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INSIGHT

Promoting Access to Decent Work in Sri Lanka



Informal workers are one of the most affected by adverse economic shocks. Photo credit: ADB.

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Invest in economic sectors that are more likely to generate more productive jobs.

Introduction

Decent work is an important component of Goal 8 of the 2030 Agenda on Sustainable Development. The International Labour Organization (ILO) defines it as "productive work for women and men in conditions of freedom, equity, security and human dignity."

Access to decent work is critical to reducing income inequality, decreasing vulnerabilities, promoting human dignity, and facilitating sustained economic growth and development. It can provide wages and social security that can at least cushion or mellow the impacts of economic shocks. The best available measure of decent work is formal employment. Formal employees, by definition, are workers whose employer contributes toward a provident fund on their behalf.

More than half of household income in Sri Lanka comes from wages and salaries.

To address gaps in access to decent work in Sri Lanka, policy makers need to invest in sectors that have the greatest potential for productivity improvements while creating more jobs, focusing on population groups that have the least access to better work opportunities.

Analysis

Achieving inclusive and sustainable economic growth requires investments in sectors that are more likely to create more decent work opportunities. Sectors that create more employment while increasing productivity boost access to higher-paying jobs. For productivity to increase while expanding employment opportunities, both employment and value addition in the sector must increase.

From 2015 to 2017, the agriculture and services sector of Sri Lanka experienced productivity growth, but only the services sector had an employment growth. This showed that only the services sector contributed to employment with potential wage increases on average. Meanwhile, from 2018 to 2020, the services sector showed productivity growth, but employment contracted. The decline in labor market conditions was mainly due to the Easter Sunday bomb attacks in April 2019, followed by the coronavirus disease (COVID-19) pandemic. Employment moved to the labor-intensive agriculture sector from the industry and services sectors.

According to the 2020 Labor Force Survey of the Department of Census and Statistics, 91.4% of agricultural workers are informal workers who are not covered by social security. Their average monthly earnings are lower than those of workers in the industry and services sectors. During economic challenges, issues like income inequality are usually sidelined amid other priorities. The pandemic has exposed the vulnerability of informal workers to adverse economic setbacks.

Any expansions in the industry and agriculture sectors must be accompanied by investments in better technology to support productivity growth. Employment creation and productivity in these two sectors can also be facilitated by improving backward and forward linkages and value addition.

Rapid technological updates have diminished the sustainability of low-skilled roles as computers and artificial intelligence started to take over. At the same time, higher-skilled workers are needed to occupy both existing and newly created jobs. Many countries are seeking to move toward knowledge-based economies that drive growth through innovations. According to the 2020 Labor Force Survey, about 24.1% of workers in Sri Lanka are in science and technology. This share slightly increased by about 4 percentage points from 2016 to 2020, but it is still below the numbers of more advanced countries like Singapore, the United Kingdom, and the United States.

Prime-age (25-49 years old) males have the highest average access to decent work, followed by older (50-65 years old) males and prime-age females. However, there are large variations between different sub-groups in these population brackets. In the case of prime-age females, low-skilled urban women in households with children had the lowest access to decent work (4.1% of the population), while high-skilled urban women in households without children had the highest access.

Irrespective of their residence and level of education, a larger share of females in households without children are in full-time formal employment than females in households with children. In contrast, males in households with children were more likely to be in full-time formal employment.

Average wages are 14% to 25% higher for males than females from 2006 to 2014. In some countries, such wage differences can be explained by the productive capacity of different workers. That is, if males are more educated than females, it is expected that they will earn more than their counterparts. But, in the case of Sri Lanka, this wage difference was largely unexplained. Data shows that, in fact, based on productive endowments, females should earn 10% higher than males. This is mainly because females tend to be more educated than males in the country. Although the wage gap between sexes was observed for all types of workers, this gap was highest for low-skilled workers.

Implications

To increase sustainable access to decent work, Sri Lanka must invest in expanding sectors that are likely to generate productive employment and implement mechanisms to safeguard such sectors from adverse shocks.

Future job growth and opportunities will likely be in high-skilled jobs. Hence, the country must invest in creating high-skilled managerial, professional, and technical positions with higher probability of sustaining access to decent work through education and training.

A variety of factors ranging from the legal environment, social infrastructure, and social practices inside and outside the workplace hinder greater female participation in the labor market. Policy makers must make labor legislation more gender-neutral, enhance access to affordable and quality transport and childcare facilities, and promote regulations that reduce explicit and implicit discrimination in the workplace.

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