

Executive Summary

Sri Lanka has the fastest ageing population in South Asia: The proportion of the population aged 60 and above that stood at 14% in 2015 is expected to rise to 21.2% by 2030 and 25.6% by 2040. Such demographic patterns are primarily an effect of Sri Lanka's rising life expectancy at birth, decline in fertility rates and the out-migration over the past several decades. The ageing population can have several implications on the country's labour markets, social protection system, as well as the healthcare expenditure.

The issue of Sri Lanka's ageing population is further compounded by two major labour market challenges: high level of informal sector employment, and continuing low levels of female labour force participation (LFP). These two challenges imply that a considerable share of the country's population is without access to social security benefits and have inadequate savings for old-age. Therefore, elderly LFP can be considered of high importance to ensure old-age income security while lessening the care burden of the working-age population. Despite the importance of this topic, limited research has been carried out in this area.

In this context, this study investigates the determinants of elderly LFP in Sri Lanka employing a probit model analysis based on the Household Income and Expenditure Survey (HIES) 2012/2013. In addition to the

econometric analysis, the study provides a detailed profile of the elderly population in Sri Lanka including their demographic characteristics, levels of poverty, LFP patterns, and their reception of social protection and remittances based on the HIES 2012/2013 data.

The descriptive analysis suggests that over 55% of the elderly are female and the majority of the elderly are heads of households. About 84% of the male elders are household heads while the figure was only 30.5% for females. In terms of education, 43% of elderly have received education up to the primary level or below with some gender disparities. Overall, about 27% of the elderly participate in Labour Force (LF) but the gender disparities are stark. Only 13.2% of female elderly are engaged in the LF compared to 45.8% of male elderly. Interestingly, a majority of those employed elders are own-account workers (58%), followed by private sector employees (35%).

In order to examine the individual, household and spatial factors that affect LFP decision of the elderly, a probit model analysis was carried out. With the aim of capturing differences in determinants of LFP among various subgroups of elderly, six initial probit models as well as six disaggregated models (based on gender and age) were estimated. The results show that a male elderly is more likely to participate in the workforce than a female elderly. Being a head of

household also significantly increases the likelihood of elderly LFP. The older the elderly, lower the likelihood of participating in the labour force. Being disabled or chronically ill also decreases the probability of LFP. Interestingly, education does not significantly affect the LFP decision of the elderly. It is further important to note that receiving social assistance in the form of various transfers does not play a significant role in determining elderly LFP. This could be a reflection of the inadequacy of coverage and benefits of current programmes. However, being a recipient of pensions appears to have a significant negative effect on elderly LFP of both men and women. This can be attributed to the generosity of the current pension scheme for Public Servants in Sri Lanka. Similarly, receipt of remittances is also found to have significant negative effect on LFP of both males and females with marginal effects being larger for males.

It is further found that the presence of children has a significant negative impact on elderly LFP, for both male and female elderly. This could be attributed to the care role played by the elderly as grandparents. The presence of other economically active people in the household decreases the probability of LFP among elderly males. Interestingly, lower the income of the household, higher the likelihood of LFP of female elderly while the level of income does not appear to be a significant determinant of LFP of

elderly men. In examining the partial characteristics of LFP, the study finds that the elderly in some provinces in Sri Lanka are more likely to engage in the labour force compared to the others.

The study brings out several important policy implications and

has great relevance to the Sustainable Development Goals (SDGs), especially SDG 8 on 'Decent Work and Economic Growth' and SDG 1 on 'No Poverty'. The findings stress the need to ensure the sustainability of the government pension scheme in the face of a rapidly ageing population

and rising cost of the current non-contributory scheme. The findings also support the discourse on raising the mandatory age of retirement. Furthermore, there is a need to improve the quality and coverage of the existing social assistance schemes in order to enhance the income security of the elderly.