



**Department of manpower and Employment**

# Unemployment and Underemployment in Sri Lanka



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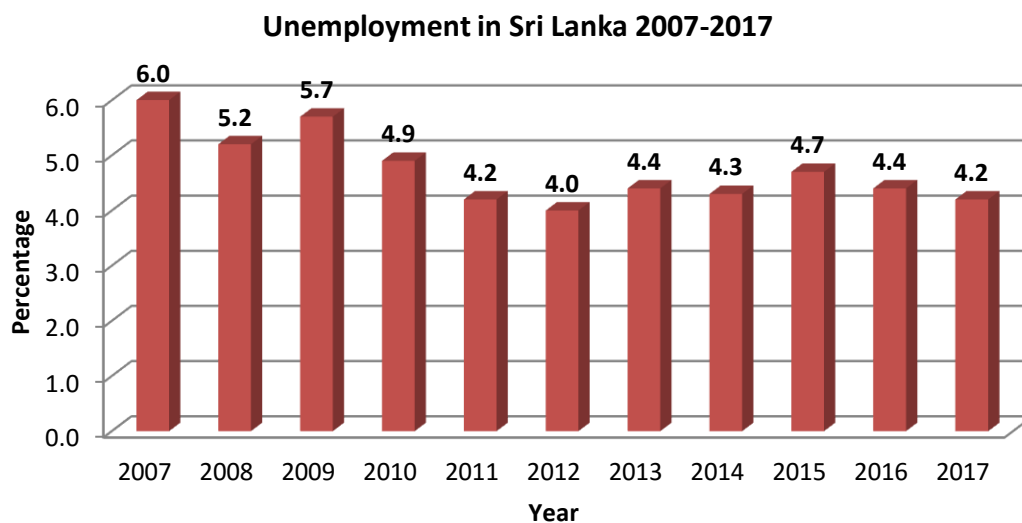
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## Unemployment and underemployment in Sri Lanka

Unemployment is an economic indicator to access the health of an economy. The overall unemployment rate is at a negligible level at the moment in the country, even though it is somewhat high among the educated people. According to the definitions of Department of census and statistics Labour force surveys, “a person is available to work ,didn’t work and taken steps to find a job during last four weeks and ready to accept a given job” is considered as unemployed.

According to the ILO definition of unemployment, it covers people who are out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or out of work and have accepted a job that they are waiting to start in the next fortnight.

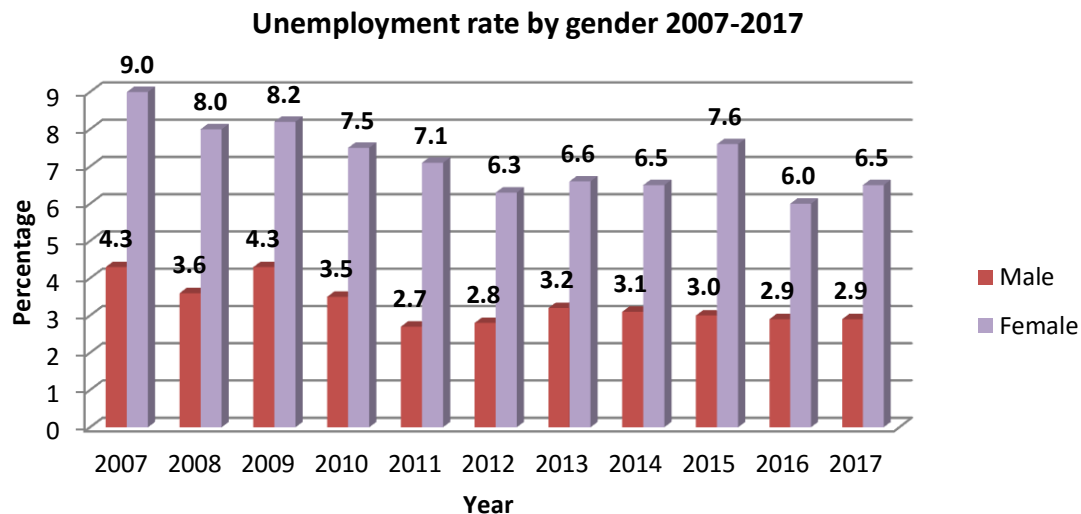
As per the Annual Labour Force Survey conducted in 2017, the unemployment rates were given as follows.



Source: Department of Census and Statistics, Sri Lanka, Annual Labour Force Survey Report 2017

When we consider the overall unemployment rate recorded for the year 2017 is 4.2 percent.

Male unemployment rate has declined from 4.3 percent to 2.9 percent and female unemployment rate has declined from 9.0 percent to 6.5 percent from 2007 to 2017.



Source: Department of Census and Statistics, Sri Lanka, Annual Labour Force Survey Report 2017

The highest percentage of unemployment is recorded among youth population of 15-24 years and 25-29 years of age. In 2017, at age group 15-24 male unemployment rate was around 14.9 percent and at age group 25-29 unemployment rate was 5.8 percent, while its equivalent female unemployment rate stood at 24.5 percent and 15.7 percent respectively.

There are different types of unemployment observed in the present day world.

- **Frictional Unemployment**

People are not stick to one employment as usual and they move from one another due to a number of reasons. Frictional unemployment that is always present in the economy, resulting from temporary transitions made by workers and employers or from workers and employers having inconsistent or incomplete information. A dynamic society carries this characteristics as social mobility is high in such a society. Frictional unemployment focus on voluntary decisions to work based on each individuals valuation of their own work and how that compares to current wage rates plus the time and effort required to find a job. During this time, the person who is considered to be unemployed

, but unemployment due to frictional unemployment is usually last only short period of time and not be specially problematic from an economic standpoint.

- **Disguised Unemployment**

Disguised Unemployment exists frequently in developing countries. The large and still faster growing populations create a surplus in the labour force in all sectors. Where more people are working than is necessary, overall productivity of each individuals drop as a result of that. It is characterized by low productivity and frequently accompanies informal labour markets and agricultural labour markets, which can absorb substantial quantities of labour. The marginal production of labourers reaches to zero in such societies where disguised unemployment is high.

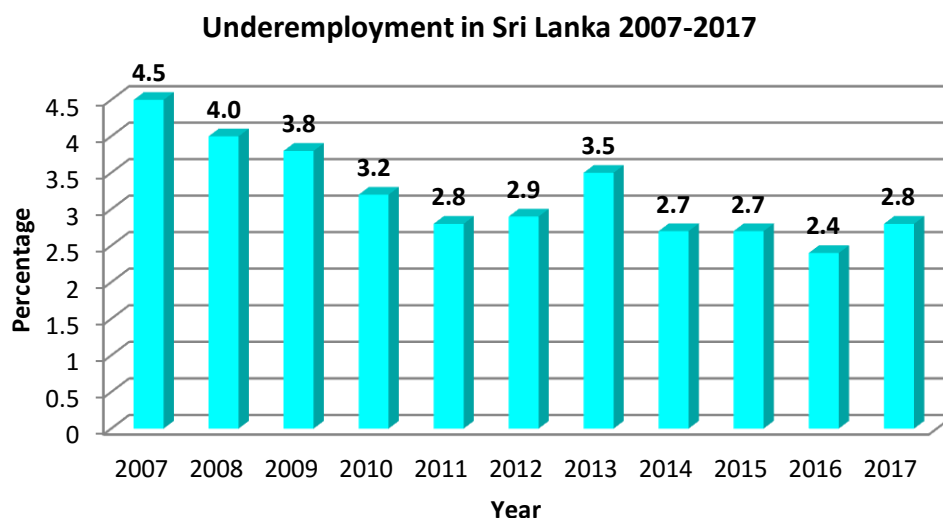
- **Hidden Unemployment**

The groups of unemployed individuals are not counted in the unemployment figures compiled and released by the government under such circumstances. These groups exist because the official unemployment figures only include people that are unemployed and actively seeking a new employment opportunity. People who are working in an industry that doesn't utilize their skill set properly or those who have given up on looking for another job considered a part of hidden unemployment.

- **Seasonal Unemployment**

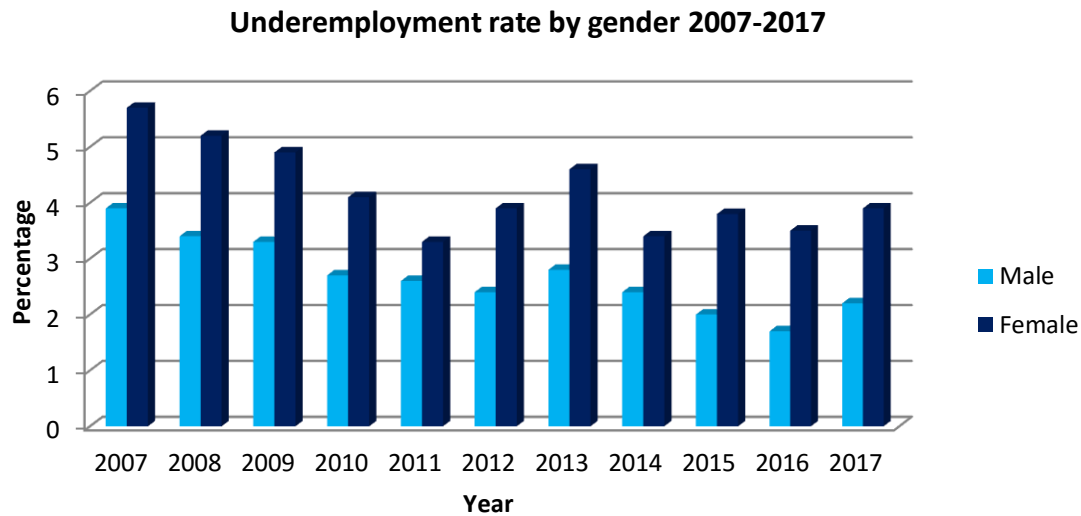
Seasonal Unemployment refers to a situation where a number of persons are not able to find jobs during some months of the year. When considering Agriculture sector, Agriculture is a seasonal activity so that employees in the sector do not have fulltime jobs. There is an increased demand for labour at the cultivating and harvesting times. In between there is little or no demand for labour for many instances. The tradition fisheries sector in developing countries carries similar characteristics winds and rainy patterns.

The unemployment is a common phenomenon faced by every country around the world and the underemployment is a part of this problem. Sri Lanka has experienced this challenge for a considerable period of time. Underemployment can be defined, if a person who has worked less than 35 hours per week in main and secondary activities and is prepared and available to do more work, if offered. It can be sub categorized in to two principal forms known as visible and invisible underemployment. The “visible Underemployment” reflects an insufficiency in the volume of employment. When the other factors including the “invisible Underemployment” the characterized by low income, underutilization of skills and low productivity. The underemployment rate is defined as the number of underemployed person as a percentage of employed persons of a country.



Source: Department of Census and Statistics, Sri Lanka, Annual Labour Force Survey Report 2017

The annual Labour Force Survey (2017), indicates that overall underemployment rate in Sri Lanka is 2.8 percent. The Underemployment rate amongst highly educated was 1.7 percent; whereas 2.3 of the educated females were underemployed while for males the rate was 2.2 percent.



Source: Department of Census and Statistics, Sri Lanka, Annual Labour Force Survey Report 2017

The underemployment rate is higher for females compared to males in each educational level. When we considering the economic sectors, it reveals the considerable difference among sectors. Agriculture sector reports the highest rate (4.9%) and service sector reports the lowest rate (1.6%).

A due attention for this problem has been given by the policy makers since long even though it has not been eliminated fully. It is essential to understand the depth and breadth of the problem with the root causes of the issue in formulating policies and strategies.