

**Additional Bulletin of Labour Force Statistics in Sri Lanka**

**Literacy, Household Economic Activities, Informal Sector Employment and Underemployment**



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Bulletin of the first quarter 2006 Sri Lanka Labour Force Survey has already been published with the information on employment, unemployment and labour force in Sri Lanka, with detailed tabulations on some selected variables.

However, some improvements were made to the Labour Force Survey schedule in order to fulfill the requirements of its users and also to provide additional information for the national planning purposes. This revision was made focusing on literacy, household economic activities, informal sector employment, Informal employment and under employment etc. Therefore, this is an attempt to analyze information on newly added topics, which are mentioned above, with some important classifications. However, it should be noted that, the key findings from these newly added topics, especially on the “informal economy” are being presented in this additional bulletin. This provides a statistical picture of the “Informal sector” in Sri Lanka. It is only a beginning however, more work is needed in developing methods for the collection of data on the “informal economy”.

**Literacy**

In order to provide information for educational planners, especially in developing countries, literacy is an important variable regarding the issues such as improvement of the educational system, increasing the educational related programs etc.

It should be noted that, so far, information relating to literacy was collected only from the Census which is generally conducted once in 10 years time.

As labour force surveys are often conducted at a higher frequency than the other surveys, it was decided to include the questions on literacy in order to provide quarterly estimates for the data users and for the policy makers.

**Table 1 :Literacy rate by sex and sector**  
**First Quarter, 2006**

Sri Lanka	Sector	
	Urban	Rural
91.4	94.0	91.0
	Sex	
	Male	Female
91.4	93.1	89.8

Situation in the urban sector, in relation to literacy, is slightly better as compared with the rural sector. Also, literacy rate of males is relatively high when compared with that of females.

1. Bringing Firewood, 2. Bringing water from outside,
3. Engaging in a repairing work in own house or building.

**Household Activities**

Based on the expert discussions regarding the revision of the System of National Accounts (SNA) boundary, it was agreed that carrying water, bringing firewood for their own consumption and construction and major repairs or alternations of dwelling and farm buildings, undertaken by owners should be included within the production boundary. As such, some questions were included in the Labour Force schedule in order to get the information on time spend on these specific household activities.

On the other hand it was observed that, this scenario depends on the country’s situation and therefore, in Sri Lanka, persons who are engaging only on these specific activities were not considered to be included in the labour force. However, detailed analysis was done to see a clear picture on this, and alternative estimates are provided by including persons who are engaged in household activities spending 15 hours or more per week, in the labour force.

**Table 2 : Time spend on household activities**  
**First Quarter, 2006**

Household Activity	Time spend (Hrs per week)					
	Total		0 - 9		10+	
	No.	%	No.	%	No.	%
Total	1629660	100.0	1390898	85.3	238762	14.7
1	924961	100.0	824171	89.1	100790	10.9
2	651341	100.0	529755	81.3	121586	18.7
3	53358	100.0	36972	69.3	16386	30.7

**Table 3: Alternative estimates for employment rate  
First Quarter, 2006**

Total labour force	Employed	Employment rate (%)
7627761	7081435	92.8
7745653*	7221231 *	93.2 *

\* By including persons who are engaged in household activities spending 15 hours or more per week, as to be employed.

### Informal Sector

The Informal Sector represents an important part of the economy and the labour market in many countries, especially developing countries; thus, measurement of the informal sector is important in their own right as well as contributing towards exhaustive estimates of GDP. Further informal sector plays a major role in employment creation, production and income generation.

Since its first appearance in the early 1970's the term "informal sector" has become so popular and nowadays it is used with different meanings for different purposes. Originally it referred to a concept for data analysis and policy making. Now it's sometimes used in a much broader sense to refer to a concept for the collection of data on activities not covered by the existing, conventional source of statistics.

A review of national statistical definitions of the informal sector shows that presently they do not always fully correspond to the international definition adopted by the 15<sup>th</sup> International Conference of Labour Statisticians (15<sup>th</sup> ICLC) and the System of National Accounts (SNA) 1993.

However, the international comparability of data on the informal sector is affected by national differences in data sources, in the geographical coverage of surveys, in the branches of economic activity covered etc. Therefore, criteria which is to define the informal sector vary among countries. However, most of the countries tends to collect informal sector information, especially those using labour force or other household surveys for the measurement of employment in the informal sector, were advised by the experts that use the criteria of **registration of the organization, accounts keeping system and size of their organization.**

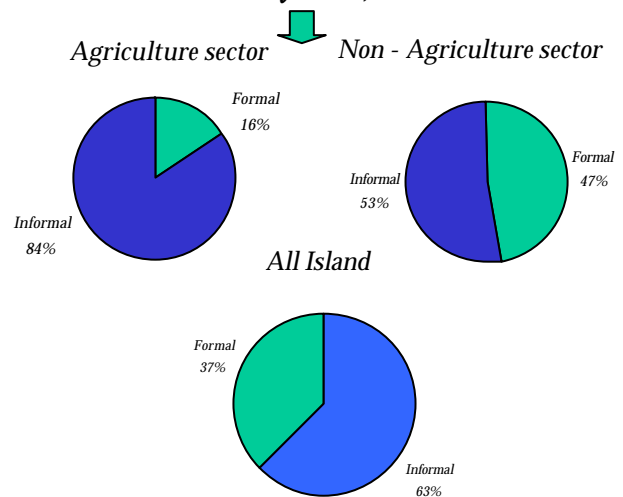
In such situation, Department of Census and Statistics observed the necessity of having informal sector information, and therefore, after carefully reviewing of LFS schedule with the assistance of ESCAP advisor, relevant questions were included in the LFS schedule to collect the information relating to the informal sector on the following items.

1. Registration of the organization
2. Accounts keeping practices of the Organization
3. Total number of regular employees of the organization

**Table 4: Composition of employment by economic sector  
First Quarter, 2006**

	Total		Formal sector		Informal sector	
	No.	%	No.	%	No.	%
Total employment	7081435	100.0	2586195	36.5	4495240	63.5
Total non-agricultural employment	4735114	100.0	2216877	46.8	2518237	53.2
Total agricultural employment	2346321	100.0	369318	15.7	1977003	84.3

**Figure 1 : Distribution Informal / Formal employment by Agriculture/non-agriculture sectors  
First Quarter, 2006**



**Table 5: Employment by economic sector by sex  
First Quarter, 2006**

Sex	Sector					
	Total		Formal		Informal	
	No.	%	No.	%	No.	%
Total	7081435	100.0	2586195	100.0	4495240	100.0
Male	4634156	65.4	1545772	59.8	3088383	68.7
Female	2447279	34.6	1040423	40.2	1406857	31.3

Figure 1 shows that, in Sri Lanka 63% of the total employment is in the informal sector. It is also revealed that, in Sri Lanka, Agriculture sector comprises 84 percent of informal sector employment and the balance 16 percent is formal sector employment. This relatively high percentage of formal sector employment (16 percent) in the agriculture sector, may be due to the reason that, there are some plantation workers, who are working in estates, which are managed by the government owned large plantation companies.

**Table 6 : Employment by level of education and by economic sector  
First Quarter, 2006**

Level of education	Sector				Total	
	Formal		Informal			
	No.	%	No.	%	No.	%
Below Gr. 5	332858	21.3	1231830	78.7	1564688	100.0
Gr. 5 - 9	926416	27.7	2421398	72.3	3347814	100.0
G.C.E.(O/L)	582653	49.0	606646	51.0	1189299	100.0
G.C.E.(A/L) & above	744267	76.0	235366	24.0	979634	100.0
Total	2586195	36.5	4495240	63.5	7081435	100.0

As shown as table 6, it is clearly revealed that, employment in the formal sector is more contributed a higher level of education while it is the opposite for informal sector employment.

**Table 8 : Average monthly \*Salary (per month)  
of the employees by economic sector  
First Quarter, 2006**

(Rs)

Industry	Sector		Total
	Formal	Informal	
Agriculture	4061	3846	3948
Non - agriculture	11167	5738	9120
Total	10136	5287	8174

\* Including, income in kind

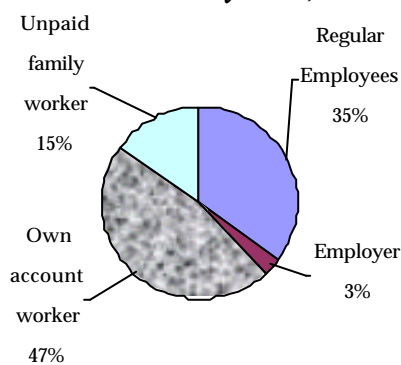
**Table 7: Distribution of employment by employment status  
and by economic sector- First Quarter, 2006**

Status in Employment	Formal sector		Informal sector		Total	
	No.	%	No.	%	No.	%
Regular Employees	2341472	90.5	1576430	35.1	3917902	55.3
Employer	82390	3.2	140938	3.1	223331	3.2
Own account worker	129304	5.0	2107624	46.9	2236933	31.6
Unpaid family worker	33030	1.3	670247	14.9	703278	9.9
Total	2586195	100.0	4495240	100.0	7081435	100.0

Regarding the different status of employment, it's noticeable that, 47 percent of the total informal sector employment are own account workers while, 91 percent of formal sector employment are regular employees.

Superiority of (i) non-agricultural sector as compared to agricultural sector and (ii) formal sector as compared to informal sector, in terms of average income, is clearly evidenced in table 8 above.

**Figure 2: Distribution of informal sector employment by  
employment status and by economic sector -  
First Quarter, 2006**



Looking at the occupational breakdown of formal sector and informal sector employment, it is obvious that regarding skilled agricultural and fishery workers, only 2 percent belongs to the formal sector. Again by economic sector, outside of "agriculture" occupation group, "Craft and related workers", "Plant and machine operators and assemblers", "Elementary occupations" groups are seem to be more important in informal sector than formal sector.

**Table 9: Distribution of employed population by their  
main occupation and economic sector- First Quarter, 2006**

Occupation	Sector				Total	
	Formal		Informal			
	No.	%	No.	%	No.	%
1	*		*		124707	100.0
2	277076	82.6	58501	17.4	335577	100.0
3	339664	86.4	53687	13.6	393351	100.0
4	234860	86.8	35699	13.2	270559	100.0
5	141893	25.9	406749	74.1	548642	100.0
6	204792	39.1	318726	60.9	523518	100.0
7	29540	1.8	1587526	98.2	1617066	100.0
8	374703	31.3	823845	68.7	1198548	100.0
9	185344	40.0	277975	60.0	463319	100.0
10	642742	40.9	927544	59.1	1570286	100.0
0	*	*	*	*	35861	100.0
Total	2586195	36.5	4495240	63.5	7081435	100.0

\* Cell size is not adequate to provide reliable estimates.

**Occupation group**

- |   |  |
|---|--|
| 1 Senior Officials and Managers           | 7 Skilled Agricultural and Fishery workers   |
| 2 Professionals                           | 8 Craft and Related workers                  |
| 3 Technical and Associate Professionals   | 9 Plant and Machine operators and Assemblers |
| 4 Clerks                                  | 10 Elementary occupations                    |
| 5 Proprietors and Managers of Enterprises | 0 Unidentified                               |
| 6 Sales and Service workers               |  |

## Underemployment

The importance of the concept of Under-employment has long been recognized. At the international level, the concept was accepted at the Sixth International Conference of Labour Statisticians ICLS (1948). According to the 1966 ICLS resolution, “underemployment” exists when a person’s employment is inadequate, in relation to specified norms or alternative employment, account being taken of his occupational skill (training and working experience)”.

Two principal forms of under-employment are distinguished: visible underemployment and invisible under-employment. Visible under-employment, reflecting an insufficiency in the volume of employment, and invisible under-employment, characterized by low income, under utilization of skill, low productivity and other factors. The 1982 ICLS resolution recognized, however, that “for operational reasons the statistical measurement of underemployment may be limited to visible underemployment”. It refined the definition and introduced an approach to combine the measurement of visible underemployment with that of unemployment.

Underemployment has particular relevance in developing countries, notably in connection with agriculture. It has been observed that measurement of underemployment has mostly been recommended for describing the employment situation in developing countries.

### Criteria for classification of underemployment

*In order to classify an employed persons as visibly underemployed,*

(i) If the person has worked less than the normal duration in his/her main activity

In Sri Lanka scenario, 35 hours per week is taken as the cut-off point applicable to all workers, except government teachers, as in practice, though teachers do have a normal duration of work which is below the general cut-off point, they should be on a full time schedule according to the nature of their job. Further, those who do have a secondary job, or those who are employers, were considered as having worked the normal duration in their respective activity.

Therefore, if the person has worked less than the normal duration in his/her activity (as described above), then the person is further questioned to ascertain whether he/She is prepared and available for further work if provided. Such persons are considered underemployed in their respective employment.

(ii) If the person has worked more than the normal duration in his/her activity

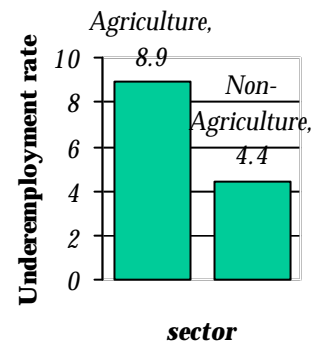
If the person has worked even more than 35 hours as usually, but he has worked less than 35 hours actually in the reference period, only due to the off season or bad weather, such persons were also further questioned to check their underemployment situation, considering them as a special category.

Applying above mentioned criteria, an attempt has been made to estimate under-employment and it is estimated that, “underemployment rate” which is defined as the number of underemployed persons as a percentage of employed persons, is 5.9 percent.

**Table 10: Underemployment rate by Agriculture/Non-agriculture sector, First Quarter, 2006**

Sector	Rate
Total	5.9
Agriculture	8.9
Non-Agriculture	4.4

**Figure 3: Underemployment rate by sector First Quarter, 2006**



As can be seen from table 10, underemployment rate has shown a marked difference between agricultural and non-agricultural sectors showing the respective rates as 8.9 and 4.4 . It is also noted that, there is no distinguish differences of underemployment rates among the people those who have different educational qualifications.

**Table 11: Underemployment rates by educational level and the sex - First Quarter, 2006**

Educational qualification	Total	Sex	
		Male	Female
Total	5.9	5.3	7.0
Below 5	5.9	5.4	6.7
Gr 5-9	6.6	6.1	7.5
O/L and above	4.8	3.8	6.5