

## **Informal Employment among Youth in the Post-War Northern Economy**

**N. Balamurali<sup>1</sup> and Priyanga Dunusinghe<sup>2</sup>**

### **Introduction**

Sri Lanka has been regarded as a model of a country with successful social policies, yet for decades it has faced major challenges in providing employment and satisfying the other aspirations of youth. Although the labor force has become more educated, the main source of employment for both youth and adults remains the informal sector: a trend which is particularly marked among youth. Moreover, the importance of the informal sector as a source of employment has increased since the mid-1990s (Ramani, 2013).

Today, there is renewed interest in the informal economy (IE) worldwide. It plays a major role in employment creation, production and income generation while the formal sector of the country cannot absorb all the labour force of the country into employments. IE has been rapidly expanded as an important sector both in terms of employment and contribution to national output. More than 70 per cent of Sri Lanka's labour force is employed in the informal sector, which comprises various economic activities in agriculture, fishing, livestock rearing, micro and small-scale enterprises, petty trade, and other small commercial activities (Arunatilake, 2010).

This study aimed to find out the role of Informal Economy in the Northern Province. The Northern and the Eastern Provinces were severely affected by the protracted armed conflict in Sri Lanka. The final battlefield of the civil war was in the Northern Province. Hence, the unemployment related problems are common among youth in this region because a significant number of youth ex combatants were rehabilitated by the Government. Importantly, the IE plays an important role in the Northern Province as NGOs and Government institutions have been continuously engaging in reducing poverty and restoring livelihoods. Therefore, a larger proportion of youth tend to start their own income-generating activities with institutional support. This study started with the research problem when it was found that a larger share of employed youth in the Northern Province engages in IE. Hence, the researcher wanted to identify characteristics of youth who engage in the IE in the Northern Province'

### **Objective**

---

<sup>1</sup> Department of Social Studies, The Open University of Sri Lanka [balamurali\\_navaratnam@yahoo.com](mailto:balamurali_navaratnam@yahoo.com)

<sup>2</sup> Department of Economics, University of Colombo [pmdunu@yahoo.com](mailto:pmdunu@yahoo.com)

Contribution of the IE is inevitable in the Northern Province particularly in the post-war economy. However, IE is considered an inferior economic sector compared to the Formal Economy. Hence, analysing the contribution of the IE to youth employment in the Northern Province was the prime objective of this study.

### **Methodology**

The study area, the Northern Province of Sri Lanka, comprises five districts: Jaffna, Killinochchi, Mannar, Mullaitivu and Vavuniya districts. The study was administrated with four years of micro level data, obtained from the Labour Force Survey (LFS) from 2011 to 2014. The study was done with descriptive statistical analysis by facilitating basic tables, graphical displays (line graphs) and percentage values to explore the above statistical relationship as a preliminary analysis to present the data. This study used only youth who are between 15 years to 29 years, and the researcher purposively omitted full-time students as this study analyses the status of youth employment. Hence, the data for this study covers the currently (2015) existing data from 2011 to 2014. With such limitations, sample extracted from the micro level data was 9,703 in 2011, 10,213 in 2012, 12,601 in 2013 and 12,606 in 2014.

### **Results and Discussion**

Contribution of IE in the Northern Province has been continuously declining during the last four years. However, IE still plays a significant role as 43.9 per cent of employed youth are engaged in the IE in the Northern Province where it is 35.2 per cent in the country in 2014. It admits that IE covers a larger share of workers in the Northern Province than at the national level. The contribution of IE gradually declined by 9.1 per cent and 7.3 per cent from 2011 to 2014 in the Northern Province and Sri Lanka respectively. Except the Mannar district, all the other districts in the Northern Province show a slight decline in the share of IE. In 2014, share of IE was 60.6 per cent in the Mannar district, and it was 46.7%, 43.4%, 41.7%, and 34.0% in the Mullaitivu, Kilinochchi, Jaffna and Vavuniya districts respectively. Hence, Vavuniya district represents the lowest share of IE in the Northern Province. It is obvious that the proportion of unpaid family workers declined from 9.2 per cent to 3.5 per cent from 2011 to 2014 in the Northern Province, where it reduced from 12.9 percent to 8.8. per cent in Sri Lanka. Likewise, own-account workers also declined from 24.1 per cent to 16.1 during the same period in the Northern Province while it declined from 17.6 percent to 15.1 percent in Sri Lanka. In the case of the level of education, there is a clear evidence on the relationship between the level of education and IE. IE activity is

predominant among the poor educated whereas the highly educated tend to engage in the formal economy. Share of IE employment among female youth declined faster than males during the study period. That is, it declined by 5 per cent among male youth and 24 per cent among female youth. As at 2014, Share of IE was 47.4 for males and 42.5 for females. The study found that share of IE increases as age increases. Particularly it is relatively higher among youth who are between 25 and 29 years old. IE largely covers four industries in the Province as well as the country: skilled agricultural and fishery workers; craft and related workers; plant and machine operators and assemblers; and elementary occupations. Skilled agricultural and fishery industries in the country covered 43.9 percent of IE in 2011 and it declined to 31.1 in 2014 while in the Northern Province, it declined from 57.1 percent to 31.7 percent. It shows that the contribution of skilled agriculture and fisheries to the IE declined by 12.8 percent in the country while it declined by 25.4 percent in the Northern Province. During the period from 2011 to 2014, the share of craft and related workers in IE increased by 4.4 percent from 16 percent to 20.4 percent in the country while it increased by 3.7 percent from 14.6 to 18.3 percent in the Northern Province. Contribution of plant and machine operators and assemblers to the IE increased in the country by 1.3 percent from 11.9 percent to 13.2 percent while it dropped by 0.4 percent from 8.3 percent to 7.9 percent. However, the contribution of elementary occupations is dramatically increased in the Northern Province than the National level. That is, it increased by 8.8 per cent from 11.1 percent to 19.9 percent in Sri Lanka while it increased by 24.4 percent from 6.8 percent to 31.2 percent in the Northern Province. Informal workers earn a considerably lower income on average than formal workers. The average monthly income of informal workers is Rs. 13,378.46 where the formal workers' average income is Rs. 14,166.03. This study found that although IE plays an important role in reducing unemployment, the economic condition of informal workers is lagging behind formal workers. Job insecurity and economic vulnerability associated with IE should be taken into serious consideration.

### **Conclusion and Policy Recommendation**

The study revealed that although IE has been declining during the study period, still it covers a larger share of youth, and accordingly reduces youth unemployment in Sri Lanka. Particularly IE covers a larger proportion of youth in the Northern Province than in the country as a whole. Four industries in the Province as well as across the country: skilled agricultural and fishery workers; craft and related workers; plant and machine operators and assemblers; and elementary occupations are the main industries that render IE a dominant economic source for youth in the Northern Province. Share of IE among female youth declines faster than males

during the study period. This reveals that female youth tend to undervalue IE or they are eagerly expecting formal economy. Vavuniya district represents the lowest proportion of IE whereas the Mannar district represent the largest proportion in the Northern Province. Youth participation in IE increases as with age. Particularly it is relatively higher among the youth who are between 25 and 29 years old. There is a clear evidence for the relationship between level of education and IE. IE seems to be the only option for less educated youth: a bulk of youth in IE are less educated. Although IE provides employment opportunities for a larger youth population, workers in IE earn considerably lower income on average than the formal workers do. That is, the economic condition of informal workers is lacking behind formal workers. Job insecurity and economic vulnerability associated with IE should be taken into serious consideration. Hence, IE should be promoted to a desirable level as currently it does not economically upgrade the youth population to a satisfactory economic level. Since a larger majority of youth in the Northern Province engage in IE, a larger number of youth employed in the IE encounter economic hardships. These results are important for policy makers and development partners to develop appropriate policy options in the future. Particularly, poor level of education, poor economic strength, physical and mental incapability, absence of vocational training, gender discrimination are some causes that make a larger workforce to engage in IE.

***Keywords: Economic Vulnerability, Informal Economy, Northern Province of Sri Lanka, Youth Unemployment.***

## **References**

- Muttukrishna Sarvananthan (2006) Informal Economy in the conflict region of Sri Lanka: An Exploration, Working Paper no 6, Point Pedro, Sri Lanka.
- Nish Arunatilake and Priyanka Jayawardna (2010) "Why people choose to participate in the informal sector in Sri Lanka" The Indian Journal of Labour Economics, Vol, 53, No 2.
- Ramani Gunatilaka (2008) Informal Employment in Sri Lanka, Probability of Employment, Determinant of Wages, International Labour Organization.
- Sunil Chandrasiri (2008) The Labour Market in Sri Lanka with Special References to the Informal Economy, Sri Lankan Economic Journal, Vol, 9 pp-113-141.