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Regional Perspectives of Unemployment in Sri Lanka

Dr. D. P. Withanage

Senior Lecturer, Department of Economics,
University of Sri Jayewardenepura, Sri Lanka

Abstract:

The aim of the study was to identify the regional differences of the unemployment situation of Sri Lanka based on a comparative analysis between provinces and districts. Secondary data was the main source used for the analysis while the descriptive statistics were used as the method of analysis. The study revealed that the rate of unemployment is higher in some provinces of the country. Unemployment among the youth is much higher in all the districts while it is higher in some districts. There exists an underemployment in all the districts while it is also higher in some districts. Commonly, there is an inverse relationship between the level of education and the rate of unemployment. The results highlight the need of policy intervention especially, to solve the severe unemployment among the youth and to rethink about the form of education that the country provide for the children and youth.

Keywords: *Employment, unemployment regional differences, labour force, underemployment*

1. Introduction

Unemployment refers to those who are employable and seeking a job but are unable to find a job. The unemployment at macro level comprises all those people of the labour force who are unable to find jobs even if they are seeking for jobs. Regional unemployment refers to a form of structural unemployment most discussed related to the regions within a country even if it can be extended beyond that. In Sri Lanka, even if the overall unemployment rate is 4.2 according to the annual report of the labour force survey in 2017 (Department of Census and Statistics, 2017), a large section of those who are employed can be in a situation of underemployment and disguised unemployment. Some of the employees are either not fully employed, nor getting a salary sufficient for living or not employed suitably for their qualifications and skills. Above all, as in many other economic issues, regional disparities in unemployment (or employment) can create some social problems also. As such, unemployment is a problem to be identified with special analysis on how it remains in different regions of the country.

Sri Lanka consists of 24 administrative districts and nine provinces. Development of the country has been concentrated based on the Colombo since the colonial period. A higher percentage of people of the country are living in the Colombo district and most of them have been migrated from other areas of the country mostly to be employed in non-agricultural jobs (Department of Census and Statistics, 2015). This situation has contributed the urbanization issues of the Colombo district and the continuation of underdevelopment in other regions of the country. Meanwhile, there is an argument that the unemployment especially among the youth is one of the main causes of political instability and conflicts of a country (Amarasuriya, Gunduz and Markus Mayer, 2009). The youth unemployment can prevail in different forms at different age and education levels and can be the result of improper policies in the past. Some researchers argue that the unemployment of a country has been a root cause for the youth unrest and violence that harm the all economic activities. The situation becomes more complicated if there are social deviations between regions. However, for a better future, remedial actions should be made for the remaining and continuing problems related to the unemployment. As such, identification of the unemployment situation in different regions in Sri Lanka is very important when making policy decisions for the development of the country and general administration as well. This paper focuses on the regional disparities of unemployment in Sri Lanka.

2. A Review of Selected Literature

Even if there is a large body of literature on the regional dimensions of unemployment in developing countries, this section is delimited for a review of selected pieces of research on Sri Lanka and views in internationally recognizes reports on Sri Lanka. The review identified the findings and views that underline the importance of the regional perspectives on the issue of unemployment in Sri Lanka.

Singam (1917) shows that one main factor of graduate unemployment is the lack of communication skills, interpersonal skills, ethics, and teamwork which are important to be employed in the labour market. When considering this conclusion, it seems that most of these skills are lack especially of the graduates and most of the youth of the rural areas which are far away from the Colombo and other main urban areas of the country. This show the skill requirement for obtaining jobs adversely affects the youth in rural areas even if they are graduated from universities without improving the required skills. Chandrakumara (2015) also found that the degree type, soft skills and social capital, efforts made by

graduates in applying for jobs, and especially, the additional professional qualifications that students earned during the university career were the significant determinants of graduate employability in Sri Lanka. Graduate of the areas with more modern facilities are rich with this kind of attributes compared to the graduates of the rural areas. As such, it is also matter that compels to study more about the regional differences in the unemployment and the trends of unemployment in Sri Lanka.

Karunaratna (2012) investigates the causes of trends and structural changes in labour market in Sri Lanka for the period from 1963 to 2006. According to him, the decline of the unemployment to a certain extent had been due to the declining population growth, international migration, expansion of education and prevalence of informal economic activities in the urban sector during the period. These factors seem to be effective in the present day economy also. However, as he mentions these factors are not directly contributing to increase the output and significant structural changes have been experienced in the aspects like gender, education and some other social dimensions. His conclusion signifies to focus attention on structural changes when making policy decisions with regard to the labor market issues. Furthermore, the structural changes that he mentions here can have a relationship with the regional setting of the country.

Phillip and Aruppillai (2014) reveal that unemployment negatively affects in all economic and social conditions of the people in Jaffna district. This situation can be expected in all areas where the unemployment rate is high. This shows that the creation of employment in the areas of high unemployment will uplift the socio-economic condition or the well-being of people.

The UN (2018) report on the 'Maps Approach Supporting SDGs¹ Implementation in Sri Lanka implies that the even if Sri Lanka indicated a positive growth in some years it had no clear relationship with the employment and therefore the report mentions that situation as a jobless growth. Furthermore, the report implies that the prioritization of public investment in capital infrastructure, wage pressure which has been risen due to a 57 percent increase in the number of public servants, increases in recurrent expenditures due to a raise in allowances to public servants are not good trends of the economy. When considering these trends also it seems that the trends may not be equal between the different regions of the country. Therefore, the effects of these trends on the unemployment of different regions of the country may not be equal.

Gamage (2003) mentions that the small and medium enterprises are important when considering poverty and unemployment which are persistent in developing economies like Sri Lanka. He is in the view that these enterprises play an important role in generating employment of any country. If it happens so, establishing small and medium industries in the regions where there is a severe unemployment problem would be an important and necessary decision that should be taken by the development policy makers.

Chandra kumara (2015) reveals that that the regional imbalances in resource distribution are high across the provinces in Sri Lanka. He divides the nine provinces based on the availability of education resources. The first category includes only the Western Province which is the richest in educational resources. Second category includes Southern, North-western and Central provinces which are second only to the Western Province in resource availability. Third category includes the three provinces North-central, Uva and Sabaragamuwa and finally, the fourth category which is the poorest in educational resources, consists of the Northern and Eastern provinces. Even if this is the situation related to the educational resources, it implies that there are imbalances between the different regions of the country. This situation shows that it is not only education resources, imbalances in other resources which are crucial in development and the socio-economic well-being can be expected to exist among different regions.

The International Bank for Reconstruction and Development (2018) survey conducted in Sri Lanka underlines that the quality of infrastructure in Sri Lanka, especially its electricity supplies and road network, is a key constraint to economic growth. Since growth should create employment this situation unfavorably affects the generation of employment in the country. Furthermore, since there are gaps in the supply of electricity and other services between the regions, either districts or provinces or rural urban areas, it can create a situation of higher unemployment rate in highly underserved areas.

The literature signifies that there are causes and causative environs that can create regional differences in the rate of unemployment and unemployment related issues. Therefore, the reviewed literature highlights the need to investigate nature of the unemployment problem within a framework of a regional analysis.

3. The Aim and specific objectives

The aim of this study is to identify how far regional differences exist in the unemployment situation of Sri Lanka. In order to achieve this aim, the study sets three main specific objectives. First, the study intends to recognize whether there are serious gaps of unemployment between different provinces of the country. Second, it is to be identified whether there is a relationship between the level of education and the rate of unemployment. Finally, the study intends to ascertain whether there is a regional variance in the rate of unemployment among the youth.

4. Theoretical Framework and the Methodology

There is a very clear conceptual background to understand the nature of unemployment. Mainly, unemployment is divided into four main forms such as structural, frictional, cyclical and seasonal. When unemployment is the result of the structure of a country rather than the result of a demand supply forces in the labor market, it is known as structural unemployment. Frictional unemployment arises during the temporary period when people are moving from one job to

¹ Sustainable Development Goals

another job. Cyclical unemployment is the result of a slow economic growth makes a deficiency in demand for the goods and services produced in an economy. It may happen during a long period of time so long as the contraction continues in the economy. Seasonal unemployment is the situation of unemployment that occurs when the demand for labor is lower than the normal demand situation and it happens due to the seasonal nature of the main economic activities of an economy. Being a study of regional disparities, this study is mostly related to the structural unemployment rather than of the nature of other forms. However, the other forms of unemployment can also make contribution to the prevailing overall unemployment.

The study is completely based on secondary data of the Department of Census and Statistics. The annual labour force Survey of 2017 is main source of data. However, data from other reliable sources are also used for the analysis in order to achieve the objectives. The study uses descriptive statistics such as numerals, tables, percentages, graphs, etc. as the main analytical methods.

5. Results and Discussion

First, it is important to present the overall position of unemployment of the country during the last several years. Figure 1 show how the rate of unemployment has been distributed between different provinces of the country according to the labour force survey in 2017.

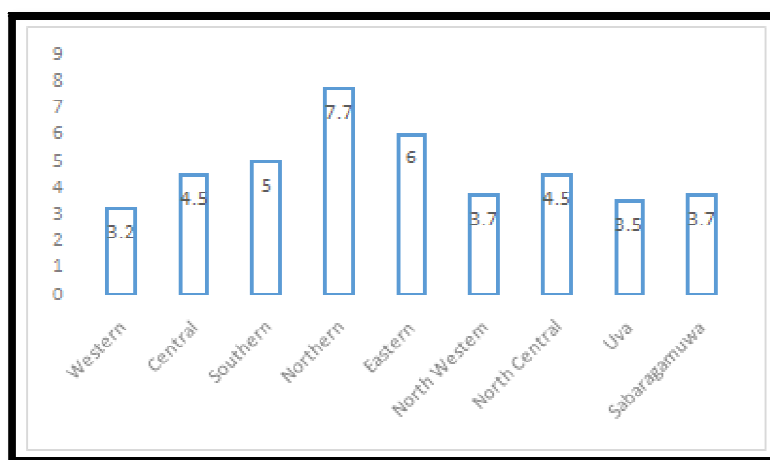


Figure 1: Unemployment by Province

Source: Constructed by Author using Data of Department of Census and Statistics, 2017

The worst situation in unemployment shows in the Northern Province of Sri Lanka while the secondly severe province is the Eastern. This can be result of the war existed for 30 years throughout these two provinces. Unemployment is lowest in the Western Province where the three districts, the Colombo, Kalutara and Gampaha are located. Although the graph shows that the range of the rate of unemployment is low and prevails between 3.2 and 7.7, it does not mean that that all others do not face a problem of unemployment. Even if this study did not study that situation, another part of the labour force in all provinces can be hypothesized to remain in under employment and disguised unemployment.

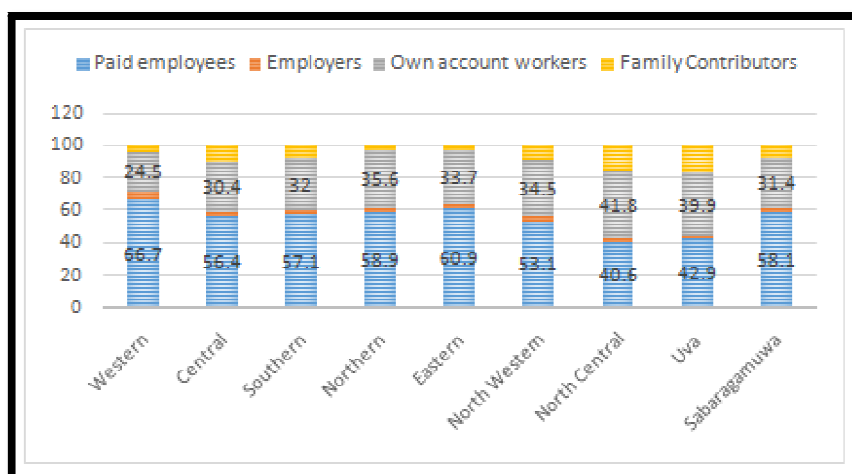


Figure 2: Employment Status by Province

Source: Constructed by Author using Data of Department of Census and Statistics, 2017

Figure 2 reveals some important facts about the employment status of different provinces of the country. It shows that the paid employees are highest in the Western Province while it is lowest in the North Central Province where agricultural activities are predominant. Employers are also highest in the Western Province.

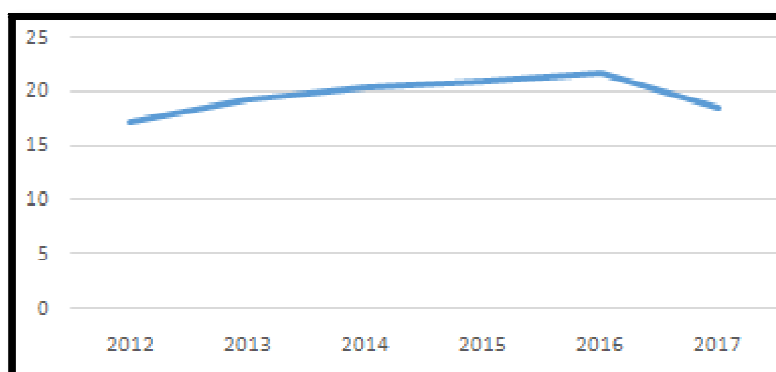


Figure 3: Youth Unemployment Rate by province 2012-2017

Source: Constructed by Author using Data of Department of Census and Statistics, 2017

Figure 3 shows that the unemployment among the youth of Sri Lanka has gradually increased until 2016 and then has a tendency slight decrease. Figure 4 reveals how the youth unemployment has been distributed between different provinces of the country. Youth unemployment is highest in the Northern province while it is lowest the Western province. Southern and central provinces are in a good situation when considering the youth unemployment.

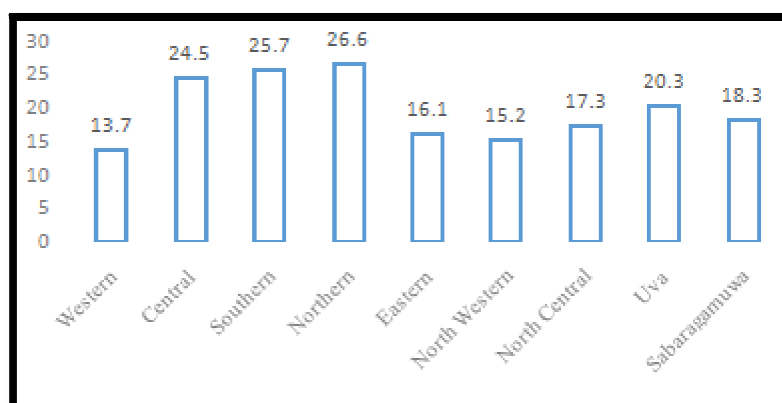


Figure 4: Youth Unemployment 2017

Source: Constructed by Author using Data of Department of Census And Statistics, 2017

Figure 4 shows the rate of unemployment in 2017 among the youth and the highest rate of unemployment can be seen in the Northern Province. However, the situation is not much different in Southern and Central Provinces also. The lowest rate of unemployment is seen from the Western Province where the Colombo, Kalutara and Kandy districts are situated. Table 1 show that youth unemployment rate has a rising trend in the Northern, central, Southern, North Central, Uva and Sabaragamuwa provinces.

Province	2012	2013	2014	2015	2016	2017
Western	14.6	16.9	14.3	15.9	14.7	13.7
Central	19.4	25.4	23.9	25.5	26	24.5
Southern	24.4	25.6	28.4	27.9	30.3	25.7
Northern	18.9	17.7	19.1	18.8	24.7	26.6
Eastern	20.8	14.8	16.4	21.7	20.1	16.1
North Western	17.8	13.9	21.3	15.2	16	15.2
North Central	12.8	15.2	13.6	16.3	19.7	17.3
Uva	12.6	14.9	21.1	22	24.8	20.3
Sabaragamuwa	17.1	27.3	30.9	29.6	30	18.3

Table 1: Youth Unemployment Rate by Province 2012-2017

Source: Department of Census and Statistics, 2017

Another aspect of unemployment is revealed by Figure 5 and it shows that the level of education has a relationship with unemployment. The highest rate of unemployment can be seen for the category of people GCE (A/L) and above. However, it has a slightly declining trend after 2015. The lowest rate of unemployment is seen from the category from Grade 6 to 10. This shows that low level jobs are available for the people if they are willing to start from that level. The biggest problem exists for the educated labor force of the country and policy makers should decide what is kind of education that should be provided for the children of Sri Lanka in future.

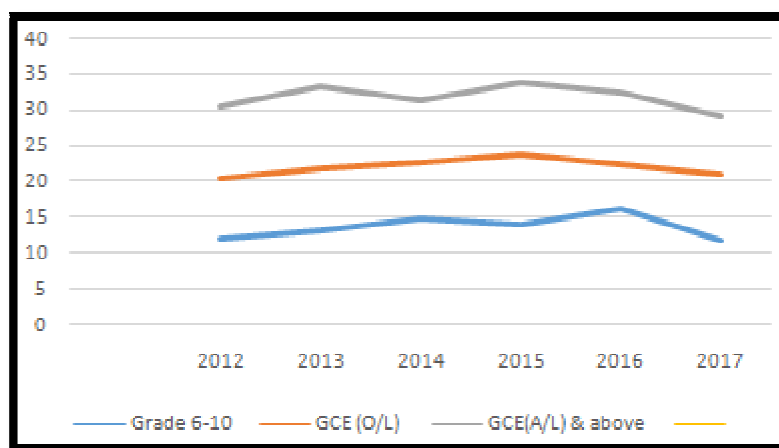


Figure 5: Education Level and Unemployment

Source: Constructed by Author using Data of Department of Census And Statistics, 2017

Underemployment rate is an important indicator to understand that even if people are employed, they are not getting a sufficient income for living. It shows that in Jaffna district, where the employment rate is lowest, the rate of underemployment is highest. Employment rate is not available in Mannar and Kilinochchi districts. Had the disguised unemployment was calculated, a more meaningful explanation could have been given.

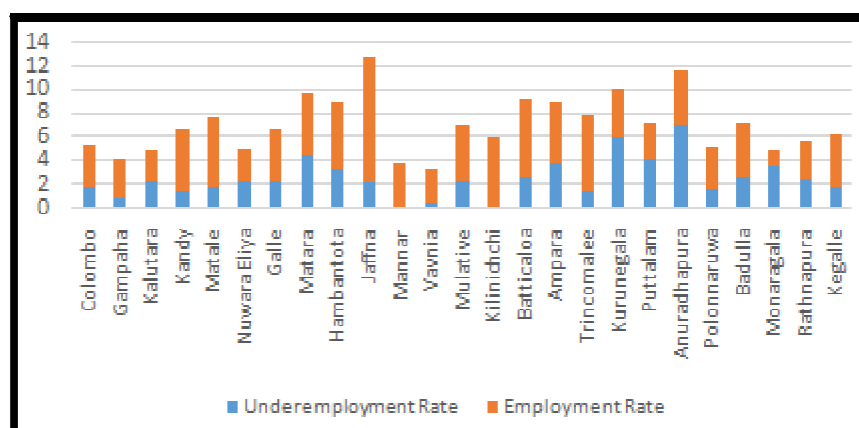


Figure 6: Underemployment and Employment by District

The above results of the analysis reveal that there is crucial role to play by the policy planners of Sri Lanka. It shows that instead of common policy actions, some preferential actions are needed for some districts where the situation is worst. Furthermore, it shows that the unemployment among the educated labor force is severe compared to those who have educated below that level and there is an inverse relationship between the level of education and unemployment rate. The other main feature is that can be seen from the results is that unemployment among the youth is much higher than the general rate of unemployment in all the provinces. Since the youth are the strongest section of the labor force, this situation can be considered as an underutilization of the most important human resource of the country. If the people migrated to overseas countries had not happened, the situation could have been more indissoluble.

6. Conclusions

The aim of the study was to understand the regional differences of the problem of unemployment in Sri Lanka and it was defined as a form of structural unemployment. Finally, the following conclusions can be drawn based on the results of the analysis.

First, it is seen that there is a problem of unemployment which more severe is some districts or provinces of the country. Secondly, it is clear that there exists a higher rate of unemployment among the youth and more attention should be given to solve this problem. Finally, there is an underemployment problem which should be taken into account when taking policy decisions to improve the quality of life of people. However, the priority should be given to solve the problem of higher unemployment among the youth of the country.

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