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1.0 Introduction

The concept of the informal sector was introduced into international usage in 1972 by the International Labor Organization (ILO) in its Kenya Mission Report, which defined informality as a “way of doing things characterized by

- (a) Ease of entry;
- (b) Reliance on indigenous resources;
- (c) Family ownership;
- (d) Small scale operations;
- (e) Labor intensive and adaptive technology;
- (f) Skills acquired outside of the formal sector;
- (g) Unregulated and competitive markets”.

Since that time, many definitions were introduced by different authors and the ILO itself. The ILO/ICFTU international symposium on the informal sector in 1999 proposed that the informal sector workforce can be categorized into three broad groups:

- (a) owner-employers of micro enterprises, which employ a few paid workers, with or without apprentices;
- (b) own-account workers, who own and operate one-person business, who work alone or with the help of unpaid workers, generally family members and apprentices;
- (c) Dependent workers, paid or unpaid, including wage workers in micro enterprises, unpaid family workers, apprentices, contract labor, homeworkers and paid domestic workers.

The statistical challenge is not so much to capture these workers as employed, but to identify the category of work in which they are employed. In part, this challenge arises because these groups tend to be informally employed and informal employment arrangements are generally more difficult to measure than formal arrangements. More than one question is often required and countries may not include all needed questions or do not have sufficient response categories to identify these groups.

2.0 Background

2.1 Sri Lankan Labour Force

*Population of Sri Lanka is 20.9 million in mid year 2015.

*Labour force is 8.2 million according to labour force survey annual report 2015.

*Labour force participation rate is 53.8 in 2015.

*Labour force represents Employer(1.7%), Employee(29.7%), Own account worker(17.3%), Contributing Family Worker(4.2%) and Unemployed(2.45%)with respect to the working age population.

2.2 Informal Sector

According to the Department of Census and statistics Sri Lanka, the key aspects of identify formal sector is

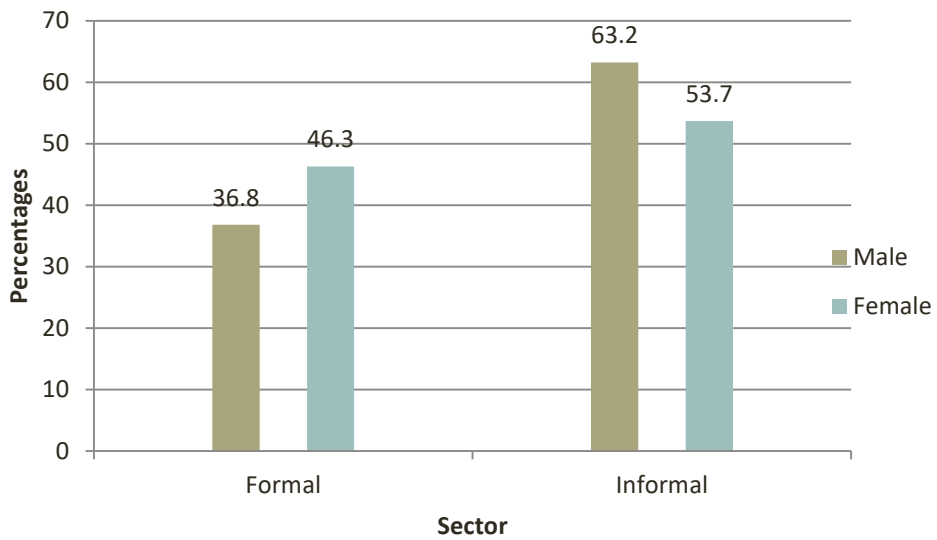
- Registration of the organization.(If the institution registered in Employment Provident Fund or in Department of Inland Revenue, then it is considered as formal)
or
- Accounts keeping practices of the organization (If the institutions keep formal accounts, then that is considered as formal)
or
- Total number of regular employees of the organization should be less than 10 (If the number of regular employees greater than or equal 10, that is considered as formal)

Which does not any of the above threeconditions considered as informal sector organization and employer /employee unlike in the organization consider as informal sector employment.

*Informal Sector represents 59.8% from total labour force.

Distributions of Informal sector in all island are described by following charts.

Figure 2.1 Distribution of Informal Sector Employment by Gender

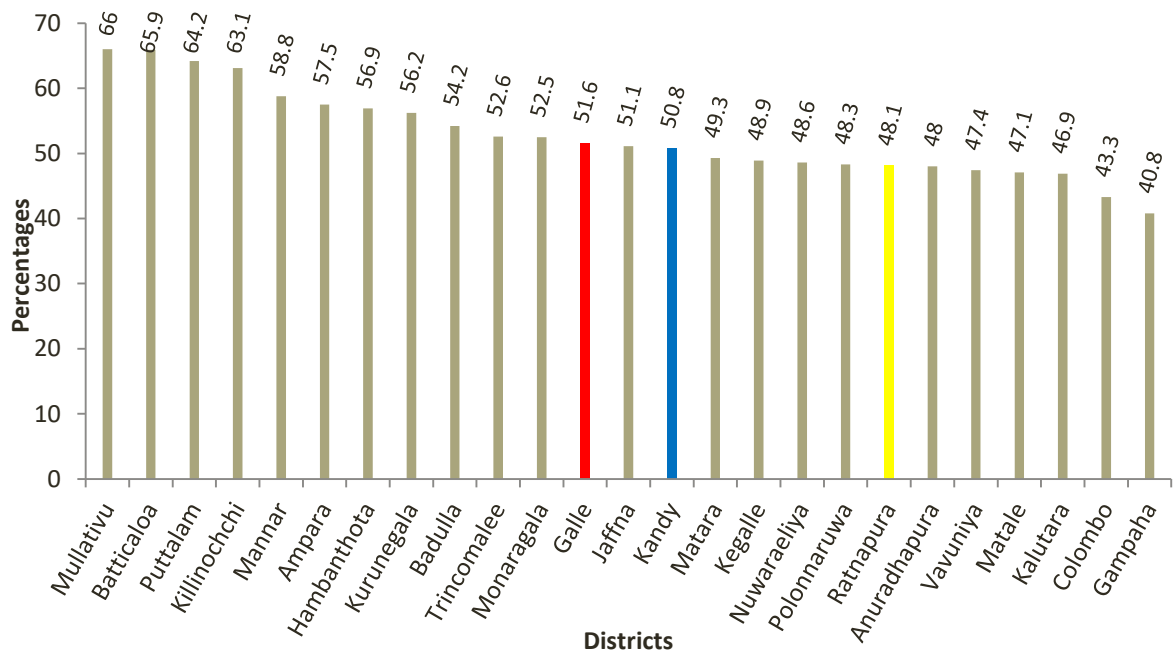


Source: Annual Report-2015, Department of Census and Statistics

Although Male employment percentage is lower than the Female number in formal sector, the male employment percentage is higher than the female number in informal sector.

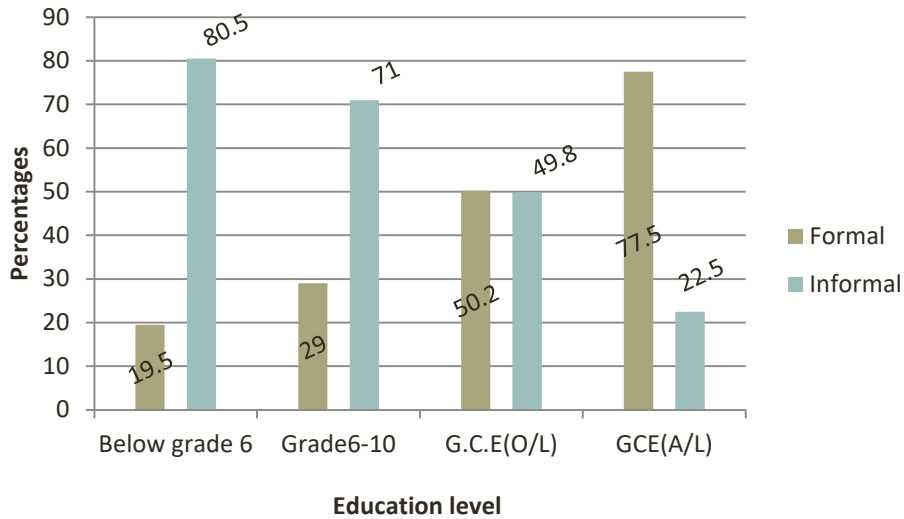
*The labor force survey annual report 2015 depicts the district wise informal sector distribution for non-agriculture as follows.

Figure 2.2 Distribution of Informal Sector employment in non-agricultural sector by District-2015



(Labour Force Annual Report-2015)

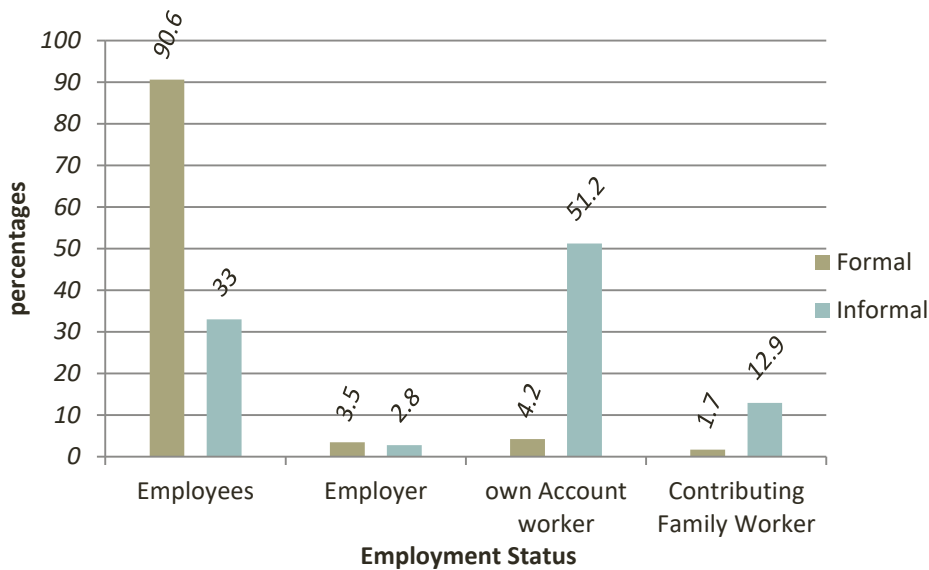
Figure 2.3 Distribution of Informal/Formal Sector Employment by level of Education



Source: Annual Report-2015, Department of Census and Statistics

When the education qualifications are lower in informal sector the percentage of employees engaging higher but the formal sector employment percentage are low when the lower education level.

Figure 2.4 Distribution of Informal/Formal Sector Employment by Employment Status



Source: Annual Report-2015, Department of Census and Statistics

In informal sector higher percentages are reported for Own Account Workers and Employees. For formal sector 90.6 percentages are reported for employees.

3.0 Objective

To identify employment structure and special characteristics of the informal sector.

3.1 Target beneficiaries / Stakeholders

- Decision makers of employment policy level
- Other stakeholders in employment and education sector (small and medium employers, Vocational trainers)
- Career guidance officers and career counselors.
- Informal sector employers and employees

4.0 Methodology

*Convenience sampling method has used to draw a sample and the data collected by the Human Resource Development officers and the Development Officers working in the Divisional Secretariat offices throughout the Districts of Kandy, Galle and Rathnapura.

*It is a quantitative and qualitative analysis based on primary data collected through a structured questionnaire from the people those who live in district secretariats of these three districts.

* The questionnaire was constructed focusing on the following areas;

- General information about the person who engaged in the informal sector.
- Income they gain and time duration they spend for this economic activity.
- Academic and professional educational level they possess and trainings needs.
- Problems they faced in this sector.
- Their suggestions and ideas to develop the sector.

Selected Districts are colored as follows,

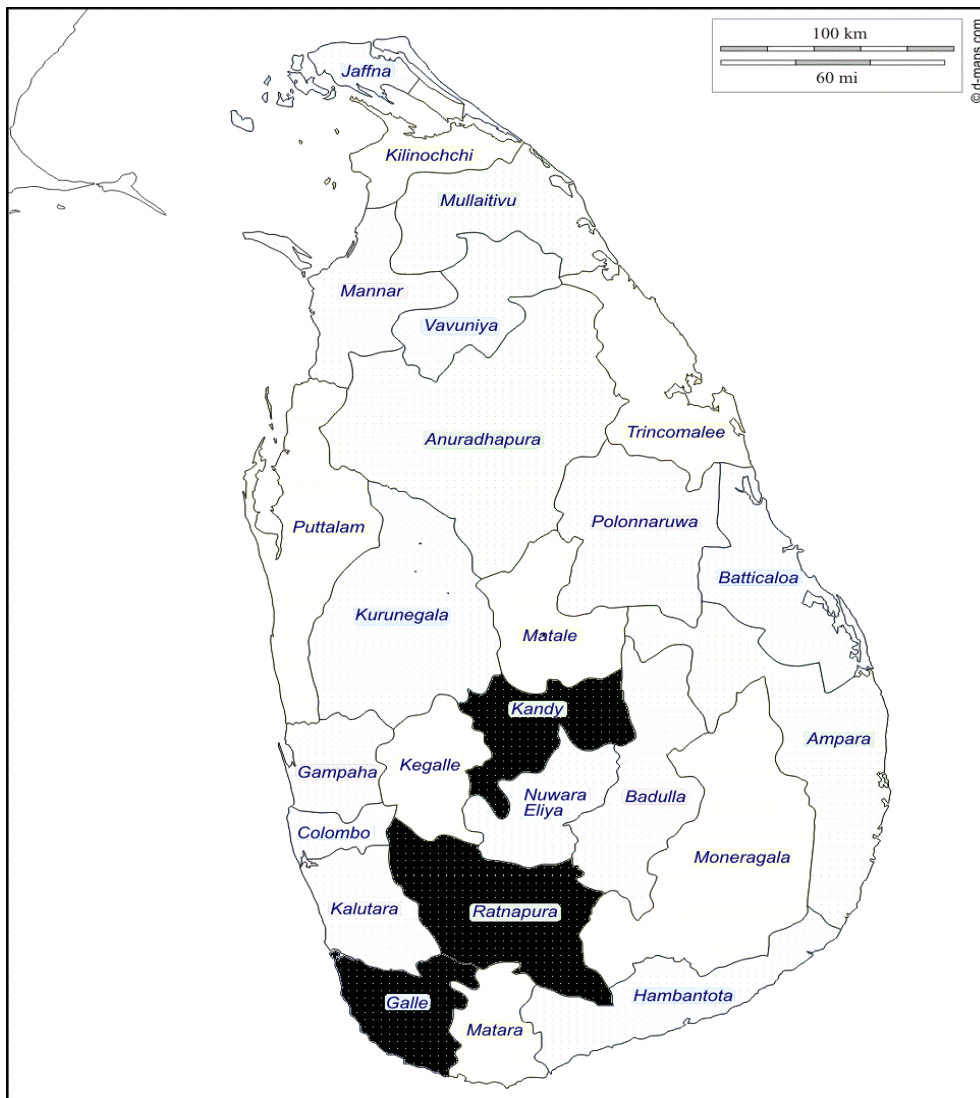


Table 4.1 Selected Districts and Divisional Secretaries

	Kandy	Galle	Rathnapura
1	PathaHewaheta	Elpitiya	Rathnapura
2	Poojapitiya	Niyagama	Kalawana
3	Pasbagekorale	Balapitiya	Ibulpe
4	Doluwa	Ambalangoda	Balangoda
5	Yatinuwara	Neluwa	Kolonna
6	Kundasale	Galle kadawathsathara	Eheliyagoda
7	Harispaththuwa	BopePoddala	Opanayake
8	Udunuwara	Yakkalamulla	Weligepola
9	Hatharaliyadda	Baddegama	Niwithigala
10	Udawalatha	Thawalama	Godakawela
11	Minipe	Imaduwa	Elapatha
12	Medadumbara	Akmeemana	Palmadulla
13	Pathadumbara	Habaraduwa	Ebilipitiya
14	Ududumbara	Gonapinuwala	Kuruwita
15	Panvila	Karandeniya	Kiriella
16	Ganga IhalaKorale	WelivitaDivitura	Ayagama
17	Akurana	Nagoda	Kahawatta
18	Delthota	Hikkaduwa	
19	Thumpane	Benthota	
20	Gangawatakorale		

- The questionnaire contains 13 close ended questions in lekert scale to assess attitudes about this sector and provided open ended questions to get their comments and suggestions.
- SPSS (Statistical Package for Social Sciences)and MS Excel were used to do data cleaning process to analyze data. Descriptive data analysis techniques such as graphical explanation and cross tabulation,Frequency tables, percentage bar charts and histograms were used to describe the information.

5.0 Data Analysis and Discussion

Figure 5.1 Age range of persons involved in the informal sector

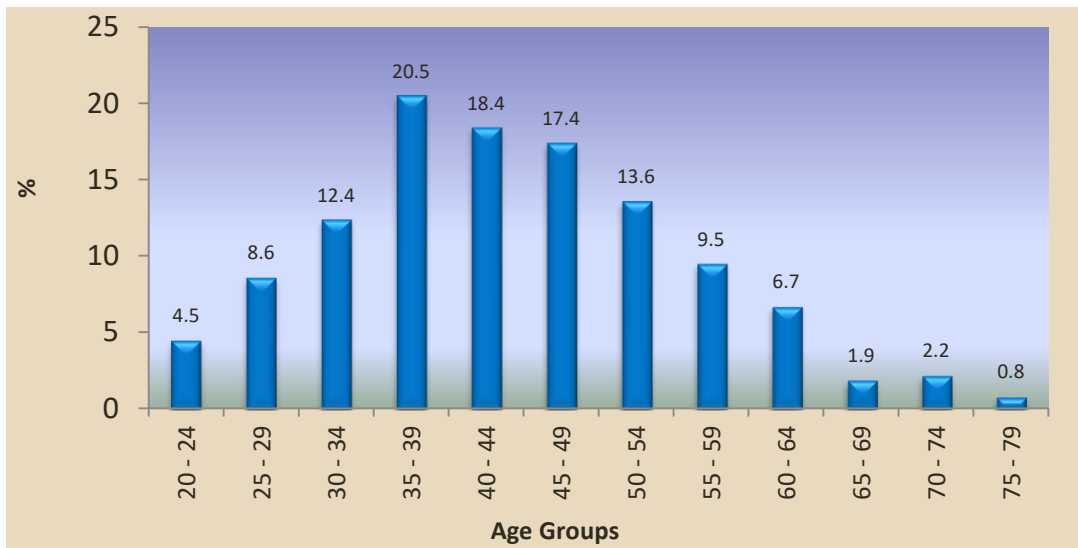


Figure 5.1 shows that 20.5% of people who involved in the informal sector as an economic activity are within the age group of (35 – 49).

Figure 5.1.1 Persons involved in Self-Employer

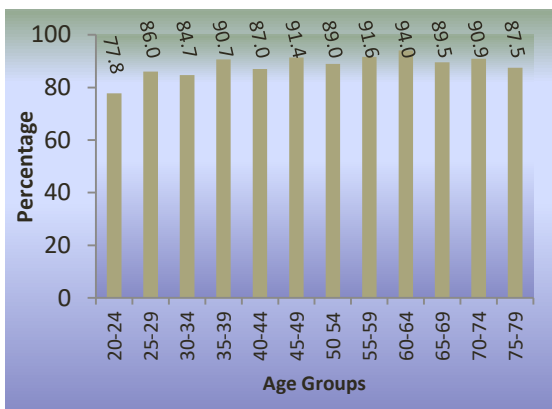


Figure 5.1.2 Persons involved in as Employees

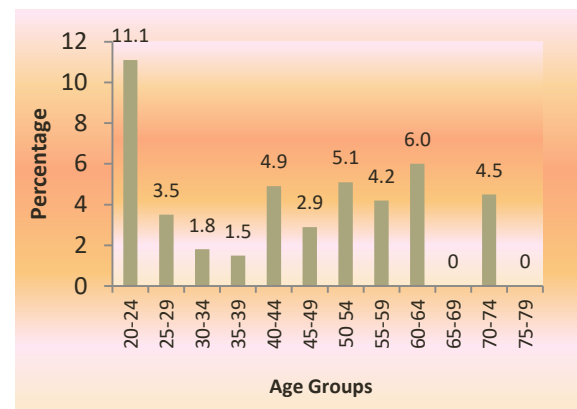


Figure 5.1.3 Persons involved as Employers

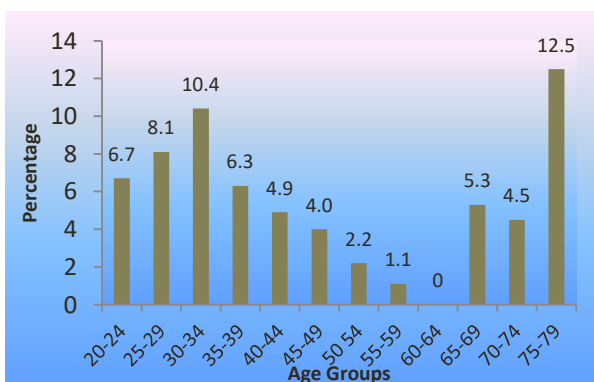
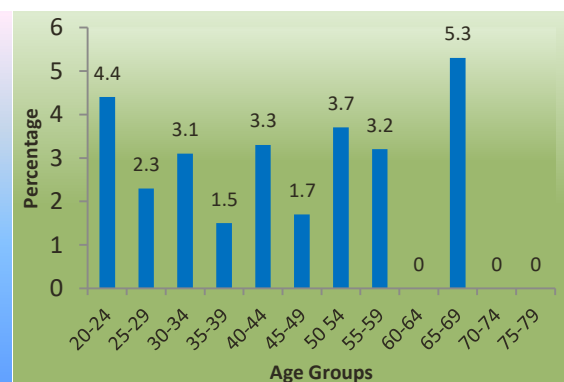


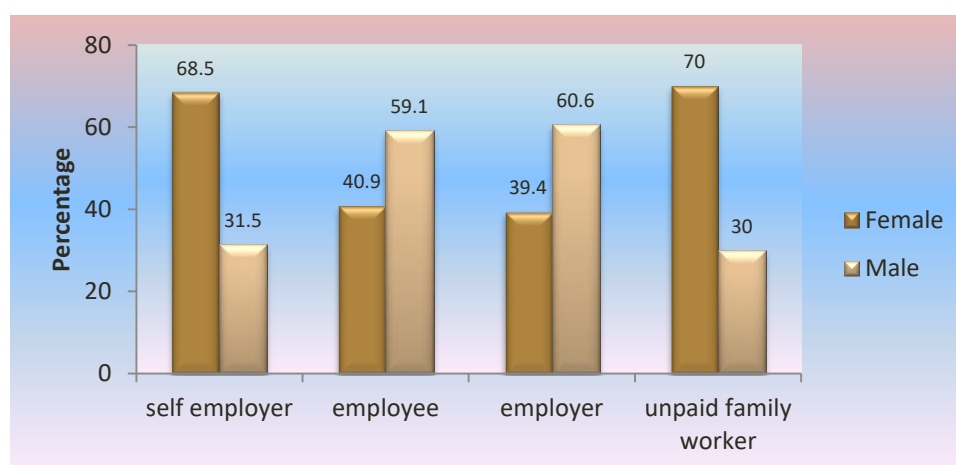
Figure 5.1.4 Involved as Contributing family workers



- According to figure 5.1.1 people involve in self employment sector gets almost similar values. But the value is low in very young ages, between(20 – 24) yrs.This may be due to that the aged and the young people are more dependent on the others (job seeking age, having education, etc.).In figure 5.1.2 shows, that (20 – 24)yrsage group involve in the informal sector as employees and the amount decrease whentheir age increases.
- Figure 5.1.3 mentions that the same age range involved as employers and their amount increases when age increase.
- The Figures of 5.1.2 and 5.1.3shows that the reason for such type as a behavior in those employees and employers graphs may be due to that at the very beginning of the age (20 – 24) yrs.
- People seek job opportunities to acquire more experience. Once they got the experience they may move to their own business work and so they became employers. There fore when their age becomes (30 – 34) yrs. the employer level in the informal sector is increased.
- Figure 5.1.4 reveals that people in (20 – 24) yrs. and (65 – 69) yrs. age groups are the majority involved in informal sector as unpaid family workers.As mentioned above this may be due to that this age range people are more dependent on.

According to the statistical data it proves that the ownership type is depend on age (p value is 0.006).

Figure 5.2.1 Gender involvement in the Informal Sector



The results shows (Figure 5.2.1) that females preferred to work in self-employment or contributing family worker more than other categories of informal sector employments. According to the statistical data it proves that the ownership type is depend on the gender(p value is 0.000).

Figure 5.3 Marital Status

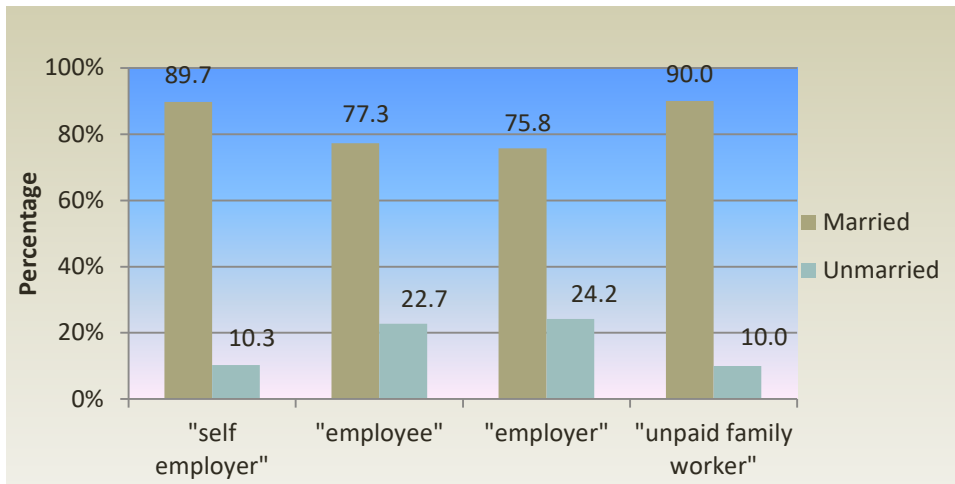
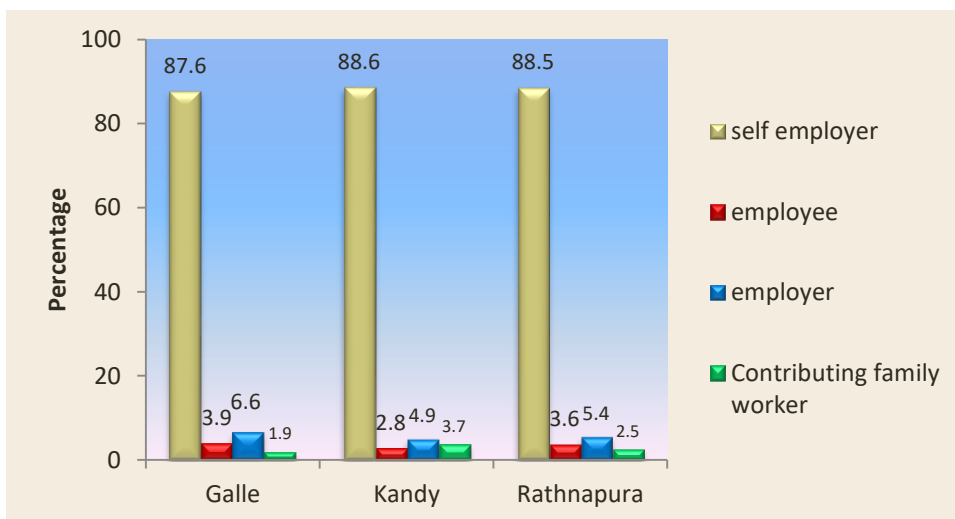


Figure 5.4 Total Participation of the Informal Sector in three districts



According to the data in three districts the majority of people are involve as self-employers. It is almost same amount in Kandy and Rathnapura districts. In Galle district the amount of 6.6% are involved as employers.

Figure: 5.5.1 Involvement in the various kinds of economic activities –Self-employer



Figure: 5.5.2 Involvement in the various kinds of economic activities-Employee

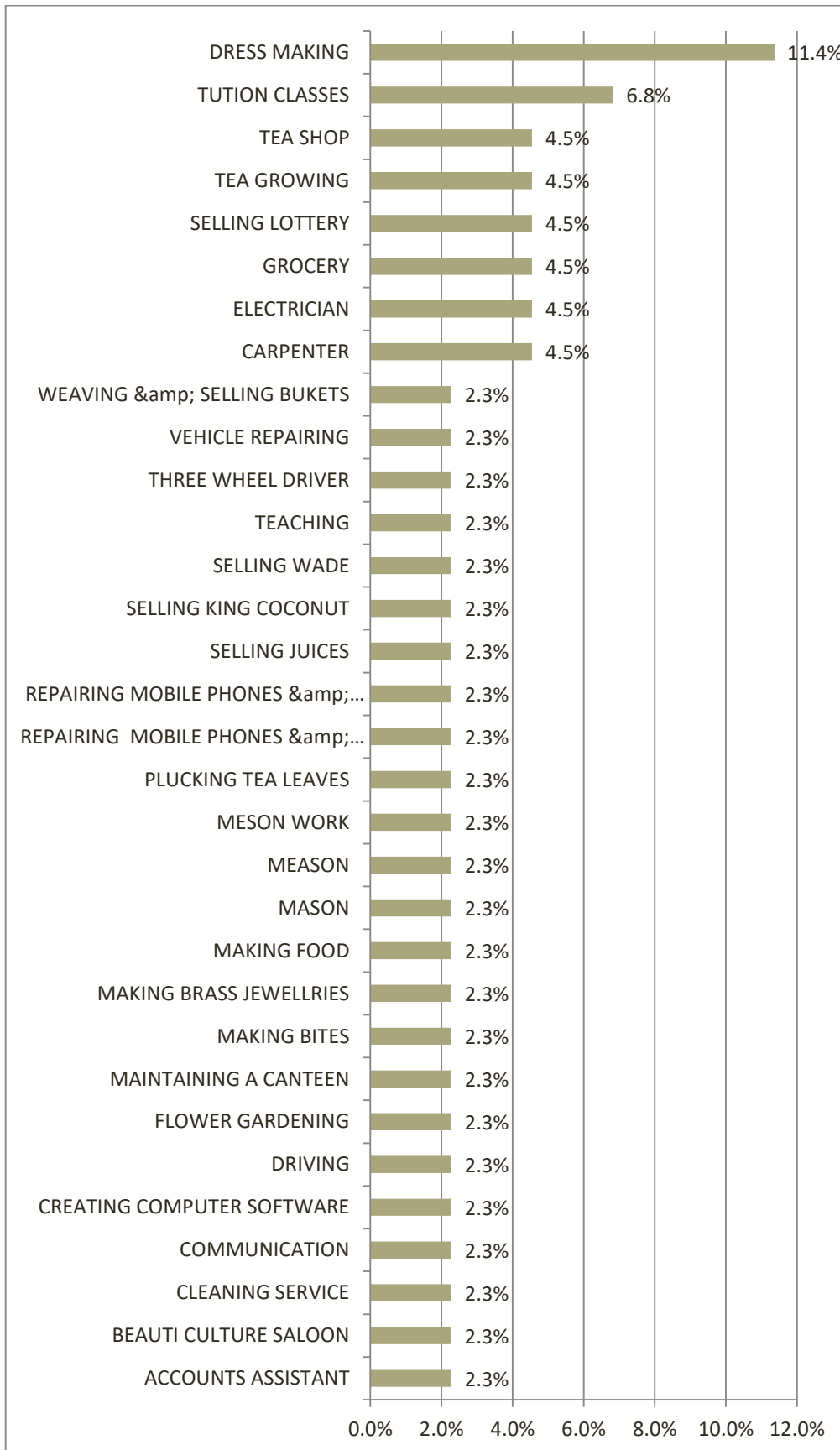


Figure: 5.5.3 Involvement in the various kinds of economic activities-Employer

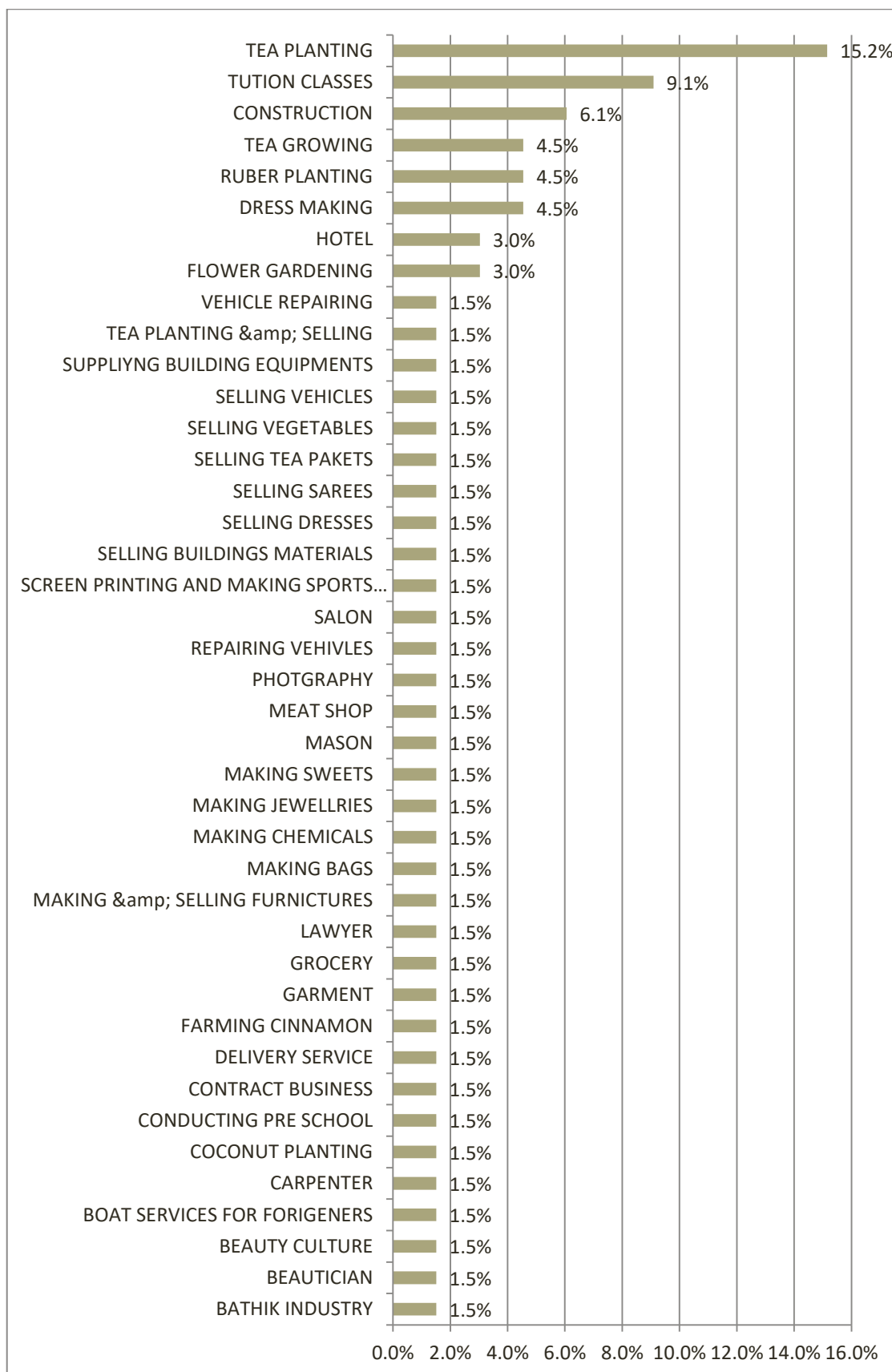
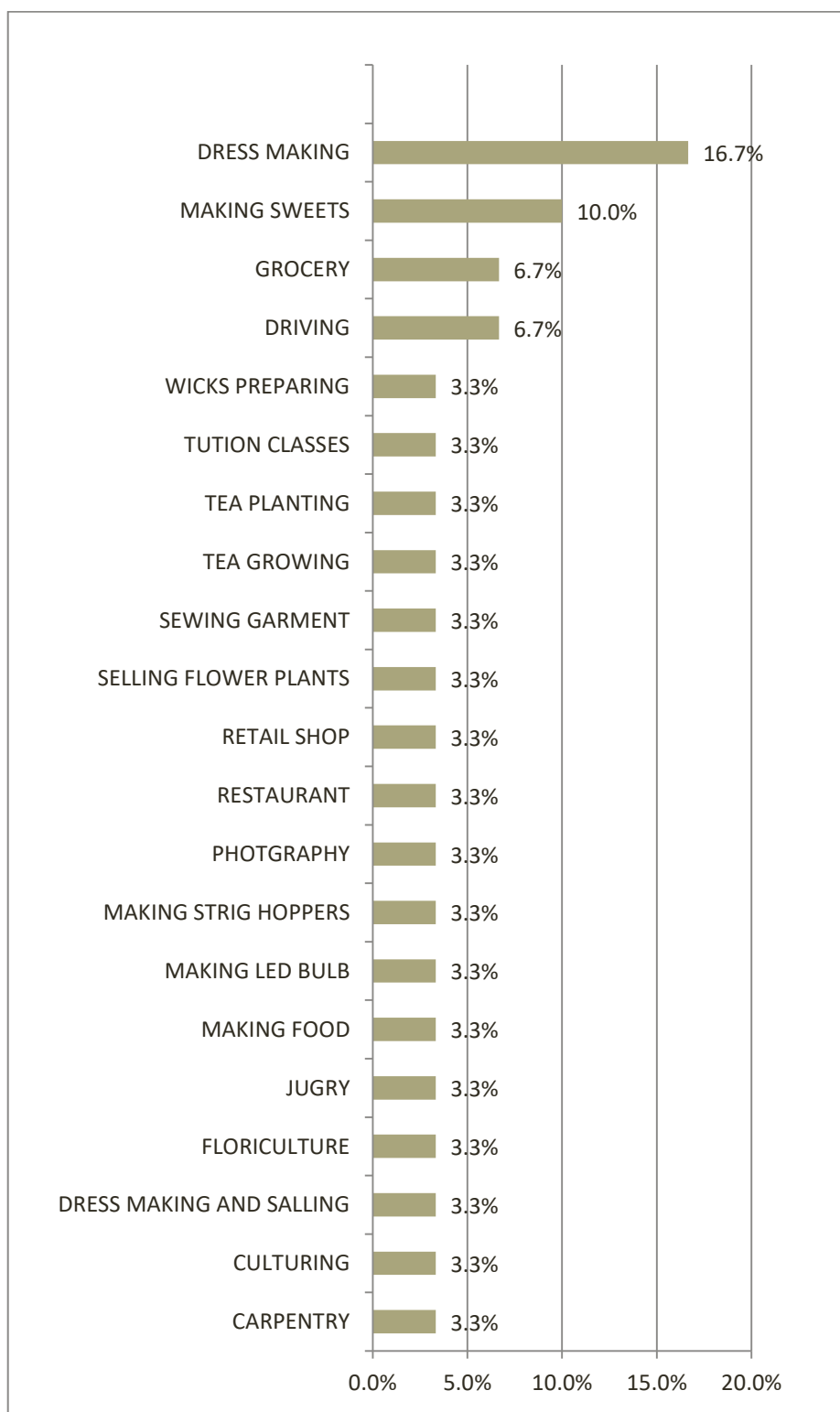
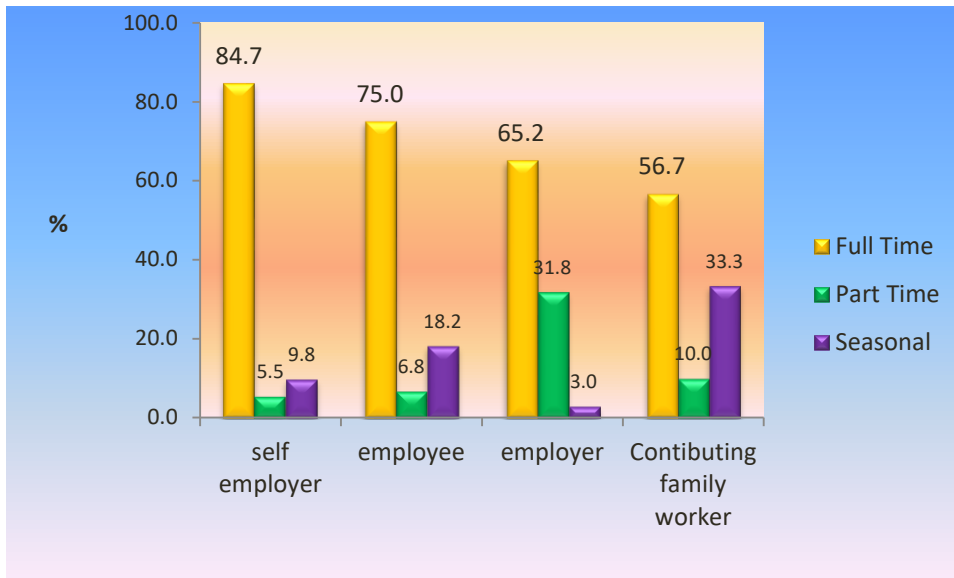


Figure: 5.5.4 Involvement in the various kinds of economic activities- Contributing Family worker



- People involve in the informal sector have engaged in various kinds of activities as their economic activity. Among them the 16.7 % have involved in dress making related activities. 10.0% of them are engaged in makingsweets and 6.7% engage in grocerybusiness.

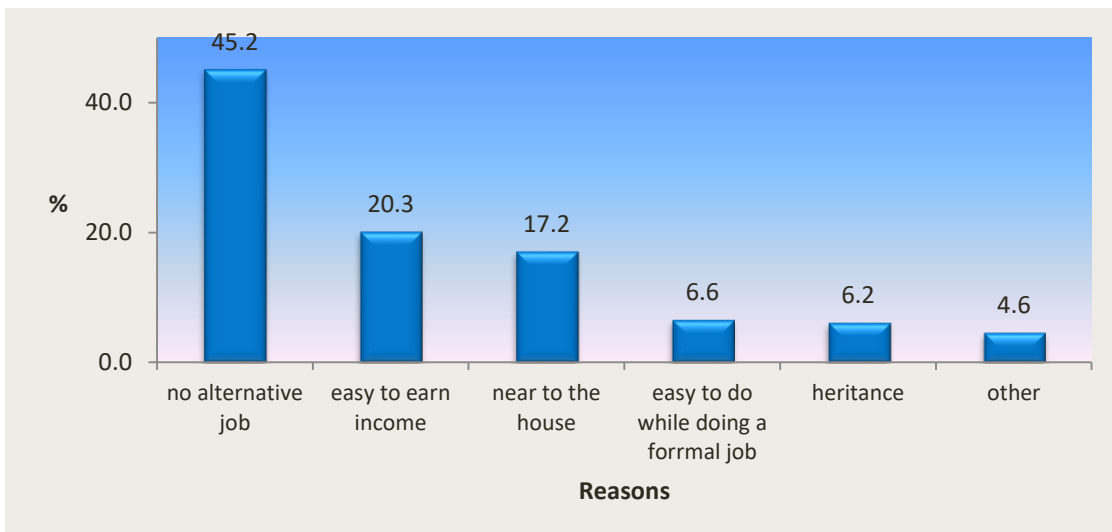
Figure:5.6 Participation of economic activity



* As shown in Figure 5.6 majority of informal sector participants were full time involved in their activity.

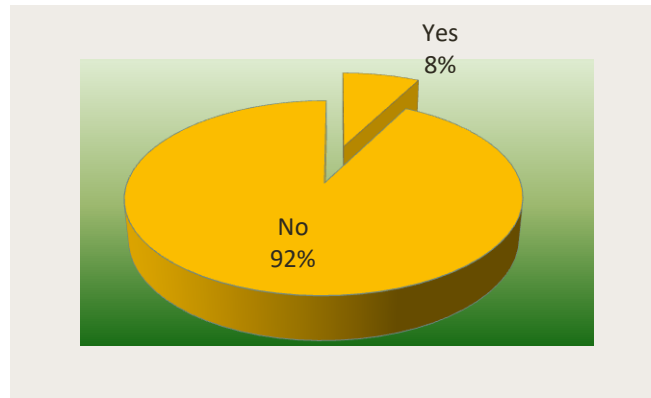
* When considering contributing family workers there are 33.3% of seasonal workers and also there is a significant value for part time employers as well.

Figure:5.7 Reasons for people select informal sector as an economic activity



Considering above figure 5.7 majority of the people involved in informal sector as they do not have a proper formal job as their income source. And 20.3% of them have selected this sector as it is easy to earn money. At the same time some are involved to this because they can perform this job near their home place.

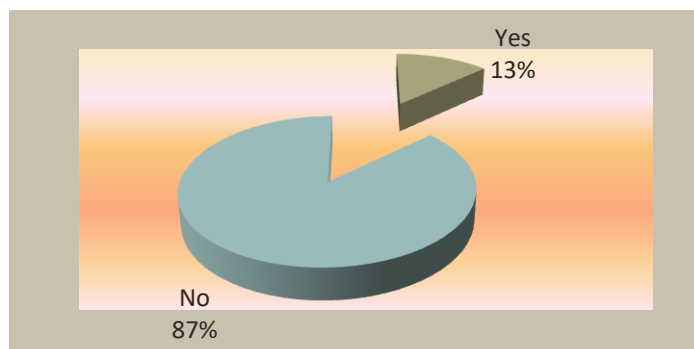
Figure:5.8 Involved in informal sector while doing a formal job



More than 92% of the people involved in informal sector, do not have any formal job. Their main source of income is primarily depending on the informal sector activity. Only 8% involved both sectors where they used to perform in both types of sectors in order to gain a better income.

Eg: Conducting tuition classes while engaged in the teaching field, selling packed spices while doing a formal job, etc.

Figure:5.9 Involve in another informal sector activity at the same time period



As illustrated in figure 5.9 nearly 13% are involved in another informal sector economic activity at the same time. Out of this 87% engaged in one economic activity. eg: Making batik dresses while doing a restaurant, selling lotteries while growing tea, etc.

Figure:5.10 Income level of the economic activity

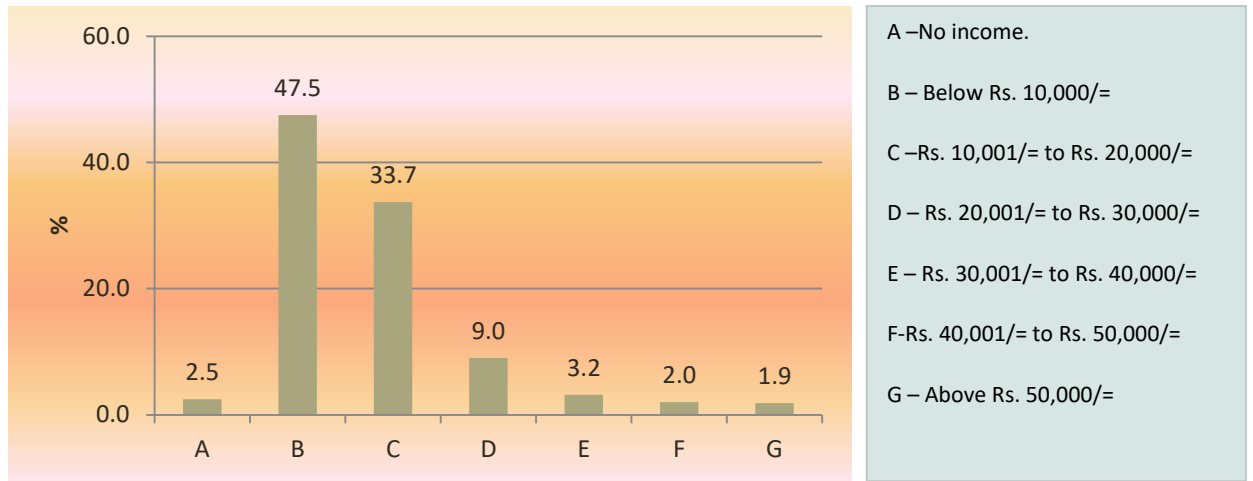


Figure:5.10.1 Income level of Self Employer

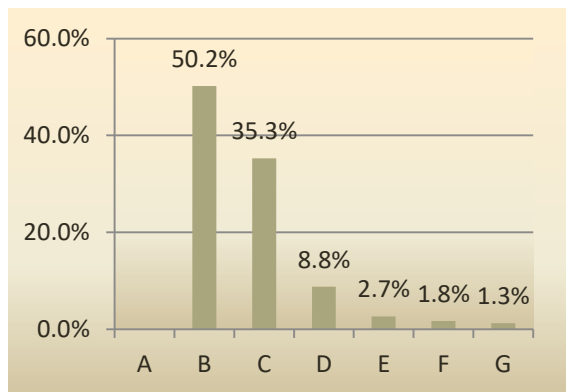


Figure:5.10.2 Income level of employees

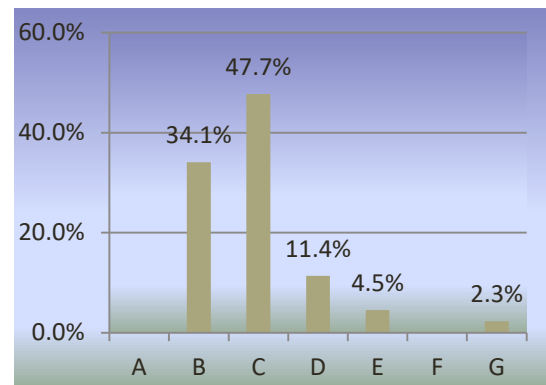


Figure :5.10.3 Income level of employers

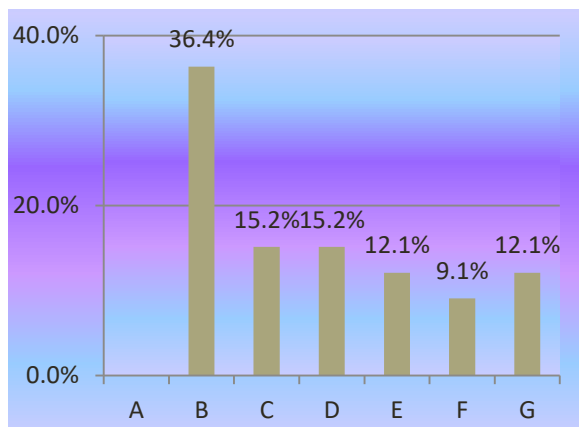
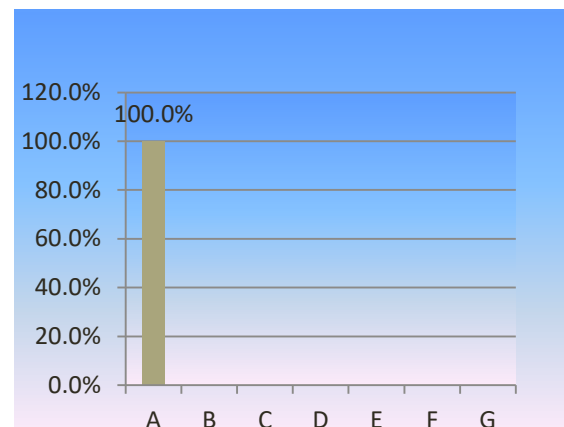


Figure:5.10.4 Contributing family workers



Considering the data in figure 5.10 the highest number of people are getting an income below Rs.10,000/=. Then out of the sample 33.7% are getting Rs. 10,001/-and Rs. 20,000/= range of income. There are very few (around 1.9%) getting more than Rs. 50,000/= of income per month. Figure 5.10.1 shows that the majority of self employment income level is limited to below Rs. 10,000/=. But considering the employees, the majority of them are in the Rs. Rs. 10,001/= to Rs. 20,000/=income

level. In the employer category also the higher income range that the majority of them are getting below Rs. 10,000/= . The percentages of unpaid family workers who do not get any income are 2.5% of the total participation.

Figure 5.11 Educational levels of the participants in the informal sector

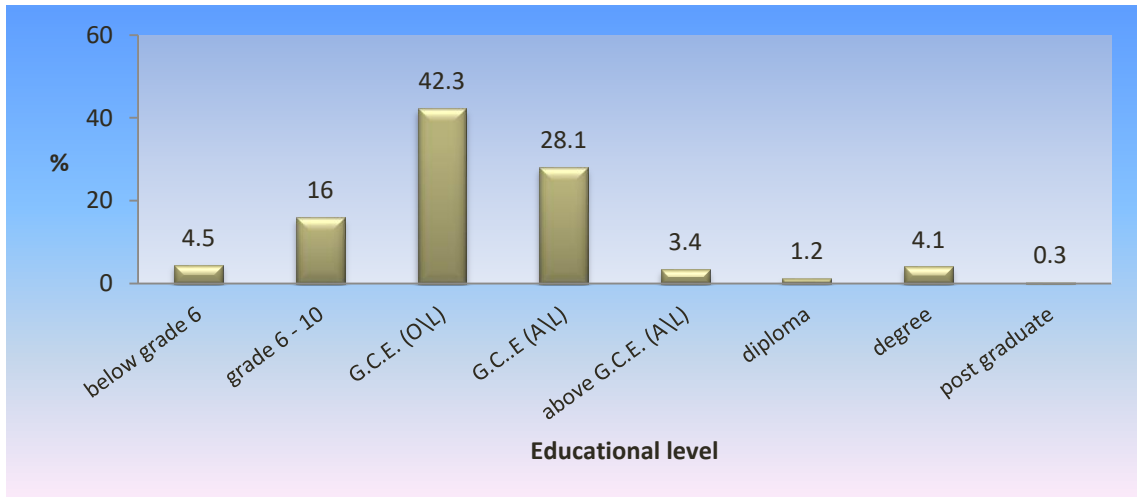


Figure:5.11.1 Educational Level of Self Employer

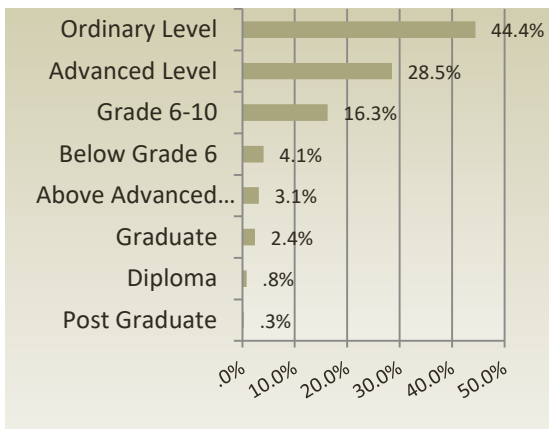


Figure :5.11.3 Educational Level of Employer

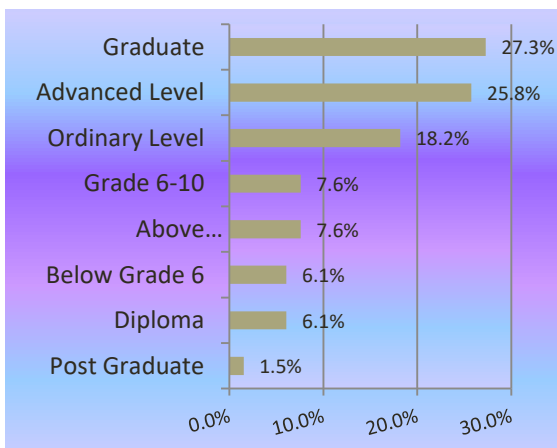


Figure:5.11.2 Educational Level of Employees

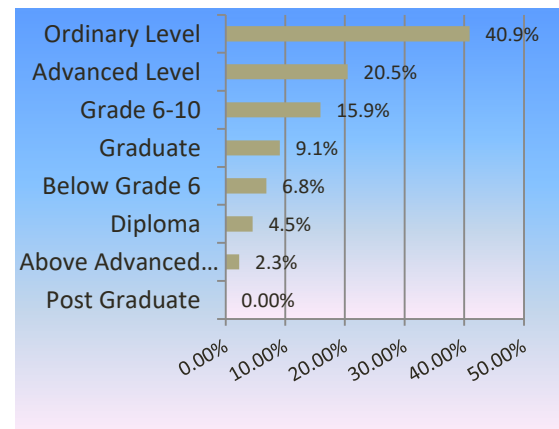
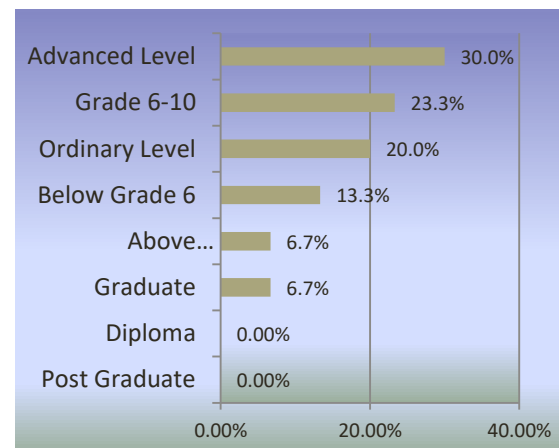


Figure:5.11.4 Educational Level of Contributing Family Worker



Most of the participants that is 42.3% are ordinary level qualified people and there are 28 % who are advance level qualified. But the involvement of graduate participation is around 4.1%.

Figure 5.12 Knowledge on the relevant activity

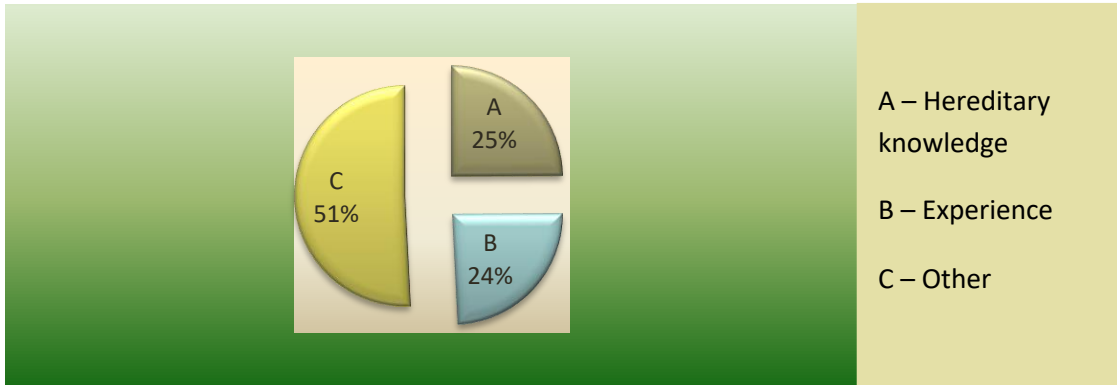


Figure:5.12.1 Knowledge of Self Employer

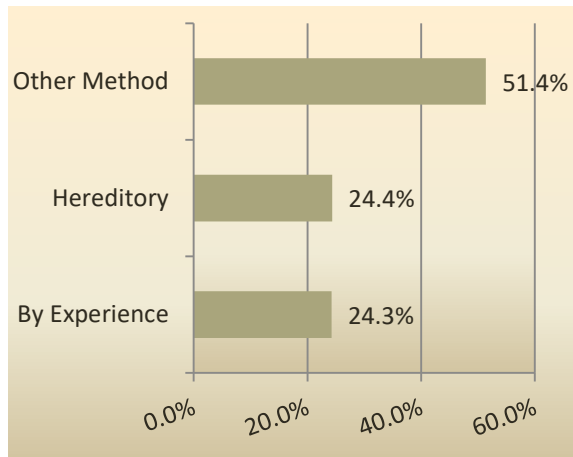


Figure:5.12.1 Knowledge of Employee

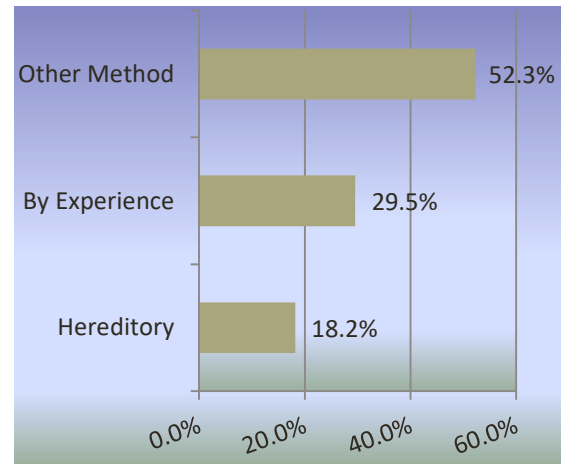


Figure:5.12.1 Knowledge of Employer

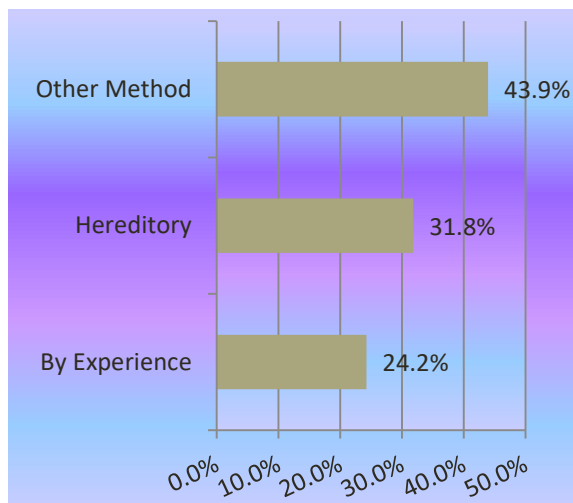
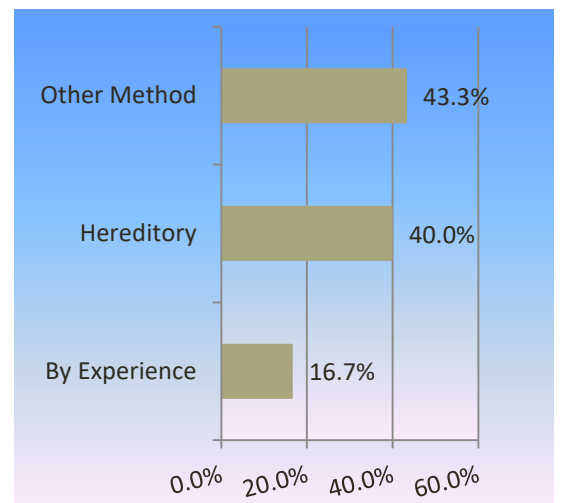


Figure:5.12.1 Knowledge of Contributing Family Worker



As shown in figure 5.12a lot of participants have got their knowledge on this field by self skill, self study, training or from various kind of courses. 25% of them aware on this field by hereditary knowledge and also 24% of them have got it by

experience. According to the data very small amount of the participants have NVQ level qualifications. They have 3 or 6 months training on rural training institutions. The other 51% they gather the knowledge through self study, self skills, following various training courses etc.

Figure 5.13 Skills on the economic activity

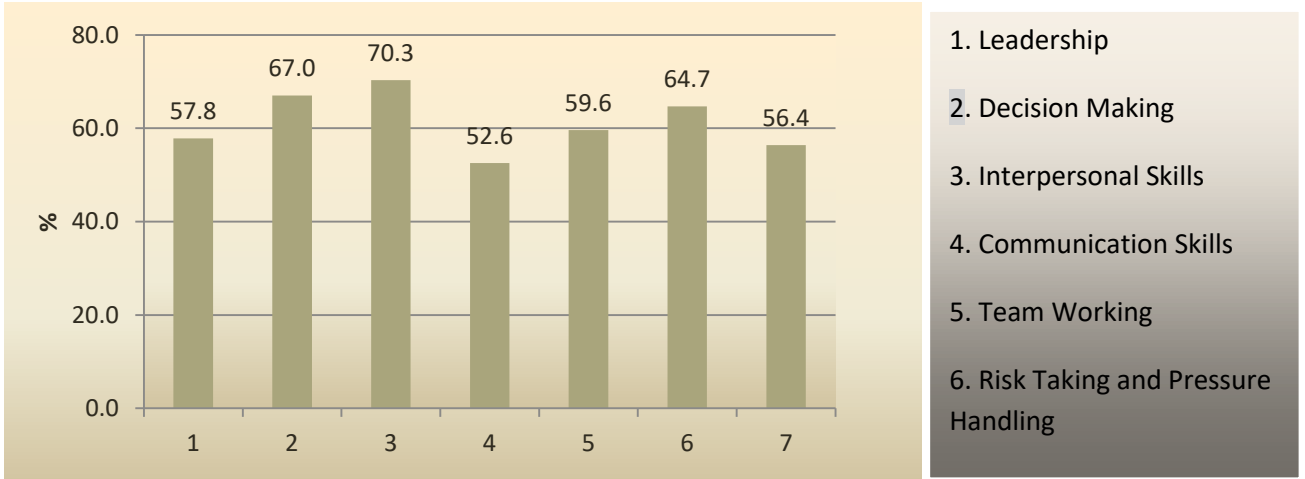


Figure 5.13.1 Skills-Self Employer

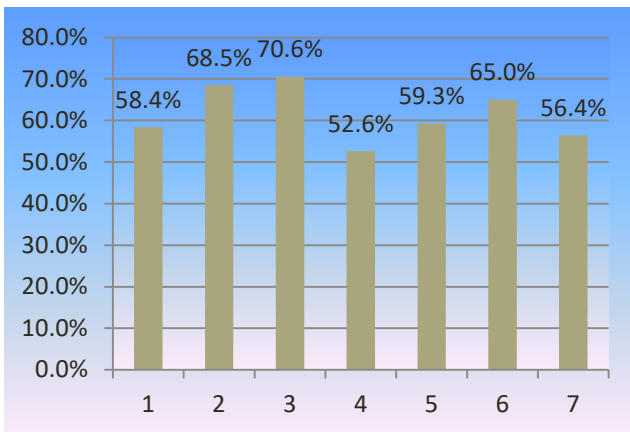


Figure 5.13.3 Skills-Employer

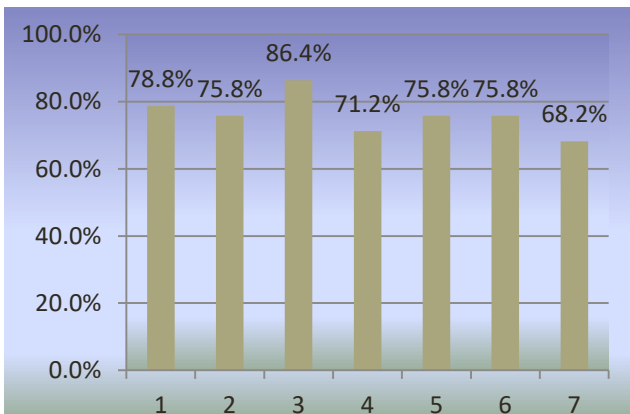


Figure 5.13.2 Skills-Employeee

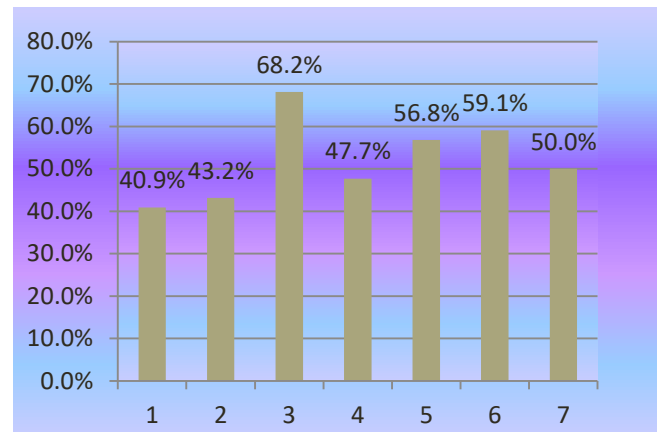


Figure 5.13.4 Skills_Contributing Family Worker

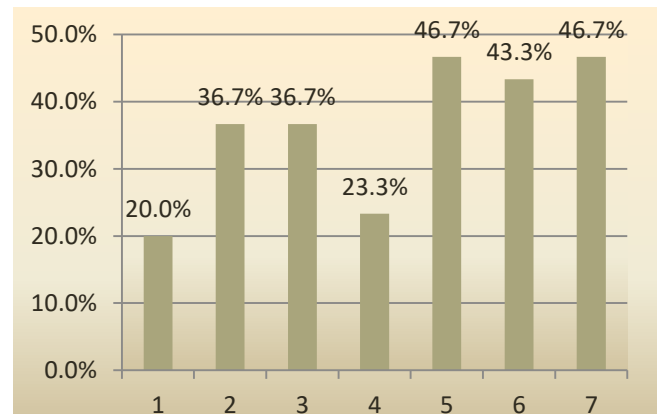


Figure 5.13 reveals that almost every person have lot of skills in the same level. Considering all those above data, the problem is not their lack of skills. It is the social problems they face when doing this activity. Those issues are analyzed below.

Figure 5.14 Difficulties in the economic activity

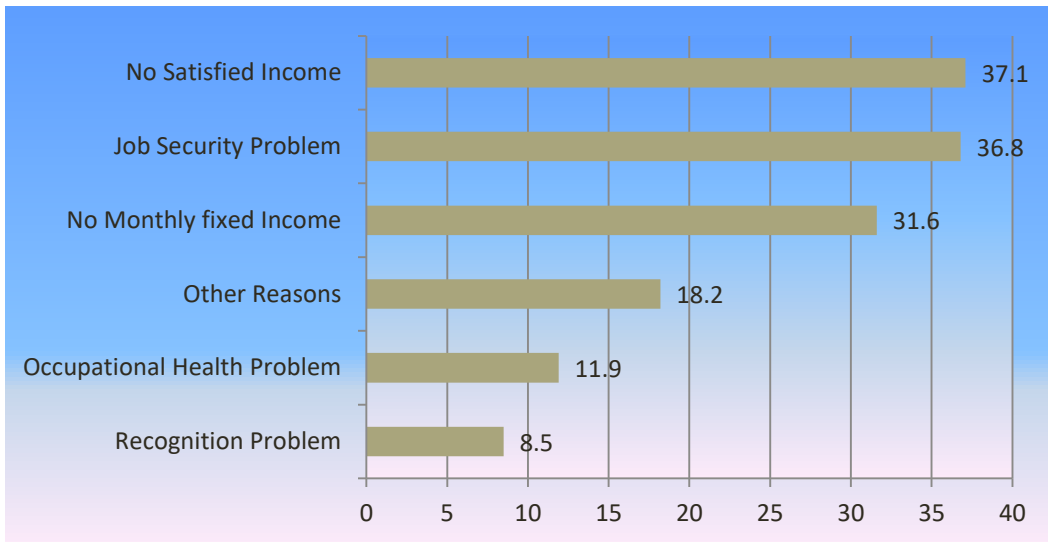


Figure 5.14.1 Difficulties of Self Employer

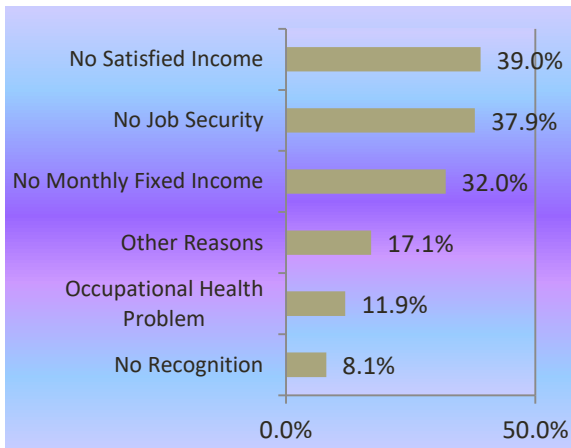


Figure 5.14.2 Difficulties of Employees

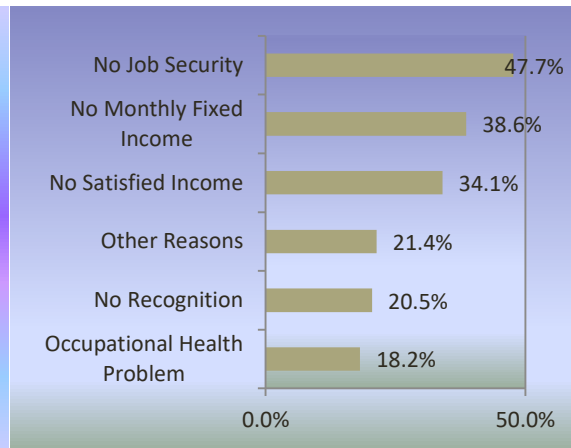


Figure 5.14.3 Difficulties of Employers

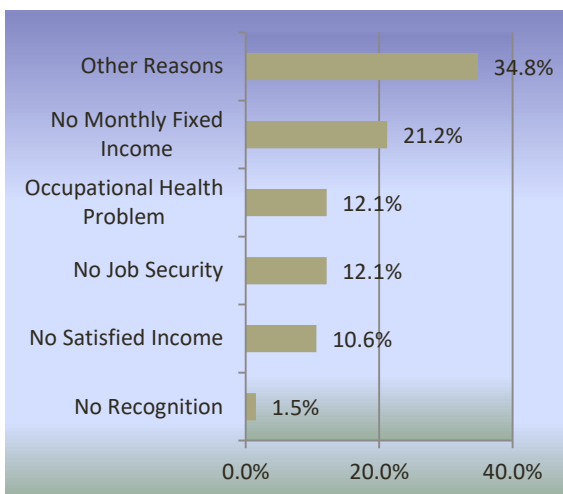
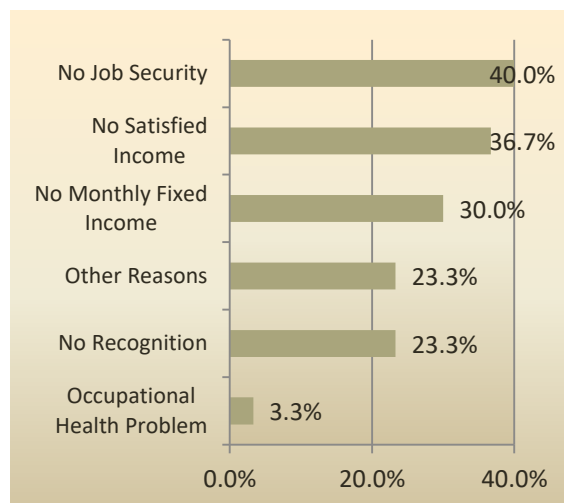


Figure 5.14.4 Difficulties of Contributing Family Workers



Above Figures shows the major difficulties in this sector seems that they are suffering from unsatisfied income, unstable income and lack of job security problem. More than

60% of them face these problems Other than these difficulties they have selling problems, health problems and the respect they expect from the society

Figure 5.15 Continuous involvement in the economic activity

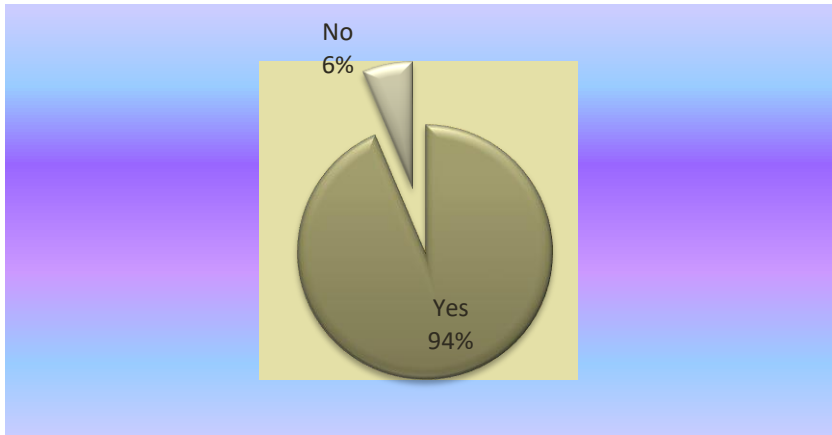


Figure: 5.15.1 Continues Involvement of Self Employer

Figure:5.15.1 Continues Involvement of Employee

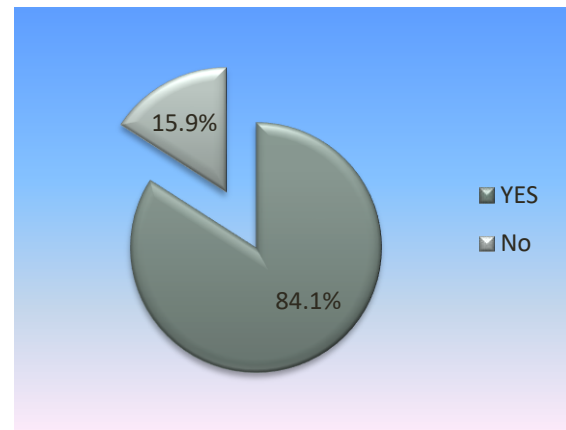
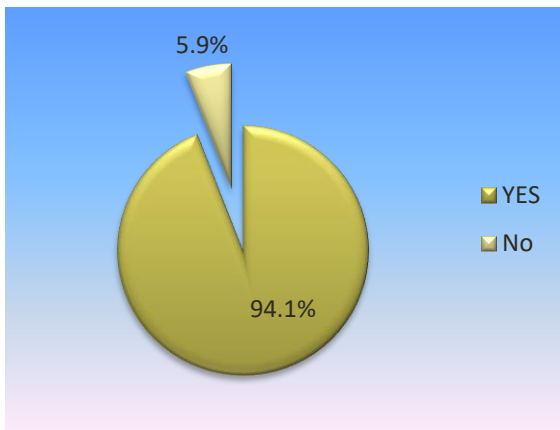
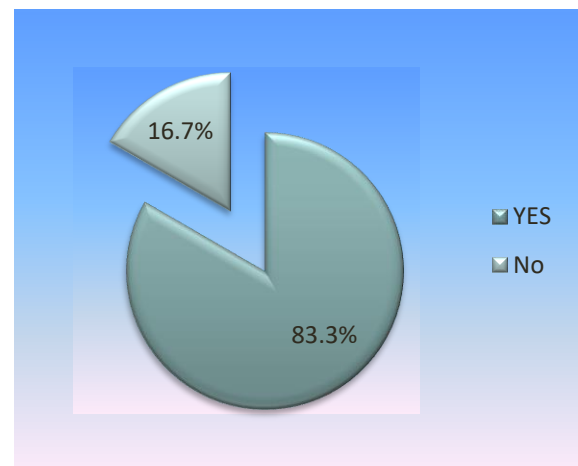
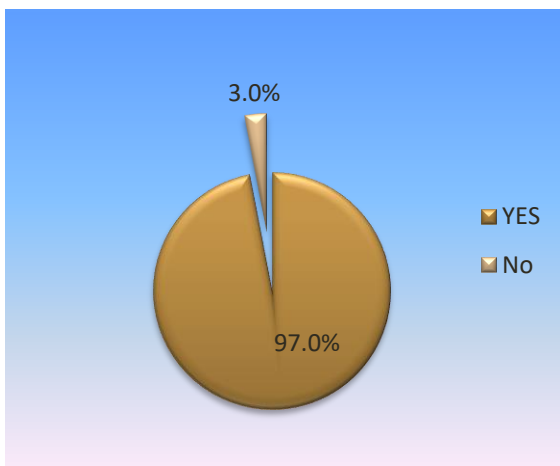


Figure :5.15.1 Continues Involvement of Employer

Figure:5.15.1 Continues Involvement of Contributing Family worker



There are 94% those who involved in the informal sector like continuing it as their economic activity.

Figure:5.16 Suggestions to improve the economic activity

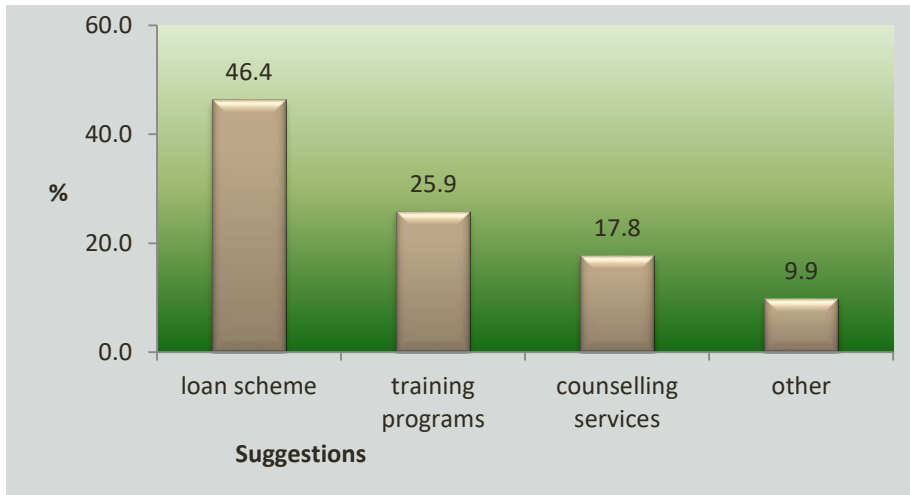


Figure:5.16.1 Suggestions to improve-Self Employer

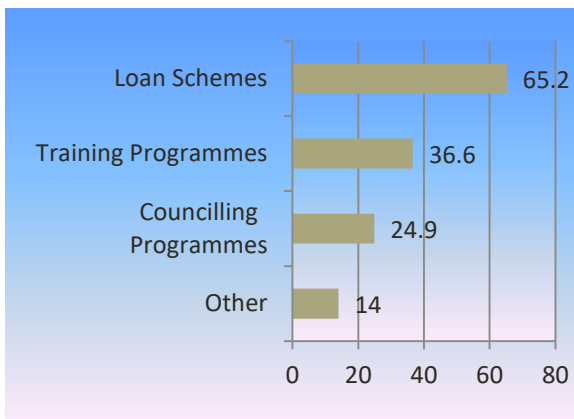


Figure:5.16.1 Suggestions to improve- Employer

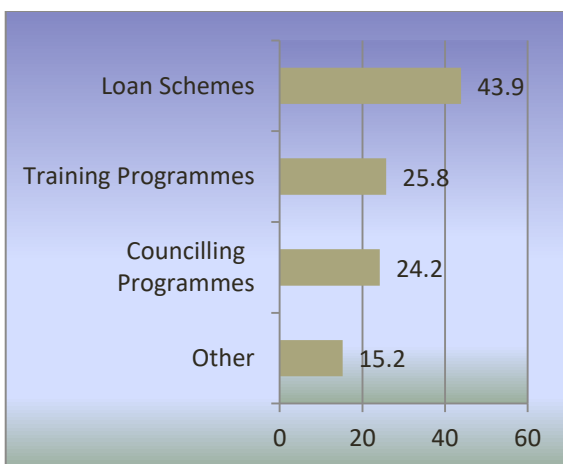


Figure:5.16.1 Suggestions to improve-Employee

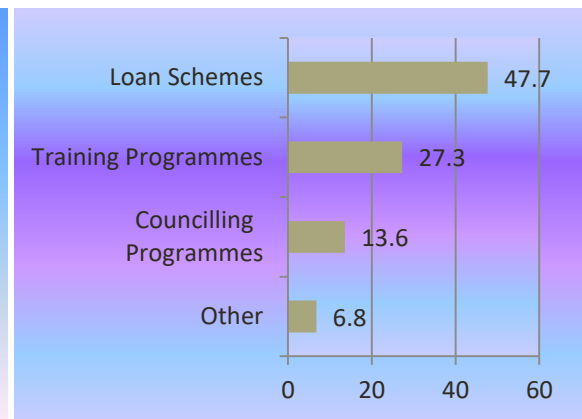


Figure:5.16.1 Suggestions to improve- Contributing Family Worker

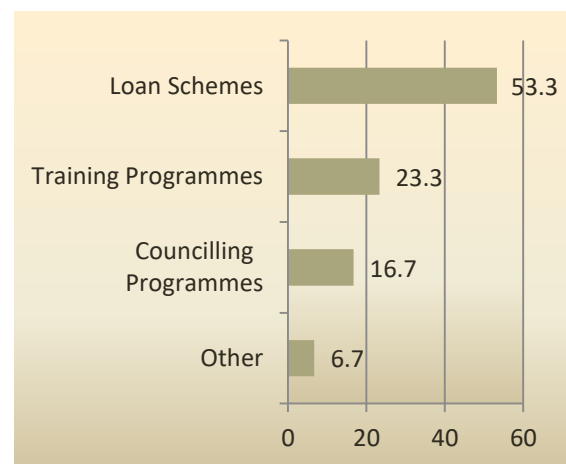


Figure 5.16 shows there are 46.4% need to get some kind of a loan scheme to improve their economic activity. Another 25.9% wants to get a training related to their field as they have as ambition of developing their business. 17.8% need counseling services also to develop their concepts in mind.

6.0 Summary of the Findings

Table 6.1 Summary of the findings of the survey

	Self-Employees	Employees	Employers	Contributing family workers
Income (Avg.)	12,380/=	14,432/=	22,273/=	–
Gender (highest participant)	Female	Male	Male	Female
Marital Status (highest participant)	Female	Male	Male	Female
Age	(45 – 49) yrs. (60 – 64) yrs.	(20 – 24) yrs. (60 – 64) yrs.	(30 – 34) yrs. (75 – 79) yrs.	(20 – 24) yrs. (65 – 69) yrs.
Educational level	G.C.E. (O\L) G.C.E. (A\L)	G.C.E. (O\L) G.C.E. (A\L)	G.C.E. (O\L) Degree	Grade (6 – 10) G.C.E. (O\L)
First five categories of Occupation	1.Dress making 2.Making Sweets 3.Flower Gardening 4.Beauticulture 5.Packing spices	1.Dress making 2.Tution class 3.Tea shop 4.Tea Grow 5.Selling Lottery	1. Tea planting 2.Tution Class 3.Construction 4.Tea Growing 5.Rubber Planting	1.Dress Making 2.Making Sweets 3.Grocery 4.Driving 5.Wicks preparing
Occupation type (Highest to lowest)	1.Full time 2.Seasonaly 3.Part time	1.Full time 2.Seasonally 3.Part time	1.Full time 2.Part time 3.seasonaly	1.Full time 2.Seasonally 3.Part Time

7.0 Conclusions

- Most of the participants who involve in the informal sector are in the educational level of General Certificate of Education (Ordinary Level). So it is necessary to implement more vocational training programs specially in the rural areas.
- The income level is also limited to below Rs. 10,000/= level. So if they aware about basic management methods and financial methods they can increase above that level. Upgrading their knowledge on management and financial sides will upgrade the income level.
- Find a market to sell their products is one of the main problems they have. Due to the transport problem and lack of market facilities they cannot increase their income. Facilitate them to sell their production for a reasonable price will encourage their production.
- Females who involve in informal sector are mostly doing their work near their houses. To increase their production and save their time they should be aware about productivity methods.
- Due to low income level it is difficult to supply raw materials and technical equipment for their work. If they have basic assets it is easy to develop their economic activities. It should start more loan schemes for low rates to encourage and upgrade the informal sector production.
- Most of the informal sector participants are self-employees. Female participation in this sector is also higher than male participation. So it is better in implement programmes on self-employment types, methods and the skills need to start the business from the school level as well as for school leavers.

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