors and between conflict-affected and urban areas, are also key.