



## **NATURE AND CHARACTERISTICS OF YOUTH INFORMAL EMPLOYMENT IN SRI LANKA**

*Navaratnam Balamurali\**

*Department of Social Studies, The Open University of Sri Lanka*

### **INTRODUCTION**

Youth is a crucial time of life when young people start realising their aspirations, assuming their economic independence and finding their place in society. Youth plays a crucial role in economic development of the country especially where it shares the high proportion of the population and labour force. Sri Lanka has long been regarded as a model of a successful welfare state; yet it has for decades faced major challenges in providing employment and meeting the aspirations of youth. Despite its relatively low level of per capita income, Sri Lanka's achievements in the realm of social policies are indisputable: high literacy, near universal coverage in primary education, low levels of infant and maternal mortality, low fertility, gender equality in enrolment in primary, secondary and tertiary schooling, and long life expectancy. But despite these important accomplishments, Sri Lankan youth perceive Sri Lankan society as unjust and unequal, and are frustrated by failure of mainstream institutions to address existing inequalities in the distribution of both resources and gains generated by economic development. These perceptions and frustrations based on experiences were at the heart of civil unrest in the last three decades. (YEN, Secretariat, Sri Lanka plan for Youth-2006)

Youth employment is a global challenge. The ILO estimates that there are about 74 million young people unemployed, a number which constitutes 41 percent of the unemployed globally. Unemployment, however, is only a part of the problem. The informal economy gives youth opportunities to legitimate work by offering experience and self-employment opportunities. A large number of young people are engaged in the informal sector a lack marketable skills, formal private sector jobs, entrepreneurship, labour market information and access to it. (NHDR-2014).

There are many literature indicating that different researchers have been interested in finding youth employment in developed and developing countries but lack of literature in Sri Lanka with respect to the studies focusing on "youth informal employment". In this context, this study attempts to fill this vacuum in local literature by facilitating empirically grounded insights of youth informal employment in Sri Lanka. Further, the study aims to provide evidence-based policy recommendations.

The primary objective of this study is to examine the situation of youths in informal employment in Sri Lanka through an up to date analysis of the most recent sample survey data available. In doing so, this researcher first attempted to analyse the extent and nature of informal employment in the country overall and in relation to youth specifically. Here, the study attempted to identify the extent of informal employment in the formal sector and its youth with socio economic factors. These findings, the researcher assumes, would inform and inspire the design of appropriate policies and advocacy mechanisms to alleviate vulnerabilities faced by youth in the labour market.



## METHODOLOGY

This study uses data from all four quarters of the Labour Force Survey conducted in 2019 by Department of Census Statistics (DCS) covering all nine provinces and 25 districts. The conceptual framework used in this study to analyse informal employments is based on the conceptual framework devised by 15<sup>th</sup>

International conference of Labor Statisticians ( ICLS) shows in table 1 below.

**Table 1: Conceptual framework for informal employment used in this study**

Product ion Units by type	Jobs by status in employment									
	Own Account workers		Employers		Contributing family workers		Employees		Members of producer cooperatives	
	Informal	Formal	Informal	For mal	Infor mal	For ma l	Infor mal	Formal	Inf or mal	For mal
<b>Formal Sector Enterpr ise</b>		11		12	1		2	13		
<b>Informa l Sector Enterpr ise</b>	3		4		5		6	7	8	
<b>Househ old</b>	9						10			
<b>Public sector product ion unit</b>								14		
Informal (private) employment: cells 1 to 6 and 9 to 10 ; Formal (private) employment: cells 7 and 11 to 13 ; Formal (public) employment/employment in the public sector: cell 14 ; Employment in the informal sector: cells 3										



to 7 (& 8) ; Informal employment in the formal(private) sector: cells 1 and 2 ; Informal employment in households: cells 9 and 10; Dark grey cells represent types of employment that are non-existent ;Cell 8 is not part of the analysis of this study due to non-availability of data on producers' cooperatives

**Source ; Hussmanns (2001)**

This study analyses informal employment as defined by 15th ICLS) as opposed to informal sector employment measured by DCS. Here, the national thresholds used by DCS (for instance, the minimum number of employees for defining a formal sector enterprise) are combined with the international statistical definition by 15th ICLS and its conceptual framework to define informal employment. Since public sector is distinguishable from the other two sectors, the conceptual framework in this study also includes public sector as a type of production unit. Employees in the public sector- those who work in the central and provincial governments and the semi-government sector- are considered inherently formal because they operate within strict legal purview of the government. In contrast to what 15th ICLS recommended, this analysis includes agricultural activities in the total employment. According to this framework, private informal employment is captured in cells 1 to 6 and 9 to 10, private formal employment in cells 7 and 11 to 13, public formal employment in cell 14, employment in the informal sector in cells 3 to 7 and informal employment in the private formal sector in cells 1 and 2. The analysis of this study is to the extent and nature of the informal employment with a special focus on youth will be discussed using the estimated population proportions produced through the statistical software used in this study (i.e. Stata). The study is done with descriptive statistical analysis by facilitating basic tables, graphical displays and percentage values to explore the above statistical relationship as a preliminary analysis to present the data. This study made use of youth who fell between the age category 15 to 29 years, and the researcher purposively omitted fulltime students as this study analysed the status of youth employment. Hence, the data for this study covers the year 2019 with a sample of 16,441 extracted from the 80,123 total observations.

**RESULTS AND DISCUSSION**

This research reveals that the informal sector was the main contributor to Sri Lanka's employments (60.4%) in 2019. Meanwhile, 63.2 per cent was informal employments and 46.3 percent of informal employment was in informal sector. The individual informality is determined positively by being male, being age groups;25-29,years and negatively by being educated in senior secondary, collegiate and tertiary level; being English literate; Considering the nature or the characteristics of informal workers in relation to demographic characteristics, what one sees is that both formal and informal employment favour young men over young women. The results reveal that more young males (16 percent) than young females (5 percent) are informally employed which complies with the findings of Gunatilaka (2008) but contradicts the findings of Arunatilake and Jayawardene (2005) as for their study it was females who were most represented in informal employment . Un-married individuals composed overwhelming majority of the informal employment - 62 percent and married youth are represented (17 percent) in informal employment than divorced and separate youth. With respect to household membership of individuals, presence of non-heads of individual youth in the informal employment is higher than that of head of youth in household unit. In view of ethno-religious variable, while Sinhalese Buddhist compose more than two thirds of all informal employment, the Sri Lankan Tamil Hindus have the second highest representation third one is moors, thus Sri Lankan Tamil Christian(two percent) and Indian Tamil Hindu are less likely to participate in the informal employment As age increases, individuals' representation in informal employment increases to peak at 24 to 29 age category and then begin to decrease. Moving on to education levels of people, more



educated people are less represented in the informal sector. However, approximately half of informal workers has obtained a senior secondary level qualification. Similarly, least educational qualification people are represented in informal work than in formal employment categories. Considering literacy, more young women in informal work are literate only in Sinhala compared to young men, while the trend is opposite for young men and young women who are literate only in Tamil. More men than women were literate in all three languages. Interestingly, informally employed illiterate women have a slightly higher representation than illiterate men. Referring to spatial attributes. Workers from the rural sector dominate informal employment. corresponding to the largest representation of rural sector in country's population. The biggest proportion of informal employment is found in relation to workers from the Western Province. Western, Southern, Central and North Central provinces except Uva Provinces have a higher likelihood to participate in informal employment. In the formerly conflict affected Northern province, both public formal workers (six percent) and informal workers (four percent) are in almost equal proportions, while the trend is same for the other conflict affected Eastern province too. Parallel to what one sees in relation to provinces, the youth workers in the three districts in the Western Province- Colombo, Gampaha and Kalutara have their more concentration in informal employment. Considering youth in occupation categories, professional, technical and associate professionals, clerks are less likely to participate in informal employment. Services, skilled agriculture and fishery workers, machine operations, elementary occupations are more likely to be informally employed. Youth informal workers are also more likely to be employed to the manufacturing and service sectors relative to agriculture in the informal sector .

## **CONCLUSIONS AND POLICY IMPLICATIONS**

The findings of this study reveals that more young males than young females are informally employed or that young women are less likely to be informally employed .Further, There are important conclusions to be reached considering married youth are less likely to be informally employed compared to their non-married youth counterparts, divorced and separated youth are less likely to participate in informal employment in the case of youth (Improving the levels of literacy and education of youth becomes important as per the findings of this study, as it is found that more education and literacy in at least two languages including English reduce the likelihood of individuals' participation in informal work). Literacy Policy in English should thus be given significance in literacy and education programs targeted at youth. Considering the spatial factors, it should also be noted that although youth in estate sector are reported to be less likely to be informally employed compared to non-participant urban youth, unlike rural youth. informal workers (four percent) are in almost equal proportions, while the trend is same for the other conflict affected Eastern province too. Parallel to what one sees in relation to provinces, the youth workers in the three districts in the Western Province- Colombo, Gampaha and Kalutara have their more concentration in informal employment. Considering youth in occupation categories, professional, technical and associate professionals, clerks are less likely to participate in informal employment. Services, skilled agriculture and fishery workers, machine operations, elementary occupations are more likely to be informally employed. Youth informal workers are also more likely to be employed to the manufacturing and service sectors relative to agriculture in the informal sector . Informal employment is popular among youth, however the, NHDR (2014) mentions that the self-employment sector among the youth is still limited due to the access to the credit and competencies. Lack of awareness regarding the market opportunities, access to the support services and financial literacy is major in rural areas but these factors are becoming positive in youth based in the urban areas. In order to create better youth workforce participation for Sri Lankan economic development, the government and private institutions need to implement a range of strategies – among them, encouraging the SME sector with flexible, low-cost loan schemes, career development opportunities and more job opportunities. More creative awareness regarding the youth potential in the economic development must also be raised to grab more young people into the workforce. All in all, this



study emphasises the importance of identifying informal employment in formal sector in national statistics and of concentrating on education, literacy, and— particularly youth employment skills programs aimed at improving employment conditions of youth.

## REFERENCES

Arunatilake ,N. and Jayawardena, P. (2010) *Why people Choose to Participate in the Informal Sector in Sri Lanka* .*The Indian Journal of Labour Economics* ,53(2),225-250.

Charmes ,J,(2019) *Dimensions of Resilience in Developing Countries :Informality , Solidarities and Carework*, Springer.

Gunatilaka ,R(2008) *Informal Employment in Sri Lanka :Nature, Probability of Employment and Determinants of Wages* , *International Labour Organization Colombo*.

Gunatilaka.R.,and Vodopivec,M.(2010) “Chapter 2:Labour Markets Institutions and Labour Market Segmentation in Sri Lanka “*In the Challenge of Youth Employment in Sri Lanka* , World Bank.

Gunawardena, D (2006) *Exploring the Gender Wages Gaps in Sri Lanka :A Quantile Regression Approach* , A paper presented during the 5<sup>th</sup> PEP Research Network General Meeting ;June, 18-22,2006 ,Addis ,Ababa,Ethiopia.

Husmanns, R. (2001). *Informal sector and informal employment: Elements of a conceptual framework* . Paper presented at the 5th Meeting of the Expert Group on Informal Sector Statistics (Delhi Group), New Delhi.

Husmanns, R. (2003). *Statistical definition of informal employment: Guidelines endorsed by the Seventeenth International Conference of Labour Statisticians : Agenda item (i) of the 7th Meeting of the Expert Group on Informal Sector Statistics (Delhi Group) (2004)*, International Labour Office, Geneva

ILO(1993) ,*Report of the 15<sup>th</sup> International conference of labour statisticians* ,International Labour office Geneva , Switzerland 19-28 January 1993.

ILO( 2003), *Report 1 General report ,17<sup>th</sup> international conference of Labour Statistician*, International Labour office Geneva , Switzerland ,24 November-3-December.

Sunil Chandrasiri (2008) *The Labour Market in Sri Lanka with Special References to the Informal Economy*, *Sri Lankan Economic Journal*, Vol,9pp-113-141.

Youth Employment Network, Secretariat,. (YEN, Secretariat ,Sri Lanka plan for Youth-2006)  
Youth and Development (2014) Sri Lankan National Human Development Report(NHDR-2014)