

**Empowerment  
and beyond**

**Employment**

**Skills  
&  
Attitudes**

**Knowledge**

**The National  
Human Resources and  
Employment Policy for  
Sri Lanka**



Secretariat for Senior Ministers

## PREFACE

Sri Lanka has long been regarded as a successful model of a developing country with extensive social policies combined with economic policies resulting in high human development indicators. However, it has been less successful in generating productive employment for its citizens. Although the overall unemployment rate has gone down to 4.2 percent in the year 2011 the incidence of unemployment among the educated young men and women remain significantly high.

The real value of a country is found in its human capital and not in its fixed assets. The quality of life of the people living in a country makes the difference between an advanced economy and a poor economy. The ideas and capabilities are the key sources of wealth and opportunities. Hence we should invest in our human resources and enhance their knowledge, skills, creativity and productivity. This will improve the capability of our country to face the present or any future economic or social crisis.

Our policy and planning framework on human capital should be responsive to the present demand in the global market. We need to explore new market opportunities and prepare plans to create new employment opportunities for all levels of our people so that every Sri Lankan can contribute to economic development of the country while enjoying a decent standard of living.

The employment challenge facing the country goes well beyond open unemployment. In addition jobs should be provided for those entering the labour market for the first time, the underemployed persons, in the sense of those working less than standard hours, are another group to be targeted in employment policy. In developing countries few people can afford the luxury of unemployment as they would undertake any work available for survival and livelihood. Thus, a large section of the employed population may be employed but earning below the poverty line – referred to as *the working poor*. Providing them with more productive employment opportunities to raise their incomes also forms part of the overall employment challenge.

In order to implement “Mahinda Chinthana – Vision for the future” successfully; we need to nurture a workforce with right skills, capabilities, quality and mindset to fill the gaps and meet the demand for local and foreign labour markets.

In order to achieve this objective a comprehensive Human Resources and Employment Policy (NHREP), strategy and an integrated human resources development plan has to be formulated with a view to invest in our human resources to enhance their knowledge, skills, creativity, entrepreneurship and productivity in order to improve the capability of our country to face the present development challenges.

The National Human Resources and Employment Policy will provide an overarching umbrella framework to several existing national policies related to employment and human resources formulated by different ministries and it will also serve to concretize government commitment to employment and decent work.

The NHREP fits in well with the ongoing cooperation between the ILO and the Government of Sri Lanka on many issues relating to employment policy, and priorities of the ILO Global Employment Agenda, the Social Justice Declaration, and the Global Jobs Pact – all endorsed by the Government of Sri Lanka. A National Steering Committee under my chairmanship, ten thematic working groups and a drafting committee was responsible for the formulation of this policy.

I wish to extend my sincere gratitude to His Excellency the President Mahinda Rajapaksa and the Cabinet of Ministers for the approval granted to formulate and implement this National Human Resources and Employment Policy. I also wish to thank the Hon. Ministers and Secretaries of the Ministries of Productivity Promotion, Youth Affairs and Skills Development, Labour and Labour Relations, Higher Education, Education, Foreign Employment Promotion and Welfare, Public Administration and Home Affairs, Public Management Reforms, Traditional Industries and Small Enterprises Development, Technology and Research, Agriculture, Industry and Commerce, Child Development and Women's Affairs that have mandates of different aspects of human resources and employment for working closely with me in the formulation of this policy.

I wish to place on record my appreciation of all valuable contributions made by the members of the working groups. Participants of the National and regional consultative workshops, etc. and the technical and financial assistance provided by ILO. I very sincerely thank Mr. Donglin Li ILO Director for Sri Lanka and Maldives for providing these services.

A master plan will be prepared to implement this policy with the participation of all stakeholders. A coordinating and monitoring unit will be established at the Secretariat for Senior Ministers to coordinate the implementation of the policy.

D.E.W. Gunasekara

**Minister (Senior) for Human Resources**

## ACKNOWLEDGEMENTS

Formulating and implementing a National Human Resources and Employment Policy, strategy and an action plan is important to achieve the objective of transforming Sri Lanka into a dynamic global hub as outlined in the “Mahinda Chintana– Vision for the future” in which organizing the manpower of the country efficiently and effectively has been recognized as important for the development of a world class workforce in the country by nurturing our human resources with right skills, capabilities, quality and mindset to fill the gaps and meet the demand in local and foreign labour markets.

The formulation of the National Human Resources and Employment Policy (NHREP) followed a series of activities including; a national seminar held with the participation of all stake holders, meeting of the Hon. Ministers of the Ministries sharing the functions related to human resource and employment and conducting nationally important technical studies, etc.

A National Steering Committee and ten thematic working groups were appointed to make policy recommendations. Consultations were held at the central as well as at regional level with employers and workers organizations, professional institutions and academia being directly involved and a drafting committee were appointed to formulate the policy.

I am grateful to Hon. D.E.W. Gunasekara, Minister (Senior) for Human Resources for his leadership, commitment and guidance provided during the entire process of formulating this policy and to all other Hon. Ministers who provided their support in this endeavor.

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Mahinda Madihahewa  
**Secretary/Chief Executive Officer**  
**Secretariat for Senior Ministers**

## ACRONYMS

BOI	-	Board of Investment
BPO	-	Business Process Outsourcing
CBO	-	Community Based Organization
CBSL	-	Central Bank of Sri Lanka
CEB	-	Ceylon Electricity Board
CPC	-	Ceylon Petroleum Corporation
FES	-	Foreign Employment Services
GCE	-	General Certificate of Education
GCE O/L	-	General Certificate of Education (Ordinary Level)
GCE A/L	-	General Certificate of Education (Advanced Level)
GDP	-	Gross Domestic Product
HR	-	Human Resources
ICT	-	Information and Communication Technology
ILO	-	International Labour Organization
KPO	-	Knowledge Process Outsourcing
LMI	-	Labour Market Information
MHE	-	Ministry of Higher Education
MRC	-	Management Reforms Cells
MTMF	-	Medium Term Macro-economic Framework
NAITA	-	National Apprentice and Industrial Training Authority
NEC	-	National Education Commission
NFA	-	Net Foreign Assets
NGO	-	Non Government Organization
NHREP	-	National Human Resources Employment Policy
NLAC	-	National Labour Advisory Council
NQAAC	-	National Quality Assurance and Accreditation Council
NVQ	-	National Vocational Qualifications
NYSC	-	National Youth Services Council
OPA	-	Organization of Professional Associations
PES	-	Public Employment Service
PPP	-	Public Private Partnership
PTAs	-	Preferential Trade Agreements
QLFS	-	Quarterly Labour Force Survey
RPL	-	Recognition of Prior Learning
SBIR	-	Small Business Innovation Research
SBTT	-	Small Business Technology Transfer
SHG	-	Self Help Group
SLBFE	-	Sri Lanka Bureau of Foreign Employment
SLIDA	-	Sri Lanka Institute of Development Administration
SLQF	-	Sri Lanka Qualification Framework
SME	-	Small and Medium Enterprises
STI	-	Science, Technology and Innovation
TEWA	-	Termination of Employment of Workmen Act
TVE	-	Technical and Vocational Education
TVEC	-	Tertiary and Vocational Education Commission
UGC	-	University Grants Commission
UNIVOTEC	-	University of Vocational Technology
VET	-	Vocational Education and Training
VTA	-	Vocational Training Authority



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## Executive Summary

### Introduction

The National Human Resources and Employment Policy (NHREP) is the overarching policy framework of the Government of Sri Lanka that would govern its human resource development work and action to be taken to provide full, decent and productive employment to Sri Lankans. The NHREP has been developed out of the overall state policy since 2005 as formulated in the Mahinda Chintana framework. The NHREP covers a number of subject areas that are of relevance and significance in human resources development and employment promotion work. Policy statements contained in this document are consensus views arrived at through lengthy consultations among all stakeholders – government officials, employers' organizations, workers' organizations, professional bodies and the academia.

NHREP is guided by the vision of:

“Sri Lanka - the Wonder of Asia” in which all persons of working age become globally competitive and multi-skilled, and enjoy full, decent and productive employment with higher incomes in conditions of freedom, equity, security and human dignity.

NHREP would aim at full, productive and freely chosen employment for all women and men in Sri Lanka. It would work towards a highly competent, globally competitive, multi-skilled and productive workforce in the country. NHREP would improve incomes and the quality of life of the working population across different sectors and regions and would provide the fullest possible opportunity to workers without discrimination. Finally, NHREP would safeguard the basic rights and interests of workers in line with national labour laws and key international labour standards.

NHREP recognises that it has to work generally within the macroeconomic policy framework that has been developed to meet a wider set of objectives going beyond those of NHREP. It is recognised that sustainable employment creation requires a policy-mix that promotes growth and investment in the productive sectors of the economy. This would require appropriate combination of monetary, fiscal, exchange rate, trade and real sector policies. Efforts would be made to ensure that fiscal, monetary and credit policies are linked to the objective of generating sustainable employment and human resource development.

The following paragraphs in this executive summary refer to policy action identified as necessary to achieve the objectives of NHREP. Policies so identified, which operate within different subject areas of the socio-economic system, are administered

by different parts – Ministries, Departments, Authorities etc. – of the Government. The implementation responsibility of NHREP will therefore fall on many institutions and authorities, to be coordinated by the Secretariat of the Senior Ministers.

### Education and Training

Recognising the significant role played by school education in the development of human resources in the country, NHREP places emphasis on the school education reforms as vital in achieving its objectives. The following elements in such a programme of educational reform are highlighted, while also noting that some of these form part of the on-going educational reform programme of the Ministry of Education:

- Strengthening of English teaching and trilingualism. Facilities to learn foreign languages at secondary school.
- Providing the option of studying a few selected subjects in the English medium within the policy of bilingual education in the secondary grades.
- Making science education available to all at the secondary level.
- Introduction of career guidance as a mandatory element in schools.
- Setting up 1000 well equipped secondary schools at Divisional level.
- A foundation programme for vocational and technical education targeting students who do not qualify at GCE OL and GCEAL examinations.
- Organizational linkages among the Ministry of Education, Higher Education, Youth Affairs, Vocational and Technical Education and Productivity Promotion will be established.

At the higher education level, student places in higher education institutions will be increased by promoting multiple modes of delivery of courses. Non-state universities and degree awarding institutions will be encouraged, with regulatory controls on quality and accreditation requirements. The curriculum content of academic programmes will be redesigned to match the requirements of the world of work. Students will be encouraged to develop their self-directed, independent, creative and reflective thinking skills. Academic programmes will be improved and updated to meet international standards. Linkages between local and foreign universities will be promoted as well as linkages between academia and industry. Research facilities in universities will be improved.

NHREP places significant focus on correcting the weaknesses in and improving the systems of vocational training systems, so that the employability of the first time job-seekers will be enhanced. The principal items of policy action to this end would include the following:



- Enriching secondary school curricula by adding vocational and technical training components.
- Commencement of the technology stream at the GCE A-Level and schools to establish collaborative work with neighbouring VET institutes to share resources, laboratory and staff.
- NVQ qualifications to school leavers acquiring competencies by direct entry to industry.
- Linking secondary education, VET and higher education institutes and the world of work to promote seamless career paths via lateral entry.
- Introduction of soft skills development elements to vocational training curricula.
- Public-private partnership in education and training.
- Promotion of multi skilled labour in training programmes.

Although not strictly part of education and training, the proposed policy measures pertaining to career guidance and counselling are presented here in the last paragraph of this section of the Executive Summary. A national career guidance council is being proposed as a public-private partnership exercise in order to direct and guide all career guidance activities in the country. Public and private institutions will commence programmes in career education, career information, career counselling, employment counselling, job placement, labour market adjustment and skills development for self employment. The involvement of industry and employers in private and public sectors will be strongly promoted in the development and delivery of career guidance services.

### **Enhancing Employability of Youth**

In terms of a number of issues related to labour force participation, rate of unemployment, job preferences and so on, youth forms a special category of the labour force and innovative approaches are needed to address these issues effectively. Under the NHREP attempt will be made to open opportunities to the youth to learn and relearn to find employment and to remain employed. A talent pool of trained young people that will be developed through human resource development effort will supply human resources with acceptable qualities for employment in the private sector.

A network of one-stop career centres will be established throughout the country to provide information on training, career guidance and counselling, career planning and to provide other employment related services. Active labour market programmes will be introduced through employment service centres to improve the employability of the youth. All capacity building institutions and agencies providing employment services will be made to register with a responsible government agency so that their operations can be monitored closely to ensure adequacy in both quality and quantity of services they provide and to take remedial measures if deficiencies are detected.

Special programmes will be introduced to bring the vulnerable, disadvantaged and conflict affected youth groups to the main stream. Firm action to change attitudes of the youth and their parents regarding sector preferences in respect of jobs, will be promoted.

### **Science, Technology and Innovation Skills**

Given the need for effective use of science and technology to accelerate economic growth, an incentivised, focused and accelerated programme for training, attracting and retaining highly skilled personnel will be developed. Mobility of highly skilled personnel among different jobs within Sri Lanka and outside will be systematically encouraged. In this regard the highly skilled personnel engaged in research, innovation and development will be considered as belonging to a special category of human resources.

A national research cadre will be established and measures identified, recommended and implemented to employ expatriate Sri Lankans or foreigners for highly skilled jobs for which suitably qualified resident Sri Lankans are not available.

The retirement age in respect of highly skilled jobs will be raised to 65 years. Other strategies/ activities to meet the demand for Science, Technology and Innovation (STI) personnel will be adopted. A National Technical Workforce Planning and Development Strategy will be developed and it will be implemented by different line Ministries.

## **Sectoral Policies**

### **Agricultural sector**

The NHREP will work towards promoting mechanisation, modernisation and productivity improvement of agricultural jobs in order to improve the youth's attraction to agricultural pursuits. Strategies will be adopted to increase competitiveness of the agricultural sector through improvement in productivity. Increased value addition in both domestic and export agriculture will be promoted. Policy directives for agricultural sector development would deal with matters of entrepreneurship development, productivity enhancement, R&D orientation, and promotion of branded value added products.

Given the significance of small-scale commercial farming, practical and entrepreneurial skills will be developed among small farm households, among rural women and the youth. At the same time measures will be introduced to systematically encourage private sector investment in large and medium scale farming, as well as in the food processing industry. Reduction of post-harvest losses and the provision of appropriate technical and extension services will be promoted.

Plantation companies will be promoted to create training opportunities for the plantations-based labour force to gain knowledge and skills to the mutual advantage of both the management and the employees. Training programmes developed on a public-private partnership will be extended, with suitable modifications, to the small holders as well. The technological improvements in production techniques within plantations and modernisation of methods of production therein will be used to persuade the resident population to remain in plantation work. Opportunities in vocational training will be made available to them. Gains sharing practices will be encouraged in the plantation sector.

### **Manufacturing Sector**

Labour-intensive industries, including activities in such industries which are higher up in the value chain, are likely remain important as sources of employment opportunities for the growing labour force. Handloom textiles, garments, leather products, food and beverages, handicrafts, wood products as well as value-added products in tea and rubber, are some such labour intensive industries that will be given policy support and fiscal incentives. They will be encouraged to work towards penetrating into foreign markets.

In the long-run Sri Lanka will have to work out industrial policies to gradually move out from low value-added labour-intensive to more capital and knowledge-intensive manufacturing. Human resources policy will thus focus on mechanisms to build up the required high level workers to meet the demands that are likely to arise from such capital and knowledge intensive industry.

### **Tourism Sector**

Together with investment promotion, measures to promote productivity and professionalism in the travel and hotel business will be implemented. Private sector will be encouraged to set up world class centres for human resource development to meet the emerging skills needs of the tourism industry.

Action will be taken to address the current skill shortages at operational and clerical levels. The Sri Lanka Tourism and Hotel Schools will jointly launch short-term crash courses focusing on most demanded skills in fast developing tourism locations like the Eastern Province. Adequate incentives will be provided to the private sector for initiatives in skills development in this sector.

### **ICT and BPO Sectors**

These will be fast growing sectors in the economy that will offer expanding employment opportunities. The incentive structures will be adjusted to facilitate that growth. In addition to a new tax regime to generate high growth and investment in the ICT and BPO sectors, the government will promote new foreign companies to set up operations in Sri Lanka in collaboration with

local companies to move up towards higher value added services.

As ICT and BPO sectors can be used to address the problem of unemployment of the educated youth, programmes will be developed to train some of the educated youth in computer usage and in information technology. Education and training sector policies are increasingly designed to address the training needs of ICT and BPO sectors.

Action will be taken to enhance the numbers of internationally certified persons of competence ready to work in ICT and BPO sectors. Successes in ICT and BPO spheres and in other types of knowledge work will be communicated frequently to the world. Growth of home grown companies will be promoted in these sectors by identifying nurturing and graduating business ventures in IT products. The government will pay attention to the creation of an early stage investment fund to provide venture capital to companies showing promise.

An efficient and well informed legal environment will be developed to enforce relevant laws stringently, particularly in connection with laws/policies governing data/cyber security and intellectual property rights.

### **Health Services**

Primary health care workers in the field and in primary level hospitals will be retrained. An overall orientation of medical officers towards a family medicine approach is required to manage the problems of non-communicable diseases, and of ageing at primary care level.

Action will be taken to make appropriate recruitment and training and to ensure their appropriate equitable distribution. Appropriate mechanisms will be devised to improve retention of health workers in rural and underserved areas.

HR policies in the health sector will take into consideration the expanding private sector needs. Supportive policy to improve private sector without compromising the standards of Government services is important. A human resource information system as a subsystem of the national health information system will be developed.

Continuing education and in-service training and practice will be carefully defined. Career progression structures have to be developed for every category of health worker.

### **Environment Friendly (Green) Jobs**

NHREP recognises that, as the economy adjusts to the urgent need for environmental sustainability, the labour market will also begin to increase the demand for workers with required skills to take up "green (environmental friendly) jobs". Skill training

development will be improved and enhanced in the areas of green restructuring Skills training activities will be planned accordingly. Research into the behaviour of the labour market for green jobs will be promoted. Technical and financial support will be offered to entrepreneurs including SMEs to explore green business opportunities.

### **Infrastructure Investments**

In respect of skilled occupations in construction, a significant increase in training is being planned. Efforts will be made to encourage private sector contractors to attract qualified individuals with foreign exposure back to the country to take on higher level jobs. Targeted and time bound public employment programmes focussing on the building of rural / urban assets will be undertaken in ways that support the employment situation.

In order to promote capacity building of local government institutions in areas of procurement, governance, asset creation and management necessary training programmes will be introduced. Such capacity improvement would help in improving employment conditions in relevant local authority areas.

### **Performing Arts, Music and Creative Industries**

With complementary industries such as tourism, aviation, shipping, international sports etc. gathering momentum, it is opportune to recognise the contribution of arts, music, design, media, entertainment and other creative activities to the structure of remunerative livelihoods. Students with innate creative talents and abilities in identified spheres will be provided with specialized training, to progress in such careers. All necessary resources and equipment to develop creative skills will be provided to identified schools as an investment by the state.

### **Informal Employment**

Informal sector activity occupies a dominant position in Sri Lankan employment pattern. A two pronged approach will be adopted in addressing issues of informal employment. On the one hand, expansion of firms in value added sectors will be encouraged and on the other hand, the employability of workers in more skilled, better paying occupations will be enhanced. Entrepreneurial skills will be developed through easy and subsidized credit facilities. Product and market guidance and insurance schemes to cover short-term economic fluctuations will be introduced. School leavers and graduates of vocational training institutions and universities will be provided with facilities to access entrepreneurship training at appropriate points in their lives.

Programmes to enhance awareness of both employers and workers about occupational health and safety issues will be undertaken and their access facilitated to information about innovations and technologies leading to ergonomically sound

ways of carrying out productive tasks. Opportunities for continued education, training and re-training in job-oriented skills will be provided to informal sector workers.

A Micro-finance Regulation and Supervision Authority (MR & SA) Law is to be enacted to enable micro-finance institutions to be regulated and to enable them to take deposits.

### **Small and Medium Enterprises (SME)**

Decent work practices and social protection of employees will be encouraged among SMEs thus enabling them to recruit workers with right skills and attitudes. SMEs will be empowered with ICT capabilities to improve their productive efficiency. SMEs will be promoted to innovate and to adopt high end technologies through Small Business Innovation Research (SBIR) and Small Business Technology Transfer (SBTT) schemes.

Action will be taken to simplify the regulatory and administrative framework surrounding SMEs. Support services will be devised to support SMEs improving their capacity to create more jobs. Reforms for elimination of labour market elements which discourage SME growth will be undertaken.

Facilities will be created to induce SMEs to adopt new training methods that are more flexible in place of the traditional models of training. Programmes will be introduced for promoting entrepreneurial skills. Strategies advocated in entrepreneurship development programs will be reviewed and new strategies will be introduced to focus on vulnerable groups. A move away from the survivalist focus of some of the existing programmes towards strategic sectors with better growth and employment promise is envisaged.

### **Employment Opportunities for Vulnerable Groups, Disabled Persons and those in Underdeveloped Regions**

The industrial base in Northern and Eastern Provinces will be re-established. Investments in employment-intensive infrastructure development work will be initiated. Maritime fishing will be facilitated. Partnerships with civil society and community-based organizations will be formed to improve access to essential services.

Child labour in hazardous activities will be eliminated on a priority basis. Support to families of working children will be provided for the elimination of child labour.

A better database will be established, on the persons with disabilities. An enabling physical environment will be created for persons with disabilities to access and participate in vocational training.

Institutional responsiveness will be improved to the needs of the disabled, to create a supportive environment in the workplace for

them. Awareness will be created about benefits of participation in schemes of training and employment of the disabled. Tax concessions, and financial assistance to improve physical facilities for the disabled persons, and other incentives to motivate employers to recruit persons with disabilities, will be introduced.

Disability issues will be more proactively and effectively addressed in mainstream poverty reduction, community development as well as in income generation programmes.

### **Foreign Employment**

The focus of national policy in the foreign employment sector is aimed at “ensuring skilled, safe migration”. The long-term policy of the government would be to create decent jobs for Sri Lankans at home and promoting migration by choice rather than by poverty and need.

This would involve firstly, promoting skilled migration through better skills training, diversification of destinations, identification of and capitalizing on Sri Lanka's competitive advantages in this field according to global employment opportunities that are available.

Vocational and other training programmes will be made to improve links between skills required in the local and foreign job markets. The versatility of the locally available labour force will thus be enhanced and this will facilitate achievement of the medium and long term foreign employment policy objectives of the country.

Action will be taken to restructure and strengthen institutional capacity in the management of overseas migration for work. Greater attention will be paid to the well being of Sri Lankan workers overseas. Bilateral agreements will be established with labour receiving countries, to promote respect for and safeguard labour rights of migrant workers.

### **Public Service Employment**

While in general terms the widespread perception that the public sector in Sri Lanka is over-staffed, NHREP recognises that certain aspects of public service employment needs careful policy attention. A participatory needs analysis through functional reviews of all government institutions will be undertaken. The attraction of the public service to job aspirants with high level skills and competencies will be improved and the brain drain problem in the professional categories addressed. Attracting expatriate Sri Lankans with significant skills in short supply will be promoted where necessary.

Creating a continuous reservoir of second tier officers, selected through an objective assessment process, will be introduced.

Effective systems for performance appraisal, linked to a system of recognition, rewards and promotions will be developed.

The Sri Lanka Institute of Development Administration (SLIDA) will cover the training programmes for executive grades. The Public Service Training Institute (PSTI) will be developed into a fully fledged training institute for non-executive grades. Management training units at the District level will be established in District Secretariats. Institution specific training will be the responsibility of the institutions concerned.

### **Mainstreaming Gender**

Recognising the validity of certain comments about disadvantages women undergo in the labour market NHREP devised proposals to improve conditions of gender equality in this respect. Investment in training women for higher skill occupations such as in the IT sector, nursing and hospitality industry will be encouraged, while also promoting entrepreneurship development among women, enhancing their access to credit, technology, business knowledge and markets. The establishment of a social security system will be considered for the benefit of self-employed women.

A secure environment by maintaining law and order for women to travel to and from work in the night will be provided. Safe and efficient transport services through public-private partnerships will be provided. Sexism and gender stereotyping in the workplace will be discouraged. Legal and institutional infrastructure will be strengthened to handle issues of gender discrimination and sexual harassment.

High growth sectors with a high capacity to absorb educated young women, such as ICT/ BPO, will be promoted. Especially designed job search assistance to women graduates will be provided, while promoting the private sector, particularly the large corporate firms, to increase recruitment of female graduates and placement of more women in management training programmes.

### **Labour Market Information and Employment Services**

Data collection systems pertaining to labour, e.g. the Labour Force Surveys, will be strengthened through better funding and other measures. Mechanisms to collect and disseminate information about labour demand will be organized. A strong central body with adequate statutory and administrative authority is recommended for coordination of LMI data production and dissemination functions.

The establishment of an appropriately located repository for LMI data is suggested. Establishment of a Public Employment Service (PES) scheme is recommended to help improving labour utilization and raising incomes and living standards of a wide cross-section of the community. It will assist in mobilizing



the human resource needs of the Government's five-hub-strategy of development. It would provide labour market signals on skill needs and emerging skill shortages as well as facilitate job matching.

#### **Social Dialogue Institutions and Labour Relations**

Unfair labour practices will to be corrected with tripartite consultation. Interests of vulnerable segments, e.g. poor and unskilled labour, women, young persons, disabled and sick persons in employment and domestic workers will be protected. The employers in EPZs will be encouraged to provide adequate facilities to trade unions.

Measures will be taken to provide security of employment to existing workforce. The government will look into possibilities of providing unemployment benefits to those who lose their jobs in the on-going economic transformation of the country. Social dialogue for public sector employees will be strengthened. A national level Committee will be appointed for this purpose.

Provision will be made to accommodate, part-time work, working from home, working on assignment basis etc., within the contract of employment between the employer and the employee.

The need for increasing the flexibility of labour laws and regulations is recognised. Through tripartite agreement, legal provisions that appear to be rigid may be relaxed, adhering to international labour standards set out in ratified ILO Conventions. National Labour Advisory Council will be streamlined as the apex body to decide on matters of labour policy and its implementation.

#### **Wages**

In order to prevent non-payment of wages or adoption of discriminatory practices a legislative framework will be developed. The national minimum wage would cover all private sector workers and would act as a "wage-floor" for workers, including those who are not covered by the Wages Boards system. This also would be used as a reference for wage fixing in the informal sector as well.

The operations of the Wages Boards system as at present would be simplified, with the coverage extended. Actions would be initiated to promote collective bargaining both at the sectoral level and at the enterprise level on wages.

Employers and workers, and their organizations, would be encouraged to adopt performance /productivity based wage components.

#### **Social Protection**

Sri Lanka has a number of social protection schemes and integration of these different schemes is planned. Action will be initiated to enhance effectiveness, efficiency and sustainability of the Employees Provident Fund and the Employees Trust Fund. Recognising the disadvantages of payment of lump-sum benefits, a mechanism to ensure a continuous flow of income for the formal sector workers under the Employees Provident Fund and the Employees Trust Fund Schemes is recommended.

The need for establishing a "Pension Scheme" and an "Insurance Scheme" (to cover health and accidents), initially on a voluntary basis, for the private sector, including the public corporation sector, is highlighted. Appropriate studies would be undertaken to ascertain the feasibility of establishing such schemes for these workers. A study will be undertaken to ascertain the shortcomings of existing social security schemes in the informal sector and to take remedial measures.

Establishment of an unemployment benefit scheme would be beneficial in meeting the needs of redundant workers at times of enterprise restructuring and in providing the employers greater labour market flexibility. Action will be initiated for the establishment of a basic "social protection floor" to ensure access to basic health care and income security.

**Institutional framework: Implementation, Monitoring and Coordination** Implementation of this policy will be led by the Senior Ministers' Secretariat, under the overall guidance of a National Steering Committee. The strong ownership, commitment and active participation of all stakeholder organizations is required for successful implementation of the policy. At the level of the government itself, coordination among many Ministries, Departments and other Public sector agencies is necessary. The Secretariat will work in close collaboration with all relevant stakeholder organizations in formulation of implementation strategies and action plans with suitable indicators and targets to be used for monitoring purposes. A Coordination Unit will be set up at the Secretariat to manage the implementation process.

## National Human Resources and Employment Policy

### Vision

“Sri Lanka - the Wonder of Asia” in which all persons of working age become globally competitive and multi-skilled, and enjoy full, decent and productive employment with higher incomes in conditions of freedom, equity, security and human dignity.

## 1. Background

**1. The National Human Resources and Employment Policy (NHREP) of the Government of Sri Lanka sets out the overarching policy framework to provide full, decent and productive employment to all Sri Lankans. It is the foundation on which human resource capabilities would be strengthened and employment opportunities created to make Sri Lanka the 'Wonder of Asia'.**

The NHREP has been developed out of the overall state policy since 2005 as articulated in the development framework, "Mahinda Chintana - Vision for the future".

2. The country has seen an overall economic growth rate of over 8 per cent in 2010 and 2011, benefitting from the peace dividend of the end of long-term internal conflict. The next decade will bring economic opportunities and challenges locally and globally on various fronts. Sri Lanka recently became a lower middle income country with a per capita income of over US\$2,000, which is expected to double to over \$4,000 by 2016. Investment, both foreign and local, is expected to increase as economic growth of about 8 per cent will be sustained over the medium term leading to the creation of more and better employment opportunities.
3. Ensuring sufficient investment flows is pivotal for the long-term development of the country. The nature of investments will directly impact the human resources and employment situation. Moreover, the continuous improvement in the quality and productivity of the labour force will be one of the most important determining factors for increased foreign investment and employment creation.
4. Sustaining economic growth will be a key factor in ensuring that poverty is further reduced from the current (2009/2010) low level of 8.9 per cent nationally and to address large regional variations in its incidence. However, this achievement would not be possible without economic growth being inclusive, people centred and employment friendly. Current regional disparities of investment and development will be addressed, and regional comparative advantages fully exploited with diversification of the economy. It is through the efforts of the people of Sri Lanka that their own well-being will be further improved. The pattern of demographic transition in Sri Lanka raises several points of importance in preparing an NHREP for the country. Population will undergo major changes in its size and age structure in the coming decades. In the year 2031 the size of the population would reach its peak of 21.9 million persons thus adding a further 2.0 million persons to the present population base of 20 million. In absolute numbers, this will be an enormous challenge for the country's planners. The population is projected to undergo major changes in its gender balance in the coming decades as the sex ratio of the population has become female biased.

5. The age structure transition has produced a demographic dividend conducive for an economic takeoff of the country. This would cover the period of 1991 to 2017 and implies that the proportion of working age people (aged 15-59) is significantly larger than the proportion in the dependent age categories (aged less than 15 and 60 and above). Given that only a few years remain to take advantage of this demographic dividend, the bonus of human resources it makes available should not be allowed to pass unused as a development opportunity.
6. There had been an increase in the labour force in absolute terms over the forgoing decade from 6.8 million in 2000 to 7.6 million in 2010. Total numbers employed had grown from 6.3 million to 7.2 million during the same period. The labour force participation rate, however, declined from 50.3 to 48.6 per cent during this period, with the rate of employment marginally rising from 92.4 per cent of labour force to 95.1 per cent indicating a drop in the rate of unemployment from 7.6 to 4.9 per cent.<sup>1</sup> Those of the workforce having higher educational achievements are overrepresented among the unemployed, suggesting that there is a shortfall in demand for educated workers. Further, low rates of labour force participation and high level of unemployment among women as well as the gender disparity in wages, shows that women are at a distinct disadvantage in the labour market.
7. While the lack of decent jobs remains a problem, the inadequate levels of skills and quality of human resources pose a labour market constraint.

**Human resources in Sri Lanka have considerable potential to steer the country's growth trajectory from its current low-skilled, low productive and low-income earning workforce to one that is highly-skilled, dynamic, and globally competitive.**

Sri Lanka has long been a model of social development for developing countries, but translating that into economic prosperity requires greater emphasis on human resource development and employment generation.

8. The unemployment situation has improved significantly in the recent past, with overall unemployment currently at less than 5 per cent of labour force. The structural changes which the economy is undergoing are expected to translate into an improved employment situation, particularly for the youth, women, and those in less-developed regions and vulnerable population segments. Importantly, employment opportunities must be improved so that the workforce moves from low productivity, low paying jobs to high productivity, high paying jobs.
9. In order to ensure that economic growth benefits all, growth strategies will have to take into account employment outcomes. Despite the very low rate of unemployment at the national level, some population groups such as the youth, women and the educated experience high levels of unemployment.

<sup>1</sup> All these statistics taken from the Labour Force Survey Annual Report 2010 (Department of Census and Statistics), however, exclude the data for Northern and Eastern Provinces.

**About 65 per cent of the workers are estimated to be in the informal sector.**

Informal occupations are generally subject to quality limitations. Yet a large proportion of jobs are created in the form of self-employment and by small scale employers. Helping these enterprises to grow and be more efficient can promote national economic growth and creation of new employment opportunities.

**10. Sri Lanka is moving from a factor driven economy towards an efficiency driven economy leading on to an innovation driven economy.**

The human resource plans will explore possibilities to leap frog towards an innovation driven stage. The performance of human resources related factors is critical and related to global competitiveness. These factors will be examined constantly and measures taken for appropriate adjustments so that the economy will move smoothly towards this innovation driven growth stage.

11. Employment generation, whilst it can be pro-actively improved, is an outcome of enhanced investment in a wide range of sectors. But importantly, without a policy focus on employment generation as a core priority, development may benefit only a few, and a large section of the country will be left behind. Indeed, development through private investment is a fundamental prerequisite to make Sri Lanka the 'Wonder of Asia', while government-led infrastructure initiatives create the appropriate environment for this investment. This policy document will be the basis on which human resource development and employment generation are placed within these economic initiatives to ensure economic prosperity for all.
12. Thus, the NHREP document lays down key policy priorities for human resource development and promotion of full, decent, productive and freely chosen employment. It covers a broad spectrum of subject areas including macro-economic and sectoral policies, small and medium enterprises, labour market policies for specific groups and training, management and career guidance. Policy statements in these different subject areas are based on lengthy consultations with government officials, employers' organizations, workers' organizations, professional bodies and academia. Every effort has been made to make this document inclusive, over-arching and comprehensive, keeping in mind the overall policy priorities of the government.

## **2. Objectives**

13. The following are the objectives of the National Human Resources and Employment Policy (NHREP). The formulation of these objectives has been guided by the Government's overall policy framework as articulated in the "Mahinda Chintana Vision for the future":
  - To promote the attainment of full, productive and freely chosen employment for all women and men in Sri Lanka;

- To develop a highly competent, globally competitive, multi-skilled and productive workforce;
- To improve incomes and the quality of life of the working population across different sectors and regions;
- To provide the fullest possible opportunity to each worker without discrimination, to qualify for and to use his/her skills and endowments in a job for which he/she is best suited so that worker motivation and productivity are maximised; and
- To safeguard the basic rights and interests of workers in line with national labour laws and key international labour standards.

## **3. Considerations**

14. The NHREP is aligned to the overall government policy framework, ensuring that priorities stated in the latter are actively taken into account in developing the former. Moreover, the NHREP takes into consideration other active policy documents related to human resources and employment such as the Sri Lanka National Agriculture Policy (2009), National Policy for Decent Work in Sri Lanka (2006), National Policy Framework on Higher Education and Technical & Vocational Training (2009), National Action Plan for Youth Employment (2007), National Science Technology and Policy (2008) followed by Science Technology and Innovation Strategy for Sri Lanka (2010) and National Labour Migration Policy (2008). The following paragraphs indicate briefly the main points that have been taken into active consideration in drafting the NHREP.
15. A national human resources and employment policy is needed to guide the use of the country's labour-force effectively for the overall development of the country. In achieving rapid development as aspired, Sri Lanka needs to prevent the skills of the work force from becoming a constraint on development. The significance therefore of a comprehensive system for development of human skills unquestioned.
16. Sri Lanka will have to continuously consider the global context and the worldwide trends when developing its human resource talent. Indeed, the development of this talent based on these trends will allow the country to optimize on the employment opportunities available. These employment opportunities will continuously change and the ability of the country to adapt and harness the talent pool will determine the long-term economic prosperity of the country
17. The NHREP is articulated as a policy with a 10 year horizon, though longer term policy measures are also occasionally indicated. The Policy will be reviewed periodically, together with its overall implementation plan.
18. The public service and private sector are viewed as the guiding force and the engine of growth respectively.



19. Sri Lanka's demographic transition is taken into consideration, with particular emphasis on how to optimize the demographic dividend, expected to last until 2017 when the ratio of dependents to the labour force will begin to rise. The available human resources and their composition over the next ten years are considered.
20. Considering that improving competitiveness of the country will bring in investment and create better job opportunities, policies to support developing this competitiveness are included in the NHREP.
21. The NHREP is based on the belief that the well-being of the people and their overall quality of life rests critically on improved quality of jobs that are available for them, offering enhanced incomes.
22. Productivity improvements of the workforce are considered to be pivotal to increase employment and incomes. Adoption of technological innovations is essential to improve the productivity of the workforce. The NHREP sees technology adoption and research as catalysts for human resource development and employment creation.
23. High quality higher education, vocational and on-the-job training are considered as the primary platforms for the development of high quality skills.
24. Whilst further improvement in the overall employment situation is required, the NHREP places high priority on target groups who are at higher levels of unemployment, in particular the youth, women, those in lagging regions, and vulnerable populations. The rate of employment among the youth is substantially higher than the average and the unemployment rate of women is double that of men. The government gives a high priority to the development of lagging regions.
25. Promoting entrepreneurship is critical if increasing job opportunities are to be created, especially in the informal economy. The NHREP focuses on a broad range of issues related to the informal economy, in which a majority of the workforce earns a living.
26. Considering that foreign employment is an important source of foreign exchange for the country, and a means of enhancing economic opportunities for many people, priority is placed on it in the formulation of the NHREP.
27. The NHREP considers the harmonious relationship amongst the social partners to be important in expanding and improving employment opportunities for the people.
28. Social protection of the unemployed and underemployed, and providing the services required to reduce their economic vulnerability are considered essential within this broad policy framework.
29. Policy formulation is only a means to the actual improvement of the human resources and employment situation in the country. Policy implementation and monitoring is critical in achieving the objectives set by policy. Though a general overview of the issues is stated, this policy document does not detail the implementation strategy and action plan for implementation. The strategy and action plan will be formulated as an immediate priority with the participation of all relevant public sector and private institutions and the other major stake-holders.
30. ILO's Employment Policy Convention, 1964 (No. 122) and the recommendation No. 122 and 184, and Human Resources Development Convention, 1975 (No.142) and the Human Resources Development Recommendation, 2004 (No. 195) have provided important guidelines in the formulation of this policy. Ratifications of the Employment Policy Convention will support the implementation of this policy.

## 4. Macroeconomic Policy Context

31. GDP growth of Sri Lanka over the last five year period has been maintained at a healthy average of over six per cent per annum with the rate for 2010 and 2011 at slightly above 8 per cent. The projected growth rate for 2012 is slightly over 7 per cent but measures are planned to bring back the annual average growth rate to the 8 per cent mark after 2012. The government's Medium-Term Macroeconomic Framework (MTMF) presents a positive outlook reflecting a favourable macroeconomic environment, characterized by conditions of sustained peace, low inflation, improved business confidence, stable fiscal management and low interest rates. Sustainable employment creation requires a policy-mix that promotes growth and investment in the productive sectors of the economy with appropriate combinations of monetary, fiscal, exchange rate, trade and real sector policies. Efforts would be made to ensure that fiscal, monetary and credit policies are linked to the objective of generating sustainable employment.

32. The overall direction of monetary policy will be determined by the major target of maintaining stable prices to facilitate sustainable economic growth and generation of employment opportunities. Monetary authorities will conduct monetary policy in such a way as would maintain the rate of inflation at a low single digit level, while keeping interest rates sufficiently stable at levels desirable for promoting private investments and for maintaining real positive returns for savers.

33. Establishment of proper institutional mechanisms to gather accurate information with minimum time lags in the areas of employment, industrial output, agricultural output and other variables in the real economy are necessary to determine the suitable monetary policy stance.

**34. The budget for 2011 introduced reforms in the tax system aimed at simplifying the tax system while broadening the tax base to improve revenue mobilization.**

However, given the current status of government revenue, further tax system reforms are required to improve revenue collection.

35. Social policy commitments as well as public investment at around 6-7 per cent of GDP lead to an almost unavoidable escalation of government expenditure despite MTMF vision of maintaining the budget deficit below 5 per cent of GDP over the medium term. The government is committed to keep recurrent expenditure within limits and to improve the performance of public enterprises. Creating investment friendly environment for expansion of private sector activity in the country will continue to be a factor influencing the conduct of fiscal policy.

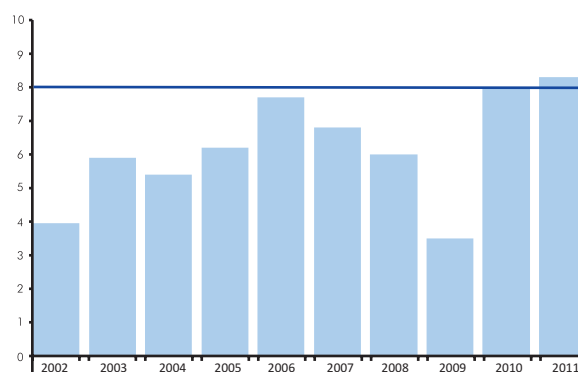
36. Attempt will be made to maintain proper coordination between fiscal and monetary policies for the achievement of growth, employment and price stability objectives. This implies close co-operation and regular dialogue between

monetary and fiscal authorities to achieve macroeconomic objectives of stable growth.

37. The private public partnership (PPP) model is being promoted in the implementation of infrastructure investment projects as against financing them entirely through the government budget. The government is expected therefore to create a conducive environment and to develop well prepared plans to attract private sector investors for such projects. Particular attention will be paid to the employment intensity and job creation potential of public and PPP investments.

38. Given the economic growth targets set by the government, an increase in the rate of national investment from the present level of 24 per cent to 35 per cent of GDP would have to be aimed at. The shared responsibility of both public and private sectors in raising additional investments need to be stated very clearly, as investment is a key determinant in promoting employment intensive growth.

Annual Real GDP Growth Rate



Source: Central Bank Annual Report

39. The dollar value of commodity exports of Sri Lanka have increased consistently over the recent past but the dollar value of imports increased more rapidly resulting in a continuous deficit in the country's balance of trade. As the weakened trade balance had taken crisis proportions in 2012, action has been taken to float the rupee and to raise import tariff on selected imports. As the payments problem came under control as a result of these measures and continuing increase in exports, inward remittances and tourism earnings the rupee has begun to strengthen in foreign exchange markets. A policy of stable and competitive exchange rate will continue to be treated as an important signalling mechanism to investors regarding the stability of a country's macroeconomic environment.

40. The commodity composition of exports has changed only slowly over the last decade. Manufactured goods share of exports has remained around 75 per cent. However, there has been a notable diversification of the basket of manufactured exports, with the share of garments dropping from 50 per cent of total exports in 2000 to 40 per

cent by 2010. Agricultural exports continue to be dominated by tea, accounting for about 15 per cent of total exports. The nature and extent of employment generated by export-related activities is difficult to gauge because of data limitations. However, as diversification of export industries can promote employment and livelihoods, policies to achieve export growth and diversification will be guided, among other things, by the need to expand employment opportunities.

41. The relevance of the exchange rate in a country's export competitiveness is being widely discussed. In addition to an appropriate exchange rate, improving export competitiveness requires many other conditions like increased production efficiency in export industries.
42. **A few points may be highlighted in this respect:**
- *New products and markets: In order to raise Sri Lanka's exports and increase its global share, new products as well as new markets will be explored and penetrated through branding, value addition and product diversification.*
43. Strategic trade policy initiatives aimed at achieving greater integration into the global economy have been pursued through multilateral arrangements as well as preferential trade arrangements (PTAs). Therefore, sensitive products that have employment and livelihood implications will be carefully considered in trade liberalization programmes under its PTA commitments.
- *Tariff regime: The tariff regime will be structured to support the development of the country's domestic manufacturing sector and will, therefore, be largely in line with policies aimed at generating broad based employment opportunities.*
  - *Knowledge based exports, through activities such as Information and Communication Technology (ICT) related Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) will be promoted to increase earnings from the export of services*

## 5. Human Resources Planning, Development and Productivity:

### The Context

44. The importance of planning and development of human resources in a country's development process cannot be over-emphasized. Effective human resource planning implies that sufficient human resources, with the right mixture of talent, are available in appropriate locations, performing their jobs according to their skills and aspiration.
45. At present Sri Lanka lacks comprehensive information in regard to human resource requirements. It is on the basis of reasonably accurate projections about how many skilled workers of different categories the country requires to meet current and emerging needs that arrangements could be made to supply the high quality human resource requirements. Policy action to improve conditions of available human resource information is further discussed later in this policy paper. All relevant authorities in the public sector could undertake studies of human resource requirements in all key categories during the NHREP period. It goes without saying that systems have to be devised to do the same for the private sector as well.

Gap in Human Resource Development Needs - 2010		
1	No. of Student entering primary education - per year	344,724
2	Students intake to state Universities - per year	21,547
3.	Students intake to other higher education institutions & foreign Universities - per year	8,540
4	No. of Students obtaining Vocational / Technical or other skills training from public and private institutions	173,119
5	Total no. of Students who obtain higher education and skills training (2+3+4)	203,206
6	Total No. of Children who enter society without a proper academic qualification or skills training (1 - 5) ( Skills Training Need gap)	141,518

Source:- Department of National Planning

46. The demographic profile of the population and the labour force and their expected changes over time are taken into account in human resource planning and development. Particular emphasis is placed on required policy responses to changing proportions of the young and the old in the population, the extent of women's labour force participation, and overseas migration for work. While action is planned to address skills inadequacies caused by overseas migration of skilled workers, policies will be designed to continuously improve labour productivity at both macro and sectoral levels.

Population (10 year & over)	Labour Force (LF)	LF Participation Rate	
<b>Sri Lanka</b>	16,861,526	8,107,739	48.1
<b>Male</b>	7,919,105	5,317,553	67.1
<b>Female</b>	8,942,422	2,790,186	31.2

Source:- Department of Censes and Statistics

47. Low labour productivity is often highlighted as a major factor behind high cost of production and low profits.

This hampers local private investment as well as foreign direct investment and thereby restricts employment opportunities. Low productivity leads to loss of market competitiveness and slow industrial progress. A set of productivity standards needs to be developed and established at enterprise level, ensuring that employees also would gain from productivity growth. Labour productivity indexing and standardization in respect of different industries and economic sectors are to be developed. Medium and long-term labour productivity targets will have to be declared at macro, sector and sub-sector levels based on corresponding projections.

48. The fact that the skill requirements in the labour market are constantly rising as a result of globalization and technological change is noted. Talents of young people,



and the need to provide opportunities for them to develop those talents, are recognized. More effective and more competent workers will help enterprises to remain competitive in global and regional markets.

### Economically active / inactive population by gender - 2010

Gender	Economically active		Economically inactive	
	No.	%	No.	%
<b>Total</b>	<b>8107739</b>	<b>100.0</b>	<b>8753787</b>	<b>100.0</b>
Male	5317553	65.6	2601551	29.7
Female	2790186	34.4	6152236	70.3

Source:- Department of Censes and Statistics

49. To summarise, the following are some key issues/problems affecting human resource planning and development:

- Mismatch between the education and training provided to people and resultant expectations of the youth, on the one hand, and the skills and knowledge demanded in the current and emerging world of work on the other.
- Inadequate mechanisms to address skills development and employment issues pertaining to the large numbers dropping out annually from the formal education system.
- Absence of mechanisms to encourage labour productivity and also a productivity-oriented working culture
- High wage and other costs of labour, particularly in respect of higher and more skilled positions, having a direct impact on employers' decision to hire and to re-train staff. Re-training becomes particularly costly in the context of high turnover of skilled labour
- Lack of a business-friendly environment (e.g., legal, infrastructure, etc.) to facilitate investments in new enterprises
- Available systems for accreditation of training institutions have limitations and training programmes on offer do not often meet job market needs and international standards.
- Inadequacy of the national institutional framework to encourage innovations, through licensing and patenting, product development and market entry supports.
- Lack of a mechanism to recognize special talents in the education systems and to encourage their development.
- Absence of mechanisms to make early school leavers aware of available opportunities for them to resume their formal education at a later stage, thus making such persons under-qualified for life.
- Career guidance is not a mandatory element before the students leave schools after secondary education.

50. The following chapters indicate and discuss policies to address the problems and issues highlighted above.

Estimated Annual Training Needs: 2011 -2013				
Supply Side	2011	2012	2013	2011-13
No of students sitting for GCE (O/L)	274,922	277,671	280,448	833,041
Schoolleavers after GCE(O/L)	127,839	127,729	127,604	383,172
Students entering GCE (A/L)	147,083	149,942	152,844	449,869
No of students entering formal skills development programmes and degree programmes	88,200	93,617	96,680	278,497
Target population for skills development	186,722	184,054	183,768	554,544
Demand Side - Annual Training Needs				
Skill Category	2011	2012	2013	2011-13
IT professionals and associate skills	13,000	16,125	20,031	49,156
Tourism - Managerial categories	3,960	5,160	7,460	16,580
- Non managerial categories	16,100	23,500	30,200	69,800
Airport and aviation engineers / technicians	252	472	612	1,336
Performing arts related skills	1,000	1,890	2,214	5,104
Building and construction - Professional grades	975	1050	1100	3,125
- Technical grades	4,740	4,740	4,740	14,220
- Craft related grades	17,576	17,576	17,576	52,728
Machine operators & mechanics	2,657	1,469	1,469	5,595
Automobile and motor mechanic technicians	10,200	10,666	31,296	
Environmental managers and engineers	350	375	1,125	
Medical and health science - Nurses	2,300	2,784	3,374	8,458
- Other	425	480	550	1,455
Beauty culture - Professionals and other grades	8,995	9,258	9,533	27,786
Metal and light engineering - Managerial and technical grades	3,580	3,660	3,743	10,983
- Craft related grades	13,166	13,587	14,025	40,778
Photography and film career related skills	1,500	1,563	1,628	4,691
Office management	3,500	3,562	3,627	10,689
Textile and garments	3,412	3,412	3,412	10,236
Leather products - related skills	660	675	690	2,025
Gem and jewellery - related skills	225	241	258	724
Rubber and plastic industry - related skills	576	584	592	1,752
Fisheries industry - related middle level technical skills such as craft building	250	400	450	1100
Total	109,399	122,993	138,350	370,742

Source:-Mahinda Chintana Vision for the Future



## 6. School Education

### The Context

51. The general education system is an integral part of the national development process that impinges on the lives of all Sri Lankans. In the Sri Lankan context, the vision of a holistic human development encompasses social, economic, political and personal development and ethical values reflected in our religious traditions. It is rooted in the principles of equity, relevance and excellence.
52. General education has an important role to play in providing relevant knowledge and generic skills such as initiative, decision making, problem solving, team work, responsibility, leadership and communication skills in order to equip students to later function effectively as employees, employers and self employed members of the labour force.
53. There are 10,502 (as of 2010) schools in the country, of which 9,685 are government schools. The system of school education in the country also covers a group of private schools of which the “international schools” form a special category. The latter group of schools does not appear prominently in discussions of school education in the country. The following are some of the problem areas and issues affecting general education which are directly or indirectly responsible for some failures of the school system in the sphere of human resource development:
  - a. Wide variation in the government- funded schools in terms of:
    - i. teaching-learning facilities including those in co-curricular studies (e.g. only 712 of the 9,685 government schools having facilities to teach science stream subjects at the Advanced Level);
    - ii. the number of teachers available for different schools;
    - iii. the quality of teaching in different schools; and
    - iv. financial and other support receivable from parents and past pupils
  - b. Given the large size of the sector and the large and expensive quality-related demands faced by the educational system the funding allocations by the government for general education is not only inadequate but has also been declining over the years.
  - c. Although national statistics show that almost all eligible children enter grade 1, there is still some non-attendance in certain underdeveloped regions. There has been improvement in the rate of retention of school age children over the years but drop-out rates increase as children pass through secondary grades.
54. Of the 433,673 who sat for the O-level examination in 2010, 58 per cent secured adequately good results to qualify for admission to the Advanced level classes.

55. Of the 195,043 who sat for the A-level examination in 2010, 62 per cent obtained the minimum qualifications to enter university. Due to pressure of large numbers, however, only 21,547 secured admission to universities – the pinnacle of the academically biased and pyramid style educational system of Sri Lanka.
56. Those who fail to gain admission to universities do have other opportunities for training through professional and technical courses. However, these opportunities may be closed to many because of financial constraints.
57. Large numbers who leave school annually after 11 or 13 years of schooling and those who dropped out earlier, are equipped with very little preparation for the world of work in terms of hard or soft skills. They indeed pose serious challenges to the country's planners and policy makers.

### Policies

58. Attendance in schools or in vocational education institutions or, as a transitional measure, in non-formal



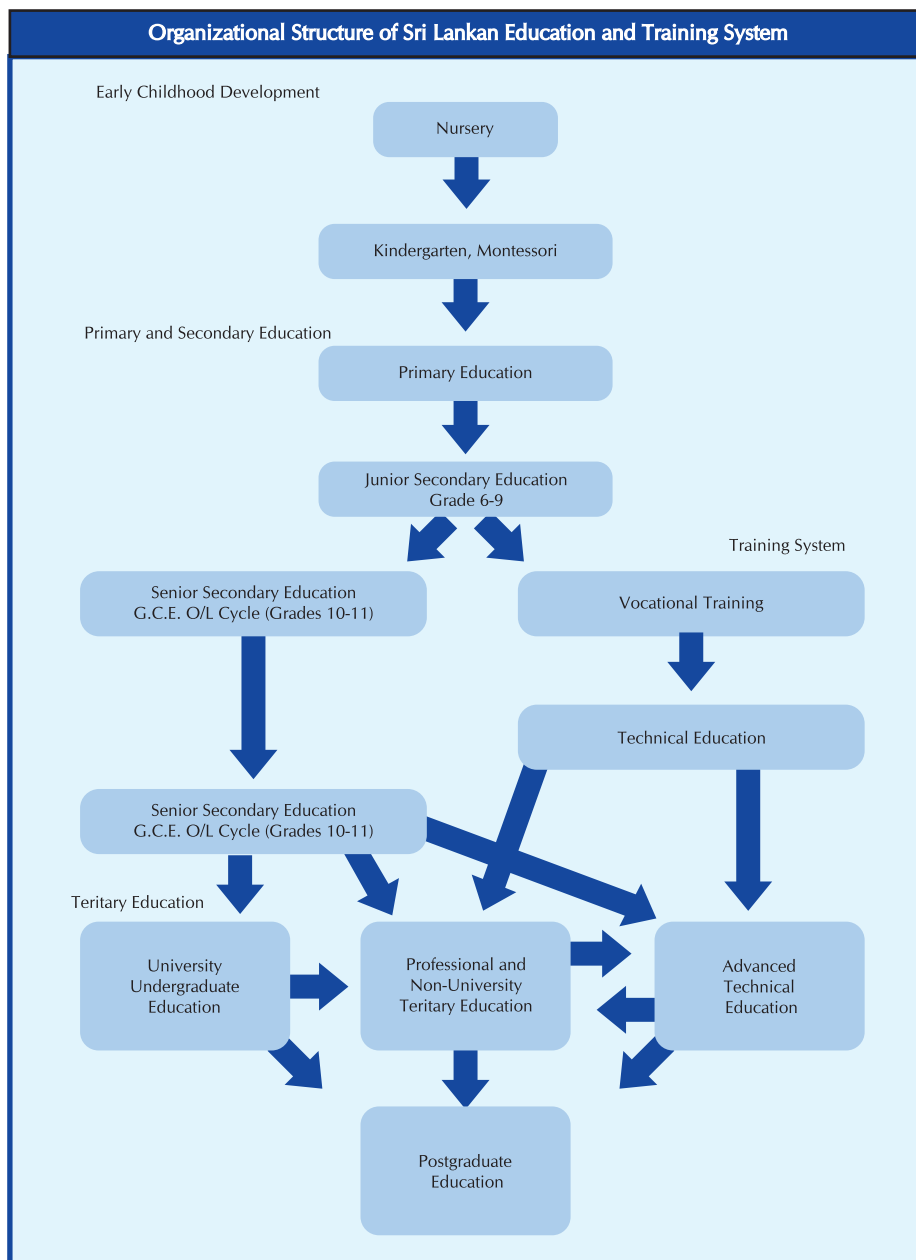
literacy classes from 14 to 16 years of age will be encouraged. Progression of students in post-primary education will be on an annual assessment basis. Alternative streams will be identified for them to choose from while they are in secondary school.

59. The medium of instruction in the primary grades will continue to be Sinhala/Tamil. However, teaching of English will be strengthened to facilitate the development of communication skills. Trilingualism will be promoted.
60. Students of secondary grades will have the option to study a few selected subjects in the English medium within the policy of bilingual education and sit the GCE OL and GCE AL examinations in the medium of their choice. Making required teachers available for the purpose will be the responsibility of authorities. Science education will be made available to all at the secondary level.
61. Access to bilingual education will continue to be extended to National Schools island-wide and Centres of Excellence among Provincial Schools to which scholarship holders will also be sent, so that at least one

- or two schools in each administrative division will teach the selected subjects in English as early as possible.
62. As other foreign languages are becoming increasingly important in the domestic employment scene increased attention will be paid to foreign language learning beyond English at secondary school.
  63. Career guidance will be introduced as a mandatory element in schools especially at main exit levels (O/L and A/L) and also for all school leavers at early stages (see Chapter IX on Career Guidance and Counselling). Career guidance will facilitate the identification and nurturing of students with special talents, and impartation of soft skills and abilities.
  64. Schools furnished with facilities to match those of urban schools in high demand will be set up in non-urban areas.

The well-publicised strategy that is being implemented to setting up 1000 well equipped secondary schools at the rate of roughly 3 per Divisional Secretary division and 2000 primary schools as feeder schools is part of this policy.

65. Commencing with the 1000 secondary schools programme noted in paragraph 62, a foundation programme for vocational and technical education will be initiated targeting specially those not qualifying at GCE OL and GCEAL examinations.
66. Organizational linkages among the Ministries of (a) Education, (b) Higher Education and (c) Youth Affairs, Vocational and Technical Education will be established in regard to policies of national education and human resources development.



Source: World Bank 2005

## 7. Higher and Professional Education

### The Context

67. The higher education sector has 15 universities under the supervision of University Grants Commission (UGC) and 2 universities under the supervision of Ministry of Higher Education (MHE). The sector has 7 postgraduate institutes and 9 other higher educational institutes all under UGC supervision. In addition, there are 12 advanced technical institutes under the Sri Lanka Institute of Advanced Technological Education under MHE. There are tertiary level training institutions like those for the training of teachers and the National Institute of Education, all of which operate under the Ministry of Education. In addition there are private sector training institutes operating at the tertiary level training students for degrees awarded by many foreign universities. Some of these private training institutes have been awarded the “degree awarding status” by the UGC. Many vocational training institutions too would be coming into the category of tertiary level educational institutions and because of their particular relevance to human resource development, these vocational training institutions receive attention in a separate chapter in this policy document.
68. In discussions of higher education in the country, however, it is the university sector, with its postgraduate and other institutes, that receive the widest attention. These are the institutions entrusted with the development of high level human resources for various sectors of the Sri Lankan economy. The following paragraphs in this section on higher education focus on the university sector.
69. The absence of an adequate number of places in universities for those getting qualified to enter through A Level passes has already been noted. The relevant percentage of the total admitted to the number qualified in the 2009/10 academic year was as low as 17 per cent according to UGC data. This ratio varied according to academic streams and the highest percentage (44 per cent) was for the physical science stream and the lowest (11 per cent) for the arts stream.
70. The extensive critique of poor quality education offered in national higher educational institutions is an important issue for human resource development. The facilities available in universities, both physical and human, are of varying quality levels as some of the existing universities were set up without adequate prior preparation.

**These universities are predominantly funded by the government budget as funding from tuition and other fees and private sector donations and endowments has remained very low.**

Government's recurrent and capital expenditure on higher education today is low, by international standards and also by Sri Lanka's own historical standards. Correspondingly, there was inadequate and slow build-up of modern facilities within universities and training of

human resources for employment therein has been unsatisfactory. The resulting quality deterioration has been aggravated by internal management weaknesses and student unrest.

71. In terms of their contribution to human resource development, these higher educational institutions have been widely criticized by both private and public sector employers.
72. Unemployment among university graduates causes much public anger and irritation, and demands much policy effort to resolve. The problem arises to a large extent in respect of graduates of the faculties of arts, humanities, social sciences, and commerce.
73. The university faculties noted in the foregoing paragraph are also the faculties drawing the largest numbers at the student intake to universities. In respect of these graduates, the labour market demand clearly falls significantly short of supply. While in some disciplines the universities may not be producing as many graduates as



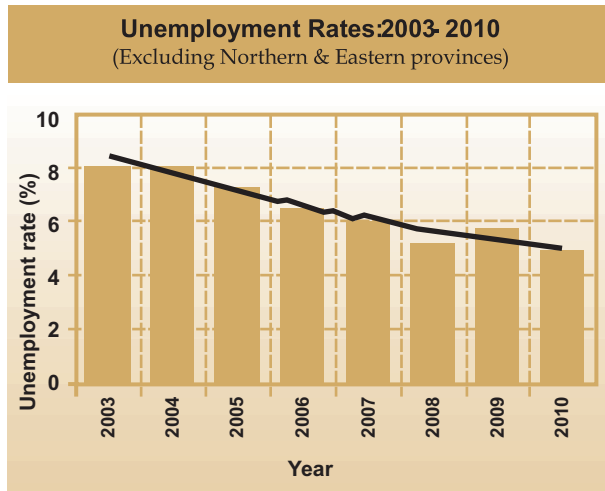
the labour market could productively absorb, in other disciplines the number of graduates produced far exceeds the number the markets are able to absorb.

### Policies

74. Opportunities available for study in higher education institutions will be increased so that larger numbers of qualified students will be able to gain admission to these seats of higher learning. Opportunities through distance mode of education will be pursued and multiple modes of delivery of higher education courses will be promoted. The distance mode will address the needs for higher education with flexibility in respect of location, time of access and so on.
75. The curriculum content of academic programmes will be redesigned to match the requirements for employment. In this regard, students will be encouraged to develop their self-directed, independent, creative and reflective thinking skills. Overall, the programmes of study will be diversified both in terms of content and mode of delivery.



76. Action will be taken to improve and update the academic programmes of universities and other higher educational institutes to meet international standards and also the requirements of employment. This has already been commenced under a number of quality improvement programmes, some of which have been funded by the World Bank and other agencies. This reform effort will be strengthened.



Source:- Department of Censuses and Statistics

77. While strengthening universities as centres of learning and excellence in the select subject areas, linkages between academia and industry will be enhanced. Courses will be designed to meet the needs of the industry and the world of work. Universities will take measures to correct the skills mismatch between the aspirations of the educated youth seeking employment

and job opportunities that are available. As the links between higher education and employment are critical, all students will be trained to acquire generic skills, life skills including soft skills and a positive work ethic to appropriately enter the world of work.

78. The state universities will be given greater autonomy in handling academic, administrative and financial matters. The admission procedure will be reviewed to reduce disparities within and amongst districts to allow all those who wish to seek higher education to do so.

79. Non-state universities and degree awarding institutions will be encouraged, with regulatory controls on quality and accreditation requirements. Legal provisions for the establishment of such institutions will be laid down.

80. Linkages between local universities and foreign ones will be promoted so that students, lecturers and researchers can gain foreign exposure continuously. Linkages between local universities, on the one hand, and TVE institutions, industry, and professional bodies on the other, will be encouraged to enhance learning outcomes and employability of students. These linkages are also expected to enhance the sharing of resources.

81. Research facilities at universities will be built up to train students to undertake research and independent learning, and provide opportunities for academics to enhance their knowledge in important areas. Other related skills of researchers such as communication skills will be developed to ensure that research findings are disseminated widely.

**Distribution of Employed Graduates in terms of Relevance of their Degrees to Employment (at their perception)**

Employed Graduates		Public Sector		Private Sector		Overall	
		Relevant	Not Relevant	Relevant	Not Relevant	Relevant	Not Relevant
2006	Count	39	12	19	23	58	35
	%	76.5	23.5	45.2	54.8	62.4	37.6
2007	Count	76	43	40	60	116	103
	%	63.9	36.1	40.0	60.0	53.0	47.0
2008	Count	56	22	46	47	102	69
	%	71.8	28.2	49.5	50.5	59.6	40.4
2009	Count	10	1	8	6	18	7
	%	90.9	9.1	57.1	42.9	72.0	28.0
Total	Count	181	78	113	136	294	214
	%	69.9	30.1	45.4	54.6	57.9	42.1

Source:- Department of Manpower and Employment

## 8. Vocational Skills and Employability

### The Context

82. The Tertiary and Vocational Education Commission (TVEC) established under the TVE Act No. 20 of 1990 (as amended) has provisions to register vocational & technical training institutes and accredit their courses of study according to well defined criteria. These institutions provide non-university further education opportunities and avenues for those leaving the secondary schools. Several Ministries and private sector organizations also provide courses of study relevant to their employees as a part of their human resources development plans. Competency based training at certificate, diploma, and degree levels provided by agencies under the Ministry of Youth Affairs and Skills Development are examples. Some member associations of the Organization for Professional Associations (OPA) also conduct professional courses of study.
83. In regard to needs of human resources and skills development, a number of issues have surfaced requiring appropriate policies and strategies for effective implementation:
- *Non-availability of vocational education facilities at the secondary education level in parallel to formal school education,*
  - *Late formal introduction of vocational elements in Senior Secondary Education. The new technology stream is introduced for example, as late as the GCE "A-level".*
  - *The absence of formal linkages between different educational and vocational qualifications*
  - *The need to establish quality assurance and accreditation through established national education frameworks.*
  - *Lack or weak state of recognition of the occupational competency based vocational qualifications in the state, public corporation and private sector schemes of recruitment.*
  - *Poor status of employability of vocational & technical students.*
  - *In the prevailing TVET system there are many problem areas: (a) mismatches and shortages of skills imparted; (b) inadequate effectiveness and efficiency in the delivery of TVET; and (c) access to TVET, especially for women and rural population.*

### Policies

84. In order to address the issue of non-availability of vocational education at the level of secondary education, a policy of setting up a seamless pathway for secondary school leavers to be directed to the Vocational Education and Training (VET) sector will be promoted, with the option to continue education further in the VET system, if they desire to do so.

**Secondary school curricula will be enriched with vocational and technical training components.**

NVQ level 1 (Basic Competencies to Work) will be introduced for G.C.E O/L students. Teaching pre-vocational subjects in secondary school will also be commenced.

85. Work oriented GCE "A-Level" technology stream shall commence from the forthcoming school year. This would enable students at the senior secondary school level to pursue the A-level Technology stream in an available field of their choice and proceed for either gainful productive employment and/ or further education in the same or allied field. Schools will establish collaborative work with neighbouring VET institutes to share resources, laboratory and staff in implementing this policy. The University of Vocational Technology (UNIVOTEC) will produce the teachers needed for this stream as a long term measure.
86. In order to determine how different educational and vocational qualifications are linked and how they are related to the world of work, NVQ framework covering standards and competencies associated with vocational qualifications has been developed.



**The Sri Lanka Qualification Framework (SLQF) developed by the Ministry of Higher Education links secondary and higher educational qualifications directly to different levels of the NVQ Framework.**

School leavers entering industry directly and acquiring competencies are awarded NVQ qualifications through Recognition of Prior Learning (RPL) with a well established procedure.

87. Linkages between secondary education, VET institutes, higher education institutes and the world of work will be developed. Appropriate NVQ qualification holders will be allowed to pursue further qualifications in the conventional higher education system, including universities, thus providing seamless career progression through lateral entry.
88. An institution responsible for quality assurance and accreditation at the national level is proposed to be established to cover all areas of education including tertiary, higher/university, professional, technical and vocational. Statutory powers vested in TVEC, UGC and

- NEC will be strengthened and the Sri Lanka Qualification Framework will be legalized to impose compliance.
89. A mechanism will be established with the intervention and coordination of the TVEC and the relevant Ministries and agencies to determine the equivalent and alternate qualifications. Schemes of recruitment in the state sector, public corporation sector and the private sector would be amended to provide for alternate/equivalent qualifications by utilizing the two qualification frameworks for recruitment. NVQ framework would be recognized by the public and private sector agencies. Required NVQ levels will be specified for given activities and a salary structure adopted for technical staff aligned with the NVQ.
  90. In addition to eligibility in terms of schemes and procedures of recruitment, suitability for employment depends also on life skills including soft skills and attitudes. A mechanism will be established to introduce more of employability competencies in the vocational training programme curricula. Current apprentice schemes will be improved to meet the current and emerging needs, and new schemes will be introduced as needed. On the basis of required surveys, international recognition of Sri Lanka's VET qualifications will be pursued.
  91. Policy commitment is made to explore expanded opportunities for industry to participate in the vocational training system. Employers, particularly those in private sector, will be encouraged to demand and utilize higher technical skills. Public-private partnership in curriculum development, provision of internships, on-the-job training, job matching services and part-time work during training will be strongly promoted in the vocational training sector.
  92. The widespread focus on single-skilled human resources in human resource development work has been a contributory factor to many of the inefficiencies in labour utilization, thus adding substantial costs to projects. Multi-skilled labour, therefore, is proposed as a possible solution to the problem of skilled labour shortages and low productivity in some key sectors. In future training efforts, including curriculum development work, training delivery, and certification, consideration will be given to the development of a multi-skilled labour force.

## 9. Career Guidance and Counselling

### The Context

93. In Sri Lanka at present many organisations such as schools, vocational training institutions, youth service centres, government ministries, and private sector institutions are involved in the provision of career guidance. The coordination of career guidance activities of all these institutions is a challenge.
94. The present fragmented system of career guidance has numerous gaps. The services are undesirably compartmentalised. They are inconsistent in approach and suffer from poor communications and failure to reach the bulk of the target audience. Even at the counsellor level, the system suffers from a lack of knowledge of available options and total unavailability of reliable data on future job demands.
95. The main target groups that need such services are the youth who are faced with key work-life decisions, the more educated workers who have more choices and the migrant workers.
96. The following comments are in order regarding career guidance services that are available today:
- *Career guidance services at secondary schools provided by the Ministry of Education through Career Guidance Units suffer from totally inadequate numbers of teachers trained in career guidance providing services. These teachers lack contact and understanding of the world of work to be successful in guidance. As a result career guidance is not available to the bulk of the students during their school careers.*
  - *The emphasis of career guidance services at universities is on placement at employment, generally relevant to the area of study and the specific skills acquired. The students in the general degree programmes in Arts and Sciences require to be exposed to further study/ training in specific fields or common career options.*
  - *Independent career guidance centres established by the Ministry of Labour & Labour Relations, Provincial Councils etc. are independent of specific career focus and are providing services of a general nature.*
  - *Career Guidance Units in various training institutions like NYSC, NAITA, VTA and so on focus on specific careers associated with these Institutes in contrast to an overall system of guidance based on attributes of the guidance seekers.*
97. The prevailing conditions raise the four following issues:
1. There is no efficient career guidance service nationally coordinated at all levels and within reach of persons who require it.
  2. There is no accepted methodology is set up to attract school leavers to VET programmes subsequent to the mandatory school attendance period.

3. Career guidance counsellors who have the aptitude and skills to guide not only the youth but also the parents and school authorities have to be recruited and developed.
4. Traditional ways of thinking tended to downgrade Vocational Education and Training (VET) programmes. They were considered a default option for “dropouts” from and “failures” of the academically oriented formal educational system. There is the need to bring VET programmes into “preferred options” available for the youth.

### Policies

98. The involvement of industry and employers in private and public sectors will be strongly promoted in the development and delivery of career guidance services.

99. **A national career guidance council will be established by statute in which the private sector will be made a partner with the public sector.**



This will be the prime authority to be responsible for the planning, development and supervision of how the national career guidance plan for the country is implemented. All career guidance activities in the country will be made in accordance with the directions and guidelines issued by this council.

100. A network linking the national career guidance council will be established with career guidance units in all tertiary education and vocational training institutes, including the public and private institutions of higher education and professional education, and employment service centres (see Chapter X) at the district and division secretariat levels. A data base for information on job opportunities at each career guidance unit will be maintained. It is also recommended that a career guidance service be established as a special skills cadre.

101. Career guidance will be provided by both public and private institutions through a series of programmes in career education, career information, career counselling, employment counselling, job placement, labour market adjustment programmes and skills development for self employment.
102. The capacity of career guidance units to efficiently serve students/ guidance seekers will be enhanced by appropriately manning these units with experienced counsellors. Formalised training will be provided to career guidance counsellors to promote good practices, sharing knowledge and providing assistance. Education, research, innovation and publications related to career guidance will be promoted. The development of a degree level course in Career Guidance at the Universities is recommended, in particular as a major in the Faculty of Training Technology at the UNIVOTEC.
103. The main target audience for Vocational Education & Training (VET) consists of school leavers, who terminate academic pursuits at any stage beyond the mandatory school attendance grade. Those willing to join VET programmes must be identified through a mutually accepted methodology. This could be done through co-ordinated work of the ministries of Education and VET.



## 10. Enhancing Employability of the Youth

### The Context

104. According to the Quarterly Labour Force Survey (QLFS) of the Department of Census and Statistics (DCS), the labour force participation rate in the country during the 2<sup>nd</sup> Quarter of 2011 was 48.3 per cent.

**The overall unemployment rate has declined from 8.8 per cent in 2002 to 4.2 per cent in 2011. However, among the youth (15-24 yrs.) the labour force participation rate was lower at 34.4 per cent and the unemployment rate higher than the national average at 19 per cent.**

The rate for females of the same age group was higher at 26.1 per cent. Low youth participation in labour force could be due to, among other reasons, extended period of life in education and training or simply idling with expectations of further education, of better quality employment than could be found or of migration for work. They are able to do so because of availability of financial support from the family.

105. The low participation of the youth in labour force<sup>2</sup> and the high rate of unemployment among them constitute a significant opportunity cost in terms of national production. Unrealistic expectations of the youth, competency mismatches affecting them, and various associated cultural factors are behind such high youth unemployment rates. In addition, widespread unemployment among the youth could lead to significant socio-political unrest. All this makes the issue of enhancing employability of the youth a subject worth being treated separately in the NHREP.
106. Unemployment among the relatively more educated youth in Sri Lanka appears to a large extent to be voluntary. Many unemployed young persons are found to be waiting for the appearance of jobs they desire, the bulk of such desired jobs being in the public sector. Data also show significant underemployment among the youth. This includes those who are employed in jobs for which they are over qualified.
107. Limitations in labour market information systems and non-availability of career guidance services are other problems faced by the youth. The demand for vocational training therefore, remains weak. Methods of job search that are popular among the youth are largely informal.
108. The majority of the youth prefer employment in the public sector for reasons of job security, good remuneration packages, high social status, and attractive fringe benefits. Therefore, some segments of the private sector find it difficult to recruit young workers for certain jobs – e.g. work as machine operators and helpers in export processing zone factories, as pluckers, and tappers in tea, rubber and coconut plantations and as masons,

carpenters, plumbers and helpers in construction industry and so on.

109. There are some other known factors in regard to employment preferences of the youth. First, there is widespread perception among them that private sector establishments discriminate against the rural youth in employment selection processes. Second, many youth show a preference to migrate for overseas employment, despite the fact that the overseas jobs they could obtain are low level blue collar or manual jobs.
110. In the above background, one of the major challenges is to create adequate job opportunities in the formal private sector, which would be acceptable to the discerning youth, while at the same time, improving the employability characteristics of the youth waiting for job opportunities.

**A point worth emphasising is that there are large numbers of young people leaving the education system early in life, with or without the GCE O-Level qualification.**



The challenge is to provide these persons opportunities for skills development and remunerative employment.

### Policies

111. Integrated human resource planning and development is recognised as a very important function of the government. The government is also expected to be able to ensure that the young members of the labour force do not have to waste time finding decent work opportunities within. It will identify and enhance the short term and long term fit between the demand for and the supply of labour.
112. **A network of one-stop career centres** will be established throughout the country to provide information on training, career guidance and counselling, career planning and to provide other employment related services.

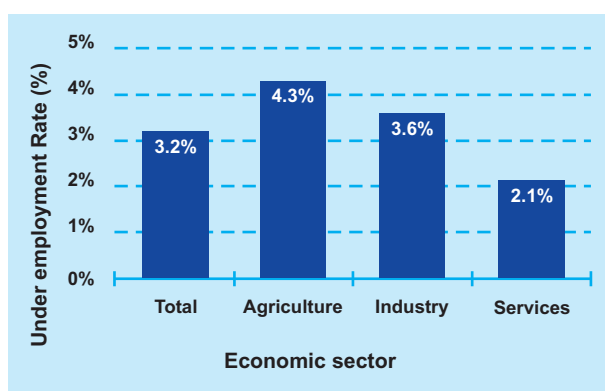
<sup>2</sup> It is noted that part of the reason for this is the extended involvement of the youth in education and training. Undoubtedly, the involvement in education and training has positive impacts..

113. The talent pool of trained young people that will be developed through human resource development effort will supply human resources with acceptable qualities for employment in the private sector.
114. Active labour market programmes will be introduced through employment service centres to improve the employability of the youth. All capacity building institutions and agencies providing employment services will be made to register with a responsible government agency so that their operations can be monitored closely to ensure adequacy in both quality and quantity of services they provide and to take remedial measures if deficiencies are detected.
115. Students will be exposed early to science and engineering technology in school. They will then begin to think of certain jobs like masonry and carpentry to which there is social stigma attached as basically engineering jobs.
116. In order to improve job opportunities in under-privileged and under-developed regions, sub-contracting arrangements between small and medium scale enterprises in such regions and large private sector establishments will be encouraged so that the latter will find it profitable to outsource their business activities to the former.
117. High levels and long periods of unemployment among the youth are widely attributed to the widespread predilection for public sector jobs found among the youth. In addition to making private sector jobs more attractive, lasting solutions to this problem require firm action to change attitudes of the youth and their parents regarding sector preferences in respect of jobs. Action on several fronts in this regard is planned:
- *Development of a national consensus regarding the appropriate size of the public service in respect of job categories and the total. Currently as a percentage of population the number of public sector officers is quite high by international standards;*
  - *Reform of practices of recruitment to public service placing emphasis on qualifications and training levels so that numbers waiting to enter the service will diminish; and*
  - *Concerted efforts to change attitudes and mindsets of students and trainees at schools, universities and other training establishments.*
118. A main reason for the young people to prefer public to private sector is the fact that the levels of pay in the private sector at entry levels are lower than in the public sector. This is despite the senior levels of private sector offering significantly higher pay than for comparable public sector positions.

**Special programmes will be introduced to bring the vulnerable, disadvantaged and conflict affected youth groups to the main stream.**

**In investment promotion and employment policy, therefore, sectors where the entry level pay is higher than is in the public sector will be promoted within the private sector.**

**Underemployment rate by economic sector - 2010**



Source:- Department of Censes and Statistics

Sectors and/or industries requiring high level skills from employees, including high technology sectors involving ICT, Nano-technology, and biotechnology, would provide high pay at entry levels. Action will be taken to promote investments in such industry spheres offering interested companies special "strategic industry" incentives.

119. Some of the barriers which keep the relatively young among the working age people away from seeking employment can be addressed. Day-care centres near workplaces, improved transport facilities, employers providing hostel facilities for young employees, maintaining national labour standards and fixing minimum wages at national, provincial and industry levels, revising of functional titles of selected jobs that are perceived as lacking in dignity, are some such actions.

## 11. Science, Technology and Innovation Skills

### The Context

120. Sri Lanka's vision for rapid industrialization and sustained growth critically depends on a focused, strategic and urgent introduction and strengthening of relevant human resource skills and competencies. Successful implementation of the National Science and Technology Policy depends as a prerequisite on fulfilling of science, technology and innovation workforce requirements.

**There are 'specialized technical occupations' that are essential for the development and sustenance of an industrial/ post industrial economy.**

These need to be identified through a focused, coordinated approach.

121. The development of high tech areas requires specialized physical and human resources. Highly skilled personnel have to be developed and retained to face the emerging demands. The development of high technical skills would take a long time. The labour market does not easily and quickly respond to changing demands for technical skills. The emerging risks of either shortages or over-supply conditions need to be identified and addressed early.

122. Another significant point about highly skilled personnel is that they can generate patents in high end technologies, thus contributing to the wealth creation process in the economy. Because of the very same reason there is a high demand for them in the global market. In Sri Lanka, this is a hitherto neglected or an inadequately covered area in human resource planning and development programmes. As a result there are the following issues to be addressed:

- *Highly skilled personnel for high tech innovation and techno-entrepreneurship activities and for high tech industries are available in inadequate numbers.*
- *Tertiary and postgraduate training of skilled personnel is carried out without a clear needs assessment – except in the medical fields – thus creating gaps and mismatches between demand and supply. The opportunities and capacities to train highly skilled personnel within the country are inadequate. There is no coherent national strategy either to train highly skilled personnel abroad or to open up opportunities for the purpose domestically.*
- *A focused, coordinated and monitored strategy to train and retain highly skilled personnel required for a knowledge economy is not yet developed.*
- *Lack of clear policies and procedures at national level to retain and attract personnel for highly skilled jobs and compete for such personnel in the global market. This situation has obviously favoured the more industrialized countries that have strategies to attract skilled personnel to their workforce from all over the world.*

- *The global demand for highly skilled personnel is rapidly increasing but Sri Lanka has failed to compete for these positions in the global market.*

123. It is timely and essential to acknowledge in this policy document the imperative need for highly skilled technical personnel for rapid economic development and to introduce and implement policies, strategies and procedures to ensure that this demand is met.

### Policies

124. A series of policy measures will be adopted as part of the NHREP in respect of highly skilled science and technology personnel. Salary determination practices based on merit and years of tenure will be adopted, doing away present practices of salary determination based on other factors. Such a change in the practices adopted in determining remuneration packages of highly skilled S&T personnel is required from the point of view of demand, supply and incentives as well as the need to retain such personnel within the country.



125. An incentive-driven, focused and accelerated programme for training, attracting and retaining highly skilled personnel will be developed.

126. Mobility of highly skilled personnel across different jobs within Sri Lanka and between Sri Lanka and overseas (through sabbatical leave, special releases etc.) will be systematically encouraged. In this regard the highly skilled personnel engaged in research, innovation and development will be considered as belonging to a special category of human resources.

127. **A national research cadre** will be established and measures identified, recommended and implemented to employ expatriate Sri Lankans or foreigners for highly skilled jobs for which suitably qualified resident Sri Lankans are not available.

128. **The retirement age in respect of highly skilled jobs will be raised to 65 years.**



129. Other strategies/ activities to meet the demand for Science, Technology and Innovation (STI) personnel will be adopted. These strategies shall include the following, particularly in respect of highly skilled personnel:
- *Conduct of a National Strategic Technical Skills Audit. This will be done by profiling and analysing the present workforce and forecasting needs taking into account the current national and global demands. In the light of the above and the examination of trends in the STI workforce the likely gaps that may emerge will be identified.*
  - *A National Technical Workforce Planning and Development Strategy will be developed and it will be implemented by different line Ministries*
- *For regular monitoring and evaluation, a National STI Personnel Coordinating Committee will be set up under the Minister entrusted with the responsibility of coordinating Scientific Affairs to work within the Steering Committee to be appointed to oversee the implementation of the NHREP.*
  - *For regular monitoring and evaluation, a National STI Personnel Coordinating Committee will be set up under the Minister entrusted with the responsibility of coordinating Scientific Affairs to work within the Steering Committee to be appointed to oversee the implementation of the NHREP.*

## 12. Sectoral Policies

### The Context

130. The share of employment in agriculture has declined by about 2 percentage points from 36 to 34 per cent between 2000 and 2011 (2<sup>nd</sup> quarter). The share of workers in industry and services had risen by 1 and 3 percentage points respectively. While the industrial sector provided 24 per cent of employment in 2011, the service sector accounted for the largest share of employment in the country at 43 per cent in this year. In contrast, the shares of agricultural, industrial and service sectors in GDP at constant prices in 2011 were, respectively, 11, 29 and 60 per cent. The comparison of these GDP shares with corresponding employment shares shows the labour productivity gaps that exist between agricultural sector, on the one hand, and the industrial and services sectors on the other. The productivity gap between agricultural and service sectors, in particular, has been widening as the latter sector registered the fastest productivity growth in the economy in recent years. Looking at employment patterns in gender terms, it may be noted that the largest provider of jobs for women is now the service sector (38 per cent in 2010).
131. NHREP adopts a sector-focused approach, aiming at faster growth of sectors that have higher potential for productive employment. It proposes policy intervention at sub-national as well as sectoral, and sub-sectoral levels. Identification of major sectors and sub-sectors for promotion will be based on an analysis of, among other things, the employment impact of growth and quality improvements in such sectors.

### Sectoral Policies: General Approach

132. It is necessary to ensure that all major projects and their associated investment decisions take into consideration the employment aspect. Employment will be made one of the criteria for granting incentives like tax concessions. Employment creation will be emphasized as a criterion in the assessment of investment proposals for approval at the BOI, particularly when concessions are envisaged to be given to investors.
133. **A system of "employment impact assessment" will be developed.** Incentive policies are currently in place to promote value added industries (i.e. in tea and rubber sub-sectors) and such incentives will be directly linked with employment outcomes of the incentives receiving industries. Duty and incentive structure of imports and exports will be reviewed and revised to make them more employment friendly.

### Agricultural sector

#### The Context

134. Sri Lankan agriculture consists of several crop varieties. In terms of numbers employed and the contribution to

agricultural value-added, the more important crops are paddy (rice), vegetables, tea, coconut and rubber. The organizational forms that are significant in agricultural production activities include owner cultivated and managed small farms (or small holdings), those under various share-cropping arrangements and plantations (or estates) under private or public ownership and/or management control. These different sub-sectors of agriculture pose different human resource issues, requiring different policy responses.

135. The plantation (estate) sub-sector in the country's agricultural sector, involving large-scale farms managed mostly by private plantation companies, and occasionally by state agencies, produces unique human resource related problems for policy action. The plantation agriculture sector which occupies over 750,000 hectares of productive land, provides employment to about 1.5 million people.
136. The human factor in plantations is of utmost significance and has to be employed as effectively as possible. The professionally managed plantation organizations alone



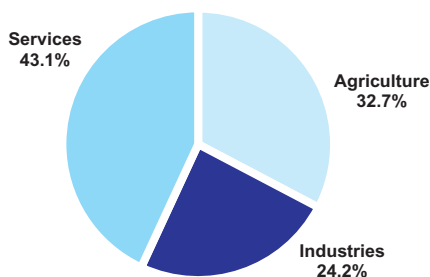
have in their employment valuable human resources – about 23 CEOs, 150 senior executives and supporting staff in the head office, 2000 estate Superintendents / Managers and Assistant Superintendents, 10,000 operational staff on estates and over 500,000 workers.

#### Policies

137. Employment intensity varies from one sub-sector within the agricultural sector to another. Although mechanisation has begun, most agricultural activities, as practiced in Sri Lanka are labour intensive. Numbers employed in agriculture are therefore large but there is an observed reluctance on the part of the youth in the labour force to engage in agricultural jobs of the traditional type. The NHREP will therefore work towards promoting mechanisation, modernisation and productivity improvement of agricultural jobs in order to improve the youth's attraction to agricultural pursuits.
138. Choice of agricultural sub-sectors for promotion will often be guided by factors like food security issues and export

possibilities, in addition to employment promotion prospects. In the promotion of rice farming, for example, food security issue plays a dominant role, while in the promotion of spices the export potential may become a significant objective, in addition to employment promotion.

**Employed population by major industry group—2010**



Source:- Department of Censuses and Statistics

139. Strategies will be adopted to increase competitiveness of the agricultural sector through improvement in productivity. Increased value addition in both domestic and export agriculture will be promoted. The closer integration of the national economy with global markets makes continuous productivity improvement, innovation and value addition in agriculture essential, whether it serves the domestic market or the export market. These policy interventions would improve productivity and incomes of not only those engaged in agri-business but also those in informal agricultural occupations.
140. Given the fact that in most agricultural sub-sectors future strategies will depend on expansion of small-scale commercial farming, the significance of developing practical and entrepreneurial skills among small farm households is recognised, in particular, among rural women and the youth. Such improved skills and experiences would enable rural households to make the most out of the available economic opportunities in commercial agriculture. Households benefiting through such a programme will come also from very remote areas, including the North and the East.
141. At the disaggregated level, policy directives for agricultural sector development would deal with matters of entrepreneurship development, productivity enhancement, R&D orientation, and promotion of branded value added products. Improved agricultural and management practices, including capital intensive methods where possible, would lead to the necessary productivity enhancement. The smallholdings sub-sector in the cultivation of tea and rubber has become in recent times a significant area of entrepreneurship for owners of small capital with access to bank finance.

**The share of output in these crops produced by small holdings has increased during the last few decades and is continuing to expand further.**

142. Reduction of post-harvest losses and the provision of appropriate technical and extension services, for example in the fruits and vegetables sub-sector, are other important areas for policy action. In addition, measures will be introduced to systematically encourage private sector investment in large and medium scale farming, as well as in the food processing industry and other post-harvest activities.
143. Plantation companies will be promoted to create opportunities for the use and development of human knowledge and skills to the mutual advantage of the management and the employees through training. While continuing with the sector's traditional system of "on-the-job-training", the companies will be encouraged to supplement it with a more professional approach to training and re-training as part of a knowledge management exercise. In this important training exercise, public-private sector partnership will be promoted.
144. With the bulk of national production of the so-called "plantation crops" – tea, rubber and coconut – in the hands of smallholders, training programmes developed on a public-private partnership will be extended, with suitable modifications, to the small holders as well.
145. Challenges before policy makers in respect of workers resident in estates are more difficult to handle. The reluctance of the youth from this community to remain in manual labour jobs on plantations is evident. The technological improvements in production techniques within plantations and modernisation of methods of production therein will be used to persuade a part of this population to remain in plantation work and also to attract more people into the sector as workers. This will be done while opening up other opportunities for them. Opportunities in vocational training will be made available to them, thus improving employment prospects of this important segment of the labour force.

**146. Measures such as gain sharing will be encouraged in the plantation sector and the possibility of changing the current collective agreement to include gain sharing conditions will be looked into.**

## Manufacturing Sector



### The Context

147. Manufacturing sector has witnessed a relatively high employment growth in recent years. This meant that the sector has been characterised by a relatively high employment elasticity. Most of this growth of manufacturing employment has taken place in the apparel industry in which women constitute a large majority. However, at present there appears to be some difficulty in finding workers for this industry due to the poor image and difficult working conditions of the sector, which need to be improved.
148. Large numbers work in the unorganized industrial sector where productivity and earnings are low, working conditions poor and social security mechanisms virtually non-existent. There has been growth of employment numbers in this part of the manufacturing sector.

### Policies

149. Policies in respect of the manufacturing sector will be targeted at meeting the challenges of global competition, productivity enhancement, investment promotion, stimulation of research and development, and regional development. Policies for human resource development will have significant impacts on the manufacturing sector.
150. Policies are required to enhance the quality of employment in the unorganized manufacturing sector and to induce higher employment growth in both the organized and unorganized sectors by making provision for better earnings, working conditions and social protection for workers.
151. Policy interventions will be worked out to further improve employment intensity of manufacturing whilst enhancing productivity. Labour-intensive industries (e.g. handloom textile products, leather products, food and beverages, handicraft products, wood products and value added products in tea and rubber) will be given special policy support and fiscal incentives for accelerated growth and penetration into foreign markets. In the case of handloom textile products in particular, strategies are to be developed and policy support provided to promote the products concerned in niche markets in Europe, USA and Japan.
152. In industrialization processes elsewhere, growth of manufacturing industry had proceeded generally from heavy initial dependence on simple and low level manufacturing activities using labour-intensive techniques to more capital and knowledge-intensive activities at higher stages of industrialisation.

**Sri Lanka will work out industrial policies to move out of heavy dependence on labour intensive industry to capital and knowledge intensive industry using suitable trade, fiscal and other incentives.**

Human resources policy will thus focus on mechanisms to build up the required high level workers to meet the

demands that are likely to arise from such capital and knowledge intensive industry.

153. In this process of product and process upgrading of the manufacturing sector, even within broadly the established industries like garments production, firms can move into more remunerative higher levels in the value chain (e.g. designing, marketing etc.). Industrial policy will attempt to promote this type of upgrading of existing industries, thereby promoting labour productivity growth.

### Tourism Sector



### The Context

154. Hotels and restaurants, and tourism are among service sub-sectors having considerable potential for large-scale labour absorption. In most of these sub-sectors, the demand is mainly for middle and lower level technical skills. High quality skill development programmes are planned to exploit the employment potential in these sectors. Though hotels and tourism industry have directly absorbed only about 1.5 per cent of the employed population, there is high employment potential in this sub-sector when indirect employment creation is also counted. It is envisaged that by 2015 the industry will require 600,000 skilled personnel.

### Policies

155. Incentives for development of the hotel and tourism sector usually covers tax concessions and other investment promotion measures for private entrepreneurs. Together with investment promotion, measures to promote productivity and professionalism in the travel and hotel business will be implemented. In order to improve quality of employment, the private sector will be encouraged to set up world class centres for human resource development to meet the emerging skills needs of the tourism industry.
156. In improving the employment potential in the hotels and tourism sector action will be taken to address the current skills shortage at operational and clerical (front office, guest relations, logistics etc) levels.



**The Sri Lanka Tourism and Hotel Schools will jointly launch short-term crash courses focusing on most demanded skills in fast developing tourism locations like the Eastern Province.**

Adequate incentives will be provided to the private sector for initiatives in skills development in this sector.

**The government will introduce a new tax regime to generate high growth and investment in the ICT and BPO sectors.**

## ICT and BPO Sectors



### The Context

157. The ICT sector and Business Process Outsourcing (BPO) activities have been growing steadily in the recent past. With new opportunities emerging globally and the government's focus turning on to the build-up of knowledge based industries, the ICT and the BPO sectors naturally attract a great deal of interest in planning.
158. The Information and Communication Technology (ICT) sector and Business Process Outsourcing (BPO) industry currently employ about 65,000 skilled personnel. The industry has set an earnings / exports target of US\$1 billion by 2016. As at 2010 the sector's exports amounted to \$310 million. To attain these income targets, the sector requires a skilled workforce of 120,000. Currently the industry operates below capacity due to shortage of skills. Besides, the short supply of skilled workers is due to the brain drain among relevant professionals.
159. The ICT sector deals with software products and IT services. The BPO activities deal with professional services. In this sense these two sectors have their different sectoral dynamics. Their talent requirements are also different. Without going into details of these differential human resource requirements of the two sectors, those elements of HR requirements that are common to both sectors will be noted here.

### Policies

160. Having recognized the growth potential of the ICT sector, the government has initiated several fiscal measures to promote the sector's growth. In addition, public-private partnerships are being promoted, export market orientation of the sector encouraged and institutional support developed.

161. In order to increase export revenue from these sectors to achieve the above 2016 target a revenue growth of over 25 per cent annually is required. The government will initiate well-funded programmes to attract new companies to set up operations in Sri Lanka and to assist local companies to move up towards higher value added services.

162. These two sectors have been identified as having the potential to address the problem of educated youth unemployment by retraining at least some of the educated youth in computer usage and in information technology. The government has already recognized the twin problems of increasing the numbers trained for the ICT sector and improving the quality of training imparted. Plans in the tertiary education sector will address these training needs.

163. Both ICT and BPO sectors require human resources with English language skills, verbal and written, and various soft employment skills. Human resources trained with a business focus and with practical problem solving skills are of high demand within these sectors. Education and training sector policies are increasingly designed to address these training needs of ICT and BPO sectors.

164. **Physical and information infrastructure needed for the expansion of the ICT and BPO sectors will be improved. This includes the development of readily useable office space, dedicated IT parks and access to low cost international broadband links of high quality. These developments will have positive impacts on issues of employee retention and wage inflation faced by existing companies. Action will be taken to enhance the numbers of internationally certified persons of competence ready to work in ICT and BPO sectors.**

165. Media, both traditional and other media forms like social media will be systematically used to achieve this result. Sri Lanka's recent successes in ICT and BPO spheres and in other types of knowledge work will be communicated frequently to the world. An institutional arrangement for this purpose needs to be put in place like the IBEF in India. While a private sector service provider will be used in this exercise, the exercise will be jointly funded by government, private sector and other donors.

166. Growth of home grown companies looking at solving regional and global problems will be promoted by building up an ecosystem which identifies nurtures and graduates business ventures in IT products. The ecosystem so developed will have a coordinated program of action to support entrepreneurship. The government will pay attention to the creation of an early stage investment fund to provide venture capital to companies showing promise, with the Government taking at least a stake in the fund. This could to some extent reduce the risks involved.

167. Tax holidays, tax exemptions and differential duty rates have been recommended primarily to promote investment in sectors like ICT, but

**considering that this sector is knowledge intensive as opposed to being capital intensive, investment types allowed for tax incentives need to include intellectual capital and proprietary technologies.**

Since getting started does not require much capital in this sector and as all transactions happen in an intangible form (over data links) a more effective incentive regime may be required. Employment outcome will be made one of the eligibility criteria in respect of such incentive schemes.

168. Further, through co-operation between the industry and the Government an efficient and well informed legal environment will be developed to enforce relevant laws stringently. Data Protection Codes will also need to be brought into the mainstream and the industry made aware of its nuances. All of this will ensure a smooth, protected environment for the operation of businesses, particularly in connection with laws/policies governing data/cyber security and intellectual property rights.

### Health Services



### The Context

169. Health services in public as well as private sectors provide employment to an extensive segment of the country's labour force. The health sector workers include mostly personnel with technical competencies and skills at different levels as well as manual and clerical workers.
170. A road map for development of the health sector is outlined in the Health Master Plan (HMP) for Sri Lanka (2007-2016). The immediate objectives in the HMP in terms of human resources are as follows:
- To expand functions and strengthen capacities of National and Provincial Ministries of Health in human resource development and management;
  - To rationalize the development and management of human resources for health; and
  - To improve management, clinical and public health competencies of health staff.

### Policies

171. Reorientation of the health workforce is required to meet the emerging challenges due to socio demographic and epidemiological transition in the coming years. Primary health care workers in the field and in primary level hospitals will be retrained to meet these challenges. Newer fields like rehabilitation medicine and geriatrics are emerging and personnel with skills to serve such emerging fields are required. Physiotherapists, psychiatrists, counsellors, nutritionists and dieticians will be needed in bigger numbers.

**Overall orientation of medical officers towards a family medicine approach is required to provide skills for continuing care to manage non communicable diseases, problems of ageing at primary care level.**

172. In many instances, the health services are unable to provide the optimum level of care due to imbalances in skill mix. Action will be taken to make appropriate recruitment and training. Motivation policies would be developed to ensure their appropriate distribution and equity in availability. Action will also be taken to improve retention of health workers in rural and underserved areas through appropriate mechanisms.
173. In keeping with the objective of improving private health sector provision for those who can afford whilst improving quality of government health services for others, HR policies in the health sector will take into consideration the expanding private sector needs. Supportive policy to improve private sector without compromising the standards of Government services is important.
174. A human resource information system as a subsystem of the national health information system is to be developed. Specialized HRH competencies are required for this unit to function.
175. Policies related to continuing education and in-service training and practice will be carefully defined. Career progression structures have to be developed for every category of health worker.

### Ports & Shipping Sector



### The Context

176. The ports and shipping sector is expected to develop as a significant employment sector for certain types of highly qualified human resources. Highly qualified seafarers are required to run technologically advanced ships. The use of oceans has expanded beyond shipping, and new areas of study have evolved, such as environment, sea-bed resources, fisheries, marine biology, and coastal zone management. Associated professions like port management, shipping management and international law require dedicated experts and scholars.

**The new world order demands added emphases on issues like marine security, terrorism, piracy and maritime fraud.**

### Policies

177. The training of required human resources for this sector will be the responsibility of the newly established National Institute of Fisheries and Nautical Engineering (Ocean University). It will develop new study programmes with the intention of fulfilling the emerging human resources needs in the ports and shipping sector. It will continue running the variety of vocational training courses it has been conducting through its eight colleges.

### Environment Friendly (Green) Jobs

#### The Context

178. Currently, the world is confronted with two limiting factors in economic development. One is natural resource depletion resulting in scarcity of resources leading to increasing humanitarian and socio-economic insecurity and challenges, and social unrest. The other is excessive waste generation including emissions resulting in land, water and air pollution. The concept of Green Economy is emerging worldwide as a requirement to address the present economic and environmental challenges.
179. In Sri Lanka, ample environment related policies are available which strongly support a green economy in various sectors such as manufacturing, tourism, agriculture, fisheries, health etc. However, the country needs a skilled human resource base which can adequately provide knowledge and technical facilities/services to implement these policies and support the building of green infrastructure required to move into a green economy. Such infrastructure is not currently available in the country at required levels and quality.
180. As the economy adjusts to the urgent need for environmental sustainability and low carbon economy, the labour market will also begin to increase the demand for workers with new skills and expand offers for "green jobs"(environmentally friendly decent work) with opportunities for social dialogue. Such demands would eventually create new and additional productive employment opportunities for school leavers, educated youth and adults searching for decent and sustainable

employment in the country or elsewhere with career development opportunities and improved health, safety and security in the workplace.

### Policies

181. Skills will be improved and enhanced in the areas of green restructuring, greening of existing jobs and action to overcome negative effects of climate change. Initially, skills training activities will address environment-related priority areas such as climate adaptation, damage mitigation, vulnerability assessment, energy efficiency, renewable energy, efficient resource utilization including land and water, pollution control and waste management and so on, with provisions of further opportunities to expand this scope based on efficient monitoring and evaluation systems.
182. Programmes will be initiated to undertake research on the labour market for green jobs. Employment and skills needs forecasting will be integrated into economic planning so that developments in the labour market and implications for education and training can be anticipated.
183. By way of promoting green entrepreneurship, technical and financial support will be offered to entrepreneurs including SMEs to explore green business opportunities, create their own start-up companies and expand opportunities to learn about new technologies and create decent jobs that are productive, deliver a fair income and that are related to environmentally sustainable technology development and green businesses throughout the country.

### Infrastructure Investments

#### The Context

184. Large infrastructure development projects, especially in roads, power, water and irrigation sectors, are being undertaken extensively by the government. These require significant human resource inputs over the next ten years. Given the concurrent construction of multiple projects, the government will have to ensure that trained persons are adequately available to conclude the infrastructure development programme effectively.
185. It is noted that whilst the government seeks to promote foreign employment, the departure of many skilled persons in the construction industry has created a dearth of skills in the sector. This is also true for individuals at management and higher technical levels.

### Policies

186. In respect of skilled occupations, a significant increase in training is being planned. Efforts will be made to encourage the private sector contractors to attract qualified individuals with foreign exposure back to the country to take on higher level jobs.



187. Measures to develop local authority areas and local infrastructure will form a significant aspect of employment promotion under this NHREP. Targeted and time bound public employment programmes focussing on the building of rural / urban assets will be undertaken in ways that improve employment impacts. Local area development – both urban and rural – is key to employment intensive investment strategy reflected in the current Sri Lankan public investment and employment programmes.
188. Tools to promote local impact assessment, local capacity building and local contracting (e.g. Community Contracting) would reinforce legal status, rights and responsibilities of communities and their organisations. These tools and methodologies are crucial in capacity building of local government improving procurement, governance, asset creation and management at local level. Such capacity improvement would help in improving employment conditions in relevant local authority areas.
189. Measures to encourage private sector participation and decent work development in spheres under local authority administration will make local authority activities employment-friendly. These activities are bound to help in the SME development plans providing these the required local infrastructure.
193. Students with innate creative talents and abilities in identified spheres meeting potential national/international competence standards shall be provided with specialized training, skills development, incentives, and other forms of assistance including fully paid scholarships to progress in such careers without any hindrance to pursue their formal education.
194. Within the present national schools structure, all necessary resources and equipment to develop creative skills will be provided to identified schools as an investment by the state, with the schools charged with the key mission to identify talents early, prepare and lay the foundation to transform such young men and women for careers in performing arts, music and creative industries.

### Other Emerging Spheres: The Context and Policies

195. The vision of planning authorities is to make the Sri Lankan economy into a “dynamic global hub” in shipping, aviation, commerce, energy and knowledge. Although Sri Lanka currently lags behind a number of other countries in Asia in respect of these five areas, it is believed that the country has the potential to achieve the above objective provided policies are in place to attain 'greater connectivity' and 'global competitiveness'. Rapid growth momentum driven by the idea of transforming the country into a dynamic global hub will make a number of sectors, not mentioned in other sections of this document, expand faster than the average. Some examples are energy and water, wholesale and retail trade, transport, storage and warehousing, and telecommunication activities. The change in the occupational composition and the likely new demands for managers, professionals, technicians, clerks, service workers, trade workers and machine operators the expansion of these activities leads to is taken into account by human resource planners.
196. The emerging employment demand is mainly for “skilled labour” which is the type of human resources demanded by economic transformation based on the global hub strategy.

**The need for producing a “globally-competitive skilled labour force” is a critical area of employment policy that requires urgent focus.**

If this HR need is not addressed effectively, the growth momentum will be constrained by a scarcity of human resources.

## Performing Arts, Music and Creative Industries

### The Context

190. Creative arts are fundamental to Sri Lanka's identity as a society and nation, and are becoming increasingly important with the general progress in society. In the contemporary society, art forms like the film, television, theatre, music, literature, dance, painting and crafts have opened up interesting avenues of remunerative employment to increasing numbers of talented persons in addition to providing crucial pathways for self-expression, community engagement and celebration.
191. With several other emerging or advancing complementary industries such as tourism, aviation, shipping, international sports gathering momentum, it is opportune to recognise the contribution of arts, music, design, media, entertainment and other creative industries to the broader economy, embedding creative skills and talent of Sri Lankans into remunerative livelihoods.

### Policies

192. The policy towards these activities will be based on an understanding that a creative nation produces a more inclusive society and a more expressive and confident citizenry by encouraging people's capacity to express, describe and share diverse experiences with each other and with the world, driving innovation across the nation and contributing to greater productivity.
197. The reforms in school, vocational and higher education noted above are the key to meeting these HR challenges.
198. Human resource development policies will be taken as an integral part of the overall policy and the regulatory reform process towards a dynamic global hub as the policies in different fields are made consistent with, and reinforce, each other.



### 13. Informal Employment

#### The Context

199. Subject to definitional and measurement issues about informal employment, it is estimated that around two thirds of all working Sri Lankans are informally employed. Own-account workers (around 31 per cent of total employment) make up the bulk of those in informal employment. Many of those in informal employment earn low wages and are without social protection. Men are more likely to be informally employed than women. The older workers and the less educated are also more likely to be so. Informal employment is scattered in all sectors of the economy – agricultural, industrial and services – but the relevant national data base is not adequate to judge the extent to which different sectors and sub-sectors absorb these workers. Micro-enterprises – another category subject to definitional and measurement issues – are estimated to account for half of all informal employees.



200. The majority of informal workers have lower general educational qualifications than formal sector workers. They would have dropped out of the school system for different reasons, such as family poverty, inadequacies in the school system and so on.

201. A two pronged approach will be adopted in addressing issues of informal employment. On the one hand, expansion of firms in value added sectors will be encouraged. On the other hand, the employability of workers in more skilled, better paying occupations will be enhanced. Encouraging expansion of firms would require interventions at two stages of the growth continuum of firms. First, policies and programmes will be formulated to assist own account workers and young people commencing their own businesses, by providing them with entrepreneurship training and business development services. Second, micro, small and medium enterprises will be assisted to expand their operations, particularly because then they would be able to benefit from economies of scale, enabling greater value addition and the payment of higher wages. At the moment, the costs of

size expansion of firms (e.g. greater visibility in terms of law enforcement) exceed the benefits of formalization (access to credit, economies of scale, technology).

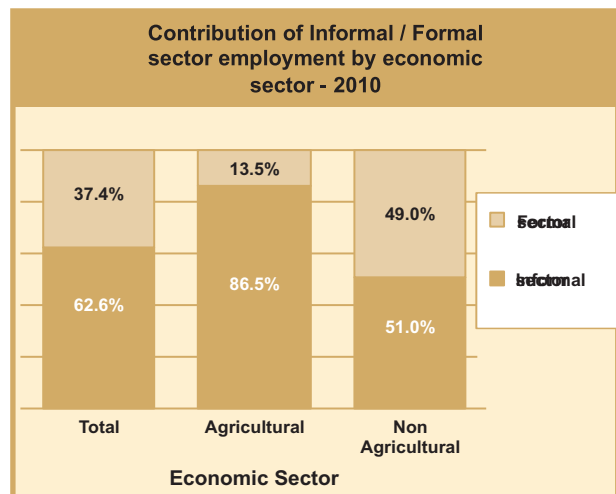
**Policies to change the incentive structure to favour size expansion of firms and formalization will be formulated.**

#### Policies

202. An entrepreneurship development programme will be formulated as part of employment promotion policy. This requires measures to change socio-cultural attitudes about the value of business ownership and to promote positive attitudes towards business among the Sri Lankan population as a whole.
203. Having identified labour force segments with entrepreneurial potential encouragement will be provided to open new businesses through programmes of development of entrepreneurial skills, easy and subsidized credit facilities, product and market guidance and insurance schemes to cover short-term economic fluctuations.

**Private sector organizations such as Chambers of Commerce are to be invited to join hands with public institutions to support entrepreneurial development.**

204. Attempt will be made to institutionalise and promote a 'pathways to business' concept within and outside the school system, so that school leavers at all levels as well as graduates of vocational training institutions and universities will be able to access entrepreneurship training at appropriate points in their lives. Enterprising attitudes will be inculcated among school leavers in general, and entrepreneurship training will be targeted to those among school leavers, who have the interest and aptitude to engage in self-employment. Entrepreneurship development programmes will be linked to mentoring and after-training services.



Source:- Department of Censuses and Statistics

205. There is a belief in some quarters that growth traps are created by some legislation affecting income taxation, payment of gratuities and employment of labour. It is further believed that because particularly of the Termination of Employment of Workmen Act (TEWA), firms are discouraged from expanding beyond 14 worker threshold of coverage. Consensual policy action to eliminate legal impediments to firm expansion is proposed. Action to enhance effectiveness of labour laws and regulations would improve coverage for workers and flexibility for employers. It is also proposed that an insurance scheme for the unemployed would be developed to provide protection for workers when firms go bankrupt as in economy-wide recessions.
206. Credit and business development services will be provided to eligible small enterprises on attractive terms. Maintaining decent work standards (EPF payments, occupational safety and health) can be one criterion for eligibility for such services.
207. Longitudinal databases of enterprises participating in the credit and business development programmes will be built up so that factors that ensure survival and expansion of firms or precipitate their dissolution could be identified. These databases could assist in monitoring credit and business development programmes and in informing policy making in the future.
208. While policy has thus far concentrated on providing infrastructure such as electricity, power and water for firms through industrial estates, the issue of housing for workers has been neglected. This is a factor leading to labour shortages as workers are discouraged from migrating from labour surplus areas in the rural hinterland, to deficit areas in the cities. If an effective housing programme, in which private property owners also will be active, eases these labour shortages it will help the setting up and growth of informal sector enterprises, perhaps more so than formal sector ones.
209. Those with technical rather than academic abilities tend to drop out of the system and cannot avail themselves of opportunities to enhance their skills and employability thereafter. On the other hand, some informal workers are currently engaged in activities that are hazardous and harmful to their long-term health and well-being, and which will shorten their productive working life. By implementing measures to improve the health of such workers they could be helped to contribute to the development of the society through productive work for a longer time.
210. The bulk of the informal sector workers are early school leavers or drop-outs from the school system. HR policies targeting these informal workers will aim at helping them gain further education through either informal ways (such as evening schools, distance learning, apprenticeships, etc.) or subsidized vocational training. Opportunities for continued education, training and re-training in job-oriented skills should provide these persons a seamless transition to the formal education system via alternative paths.
211. Micro enterprises and self-employment projects depend heavily on micro-finance facilities. Micro-finance sometimes helps the poor and the marginalized to commence simple income generating activities, which later expand to micro enterprises. Over 5000 micro-finance institutions (MFI) are estimated to operate in the country. These institutions take deposits from members and re-lend to member groups on interest guarantees without collateral. There are over 2 million borrowers, mainly female, served by these micro-finance institutions. The female borrowers in particular are well-known for their excellent repayment records. The recent Finance Business Act has made it illegal for MFIs, other than Banks, Finance Companies and Cooperatives to take deposits from members. A Micro-finance Regulation and Supervision Authority (MR & SA) Law is to be enacted to enable MFIs to be regulated and to enable them to take deposits.
212. The informal sector is served to a large extent by community-based organizations (CBOs) and non-governmental organizations (NGOs) such as Sarvodya and Sanasa. These community-based and non-governmental organizations are sometimes called “non-formal”. Policies will be developed to encourage such non-formal organizations to be more effective in their community based development work.

**Composition of Informal/Formal sector employment by economic sector - 2010**

Informal / Formal sector		Economic Sector		
		Total	Agricultural	Non Agricultural
Total	No.	7706593	2519905	5186688
	%	100.0	100.0	100.0
Formal sector	No.	2879943	339009	2540934
	%	37.4	13.5	49.0
Informal sector	No.	4826650	2180896	2645754
	%	62.6	86.5	51.0

Source:- Department of Censuses and Statistics

**Programmes to enhance awareness of both employers and workers about occupational health and safety issues will be undertaken and their access facilitated to information about innovations and technologies leading to ergonomically sound ways of carrying out productive tasks.**

## 14. Small and Medium Enterprises (SME)

### The Context

213. The informal sector and the SME sector are dealt with in two chapters in this document but they are clearly inter-related. The bulk of small enterprises, particularly those taking the form of small or micro level self-employment projects, are in the informal sector. Even the larger small enterprises, earning relatively higher levels of profits, in so far as they are not registered as businesses and do not pay direct taxes, do have informal characteristics. The two categories, informal self-employment activities and SMEs, cannot indeed be defined into mutually exclusive groups. In spite of all this, the NHREP treats these in two chapters because at the policy level the two groups are better treated separately.
214. SMEs make up a large part of Sri Lanka's economy, accounting for 80 per cent of all businesses. These are found in all sectors of the economy, primary, secondary and tertiary and provide employment for persons of



different skills, skilled, semi-skilled and unskilled. There are SMEs in the agri-business sector and in manufacturing. It is estimated that about 20 per cent of industrial establishments fall into the SME group, while in the service sector their share is over 90 per cent. SMEs are an essential source of employment opportunities and are estimated to contribute about 35 per cent of employment. As capital investment needed in this sector to provide an additional work place, on average, is normally substantially less than in large enterprises, they are considered useful in any employment expansion policy.

**The SMEs play an important role in promoting inclusive growth. Furthermore they play a useful role in developing entrepreneurial skills, innovation and promoting economic growth and wealth creation in the economy.**

They are seen also as entities promoting social cohesion and contributing greatly in the area of poverty alleviation. The improvement of the environment in which these SMEs operate is imperative.

215. Several important points of policy relevance regarding employment in SMEs are noted below:
- *Workers employed in SMEs are predominantly men. Good equal employment practices are needed to correct the above bias.*
  - *SME entrepreneurs do not have sufficient knowledge and experience of personnel management practices and do not try to learn through training programmes.*
  - *The “quality” of employment offered by SMEs and the level of training and productivity of these employees themselves are relatively poor and weak. Most SMEs do not provide training, health and welfare facilities for employees.*
  - *There is a high degree of absenteeism among SME workers.*
  - *SMEs suffer from a lack of information exchange, leading to conflict, dissonance and other industrial relations issues.*
  - *Prevailing laws and practices governing recruitment are thought to deter investments for size expansion of SMEs and increasing their number of employees.*
216. The growth and expansion of SMEs are constrained by problems emanating from product and factor markets and the regulatory system they operate in. These problems fall into broad areas of access to finance, physical infrastructure, level of technology, regulatory framework, access to information and advice, access to markets, business development services, industrial relations and labour legislation, intellectual property rights, technical and managerial skills, linkage formation and environmental issues.

**High interest rates and the emphasis on collateral by lending institutions are the most frequently cited constraints affecting SME development.**

The inadequacy of skills in product development, packaging, distribution and sales promotion are further areas of weakness. Difficulties in accessing information and markets are also highlighted. Compounding these difficulties, the prevailing business and regulatory environment raises costs and creates unnecessary hurdles.

### Policies

217. All key policy documents of the government clearly recognise the role of SMEs. These documents try to address the issues faced by SMEs, highlighted in the foregoing paragraph, through measures skills development, tax concessions, entrepreneurship development, sub-contracting arrangements, marketing assistance and access to finance. A few important policy measures related specially to the issues of human resources are highlighted below.
218. Action will be taken to address the labour skill constraints of SMEs caused by high labour turnover, and institutional and organizational factors. Measures will be devised to enable SMEs to hire appropriate workers in terms of skills by working toward building up a pool of suitably-skilled



and suitably-motivated workers in the country. The Government's educational investments strengthen the country's science base will help. SMEs will be encouraged to move away from their informal systems of selection and recruitment of personnel to more modern systems where skills and competencies of prospective candidates will gain precedence in selection procedures. Decent work practices and social protection of employees will be encouraged among micro enterprises and SMEs thus enabling them to recruit workers with correct skills and attitudes. With such workers, these SMEs could be empowered with ICT capabilities to improve efficiency and productivity of their businesses.

219. As proposed in Science, Technology & Innovation Strategy for Sri Lanka (2011 – 2015), a mechanism should be introduced to support SMEs to innovate and transfer technologies, giving priority to high end technologies through

**Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) schemes. Taking full advantage of the Intellectual Property (IP) system would enable SMEs to profit from their latent innovative capacity and creativity, which would encourage further innovation.**

The capacity of relevant public, private and civil society institutions, such as business and industry associations, to provide IP-related services i.e. provide comprehensive web-based information and basic advice on IP issues to SME support organizations.

220. Considering the complaint of SMEs about the compliance with administrative regulations, action will be taken to simplify the regulatory and administrative framework surrounding SMEs. Unnecessary and burdensome red tape harms job creation and productivity. Revision of these regulations will give the businesses greater confidence to create more jobs. The disciplinary and dismissal procedures relating to errant and underperforming staff will also be streamlined.
221. A strong package of support in respect of credit, intermediate inputs, technology and marketing should be devised to promote SMEs considering their capacity to create jobs and reduce poverty. In dealing with the issue of access to credit, focus will be paid also to capacity building of financial institutions, particularly the large ones, to play an enhanced role in the sphere of SME financing.
222. Education and training play an essential role in a knowledge-based economy as they support growth and employment by encouraging the emergence of a qualified and adaptable population. New training methods and settings that are more flexible would be adopted by SMEs in place of the traditional models of training. Promoting entrepreneurial skills, reducing the skill gaps and providing support to particular categories of entrepreneurs also need attention.
223. Existing entrepreneurship development programmes, like those implemented through Community Based Organizations (CBOs) and Self Help Groups (SHGs) do not appear to have brought out the expected economic outcomes in empowering rural women. Hence, there is a need to review and revisit strategies advocated in entrepreneurship development programs and introduce new strategies that are focused on vulnerable groups. A move away from the survivalist focus of some of these existing programmes towards strategic sectors with better growth and employment promise is envisaged.
224. Elements in the labour market which discourage SMEs will be reformed. Promoting entrepreneurship, developing an environment favourable to SMEs, measures to facilitate the transfer of new technology to existing SMEs and the creation of new SMEs using modern technology will make them more competitive and dependable sources of employment.

## 15. Employment Opportunities for Vulnerable Groups, Disabled Persons and those in Underdeveloped Regions

### The Context

225. The real problem in generating employment for vulnerable groups especially in under developed regions is the lack of accurate data, and systems of training support and continuous monitoring. According to official reports, there are eight thousand widows (the majority are young widows) in Northern and Eastern Provinces of Sri Lanka. The ability of these vulnerable groups to create and develop income generating activities – self-employment or wage-employment – could improve their living conditions.
226. There has been a sharp decline in child labour over the past decade. Currently some 13 per cent of children are engaged in work, with the majority in elementary



occupations – in agriculture and related activities, street vending and services, construction, transport and related activities and domestic work.

Most child workers are in rural areas, many of them working whilst attending school. Urban working children however, generally give up school when working. It is estimated that about 78 per cent of working children have completed primary education.

227. In Sri Lanka, accurate statistics of disabled persons are not available. According to pilot surveys conducted on persons with disabilities, approximately 7 per cent of the population is disabled. The majority of the disabled persons are poor, as they lack access to education, health services, income generating activities and wage employment.
228. Persons with disability referred to in this section of NHREP policy face the following issues and challenges

- National legislative enactments, regulations and international conventions accept the right of persons with disabilities to work. Policy implementation in this subject area is however, inadequate. In 1988, the Ministry of Public Administration has issued a Circular on Employment of Persons with Disabilities, reserving 3 per cent of job opportunities in the government sector to them. In 2004 this quota was extended to private and semi-governmental sectors, though more awareness needs to be created.
- Limited opportunities are available for these groups for vocational training and skills development. The available facilities also are not up to acceptable standard and are unable to meet current labour market requirements for productive employment.
- Adequate information or statistics on the employability of persons with disabilities, trained at government/private vocational training institutions, are not available.
- Even though there has been an increase in the school participation of disabled children and the number of disabled persons seeking vocational training, mechanisms to absorb them into the labour market have not been developed.
- Barriers to their seeking employment are mainly due to lack of required entry qualifications.
- Transport difficulties and inadequate disabled-friendly working environment discourage persons with disabilities from participating in the workforce and also in vocational training.
- Negative attitudes of the society towards the disabled and their families also hinder their workforce participation.

229. Given that the disabled are also amongst the poorest and the most vulnerable in the society, and highly dependent on others, measures to empower them and to integrate them into society will benefit them, their families and the society as a whole. This issue is not sufficiently addressed at development forums. There are only a few donor-supported projects/programmes that are directed at protecting the rights of disabled people through social and economic inclusion.

### Policies

230. Data will be collected about persons with vulnerabilities and disabilities using village level officers working on instructions of the Divisional Secretariat and the Government Agent.
231. Based on personal attributes of the vulnerable – skills, interests, knowledge, ability and talents – action will be taken to make them start up micro or small enterprises. In this exercise, the government and NGOs will be able to help them by providing initial capital and other forms of commencement assistance. Training in micro enterprise management is of extreme importance to them. Women and youth could be motivated to become owners/proprietors of such ventures.



232. By re-establishing the industrial base in Northern and Eastern Provinces, which was destroyed during the war, large numbers of employment opportunities will be created for both men and women. Investments in employment intensive infrastructure development work as well as in employment intensive productive activities in these two regions are critical.
233. Most people in the North and the East are depending on agricultural and fishing activities. In order to promote these activities, land-related problems persisting after the conclusion of the war will be resolved soon and maritime fishing would be facilitated. These measures will improve job opportunities for women and elderly people as well.
234. Promotion of self-employment, particularly through micro-enterprise development would be invaluable in creating employment opportunities for vulnerable groups, in particular, the young widows.
235. New partnerships with civil society and community-based organizations will be formed to assist community development and social well-being within poor urban and rural communities, and to improve access to essential services. These measures will no doubt lead to expanded employment opportunities.
236. Regional agencies, United Nations bodies and other multilateral donors will be encouraged to endorse and support employment and income-generation projects for vulnerable groups, and to establish partnerships for policy development and implementation.
237. Child labour in hazardous activities and the worst forms of child labour will be eliminated on a priority basis through awareness-raising, legal education and coordinated multi-disciplinary collaboration among the government, employers, workers' organizations and civil society organisations. Support to families of working children is critical for the elimination of child labour in the country.

**Child labour issues will be integrated and mainstreamed into other sectoral policies with a view to reaching the goal of zero tolerance for worst forms of child labour by 2016.**

238. In regard to persons with disabilities, the policy measures spelt out in the few following paragraphs will be implemented in addition to various elements of the human resource policy, spelt out in this document, which may apply also to these persons.
239. A better database will be established to improve the availability and accessibility of data on persons with disabilities, and on vocational training facilities available for them and on their demand for jobs.
240. An enabling physical environment will be created for persons with disabilities to access and participate in vocational training.
241. Measures will be taken to improve institutional responsiveness to needs of the disabled and to create of a supportive environment in the workplace for them.
242. Awareness training will be initiated among parents, persons with disabilities and their caregivers on the benefits of participation in training and employment for the disabled.
243. Special concessions will be worked out to those who employ persons with disabilities such as tax concessions, exemption from statutory payments, financial assistance to improve physical facilities for these persons, and any other incentives to motivate employers to engage persons with disabilities.
244. Disability will be mainstreamed in development cooperation, and through this, in development practice. It will be treated as a cross sectoral concern. Disability issues will be more proactively and effectively addressed in mainstream poverty reduction, community development as well as income generation programmes.

## 16. Foreign Employment

### The Context

245. International labour migration from Sri Lanka has increased significantly in the last two decades. The Sri Lanka Bureau for Foreign Employment (SLBFE) estimates that more than one million Sri Lankans are employed abroad and that there was an outflow in 2010 of about 266,000 persons.

**The percentage of females in the annual outflow of migrant workers is reported to have fallen from 75 per cent of the total in 1997 to 49 per cent in 2010.**

Out of the women migrant workers, 86.4 per cent are employed as domestic workers with 95 per cent of them in Middle Eastern Countries. Foreign employment contributes to national development in various ways. About 24 per cent of the total labour force of Sri Lanka in 2010 was so employed. According to the Central Bank, remittances from foreign employment increased up to



US\$ 4.65 billion in 2010. Foreign employment is thus an important and stable source of foreign currency inflow to the country. This inflow is four times higher than the annual FDI inflow. Overseas job opportunities continue to be a vital source of employment, reducing the pressure on authorities on account of the unemployment issue in the country, especially among the unskilled women and youths.

**246. At the same time, Sri Lanka has not been able to supply the numbers of workers in mid-professional, skilled and semi-skilled job categories, for whom there was demand from various countries.**

In respect of all job categories, for example in 2009, there was demand for 784,212 positions but Sri Lanka could supply persons for only 247,119 positions.

247. The following issues in the foreign employment sector have been carefully examined.

- *Absence of an adequate mechanism to capture global labour market information and identify foreign employment opportunities. In addition, there is no mechanism to match labour demand and supply, so that facilities could be arranged for adequate numbers to acquire skills and to choose the destinations offering the highest returns. The absence of such a mechanism and non-sharing of existing information are critical issues that hinder human resource planning for foreign employment sector.*
- *High concentration of overseas labour migration in low-skill job categories and to a few destinations. The high percentage of low-skill migrants lead to poor working conditions, hardships encountered due to harassment and abuse and low average levels of remittances. The high dependence (about 80 per cent) on the Gulf countries creates vulnerabilities. High social costs of migration of unskilled female migration are also noted through negative impacts on families, especially on spouses and children.*
- *Institutional and legislative constraints: The prevailing institutional framework, with the main state institutions responsible for labour migration at the top, is inadequate to address the complex problems emerging in this field.*
- *Emerging competition to Sri Lanka as a source of migrant labour. Considerable competition from other developing countries in South Asia, East Asia and Africa is visible for the supply of skilled and unskilled labour within the traditional Gulf country markets as well as in new destinations. Policies of human resources naturalization in host countries, particularly in the Gulf region, highlight the need to diversify the migration destinations.*
- *As a result of the economic upturn in the country the demand for skilled labour within Sri Lanka has increased. The ageing structure of the country's population has been noted. This demographic trend would create conditions of labour scarcity in the country in the not so distant future.*
- *Inadequate concern on nexus in migration and development. Due recognition is not given to migrant workers as resources for development. There is sufficient evidence to show that savings of migrant workers and their remittances during the period of migration are often not wisely utilised. Many returnees fail to find convenient facilities for investment of their savings.*
- *Unacceptable behavioural practices of many Sri Lankans visiting foreign countries – irregular migration, visa overstaying, bogus refugee claims, illegal employment and so on. These factors have undermined the mobility of Sri Lankans in general. This is found to be badly affecting even skilled workers' mobility through visa restrictions, visa refusals and so on.*
- *Inadequacy in harmonisation of training for both foreign and domestic needs. Absence of dialogue among different policy sectors like foreign employment, education, higher education and TVET and fragmented nature of their programmes have affected effectiveness of whatever HRD interventions implemented.*

## Policies

248. The focus of national policy in the foreign employment sector is aimed at “ensuring skilled, safe migration”. The long term policy of the government would be to create decent jobs for Sri Lankans at home and promoting migration by choice rather than by poverty and need.

**249. From the point of view of domestic socio-economic development, brain drain of “skilled workers” becomes an issue that needs to be taken into serious consideration, while policies in respect of migration for overseas employment highlight the need to promote migration of skilled rather than unskilled workers.**

Every effort will be taken to strike the correct balance between these apparently contradictory objectives in planning skills development for domestic and foreign employment.

250. Ensuring skilled, safe migration would involve firstly, promoting skilled migration through better skills training, diversification of destinations, identification of and capitalizing on Sri Lanka's competitive advantages in this field according to global employment opportunities that are available. Secondly, the rights of Sri Lankan migrant workers would be protected thereby reducing their vulnerabilities in the host country. Thirdly, there will be targeted employment promotion in poor rural areas where out-migration is high to create alternative livelihoods and employment opportunities therein. Fourthly, bilateral agreements will be established with labour receiving countries, with a view to promote respect for and safeguard labour rights of migrant workers.

251. Vocational and other training programmes will be made to improve links between skills required in the local and foreign job markets.

**The versatility of the locally available labour force will thus be enhanced and this will facilitate achievement of the medium and long terms foreign employment policy objectives of the country.**

A workforce of globally employable youth is a vital objective of overall human resource development policy of the country.

**252. Greater cross border mobility of Sri Lankan people will be facilitated so that unacceptable behavioural practices attributed to Sri Lankans on visits abroad could be minimised so that so that migration of skilled persons for employment overseas will be facilitated. Finding employment for these categories is observed to be easier this way that through state-to-state regulated migration programmes.**

253. Action will be taken to restructure and strengthen institutional capacity in the management of overseas migration for work. Greater authority for the SLBFE and improvement of its internal capacity will enable the

organization to play a more effective role in market promotion, skills training and protection of migrant workers. Labour and consular divisions of Sri Lanka diplomatic missions abroad will be re-vitalized to better serve and protect Sri Lankan workers.

254. Stronger mechanisms to identify foreign employment opportunities will be instituted. In the planned labour market information system (see Ch. XIX), all stakeholders will be networked and facilities provided to monitor global trends in labour markets. Updated and accurate information provided to stakeholders will enable them to make decisions effectively.

255. In the interests of Sri Lankan migrant workers, the systems that are available for the protection of migrant workers will be strengthened.

256. The TEVT system will be expanded to facilitate diversification of skills and skills enhancement of prospective migrant workers. Skills training for this purpose will be country- and job- specific and would be offered in collaboration with the overseas partners/ companies to meet the demands of the destination countries. NVQ standards would be developed on par with regional and international standards.

257. With a view to managing the nexus between migration and development more effectively, improved systems in remittances management will be instituted. Providing due recognition to returnees will help in achieving this objective. Bilateral and multilateral agreements would create harmonized expectations and maximize the returns from migration at the family and the society levels.

258. The promotion of e-migration services would ensure free flow of information on opportunities for and details of labour migration to all stakeholders. This would ensure fair distribution of available opportunities among prospective applicants as well as the establishment of a speedy and flexible recruitment process. The improvement of governmental supervision of private employment agencies which work as intermediaries for migrant labour will go a long way in achieving this objective.

259. Effective action will be undertaken to explore new avenues/opportunities internationally for employment. Sri Lankan authorities would explore the possibility of facilitating commercial activities in migrant labour destination countries.

260. Policies will be developed to use the Sri Lankan expatriates overseas as a valuable human resource for development. Many of these expatriates are found to be willing to serve the home country on short-term or long-term assignments. Significant benefits can be achieved to promote the country's development by formulating systems to facilitate such use of expatriates' services.

**The government would create conducive environment to promote the participation of expatriates in activities where local expertise and skills are in short supply.**

Measures to recognise the skills the returning migrants bring back with them will have significant developmental effects.

261. Training before migration, among other things, will continue to provide awareness about the wise use of their

earnings abroad. Policy action in the informal and SME sectors and in micro enterprise sphere will have spill over effects on migrant workers by opening up opportunities for them to invest their savings.

262. NVQ standards would be developed on par with regional and international standards and introduce Mutual Recognition of Qualification Agreements (MRA) in to bilateral agreements and memoranda of understanding for easy access to international labour market. Methods for formal recognition (i.e. domestic certification) of skills gained abroad will be developed.



## 17. Public Service Employment

### The Context

263. The success of the National Human Resource and Employment Policy (NHERP) for Sri Lanka, which covers a wide spectrum of development interventions, depends largely on the effectiveness and efficiency of the public service.
264. While the public service will have a marginal impact on employment as a direct employer and that too confined to a few categories, it plays a more important role in promoting the creation of job opportunities in the economy at large, through appropriate policies, programmes and projects, executed efficiently.

**A productive public service needs a human resource development effort, incorporating the best elements of training, performance appraisal and motivation.**

To make it happen there must be an appropriate institutional framework for implementation. The form and content of such an institutional arrangement is a matter for political decision making.

265. The private sector would work as the engine of growth and this growth engine is being guided by the public service. Indeed, the primary function of the public service is to manage the development process. Service delivery and regulatory functions of the public service could be subsumed within the concept of development, since they ultimately serve this purpose.
266. It is believed that the public service is already too large and unwieldy. It is shown that as a percentage of population the Sri Lankan public service is one of the largest in the world. Many institutions and organizations in the public sector are overstaffed.
267. A point noted elsewhere in this document, is that job seekers show a greater preference to join the public sector as against the private sector. While this is true in general terms, there is also evidence to show that the public service finds it difficult to attract persons with skills and competencies that are scarce and are in high demand in the labour market. With regard to certain professional categories like medical specialists, engineers and IT personnel in public sector employment, there is also a significant brain drain problem.
268. Measuring performance of the workforce as well as the government institutions overall is essential in order to improve efficiency of services provided. It is critical for the success of performance management to focus on measuring “results” and “outcomes” and not mere compliance with rules, regulations, procedures, processes and inputs, even though they are necessary for the final outcome. At the heart of such management lies information systems which collect, store, process, disseminate and utilize data and information for decision making and action.

269. Capacity development of the public service requires generic and institution specific training of all segments of the public service. A particularly noteworthy element of generic training that is urgently required is language skills in Sinhala, Tamil and English. Though public service capacity building is critical for the management of the development process, sufficient funds are not allocated to the extent needed.
270. Action has already been taken to establish Management Reform Cells (MRCs) in all the ministries and institutions that come under their purview. The principal objective of establishing MRCs is to promote the administrative reforms process. However, these reform processes with the expected final outcomes have not been fully identified.
271. Effective and efficient implementation of policies enunciated in regard to all elements of human resource development and employment policies will depend on the quality of the management systems in place. Crucial roles in this regard have to be played by the different segments of the public administrative service.



### Policies

272. A participatory needs analysis through functional reviews of all government institutions, both in the centre and the periphery will be undertaken. While assessing the overall size and structure of the public service, such needs analyses would reveal where employment gaps exist in respect of certain categories of employment – such as in the case of English stenographers, translators and IT personnel. It is noted that the Ministry of Public Management Reforms has already initiated action to conduct functional reviews.
273. The attraction of the public service to job aspirants with high level skills and competencies shall be improved through adjustments in comparative levels of remuneration, security of service, promotional prospects and strengthened social prestige attached to public service. Objective criteria of recruitment also play an important role in this regard.



**Narrowing of remuneration gaps between the private and public sectors, over a feasible period of time, is a lesson that should be learnt from countries that have achieved high levels of public service productivity.**

274. Prevailing conditions of unattractive remuneration appear to make some geographical as well as subject areas in the public service unattractive to adequately qualified staff. Action will be taken to reduce the strength of these disincentive conditions.
275. The brain drain problem in the professional categories will be addressed through measures to improve their remuneration and working conditions and improving facilities for shifts between domestic and overseas employment.
276. Attracting expatriate Sri Lankans with significant skills which are in short supply within the country for various short term assignments is promoted. This applies to both the private and the public sectors. A data base of expatriates wishing to serve in Sri Lanka on short term assignments, updated regularly, will be developed.
277. A large number of senior officers retire annually creating vacancies but with inadequate numbers in the service with adequate skills. The earlier proposal to build up a public sector Senior Management Group as a solution to this problem is not being pursued any more. Creating a continuous reservoir of second tier officers, selected through an objective assessment process, who could be appointed as competent secretaries, chief secretaries and heads of departments, when vacancies occur, is seen as an urgent need. These officers will have to be trained appropriately and suitable institutional mechanisms for this purpose will be built up.
278. Since the focus on improving public service efficiency is on development management, it may be necessary to establish an inter-ministerial body or a ministry charged with the responsibility of monitoring and evaluating development results, like the former Ministry of Plan Implementation operating, preferably, under the Head of State. Effective systems for institutional and individual performance appraisal will be developed to gain best results from the public service.
279. Performance appraisal will be linked to a system of recognition and appropriate rewards and performance will be linked to promotion prospects of all categories of staff. An institutional mechanism will be set up to reward better performers in the system. In respect of senior officers such as Secretaries for whom there are no further prospects of promotion, appropriate incentive methods (for example, a system of Presidential Awards) will be worked out.
280. The Ministry of Public Administration will take the leadership in setting up specialized human resource departments or cells supported by HRM Information Systems.
281. English language competency may be made compulsory for senior level positions. In order to implement these training programs adequate institutional innovations will be required together with required changes in existing public service training programmes.
282. The Sri Lanka Institute of Development Administration (SLIDA) will cover the training programmes for executive grades, and will receive the major emphasis for improvements. The Public Service Training Institute (PSTI) may be developed into a fully fledged training institute for non-executive grades. Management training units at the District level will be established in District Secretariats. Institution specific training will be the responsibility of the institutions concerned, but the available national and provincial training agencies may extend their support to individual institutions.
283. To facilitate better allocation of funds, the Ministry of Public Administration will prepare medium term plans, using the best techniques of programme and project analyses. Similar exercises must be undertaken by other government institutions in regard to institution specific training.
284. The Ministry of National Languages and Social Integration has taken the initiative to establish Workers' Councils, which has proved very effective in promoting productivity and non-corrupt public services in many countries with a social-democratic background. The feasibility of establishing such councils in all government institutions, with particular attention to their composition, role and legal status will be considered in consultation with employee organisations.
285. With regard to Management Reform Cells, the relevant reform processes and their intended outcomes will be identified so that the success or failure of each MRC could be gauged and timely corrective action taken, where necessary. The MRCs are headed by Secretaries of Ministries and by the respective heads of institutions. The Ministry of Public Management Reforms has sent out detail guidelines covering ten principal areas for compliance by the MRCs.

## 18. Mainstreaming Gender

### The Context

286. In Sri Lanka, a significant proportion of the female population remains outside the labour force. While three fourths of the working age male population is either employed or looking for work, only 36 per cent of working-age women are in the labour market. This is despite the fact that, thanks to free education policies, women are as well educated as men. Indeed, nearly half the number of all employed graduates is women, as are a little less than half of all those educated up to the GCE A-Level. Nevertheless, women's unemployment rate is twice that of men, and women with at least Advanced Level qualifications make up slightly more than a fifth of all unemployed people while equivalent men account for only less than a tenth. Underemployment among women is also much higher.
287. Job opportunities for women are limited to only a few sectors whereas men have a wider range to choose from. Rapidly growing sectors such as construction are largely male-dominated while social attitudes about appropriateness of jobs for women and issues of personal safety, transport and housing, constrain women from taking up jobs away from home.

**A significant proportion of women also remain outside the ambit of basic physical, social and financial infrastructure, lacking the opportunity to contribute to the current growth momentum.**

There is clearly a need for increased involvement of women, women's NGOs and women-owned SMEs and related associations in a dialogue on policy reforms and implementation strategies related to sustainable employment creation for women.

288. Whether there is gender-based wage discrimination in Sri Lanka is often debated. No statute in Sri Lanka reflects such discrimination in any form. However a variety of socio cultural and other reasons may contribute to gender pay gap across segments of the economy. These could be identified by a conduct of a new study.
289. Women workers are more vulnerable to sexual harassment at the workplace which is a criminal offence in Sri Lanka. Many enterprises have recognized the need to prevent sexual harassment of females and males at the work place and have adopted policies and procedures to this end.
290. Such issues discourage women from looking for work and may also account for low female participation rates. Many women are unable to seek paid employment because caring for children and elderly parents takes up most of their time. Decreasing family size and overseas migration have also increased the burden of unpaid care work on Sri Lankan women.

291. While these factors combined keep women from participating in the labour market, a tightening labour market situation conditioned by demographic changes and overseas migration makes it imperative that more women need to work in the monetized sectors of the economy if current economic growth rates are to be maintained, living standards are to rise, and savings are to be generated for the social protection of the current generation of working Sri Lankans. Policy measures such as those that follow are needed to enable women to participate in the labour market and access jobs that pay better wages.

### Policies

292. In order to enhance women's participation in the labour force, measures such as the following will be implemented:
- *Provision of incentives for setting up well-monitored crèches for young children and day care centres for the elderly. The Ministry of Social Services has already begun a programme to convert unused primary school*

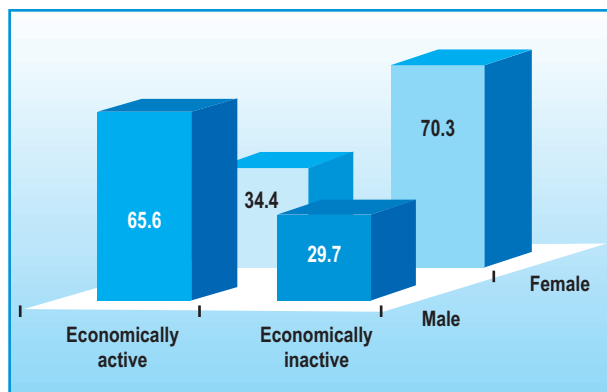


*buildings into day care centres for old people. This programme needs to be strengthened.*

- *Encouragement of more flexible work arrangements such as part-time work, and work that can be done online. Telecommunication and other infrastructure facilities necessary to support online working arrangements will be further developed.*
293. Through measures like the following, the accessing of better paid jobs can be facilitated for women in the labour force:
- *Investment in training women for higher skilled occupations such as in the IT sector, nursing, hospitality industry and driving;*
  - *Promotion of women's entrepreneurship development, enhancing the access to credit, technology, business knowledge and markets for women;*
  - *Provision of a secure environment by maintaining law and order for women to travel to and from work; and*
  - *Provision of safe and efficient transport services through public-private partnerships.*

294. Attitudinal changes will be promoted:
- *Sexism and gender stereotyping in the workplace ought to be discouraged.*
  - *The state's legal and institutional infrastructure will be strengthened to handle issues of discrimination and sexual harassment.*
  - *A more equitable sharing of the burden of care and household chores between men and women will be encouraged.*
295. A study may be conducted to identify any gaps in giving effect to provisions of the convention on equal remuneration for the work of equal value ratified by Sri Lanka and initiate remedial measures.
296. The knowledge base on the gender division of labour, employment and gender-related issues will be expanded through greater involvement of women's organizations. The findings of studies on these issues could be used to select priority areas with higher levels of women's involvement such as rural entrepreneurship, management and production and marketing of agricultural commodities such as spices and coir products where sustainable employment opportunities may be present.

**Economically active / inactive population by Gender - 2010**



Source:- Department of Censes and Statistics

297. Some of the sectors in the national economy to be promoted – e.g. tourism, ICT and health services – have been identified as high growth sectors with a high capacity to absorb educated young women.

**Sectors like ICT/ BPO, the expansion of which in Sri Lanka began relatively recently, have not yet been “gender stereotyped”.**

There are better opportunities to expand women's employment in such sectors than in those other rapidly growing sectors which have come to be treated rigidly as male sectors.

298. The measures like the following are likely to further help women in the labour market: (a) provision of especially designed job search assistance to women graduates whose networks are even less well-developed than those of men; (b) use of mentorship programmes within schools and universities for female students; and (c) measures to encourage private sector, particularly the large corporate firms to increase recruitment of female graduates and placement of more women in management trainee programmes.
299. At least in the next decade or so, a special category of the female workforce, namely the large numbers of war widows, demands the attention of the society and the government. The programmes earmarked for female workforce will be offered to this group of vulnerable women with specifically worked out subsidy arrangements (e.g. subsidised micro-credit facilities) together with available social service packages.
300. The establishment of a social security system will be considered for the benefit of self-employed women. A fund will be set up with contributions from the self-employed women. The social security system will be implemented through this Fund.

## 19. Labour Market Information and Employment Services

### The Context

301. The data needed by policy-makers dealing with employment issues on the one hand, and by educational and training authorities to plan, organise and operationalise programmes of education, training and skills development on the other, are not readily available in Sri Lanka. The skills development activities in this context need to meet the local demand, as well as the demand created by migration for temporary foreign employment and losses through brain drain. Policy action to collect and analyse labour market information (LMI) is thus needed to effectively assess, estimate and monitor the rapidly changing demand for skilled human resources over a wide range of skills.
302. There are a variety of users of LMI – employers, job seekers, training institutions, public institutions in policy making, regulatory and promotional roles and so on. Different groups among these prospective data users will be using LMI for a variety of purposes. Access to robust labour market information is a key element in the overall functioning of a labour market.
303. The Government has strengthened the systems in place for collection and compilation of human resources data. But there are still major data gaps.

**A labour market information system that is demand driven and of a multi-purpose nature is needed and it is yet to be fully developed.**

The LMI system planned should produce regular, timely and relevant labour force, employment and human resources information to meet the needs of the variety of users of the relevant information noted in the foregoing paragraph in both government and private sectors. These are the institutions having responsibility for human resources development and employment creation programmes. Employers who are planning changes in production structures of their firms need LMI data to manage their industrial and service enterprises. Institutions having the responsibility for producing LMI data are in a highly decentralized form and they require mechanisms for coordination of the data collection and compilation activities. Arrangements to pool the data that have been gathered are required so that data users could easily access them.

304. In Sri Lanka, an Employment Exchange Scheme operated from the 1940s to the mid-1970s, dealing only with manual unskilled and skilled workers in a small segment of the public sector. The Job Bank Scheme introduced later applied to a limited proportion of lower and middle level openings in the state sector. This was not

utilized by the private sector. Both these schemes had numerous weaknesses and were later discontinued. This previous experience in operating employment service in Sri Lanka, however, is of little use as a guide to introduction of a new comprehensive Public Employment Service (PES).

305. A PES could be used in activities related to registration for employment. The mandate of the PES wherever such institutions operate is facilitation of job matching rather than placement in jobs. This avoids the perception that PES is responsible for finding jobs for people, which is more likely to be the role of private recruitment agencies. It could also serve as a platform to operationalise contributory social security and pension schemes, as well as to generate an LMI. A PES could also help undertaking career guidance and counselling services and in the identification and promotion of employment for vulnerable groups.



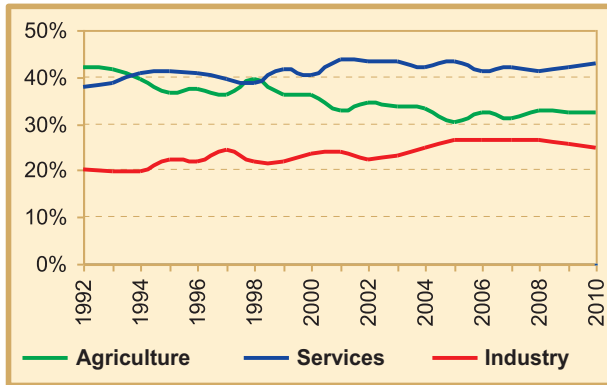
### Policies

306. The Quarterly Labour Force Survey (QLFS) of the Department of Census and Statistics (DCS) is the primary source of data on labour supply and demand. Its current sample size of approximately 25,000 households geographically spread across the country is inadequate to provide disaggregated estimates at occupational and industry sub-sector levels for employment analysis, human resource planning and employment counselling. Financing required to enhance the sample size of the LFS will be provided through the government budget.
307. That information pertaining to local labour demand is not systematically made available to those who need it is a constant complaint. Arrangements to collect and disseminate information about labour demand will address this complaint.



308. Arrangements will be made to enable the authorities to release the data files pertaining to the QLFS, other such surveys and the census programme to users ensuring confidentiality and integrity of individual data sets so that these users could undertake their own detailed analyses.

**Employed population by major industry group—1992 - 2010**



Source:- Department of Censuses and Statistics

309. LMI data, including those related foreign employment, as currently produced remain scattered with many data producers, and users find it difficult to locate and access these. The establishment of an appropriately located repository for LMI data is suggested. Provision of data by all data producers to the designated repository could then be ensured. This would help in the preservation of the data and optimisation of user access to databases. This could also facilitate the standardisation of data collection (e.g. through the adoption of guidelines on procedures, definitions and classifications).
310. With the improvement in the employment situation recorded recently, labour shortages have been experienced in specific occupations and skill grades. The establishment therefore, of a PES scheme would help improving labour utilization and raising incomes and living standards of a wide cross-section of the community. It could also contribute to raising the national output.

**A PES would also assist in mobilizing the human resources needed to implement the Government's five-hub-strategy of development and would provide labour market signals on skill needs and emerging skill shortages to help in the intermittent reviews of skills training programmes.**

311. The need and desirability of a PES is accepted and understood. But if it is set up with its mandate being defined as placement or getting the registrants into jobs people may soon lose interest in it if the number of registrants in the PES exceeds by a multiple of the job openings sourced. What a PES could do is to improve the employability of job seekers and to assist employers to more accurately identify skills and competencies of new job applicants. In other words, the PES facilitates job matching. In any case, when the government establishes a PES, registrants seeking jobs are likely to consider it as a placement agency. To begin with, therefore, the operation of a restricted registration scheme appears to be desirable. The PES could initially operate a pilot project covering selected occupations and selected DS Divisions in Districts in order to test the organization, systems and procedures. Experiences so obtained would facilitate the build-up of a nationwide programme, covering all principal occupational segments.
312. HRD functions and activities are distributed and spread over a large number of government agencies. A strong central body with adequate statutory and administrative authority is required for coordination of all these functions. Such a body will be essential not only for the successful production and dissemination of LMI, design, implementation and administration of a PES and establishment and operation of Public Social Security Schemes. Whether it would be appropriate for the LMI system to be housed under the same Ministry as the PES will be carefully deliberated on before firm decisions are made on the subject. The central agency to be set up could also oversee career guidance and counselling programmes and many other functions related to education, higher education and vocational and technical training.



## 20. Social Dialogue Institutions and Labour Relations

### The Context

313. Social dialogue institutions and labour relations constitute a vital component of any human resources and employment policy providing the necessary human centric components. These institutions are responsible for the maintenance of industrial and labour relations. A content labour force enjoying a decent work environment with sound labour relations geared to productive employment is what these institutions are expected to produce. Workplace co-operation will create a healthy environment for social dialogue institutions. In this regard, the management of enterprises should engage in periodical dialogues with trade unions and other worker organisations to resolve outstanding issues and differences of opinion in a friendly atmosphere, before such issues lead to disputes requiring intervention of authorities.

**314. There is a declining trend in unionization in Sri Lanka as it is with other countries of the region. The main contributory factor may be the loss of bargaining strength by trade unions.**

315. A widely heard comment is that Sri Lanka's labour related social legislation is rigid in nature. The legal provisions relating to labour and employment are said to be complex and extensive.

316. Export Processing Zones (EPZ) in the country belongs to special category in this regard. In these Zones the allegation is levelled against employers that they discourage the formation and functioning of trade unions within these Zones, but encourage promotion of Employees' Councils which are employer-biased.

317. It is believed that all partners in social dialogue, namely the trade unions/worker groups, employers and government officials, have limitations in the ability to effectively handle matters at discussion in forums involving labour related matters. Moreover, in the cases related to industrial disputes and other labour related issues, many trade unions cannot afford to be represented by lawyers. In this scenario, all stakeholders require training in various disciplines pertaining to labour administration.

### Policies

318. Strengthening employer-employee relations is the key to ensure healthy industrial relations and it is imperative to bring about mechanisms to assist dispute prevention than dispute settlement. The provisions in Industrial Disputes Act need to be reviewed in such a way to give protection to the workers and employers to achieve the goals of industrial relations. Anti-trade union actions where it prevails should be discouraged and prohibited.

319. The employer and the trade unions or organizations of workers should endeavour to maintain cordial labour relations at all levels. The recognition of trade unions or worker organizations is vital although there is no general provision in labour law granting recognition to these organizations. However, the Industrial Disputes Act for the purpose of collective bargaining stipulates that a trade union having 40 per cent of membership at the work-place ought to be recognised for collective bargaining purposes. Nevertheless, to maintain cordial labour relations and workplace co-operation the employer should encourage collective bargaining even with trade unions with less than 40 per cent membership. Action would be initiated to formulate legal provisions in consultation with all the stakeholders that would facilitate maintenance of industrial harmony through recognition of workers' and employers' rights and obligations at the workplace in a manner that would create an environment conducive to the generation of employment and sustained enterprises in Sri Lanka.



320. The trade unions, recognised as democratic institutions that are necessary and useful to maintain cordial relationships between workers and employers. Trade unions are expected to maintain transparency, accountability and responsibility in their activities. A trade union convention held at national level could examine the issues behind the declining trend in unionisation and make proposals to resolve them.

Labour Productivity Major Economic Sector			
	2009	2010	2011 (a)
<b>GDP at Constant (2002) Prices, Rs.million</b>	2,449,214	2,645,542	2,863,854
Agriculture	295,097	315,610	320,346
Industry	701,129	760,334	838,932
Services	1,452,988	1,569,598	1,704,576
<b>Labour Productivity, Rs.'000 per person (b)</b>	322.2	343.3	362.8
Agriculture	119.2	125.3	123.1
Industry	367.1	407.3	438.1
Services	451.8	472.8	504.3

(a) Provisional  
(b) Based on employment data excluding the Northern Province.

Sources: Department of Census and Statistics  
Central Bank of Sri Lanka

321. Labour rights concerning vulnerable segments, e.g. poor and unskilled workers, women, young persons, disabled and sick persons in employment and domestic workers need to be protected and promoted. Their interests ought to be looked after in terms of statutory provisions.
322. The employers in EPZs will be encouraged to provide adequate facilities to trade unions that are active in EPZs to represent workers' interests. These employers need to respect trade unions and their functioning must be allowed as the trade union is the legally recognized social dialogue institution for workers. The BOI would strengthen the facilities accorded to workers and trade union leaders to meet and discuss matters pertaining to trade unions freely and in privacy, particularly in the "facilitating centres" of EPZs.
323. Many priority issues concerning labour relations are under discussion. Of these, the need for establishing a "Pension Scheme" and an "Insurance Scheme" (to cover health and accidents) for the private sector including the public corporation sector is highlighted. Despite many constraints in the establishment of such contributory schemes, it is inevitable to establish them in the light of growing demand with the ageing of the population in the country. As the initial step the scheme may be of voluntary nature.
324. Generally, it is alleged that contract labour practices are obstacles to security of employment. While noting the existence of such innovative practices to meet the growing business challenges, measures will be taken to provide security of employment to existing workers. Action also will be taken to formulate an unemployment benefit scheme that provides income support to the workers who lose their jobs in such processes, and make available re-training facilities to encourage them to enhance their skills and competencies to enhance their employability in the rapidly changing world of work. Active labour market policies and programmes would be introduced to ensure security of employment.
325. Adequate provision will be made to accommodate different types of employment – e.g. part time work, working from home, working on assignment basis etc. – within the contract of employment between the employer and the employee.
326. While granting that increasing flexibility of labour laws and regulations is needed, the government believes that a detailed study in this regard is needed at the tripartite forum, NLAC. This would be commenced upon reaching a consensus among employees (trade unions), employers and the government. By identifying all provisions that appear to be rigid (examples: provisions regarding five-day week, restriction of night work for women workers after 8.00 p.m. particularly for the BPO sector) the related statutory provisions may be relaxed. In doing so, international labour standards set out in ratified ILO Conventions will be adhered to.
327. In the event of breakdown of industrial relations, leading to industrial disputes, the Commissioner General of Labour will initiate steps to settle the disputes concerned in terms of statutory provisions. An alternative dispute settlement mechanism is available in the Industrial Disputes Act. Except for conciliation, however, all the other procedures laid down in the Act are time consuming and result in delayed relief or redress granted to workers. Identifying these drawbacks the mechanisms have to be strengthened statutorily and by other means.
328. Strengthening of the National Labour Advisory Council – the most effective tripartite forum – will facilitate building of tripartite consultation at national level. This forum need to be streamlined, as the apex body to decide the labour policy and the mechanism to review, modify and re-frame the labour policy of the country. The district-level tripartite consultation forum now available will be strengthened to facilitate freedom of association and to extend labour relations beyond enterprise level.
329. The worker training programmes, at present now mostly centralized, will be decentralized and expanded to cater to workers, management representatives and to officials dealing with labour matters. In this regard, the Department of Labour, National Institute of Labour Studies and the National Institute of Occupational Safety and Health would conduct collaborative training programmes for different sectors.
330. Social dialogue for public sector employees will be strengthened in parallel with that for private sector employees. A critical review could identify the constraints in unionization of the public sector, in respect of matter such as formation, membership, qualification, affiliation and federation. Through consultation and compromise, action will be taken to relax the existing rigidities. A national-level committee appointed for this purpose could undertake this task and recommend to the Government, having called for the views of the general public, public officers and other organizations, how best the rigid provisions could be relaxed in the Trade Unions Ordinance.

## 21. Wages

### The Context and issues

331. Sri Lanka recognizes that the National Human Resources and Employment Policy must ensure not only mere jobs, but jobs that are productive and decent. In this sense wages question is a key variable the policy must address. This implies that the economy and the labour market will have to meet the dual challenge of providing productive employment opportunities to the unemployed and the annual entrants into the labour force, while at the same time increasing the levels of productivity and incomes for the large numbers of working poor.
332. The tripartite relationships involving the Government, employers and trade unions need to be improved to strengthen the wage fixing systems. There is no guarantee of minimum earnings for informal sector workers. Neither are they covered by any other assistance scheme, except for the package they are given under the Samurधि scheme.
333. The Wages Boards Ordinance and the Shop and Office Employees Act provide the legal framework for the fixation of minimum wages. Under the Wages Boards Ordinance, currently, 43 Wages Boards have been established, and these Wages Boards determine the minimum wages of respective trades. However, the mechanisms of minimum wages in the Shop and Office Act are inoperative. Hence, a large number of workers who are not covered under the decisions of the 43 Wages Boards do not benefit from the minimum wages system.
334. Data reflect high degree of income inequality as shown by the GINI coefficient remaining at a high level of 0.49 (2009/10). Data also show significant disparity between regions. Reports have indicated a gender gap in the informal sector in spite of the minimum wages in the formal sector determined by the Wages Boards system. These need to be addressed.

335. Wages of majority of less-skilled workers in the private sector are lower than the corresponding categories of workers in the public sector. The gap narrows, and even reverses, as the skill levels go up. However, certain industries in the private sector encourage the workers with incentives and other benefits over and above the minimum wage, such as production incentives, attendance incentives, meals, transport etc.
336. The minimum wage as determined by the Wages Boards can be different from the actual market wage. The minimum wage cannot be increased easily given the adverse effects it would have on the capacity of SME employers to pay. Wage bargaining could address this issue, if collective bargaining is improved.
337. A productivity/performance based wage system is considered an effective tool in enhancing productivity and the country competitiveness. Incentives will be provided to firms for adopting a "productivity linked wage system". Some enterprises do have such performance based wage

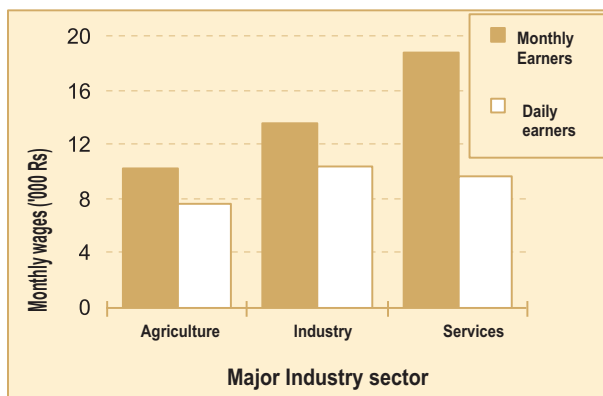


systems to enhance productivity. The employers need to be encouraged to formulate such wage systems in consultation with workers' organizations.

### Policies

338. The wage policy of Sri Lanka will basically strike a balance between generation of employment and productivity improvements, and ensuring decent wage and livelihood conditions for all men and women, including those who work in the informal economy. In the attempt to build up a productivity linked wage system, attention will be paid to introduction of practices of sharing productivity improvement gains between employers and employees.
339. The wage policy would be based on the balanced use of different but mutually complementary tools that are available. In order to prevent non-payment of wages or adoption of discriminatory practices a legislative framework will be developed.

Average gross wage/salary by major industry group - 2010



Source:- Department of Censuses and Statistics

340. A national minimum wage for the private sector will be considered. This will be discussed and agreed through an appropriate tripartite process involving employers, workers and the government. This would involve something like the “National Wages Commission” proposed in the National Workers' Charter of 1995. The national minimum wage would cover all private sector workers and would act as a “wage-floor” to these workers, including those who are not covered by the Wages Boards system. This also would be used as a reference for wage fixing in the informal sector as well.
341. The Wages Boards system would continue to negotiate sectoral minimum wage and would go into greater details of wages such as those of unskilled, semi-skilled and skilled workers while taking into consideration the differences from one trade to another.
342. In order to enhance effectiveness, and to remove the complexities involved, the operations of the wages boards system as at present would be simplified, with the coverage extended.
343. Sri Lanka is obliged to promote and strengthen collective bargaining as a result of ratification of the relevant ILO conventions. Having a long history of collective bargaining, Sri Lanka considers that it is the most effective way to reduce the gap between minimum wages determined by the Wages Boards and the market rates, and in turn reduce poverty of low paid workers. The wage agreed upon through collective bargaining would be acceptable to both parties, and would be always higher than the minimum wage. This is also a tool that would address the issue of capacity to pay by the employer. Actions would be initiated to promote collective bargaining both at the sectoral level and at the enterprise level.
344. One of the key objectives of formulation of the National Human Resources and Employment Policy is to enhance Sri Lanka's competitiveness. Increasing productivity of labour is considered imperative in realizing this objective. In this context, employers and workers, and their organizations, would be encouraged to adopt performance/productivity based wage components.



## 22. Social Protection

### The Context and Issues

345. Policy actions in the two areas of employment and social protection are mutually reinforcing and promote pro-poor growth. Better and more productive jobs lead to higher incomes, allow social spending by poor workers and help finance social protection. Social protection improves the productivity and employability of poor people and stabilizes and increases the incomes and links short-term coping strategies with longer-term growth enhancing and poverty reduction strategies. Combinations of measures promoting social protection and employment will help protect the most vulnerable while also promoting longer-term sustainable development.
346. Social protection and social security refer to measures which are designed to address the vulnerability of individual workers and their families to those contingencies which lead to loss of income-earning capacity and/or need for health care. A variety of reasons may produce such losses of income-earning capacity – old age, sickness, maternity, unemployment, disability, occupational accidents and diseases.
347. The existing social security system of Sri Lanka is fragmented and comprises of fairly well-established schemes of old age pensions and of lump-sum payment at retirement for public officers and workers in the formal private sector and their dependents, and voluntary schemes for workers in the informal economy. Besides, there are schemes which cover disability, health care, and social safety nets targeting the poor.

**348. There are gaps in the coverage of existing schemes in terms of the range of contingencies set out in ILO Convention 102 on Social Security, and the number of persons effectively protected.**

Many contingencies are covered on a universal basis (health care) or covered under one scheme or another (old age, disability, survivorship). Some contingencies are only partially covered (disability, maternity, workmen's compensation) and others not at all (unemployment). The increasing life expectancy and the breaking down of family based social protection, increasing living standards, slow growth of real employment incomes and rising cost of living have drawn attention to the need for improving the coverage of social security programmes which currently cover less than one third of the total employed population.

349. Participation in existing social security schemes is not comprehensive. This gap could be explained by factors like the lack of knowledge or interest on the part of eligible workers, and inability to pay the due contributions and deliberate evasion on the part of employers due to weak enforcement.
350. Except for a few schemes including the public officers' pension scheme, the social security schemes are contributory schemes and provide benefits in lump sum, rather than periodic payments. Lump sum payments are unable to generate a flow of adequate income regularly after retirement, basically due to low levels of wages and therefore contribution made during the period of employment.
351. Under the present schemes, there is no protection against unemployment. For the effective implementation of a Human Resources and Employment Policy, an unemployment benefit scheme which would provide not only cash or income benefits but a package of services including counselling, training and re-training, and job placement services is considered imperative.
352. As at present, payment of maternity benefits is an employer's liability and not through a social insurance scheme as set out by ILO Convention 103 on Maternity Protection which has been ratified by Sri Lanka.



353. Sri Lanka is also one of the fast ageing societies in the world posing significant social protection challenges. The sustainability of these schemes and the supply of appropriate conditions of well-being to people are major issues.
354. The coverage of workers in the informal economy is insufficient, in the face of increased risks to which those workers are exposed. Existing social protection schemes must be expanded to ensure access to some form of income security to all.
355. In view of the recent global fuel, food and financial crises, and recurrent natural disasters, the need for a strong social security system based on solid principles became more important to prevent people becoming destitute, and to provide employers with some labour market flexibility during such times.
356. A matter of growing significance in this subject area concerns the HIV/ AIDS problem. Despite the low level of incidence in Sri Lanka, the spread of HIV/ AIDS has the potential to negatively affect employment if not controlled

at this early stage. The affected workers face high healthcare costs, and the threats of termination, lower wages, social isolation and discrimination. Steps taken early will reduce the impact of HIV/ AIDS in the world of work and the national economy as a whole.

## Policies

357. Sri Lanka recognises the need to adopt a comprehensive social protection policy providing protection to all on different contingencies as set out by ILO convention on Social Security (Minimum Standards), within the overall context of employment. Sri Lanka has a number of social protection schemes as noted and some integration of these different schemes is to be planned.
358. A common vision or perspective is critical if social security benefits are to be extended to all. The integration of existing social security schemes, developed in parallel by several ministries and agencies is considered imperative. Integration of the schemes will contribute to streamline their administration and to increase overall cost-efficiency and effectiveness. Such integration also has the potential to guarantee the portability of benefits among different schemes.
359. Actions will be initiated to enhance effectiveness, efficiency and sustainability of the Employees Provident Fund and the Employees Trust Fund, the existing social security schemes of the formal sector workers, by rationalizing the regulatory procedures, enhancing benefits under the schemes, expanding the scheme to cover all eligible workers, and better fund management.
360. Recognizing the disadvantages of payment of lump-sum benefits in ensuring a continuous flow of income for the formal sector workers under the Employees Provident Fund and the Employees Trust Fund Schemes, appropriate studies would be undertaken to ascertain the feasibility of establishing a pension scheme for the workers in the formal private sector.
361. Recognizing the significance and the potential of existing social security schemes in the informal sector, such as the Farmers' Pension Scheme, Fishermen's Pension Scheme and the Self-employed Persons' Pension Scheme, a study would be undertaken to ascertain their shortcomings and to take remedial measures.
362. Social assistance programmes and arrangements of the government have only a few links to the labour market. These links will be improved to enhance employment prospects and formal social security.
363. With a view to removing discrimination in providing maternity benefits to women workers under different legislative provisions and to ensure Sri Lanka's obligations to the relevant ILO convention a tripartite process will be initiated to transform the present scheme of benefits from an employer liability to a payment from a social insurance scheme.
364. Absence of an unemployment benefit scheme is a major gap in the social security schemes in Sri Lanka. Such a scheme would be planned and implemented as it would be beneficial in meeting the needs of redundant workers at times of enterprise restructuring and in providing the employers greater labour market flexibility. It will, however, not be used to replace all worker protection.
365. In realizing a vision of universal social protection, action will be initiated for the establishment of a basic "social protection floor" which would offer a package of benefits that would ensure: access to basic health care; income security to all children at the level of appropriate poverty line providing access to nutrition, education and care; targeted income support to the poor and the unemployed in the active age group; and income support to all residents in old age, or those with disabilities.
366. With regard to HIV/ AIDS in the area of employment, the commitment to safeguard and respect worker's rights and to ensure equal employment rights through the creation of an enabling environment free of stigma and discrimination will be continued and further strengthened.

## 23. Institutional framework: Implementation, Monitoring and Coordination

367. Whilst formulation and adoption of this policy is important, improvement in the human resource and employment situation in Sri Lanka will come only if there is a clear and coordinated approach to implementation. Not only must implementation of the policy be based on a strategy and action plan, it must take into account the need for a coordinated and integrated approach in implementation.

368. While the NHREP will lay down the overall policy framework and direction for action, the public service will be geared to translate them into action plans, with institutional arrangements for their implementation, coordination and continuous evaluation of results. Implementation involves close monitoring of progress in terms of inputs, processes and outputs, as well as, where necessary, course correction in order to ultimately achieve the desired results.

369. The depth and breadth of policy recommendations stated in this document warrant a strong institutional mechanism that can involve a range of government ministries and other stakeholders. Human resource and employment issues cut across many sectors and it is important that implementation does not take place in a piecemeal manner.

**If Sri Lanka is to achieve the status of 'Wonder of Asia', human resource and employment policies must be mainstreamed into all relevant policy areas.**

370. Implementation of this policy will be led by the Senior Ministers' Secretariat, under the overall guidance of a National Steering Committee. Relevant subcommittees will be set up for policy implementation. The Senior Ministers' Secretariat will create awareness amongst the public about the NHREP, and obtain feedback in order to refine and build up relevant strategies and action plans for implementation. The strong ownership, commitment and active participation of all stakeholder organizations is required for successful implementation of the policy. The role of workers' and employers' organizations and the importance of their commitment for successful implementation need stressing. A close liaison among

industry, the TVET sector and secondary schools represented by school career guidance teachers is essential. At the level of the government itself, coordination among many ministries, departments and other public sector agencies is necessary.

**The diversification of post-secondary education, for example, requires increased coordination among all ministries responsible for education and training (e.g., Ministries of Education, Higher Education, and Youth Affairs and Skills Development).**

Hence, the Secretariat will work in close collaboration with all relevant stakeholder organizations in formulation of the implementation strategy and action plan with suitable indicators and targets to be used for monitoring purposes. A Coordination Unit will be set up at the Secretariat to manage the implementation process.

371. The implementation mechanism will include the following:
- *formulation of an implementation strategy and action plan on the basis of the NHREP;*
  - *establishment of a National Steering Committee to guide the implementation of the action plan;*
  - *establishment of sectoral sub-committees to the National Steering Committee;*
  - *establishment of a Coordinating Unit at the Senior Ministers' Secretariat to ensure successful implementation of the action plan; and*
  - *development of employment impact assessment guidelines and establishment of a monitoring mechanism for the implementation of the action plan.*

The National Steering Committee will comprise representatives from public and private sector institutions, employer organizations, trade unions, academia and consultants. In addition to overseeing the implementation of the action plan, the National Steering Committee will also identify important milestones and targets, and will monitor the progress of the action plans. The Coordination Unit at the Senior Ministers Secretariat will coordinate the range of activities to be implemented by other ministries and stakeholders. It will also monitor and conduct regular progress review studies in a timely and efficient manner.

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30. Ms. Shyama Salgado



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