

YOUTH UNEMPLOYMENT IN SRI LANKA – A STATISTICAL ANALYSIS FROM 2012 TO 2021

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Abstract

Unemployment is a key macroeconomic concern of any economy and it has been a persistent issue in Sri Lanka during the past two decades. In such a context, youth unemployment shows a sharp increase in Sri Lanka creating concerns in the areas of policy making, employment opportunities, and youth attitudes. The objective of this study is to analyze the youth unemployment issue in Sri Lanka employing correlation and descriptive statistical analyses techniques, identifying possible causes and/or trends for the prevalence of the issue. The results revealed a strong correlation between the randomly selected variables concerned with youth unemployment. The variables used are GDP growth rate, gender, age group, and provincial youth unemployment. It also suggests that the promotion of entrepreneurship skills, being open to employment opportunities, and the adoption of suitable policies in reducing youth unemployment could pave the way to address the issue of youth unemployment in the country. At the end, this study intends to contribute to the existing body of literature on youth unemployment by analyzing how this issue persists in Sri Lanka using statistical analysis.

Keywords: youth unemployment; gender; economic growth; education level; attitude; government policies

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INTRODUCTION

Unemployment is a key macro-economic indicator that is usually represented by the Unemployment Rate. It is the goal of governments to reduce unemployment as it affects peoples' standard of living, purchasing power, and productivity level. At present, one of the major problems in Sri Lanka is youth¹ unemployment. There are many factors affecting youth unemployment, which include political, economic, and socio-cultural factors.

Mismatches in skill factors, including language and digital knowledge, and geographical mismatches among provinces are a few aspects that affect youth unemployment in Sri Lanka (Hettige et al., 2004). In addition, the probability of unemployment is high among young women, young people with post-secondary education/vocational training, and young people with high levels of language and digital literacy, as per the Labour Force Survey Data (2018 & 2021).

The youth unemployment rate in Sri Lanka was 17.3 percent in 2012. According to the labour force survey reports in 2012 and 2021, this rate has increased to 26.5 percent in 2021, which shows a nearly 9% increase. This is an alarming situation since rising unemployment among youth can lead to negative outcomes. Hence, the purpose of this study is to analyze youth unemployment in Sri Lanka during the period from 2012 to 2021 along four dimensions, namely, GDP growth, age group, gender, and provincial youth unemployment, to examine possible reasons and trends. The main research objective was to conduct a correlation analysis between youth unemployment and GDP growth, age group, gender, and provincial unemployment from 2012 to 2021 while the specific objective was to analyze the relationship between youth unemployment and GDP growth, age group, gender, and provincial unemployment from 2012 to 2021, and to identify the trends/reasons behind the relationship between youth unemployment and these variables.

¹The term "Youth" is defined as people between the ages of 15 and 24 (Msigwa & Kipsha, 2013; UN website).

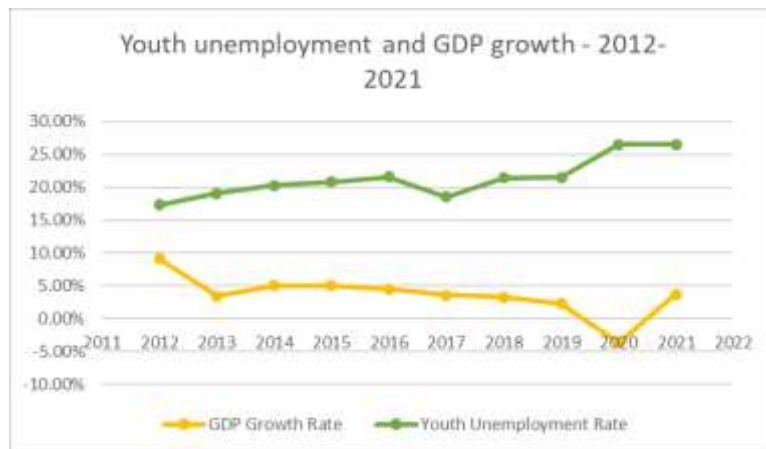
METHODOLOGY

This study adopted a quantitative approach for data analysis, i.e. correlation analysis and descriptive statistical analysis using MS Excel. The four variables were randomly selected. Secondary data sources were also employed for this study. Mainly, the Labour Force Survey reports, Central Bank of Sri Lanka annual reports, Department of Census and Statistics of Sri Lanka reports, books, published articles, and online sources were used to collect data. In this study, the data was analyzed using MS Excel and its descriptive statistical analysis tools. Data tables and graphs are used to present the data and information using MS Excel.

RESULTS AND DISCUSSION²

Youth unemployment and GDP growth rate are presented in the following chart.

Chart 01: Youth unemployment and GDP growth rate (2012-2021)



According to Chart 01, Sri Lanka's GDP has decreased from 2012-2020. In 2012, the unemployment rate was 3.9%, which had increased by 5.1% in 2021. Within unemployment, youth unemployment contributes more, and it has increased to 26.5% in 2021 while it was 17.3% in 2012.

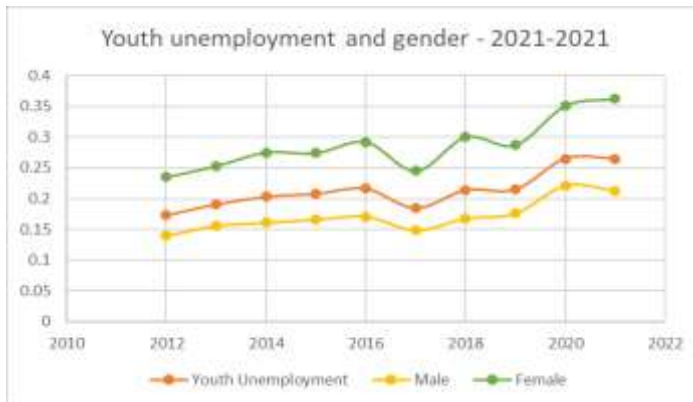
The increase in the unemployment rate of a country (as well as youth unemployment) has threatened economic growth in the country by reducing productivity levels. Certain political decisions and employment policies

²All the charts in this section is drawn using Sri Lanka Labour force survey data reports (various years).

could be some reasons leading to the fluctuations in the youth unemployment level. The pandemic in 2020 also resulted in job losses and retrenchment in the job market.

As depicted in Chart 01, there is a **negative** correlation between youth unemployment and GDP growth (CORR -0.70194) and closer to -1. This means that there is a likelihood that when GDP growth increases, youth unemployment reduces and vice versa.

Chart 02: Youth unemployment and gender (2012-2021)

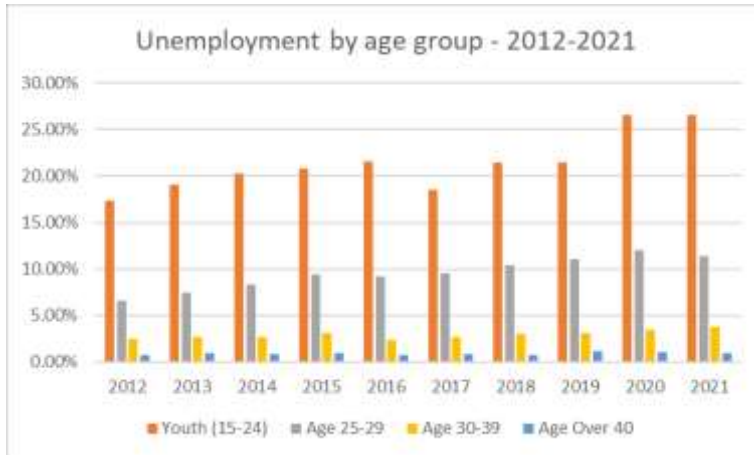


According to Chart 02, the youth unemployment rate in 2012 was 14.0% for men and 23.5% for women. Looking at the 2021 data, the high rate of female unemployment, at 36.2%, has had a strong impact on Sri Lanka's economy.

Female participation in the Sri Lankan labour market is very low. There are several reasons for this. Some are due to cultural reasons while others could be policy related. Skill mismatches in the labour market, existing education systems, and gender discrimination are examples.

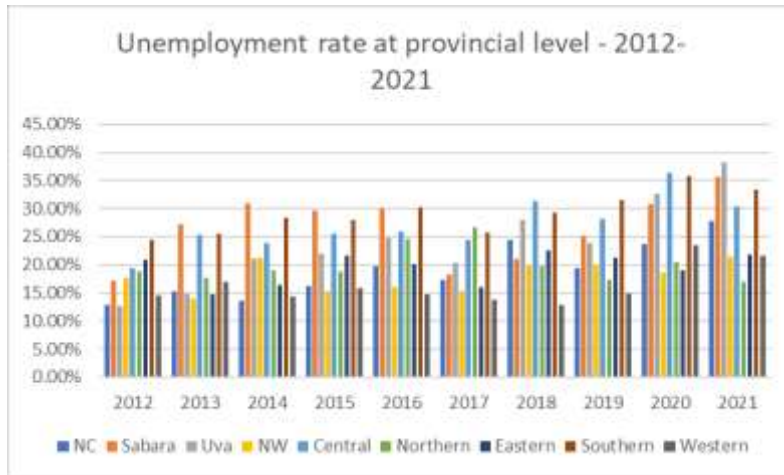
Also, the correlation between youth unemployment and gender is a positive one (male = 0.992197 and female = 0.990967), which means that the rise/fall of youth unemployment equally impacts both males and females.

Chart 03: Unemployment by age group (2012-2021)



It is evident from this chart that youth unemployment remains high in Sri Lanka during 2012-2021. This is mainly because of schooling and the subsequent paths to education after the GCE AL examination (university, vocational training etc.). Next, the highest unemployment persists in the age group of 25 to 29. This also could be due to delays in completing university education, youth perceptions about employment, and government policy decisions. It is known that only a small percentage of students who face the GCE AL examination enter the public universities. The rest either opt for private sector higher education opportunities or enter vocational training. It is questionable as to whether these youths seek any type of employment at this age since the unemployment rate remains high throughout. This is an interesting area for policy makers to tap into to motivate youth to engage in productive activities or lay the foundation for proper employment in the future.

Chart 04: Unemployment rate at provincial level (2012-2021)



According to Chart 04, there is a significantly higher percentage of youth unemployment in the provinces of Eastern, Central, North Central, Uva, and Sabaragamuwa. The contributions to the industry and service sectors are mainly from the Western, Northern, and North Western Provinces. Due to this, the youth in these provinces have more job opportunities and a noteworthy level of education. According to the CBSL reports, nearly 40% of the contribution to GDP product is from the Western Province. Young people living in the Eastern, Central, North Central, Uva, and Sabaragamuwa provinces are faced with increased unemployment than their counterparts in the Western province. Thus, this geographical mismatch can be identified as one of the factors affecting youth unemployment in Sri Lanka.

CONCLUSION/RECOMMENDATION

According to the above analysis, we can see an increase in the youth unemployment rate from 2012 to 2021. There is an increase in the unemployment rate of women in Sri Lanka during the same period. Also, unemployment among the youth is the highest among different age categories and provincially, it is increasing in Eastern, Central, North Central, Uva, and Sabaragamuwa provinces.

In this context, this study proposes the following recommendations: The development and implementation of new policies for the youth community, mainly focusing on improving necessary skills and employment opportunities; the implementation of counselling programs for the youth community initially at Grama Niladhari divisions and, subsequently, at provincial level; and the promotion of self-employment and entrepreneurship skills among school leavers and those seeking employment.

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