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**2015**

### **Formulation of the National Human Resources and Employment Policy (NHREP) for Sri Lanka: A country case study**

Edited by:

Naoko Otobe and Shyama Salgado

Employment and  
Labour Market Policies  
Branch

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## Foreword

The world continues to face major employment challenges across various regions, given the fragile economic recovery from the 2008-2009 global recession. In response, the International Labour Organization (ILO) has been engaged in providing support to its member States for the formulation of national employment policies that can facilitate broad-based and productive job creation. During the biennium 2012–2013, 63 countries, mostly from the developing part of the world, requested ILO technical assistance for the formulation of national employment policies.

Sri Lanka, with ILO support, has formulated and adopted the National Human Resources and Employment Policy in 2012. The overall process for the policy formulation took over three years, and included both institution-building and a series of consultations involving a large number of national stakeholders in various sectors and regions in the country. This process has resulted in the development of a comprehensive policy document which is based on national consensus, ensuring full national ownership. Given that national ownership is the most critical aspect of successful policy-making to ensure that the adopted policy will be fully implemented, it was important and necessary that such steps be taken.

The current report, which forms part of a series of country case studies on employment policy-making, has been compiled to document the overall process of the development and adoption of the National Human Resources and Employment Policy and its master plan, the Strategy and Action Plan for Implementation, in Sri Lanka. Naoko Otake, Employment and Labour Market Policies Branch of the ILO, Geneva, and Shyama Salgado, ILO Country Office, Colombo, have developed this report, drawing primarily on the National Human Resources and Employment Policy (NHREP) document and other relevant policy research studies. The authors gratefully acknowledge the pivotal role that Sher Verick, ILO, New Delhi played in supporting both the drafting of the National Human Resources and Employment Policy and its master plan, the Strategy and Action Plan for Implementation, in Sri Lanka.

We hope the report will contribute to further dissemination of knowledge across countries on the formulation and implementation of employment policy.

Iyanatul Islam  
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and Maldives

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The authors also would like to thank Mr Michael Mwasikakata, Labour Market Policies Branch, and Mr Donglin Li, Director of the ILO Country Office, Colombo, for providing feedback on the report.

## **Abbreviations and acronyms**

ADB	Asian Development Bank
BPO	business process outsourcing
CEO	Chief Executive Officer
FDI	foreign direct investment
GDP	gross domestic product
ICT	information and communications technology
ILO	International Labour Organization
MHE	Ministry of Higher Education
NHREP	National Human Resources and Employment Policy
NLAC	National Labour Advisory Council
NSC	National Steering Committee
PES	Public Employment Service
PPP	private–public partnership
PTAs	preferential trade agreements
SMEs	small and medium-sized enterprises
SMS	Senior Ministers’ Secretariat
TVET	technical and vocational education and training
UGC	University Grants Commission
UNDP	United Nations Development Programme



## **Abstract**

This case study documents the process of developing the National Human Resources and Employment Policy (NHREP) which was piloted in a post-conflict recovery situation in Sri Lanka. The country graduated to middle-income country status within a few years of the cessation of its protracted conflict, and the 2008 global economic crisis. Despite substantial improvements in the country's overall social indicators, Sri Lanka continues to face key challenges of high levels of youth unemployment, a significant level of informal employment, and a lack of decent and productive employment opportunities, in particular affecting young women. The case study presents the context, priority employment policy issues and the process associated with the formulation, consultation, and adoption of the NHREP, and also the development of a comprehensive implementation plan, which were undertaken between 2010 and 2014. The social and economic background and key employment challenges are summarized, and an annotated outline of the NHREP is presented.

JEL Codes: J20, J48, O11, O15



## 1. Introduction

### 1.1 Context

Sri Lanka has long been regarded as a successful model of development, with extensive social policies combined with economic policies resulting in high human development indicators. The *Mahinda Chintana* (Vision for the Future) is the overarching policy and development framework for the next ten years for Sri Lanka. It envisions a Sri Lanka – “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. Relevant strategies are spelled out in Chapter 11 of the *Mahinda Chintana* document of 2005, (Vision for a new Sri Lanka). However, Sri Lanka has been less successful in generating productive employment for its citizens. Although the overall unemployment rate has gone down to 4 per cent in the year 2012, the incidence of unemployment among the youth is high at 11 per cent for those aged 20–29 years. In particular, young educated women are affected by a much higher unemployment rate of 10.8 per cent, compared to male cohort at 4.5 per cent.

The real value of a country is in its human capital and not in its fixed assets. The ideas and abilities of its citizens are their key sources of wealth and opportunity. Hence the State felt that it should invest in human resources and enhance the knowledge, skills, creativity and productivity of its human resources to ensure sustainable growth and a just transition for sustained development.

With this in mind, the Government, led by the Senior Ministers’ Secretariat, embarked on a journey to develop a robust policy for the development of human resources, that lends itself to full, productive, and freely chosen employment for all its people in line with its national vision, in partnership with key national agencies in the world of work including the tripartite constituents of the ILO.

In this context, the National Human Resources and Employment Policy (NHREP)<sup>1</sup> has been developed as an overarching policy framework of the Government of Sri Lanka that will govern its human resources development and articulate measures for action to promote full, decent and productive employment for all Sri Lankans who are available and willing to work.

### 1.2 Objective and outline of the case study

The objective of this case study is to document a process that was piloted in Sri Lanka, in a post-conflict recovery situation, which moved the country to a middle-income status within a few years after the cessation of a long-term conflict and the 2008 global economic crisis. The process and its impact in terms of visibility and inclusive participation have been unprecedented. However, there are lessons to be learned as to how this process can be approached in a better and more effective manner, while also drawing from good practices that are replicable in both similar and dissimilar contexts, lending itself to adaptation in other countries at different stages of socio-economic development.

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<sup>1</sup> See the full policy document on the government website:  
[http://www.nhrep.gov.lk/images/pdf/nhrep\\_final.pdf](http://www.nhrep.gov.lk/images/pdf/nhrep_final.pdf) [accessed on 14 October, 2014].

Section two presents the initial preparatory phase, entailing an appraisal mission, capacity-building, and designing a framework document. Section three sets out the process of establishing coordination mechanisms for policy formulation. Section four covers various steps taken for the policy development, in particular undertaking policy reviews and socio-economic analysis. Section five details the procedural steps taken, such as policy dialogue, validation, and adoption of the policy. Section six includes the steps taken for the development, coordination and validation of the Master Plan of the NHREP. Section seven presents the overall policy coordination mechanisms for the implementation, monitoring and evaluation of the NHREP. Finally, the paper ends with some lessons learned and considerations in section eight.

### **1.3 Why and what is the National Human Resources and Employment Policy for Sri Lanka**

The NHREP has been developed out of the overall State policy in existence since 2005 as formulated in the *Mahinda Chintana* framework of that date. The NHREP covers a number of policy areas that are of relevance and significance in human resource development and employment promotion. Policy statements contained in that document are consensus views arrived at through lengthy consultations among all stakeholders – government officials, employers’ organizations, workers’ organizations, professional bodies, civil society organizations and academia.

The 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.’

The goal was that the NHREP would aim at full, productive and freely chosen employment for all women and men in Sri Lanka.<sup>2</sup> It would work towards the creation of a highly competent, globally competitive, multi-skilled and productive workforce in the country. The 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, the NHREP would safeguard the basic rights and interests of workers in line with national labour laws and key international labour standards.

The NHREP recognizes that the country has to work generally within the macroeconomic policy framework that has been developed to meet a wider set of development objectives going beyond those of the NHREP. It is recognized that sustainable employment creation requires a policy mix that promotes growth and investment in the productive sectors of the economy. This would require 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 and human resource development.

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<sup>2</sup> This aspiration is in line with ILO Employment Policy Convention, 1964 (No. 122), which has not yet been ratified by the country (as the report is written). Sri Lanka, has ratified all the key fundamental Conventions (Forced Labour Convention, 1930 (No. 29), Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Right to Organise and Collective Bargaining Convention, 1949 (No. 98), Equal Remuneration Convention, 1951 (No. 100), Abolition of Forced Labour Convention, 1957 (No. 105), Discrimination (Employment and Occupation) Convention, 1958 (No. 111), Minimum Age Convention, 1973 (No. 138), Worst Forms of Child Labour Convention, 1999 (No. 182)).

## 2. Planning stage

Over the past decade, attempts have been made to come up with a robust employment policy for Sri Lanka. Draft employment policies, either stand-alone or within the framework of a long-term development plan, were tried out but did not stand the test of time. Given the trajectory of growth and the recognition that the development of human resources is key to its sustained growth, the Government requested technical and financial support from the ILO to develop a national employment policy that twinned the all-important and critical policy issue of human resource development to ensure its synergies and alignment to full and productive employment, in particular for its youth, as a matter of policy priority.

### 2.1 Appraisal mission

Through the Ministry of Labour and Labour Relations, the ILO was approached in September 2010 to provide technical support to develop a comprehensive employment policy. A memorandum to this effect was prepared by the Ministry of Labour and Labour Relations and Cabinet approval was secured to proceed with this initiative. On receipt of this approval, the ILO, in pursuance of providing this technical support, fielded a high-level four-member mission to Sri Lanka in 2010.

This mission included meetings with key ministries whose engagement throughout the process was considered critical to the development of a robust employment policy. The mission held a series of consultations with a wide range of national stakeholders, government ministries, employers' and workers' organizations, and the country offices of the United Nations Development Programme (UNDP), the Asian Development Bank (ADB) and the World Bank. The mission was also invited to a meeting of the National Labour Advisory Council (NLAC), where an ILO presentation on "The Challenges of Employment Policies" was made. In general, the national stakeholders were very keen to have a national employment policy formulated in line with the President's "Sri Lanka – The Emerging Wonder of Asia : *Mahinda Chintana* - Vision for the Future" while a number of national partners emphasized the importance of effective implementation. The ILO mission agreed on a broad work plan and steps to be taken with the colleagues of the ILO Country Office, Sri Lanka. The ILO sent follow-up missions to explain what the national employment policy was all about and its relevant processes, and to raise awareness among the policy-makers of the importance of employment issues in the overall development process of the country.

### 2.2 Capacity-building and national consultation in June 2011

Technical workshops based on key policy issues were convened during which the participants deliberated on the findings of the analyses of the impact of the development strategies and policies, and the overall economic growth, on the quantity and quality of employment, as well as on poverty reduction. More specifically, the workshops reviewed the past and recent growth strategies and policies, the patterns of economic and sectoral growth and the patterns of employment, including public sector employment, employment implications of macroeconomic policies, as well as gender and age differentials in the labour market.

In addition, the results of the series of consultations undertaken by various working groups were presented. The list of themes addressed by the working groups were as follows: (1) macroeconomic policies for employment generation; (2) sectoral policies for employment creation; (3) public service employment; (4) foreign employment; (5) small and medium-sized

enterprises (SMEs) and the informal sector; (6) development of skills, employability and career guidance; (7) human resources planning, development, management and productivity; (8) labour market policies, strategies and target groups; (9) employment services; (10) labour market institutions and labour relations.

Based on these deliberations, an ILO policy framework, proposing a way forward for the formulation of an employment policy for Sri Lanka, “National Human Resources and Employment Policy: A Framework for Discussion”, was presented to guide the development of a coherent NHREP.

### **2.3 Development of a framework document in July 2011**

The Sri Lanka Cabinet approved the development and implementation of a national human resources and employment policy (NHREP) in collaboration with the private sector and trade unions following the submission of a Cabinet Memorandum by the Senior Minister for Human Resources. The ILO supported this process, and provided a technical note on the process to the concerned ministry in April 2011. A draft framework proposal for the NHREP was then presented at the high-level seminar in Colombo on 23 June 2011.

Various thematic working groups deliberated to identify key employment challenges and formulate draft policy recommendations to enhance the policy environment to make it more pro-employment and pro-poor, which was the basis of the framework document.

### **3. Designating the key coordination institution**

Due to the cross-cutting nature of the employment-related issues over the mandates of several ministries, it was decided that the formulation of the policy document, now named the National Human Resources and Employment Policy (NHREP), was to be coordinated by the Senior Minister for Human Resources, in close consultation with key ministries concerned and the assistance of the ILO. A National Steering Committee (NSC) (see below) was also established with the Senior Minister for Human Resources as the Chairperson, and both the Minister for Labour and Labour Relations and the Minister for Productivity Promotion as Vice-Chairpersons.

#### **3.1 Senior Ministers’ Secretariat (SMS)**

In December 2010, the Government established a special government office to facilitate the work of the ten Senior Ministers who were pioneers in the development process of the country, appointed to perform selected special functions of the Government in a more coordinated, cost-effective and expeditious manner. The areas of their mandate included the following:

1. Coordination of activities with ministries related to subject areas such as education, vocational training, health, sports, women’s and children’s affairs and social development with the objective of improving Sri Lanka’s human resources.
2. Formulation and coordination of strategies that facilitate the quantitative and qualitative development of the national labour force.

Their work was expected to complement that of the Cabinet Ministries. With the former Secretary of Labour being appointed as its Chief Executive Officer (CEO) and its Secretary, the Senior Ministers’ Secretariat (SMS) lent itself particularly well to supporting the NHREP process as the

CEO was conversant with the ILO tripartite and consultative approach to policy development, in addition to enjoying excellent relations with government officials, social partners and stakeholders beyond the tripartite constituents. The CEO also enjoyed good relations with the Presidential Secretariat, displaying an ability to influence the socio-economic and policy agenda of the country. Given the uncertainty of the ministerial structures at this juncture, a decision was taken by the ILO therefore to partner with the SMS on this policy initiative.

### **3.2 National Steering Committee, July 2011**

Given the complexity of the task, a National Steering Committee (NSC) was formed to steer and guide the process. The NSC was a high-level committee with senior representatives nominated by key government ministries and agencies, employers' organizations, workers' organizations, civil society, and academia. The NSC was chaired by the Senior Minister for Human Resources or his nominee, and the Ministers for Labour and Labour Relations and for Productivity Promotion were Vice-Chairs. It was a time-bound committee, functional for the duration of the development and adoption of the NHREP. The ILO provided technical support and inputs to the work of the NSC throughout the development of the NHREP.

The NSC comprised the following institutions:

- Government:
  - Ministry of Human Resources
  - Ministry of Finance and Planning
  - Ministry of Economic Development
  - Ministry of Labour and Labour Relations
  - Ministry of Productivity Promotion
  - Ministry of Foreign Employment
  - Ministry of Youth Affairs and Skills Development
  - Central Bank of Sri Lanka
  - National Institute of Labour Studies
- Employers:
  - Employers' Federation of Ceylon
  - Ceylon Chamber of Commerce
  - Federation of Chambers of Commerce and Industry of Sri Lanka
- Workers Organizations:
  - Sri Lanka Nidahas Seveka Sangamaya (SLNSS)
  - Ceylon Workers' Congress (CWC)
  - National Association for Trade Union Research and Education (NATURE)
- International Labour Office (ILO) (in an advisory capacity)

Other relevant stakeholders were included as full members or observers as and when the need arose. The NSC was mandated to meet regularly every one or two months, or as agreed at the first committee meeting, or at any time between upon the request of the Chairperson, until the policy document was finalized.

### 3.3 Thematic Working Groups established in July 2011

Thematic working groups on key policy areas were formulated and mandated to convene regular meetings to consider relevant existing policies, programmes and action plans and to undertake a gap analysis that would draw attention to policy areas that required further attention within the framework of the newly proposed NHREP. The priority policy areas were:

- Macroeconomic policies for employment generation
- Sectoral policies for employment creation
- SMEs and the informal sector
- Human resources planning, development, management and productivity
- Development of skills, employability and career guidance
- Labour market policies, strategies and target groups
- Labour market institutions and labour relations
- Employment services
- Foreign employment
- Public sector employment

The working groups comprised national thematic specialists, experts and practitioners including tripartite constituents. The working groups made their submissions to the National Steering Committee; the submissions were then considered as integral to the framework document for policy development.

### 3.4 Institutional framework: Coordination mechanisms for policy formulation and consultation<sup>3</sup>

The Senior Ministers' Secretariat was considered the lead agency and was responsible for initiating, convening and coordinating the process of developing the NHREP. The appointment of a national consultant assisted by a drafting committee was critical to the process to ensure inclusiveness without compromising consistency. The drafting process was thus led by an academic *cum* professional who was also well accepted and trusted by the government agencies and social partners working together on this complex task. The SMS also appointed a team of labour and employment specialists who were familiar with the concept of results-based management. This lent itself well to the development of a practical and implementable policy, geared to achieving results. The key task of coordination at the operational level rested with this team, while the political coordination and negotiation was primarily in the hands of the CEO working closely with the ILO. This mechanism for driving the policy process continued into the process for developing a comprehensive implementation plan with a view to establishing a coherent and seamless monitoring and reporting system to track the progress of policy implementation after the adoption of the NHREP.

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<sup>3</sup> This institutional framework will be later formalized for the overall coordination of the implementation of the NHREP.



## 4. Policy development

### 4.1 Situation analysis: socio-economic context

The NHREP was developed out of the overall state policy in existence since 2005, as formulated in the *Mahinda Chintana* framework. The NHREP covers a number of policy areas that are of relevance to and significance in human resources development and employment promotion. Policy statements contained in the document are consensus views arrived at through lengthy consultations among all stakeholders – government officials, employers’ organizations, workers’ organizations, professional bodies and academia.

A problem analysis was done through four studies conducted on the following subject areas by well-known national research organizations and academics:<sup>4</sup>

- Macroeconomic policy for full and productive employment and decent work for all: Sri Lanka country study;
- Public sector employment;
- Employment implications of the Five-Hubs Strategy of Sri Lanka;
- Promoting employment-intensive growth in Sri Lanka: An assessment of key sectors.<sup>5</sup>

The ten thematic working groups comprising 67 members met on several occasions to deliberate on various aspects of the National Human Resources and Employment Policy of Sri Lanka. Views of the general public on the issues were obtained through feedback from a website initiated by the Senior Ministers’ Secretariat specifically for that purpose. More than 100 consultations with stakeholders were carried out to evaluate the problems and underlying issues. Drafting of the document involved several months of deliberations.

### ***Macroeconomic trends and policies and employment challenges<sup>6</sup>***

As noted in the NHREP, the growth in gross domestic product (GDP) of Sri Lanka over the recent period has been maintained at a healthy average of over 6 per cent per annum, with the rate for 2010 and 2011 at slightly above 8 per cent. The projected growth rate for 2012 was slightly over 7 per cent but action was 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. Sri Lanka has recently become a lower-middle-income country with a per capita income of over US\$2,000, which is expected to double to over

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<sup>4</sup> Some other studies also informed the NHREP, namely, “Labour Reforms in Sri Lanka” (ILO, Colombo, 2006); Vaughan-Whitehead, D. “Wage Policy in Sri Lanka: For a Comprehensive Wage Reforms Package”, mimeograph (ILO, Geneva, 2008); “The impact of labour laws and business environment on SMEs: A country review”, mimeograph (ILO, New Delhi, 2008); Otobe, N. 2013. *Globalization, gender and employment in the open economy of Sri Lanka*. (Geneva, ILO).

<sup>5</sup> The relevant studies are published on the ILO website: <http://www.ilo.org/emppolicy/pubs/lang--en/index.htm> [accessed on 2 October, 2014].

<sup>6</sup> Sources: Subcommittee on macroeconomic policies for employment generation; and Weerakoon, D. and Arunatilake, N.: *Macroeconomic policy for full and productive employment and decent work for all: Sri Lanka country study* (ILO, Geneva 2011).

US\$4,000 by 2016. Sustaining economic growth is a key factor in ensuring that poverty is further reduced from the current (2009/2010) level of 8.9 per cent nationally and to address large regional variations.

Sustainable employment creation requires a policy mix that promotes growth and investment in the productive sectors of the economy with an appropriate combination of monetary, fiscal, exchange rate, trade and real sector policies. Efforts have to be made to ensure that fiscal, monetary and credit policies are linked to the objective of generating sustainable employment. The overall direction of monetary policy is determined by the major target of maintaining stable prices to facilitate sustainable economic growth and generation of employment opportunities. Monetary authorities conduct monetary policy in such a way as to 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.

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 were considered necessary to determine the suitable monetary policy stance. The budget for 2011 introduced reforms in the tax system aimed at simplifying the tax system

**Table 1: Sectoral output and employment**

	2000			2010		
	Growth <sup>a</sup>	Share of GDP	Share of Employment <sup>c</sup>	Growth <sup>b</sup>	Share of GDP	Share of Employment <sup>c</sup>
GDP	4.0			6.4		
Agriculture	0.5	19.7	36.0	4.9	11.9	32.5
Industry	3.3	25.7	23.7	7.0	28.7	24.6
Services	5.4	54.6	40.3	6.4	59.3	42.9

Source: Weerakoon, D. and Arunatilake, N. (ILO, Geneva 2011), p. 5.

Notes: a: Annual average for 2000-04; b: Annual average for 2005-10; c: Employment data excludes Northern and Eastern Provinces.

**Table 2: Selected economic indicators**

		2000	2002	2004	2006	2008	2010
GDP growth	%	6.0	4.0	5.4	7.7	6.0	8.0
Investment	% of GDP	28.0	21.2	25.3	28.0	27.6	27.8
Domestic savings	% of GDP	17.4	14.4	16.4	17.0	13.9	18.7
FDI	% of GDP	1.0	1.1	1.0	1.6	1.7	0.9
Remittances	% of GDP	7.0	7.8	7.6	7.6	7.2	8.3
C/A balance	% of GDP	-6.4	-1.4	-3.1	-5.3	-9.5	-2.9
Fiscal balance	% of GDP	-9.5	-8.9	-7.9	-7.0	-7.0	-7.9
Govt. debt	% of GDP	96.9	105.4	102.3	87.8	81.4	81.9
Rate of inflation	%	6.2	9.6	9.0	10.0	22.6	5.9
Interest rate <sup>a</sup>	%	21.5	12.2	10.2	15.2	18.5	9.3
Exchange rate	Rs/\$	80.06	96.73	104.61	107.71	113.14	110.95

Source: Ibid., p. 6'

Notes: a: Commercial banks' Average Weighted Prime Lending Rate (AWPR).

while broadening the tax base to improve revenue mobilization. However, given the existing status of government revenue, further tax system reforms were considered necessary to improve revenue collection.

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

Attempts were made to maintain proper coordination between fiscal and monetary policies for the achievement of growth, employment and price stability objectives. This required close cooperation and regular dialogue between monetary and fiscal authorities to achieve the macroeconomic objectives of stable growth.

The private–public partnership (PPP) model is being promoted in the implementation of infrastructure investment projects rather than financing them entirely through the government budget. The Government is expected, therefore, to create an environment conducive to PPP and to develop well-prepared plans to attract private sector investors for such projects. Particular attention would be paid to the employment intensity and job creation potential of public and PPP investments.

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 the public and private sectors in raising additional investments needs to be stated very clearly, as investment is a key determinant in promoting employment-intensive growth.

The dollar value of Sri Lanka's commodity exports has 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 reached crisis proportions in 2012, action has been taken to float the rupee and to raise import tariff on selected imports. As the payments problem was brought under control, as a result of these measures and the continuing increase in exports, inward remittances and tourism earnings, the rupee began to strengthen in exchange markets. A policy of maintaining a stable and competitive exchange rate will continue to be treated as an important signalling mechanism to investors regarding the stability of the country's macroeconomic environment.

The commodity composition of exports has changed only slowly over the last decade. The manufactured goods share of exports has remained at 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.

The relevance of the exchange rate to a country's export competitiveness is being widely discussed. In addition to an appropriate exchange rate, improving export competitiveness requires many other conditions such as increased productivity in export industries.

A number of 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;
- 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 communications technology (ICT) related business process outsourcing (BPO) and knowledge process outsourcing (KPO) will be promoted to increase earnings from the export of services;

Strategic trade policy initiatives aimed at achieving greater integration into the global economy have been pursued through multilateral arrangements as well as preferential trade agreements (PTAs). Therefore, sensitive products that have employment and livelihood implications were given careful consideration in trade liberalization programmes under the country's PTA commitments.

Population has been expected to undergo major changes in its size and age structure in the coming decades. In the year 2031 the population is expected to peak at 21.9 million, thus adding a further 2.0 million people to the present population base of 20 million. In absolute numbers, this will be an enormous challenge for the country's planners.

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.

### ***Employment implications of sectoral development<sup>7</sup>***

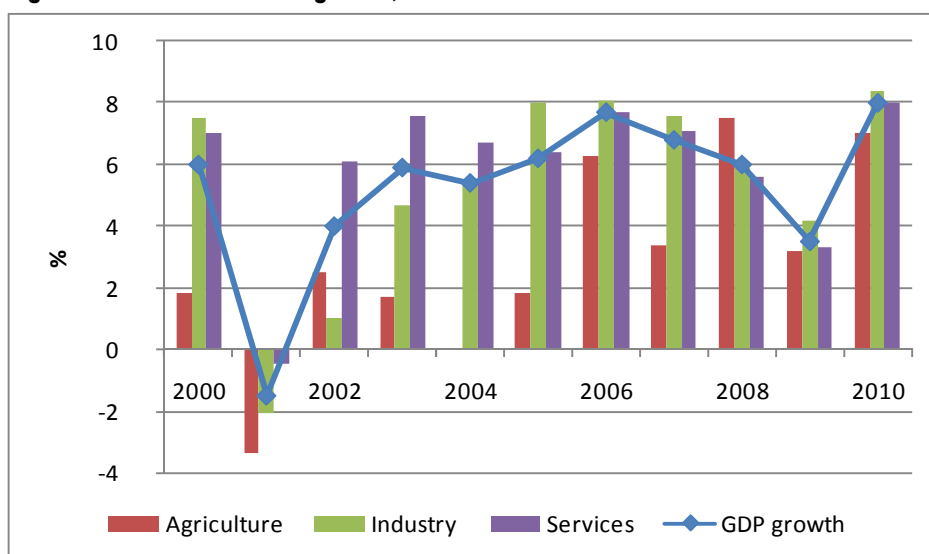
The share of employment in agriculture has declined by about 2 percentage points from 36 to 34 per cent between 2000 and 2011 (second quarter).<sup>8</sup> The share of workers in industry and services had risen by 1 and 3 percentage points respectively. While the industrial sector provided 24 per cent of employment in 2011, the service sector accounted for the largest share of employment in the country at 43 per cent in that year. In contrast, the shares of the agricultural, industrial and service sectors in terms of GDP at constant prices in 2011 were, respectively, 11, 29 and 60 per cent.

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<sup>7</sup> Source: Subcommittee on sectoral policies for employment creation; Chandrasiri, S. Promoting employment intensive growth in Sri Lanka: An assessment of key sectors (Geneva, ILO, 2013); Abeyratne, S.: Employment implications of the "Five-Hubs Strategy" of Sri Lanka (Geneva, ILO, 2012).

<sup>8</sup> Quarterly Report of the Sri Lanka Labour Force Survey, Second Quarter 2011 (Colombo, Department of Census and Statistics, Ministry of Finance and Planning, 2011).

**Figure 1: GDP and sectoral growth, 2000 - 2010**



Source: Ibid., p. 4.

The comparison of these GDP shares with corresponding employment shares shows the labour productivity gaps that exist between the agricultural sector, on the one hand, and the industrial and services sectors on the other. The productivity gap between the 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).

The NHREP has adopted a sector-focused approach, aiming at faster growth of sectors that have higher potential for productive employment. It has proposed policy intervention at subnational as well as sectoral, and subsectoral levels. Identification of major sectors and subsectors for promotion has been based on an analysis of, among other things, the employment impact of growth and quality improvements in such sectors.

It has been 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 such as tax concessions. Employment creation has been emphasized as a criterion in the assessment of investment proposals for approval by the Board of Investment (BOI), particularly when concessions are envisaged to be given to investors.

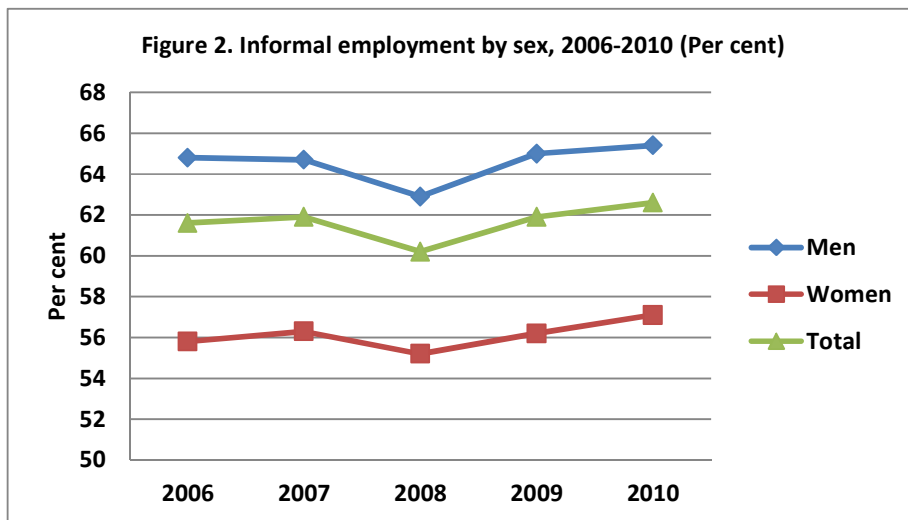
Taking the above into consideration, the NHREP developed specific policies in the following sectoral areas:

1. The agricultural sector;
2. The manufacturing sector;
3. The ICT and BPO sectors;
4. The health services sector;
5. The ports and shipping sector;
6. The environment-friendly (green jobs) sector;
7. The performing arts, music and creative industries sector;

8. The informal sector and small and medium-sized enterprises (SMEs) sector;
9. Other emerging spheres.

### ***The informal sector<sup>9</sup>***

Subject to issues of definition and measurement 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 employed. Informal employment is scattered in all sectors of the economy – agricultural, industrial and services – but the relevant national database is not adequate to judge the extent to which different sectors and subsectors absorb these workers. Micro-enterprises – another category subject to issues of definition and measurement – are estimated to account for half of all informal employees.



Source: Otohe, N. 2013, p. 13.

### ***SME development<sup>10</sup>***

The informal sector and the SME sector are dealt with in two separate chapters in the policy document but they are clearly interrelated. 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, insofar 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 – indeed cannot be defined as mutually exclusive groups. In spite of this, the NHREP treats these in two individual chapters because at the policy level the two groups are better treated separately.

Small and medium-sized enterprises make up a large part of Sri Lanka's economy, accounting for 80 per cent of all businesses. They are found in all sectors of the economy – primary, secondary and tertiary – and provide employment for people of different skills – skilled, semi-skilled and

<sup>9</sup> Source: Subcommittee on SMEs and the informal sector.

<sup>10</sup> Source: Ibid.

unskilled. There are SMEs in the agri-business sector and in manufacturing. It is estimated that about 20 per cent of industrial establishments fall under the SME category, 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 the capital investment needed to provide an additional workplace in this sector is normally substantially less, on average, than in large enterprises, SMEs 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 and innovation and promoting economic growth and wealth creation in the economy. They are seen also as entities that promote social cohesion and contribute greatly in the area of poverty alleviation. The improvement of the environment in which these SMEs operate is imperative.

The growth and expansion of SMEs are constrained by problems emanating from product and factor markets and the regulatory system under which they operate. 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.

## ***Human resources development<sup>11</sup>***

### *School education*

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 holistic human development encompasses social, economic, political and personal development and ethical values emanating from religious traditions. It is rooted in the principles of equity, relevance and excellence.

General education has an important role to play in providing relevant knowledge and generic skills such as initiative, decision-making, problem-solving, teamwork, 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.

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. 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:

- Given the large size of the sector and the substantial and expensive quality-related demands faced by the education system, the funding allocations by the Government

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<sup>11</sup> Sources: Subcommittees on development of skills, employability and career guidance and on human resources planning, development, management and productivity.

for general education are not only inadequate but have also been declining over the years;

- 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;
- 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;
- Large numbers of people 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.

### *Higher and professional education*

The higher education sector has 15 universities under the supervision of the University Grants Commission (UGC) and 2 universities under the supervision of the Ministry of Higher Education (MHE). The sector has 7 postgraduate institutes and 9 other higher education institutes all under UGC supervision. In addition, there are 12 advanced technical institutes under the Sri Lanka Institute of Advanced Technological Education under the MHE. There are tertiary level training institutions such as 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 a "degree-awarding status" by the UGC. Many vocational training institutions fall under 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 the policy document.

In discussions of higher education in the country, however, it is the university sector, with its postgraduate and other institutes, that receives 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.

The absence of an adequate number of places in universities for those qualifying to enter through A Level passes is one of the key issues. The poor quality of education offered in national higher educational institutions is an important issue for human resource development. The resources available in universities, both physical and human, are of varying quality as some of the existing universities were established without adequate prior preparation. These universities are predominantly funded from the government budget because funding from tuition and other fees and private sector donations and endowments has remained very low. The Government's recurrent and capital expenditure on higher education today is low by international standards and also by Sri Lanka's own historical standards. There has been a correspondingly inadequate and slow build-up of modern facilities within universities, and the training of human resources for employment therein has been unsatisfactory. The resulting deterioration in quality has been aggravated by internal management weaknesses and student unrest. In terms of their contribution to human resource development, these institutions of higher education have been widely criticized by both private and public sector employers.



Unemployment among university graduates causes much public irritation and anger, and demands considerable 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.

The university faculties noted in the foregoing paragraph are also the faculties drawing the largest numbers of student intake. 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.

### *Vocational skills and employability*

The Tertiary and Vocational Education Commission established under the Tertiary and Vocational Education Act No. 20 of 1990 (as amended) has provisions to register vocational and technical training institutes and accredit their courses of study according to well-defined criteria. These institutions provide non-university further education opportunities for those leaving secondary school. 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 also conduct professional courses of study.

With regard to the needs of human resources and skills development, a number of issues have surfaced that must be addressed with appropriate policies and strategies:

- 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;
- The 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 and technical students;
- In the prevailing technical and vocational education and training (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) limited access to TVET, especially for women and rural population.

### ***Career guidance and counselling***

In Sri Lanka at present many entities 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 the career guidance activities of all these institutions is a challenge.

The present fragmented system of career guidance has numerous gaps. The services are undesirably compartmentalized. 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.

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 migrant workers.

The following highlights key issues 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 an inadequate number of teachers trained in the provision of career guidance. These teachers lack the contact with and understanding of the world of work necessary to be successful in guidance. As a result, career guidance is not available to the majority of students during their school careers.
- The emphasis of career guidance services at universities is on placement in employment, generally relevant to the area of study and the specific skills acquired. The students in the general degree programmes in Arts and Sciences need to be exposed to further study and training in specific fields or common career options.
- Independent career guidance centres established by the Ministry of Labour and Labour Relations, Provincial Councils, and similar centres are independent of specific career focus and provide services of a general nature.
- Career guidance units in various training institutions such as the National Youth Services Council (NYSC), National Apprentice and Industrial Training Authority (NAITA), and Vocational Training Authority (VTA) focus on specific careers associated with these institutions, rather than on an overall system of guidance based on the attributes of the guidance seekers.
- The prevailing conditions raise the four following issues:
  - There is no efficient career guidance service nationally coordinated at all levels and within the reach of people who require it;
  - There is no accepted methodology to attract school leavers to vocational education and training (VET) programmes subsequent to the mandatory school attendance period;
  - 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;
  - Traditional ways of thinking tend to downgrade vocational education and training programmes. They are considered a default option for “drop-outs” from and “failures” of the academically oriented formal educational system. There is a need to bring vocational education and training programmes into the “preferred options” available to the youth.

### ***Enhancing the employability of the youth<sup>12</sup>***

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 second quarter of 2011 was 48.3 per cent. The overall unemployment rate had declined from 8.8 per cent in 2002 to 4.2 per cent in 2011. However, among the youth (15–24 years) the labour force participation rate was lower at 34.4 per cent, but the unemployment rate was higher than the national average at 19 per cent. The rate for females of the same age group was even higher at 26.1 per cent. Low youth participation in the labour force could be due to, among other reasons, extended period of life spent 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 the availability of financial support from the family.

The low participation of youth in the labour force<sup>13</sup> and the high rate of unemployment among them constitute a significant opportunity cost in terms of national production. The unrealistic expectations of the youth, competency mismatches, and various associated cultural factors are behind such high youth unemployment rates. An additional potential problem is that widespread unemployment among the youth could lead to significant socio-political unrest. All this makes the issue of enhancing the employability of the youth a subject worth being treated separately in the NHREP.

Unemployment among the relatively more educated youth in Sri Lanka appears to a large extent to be voluntary. Many unemployed young people are found to be waiting for the appearance of jobs they desire, the bulk of such desired jobs being in the public service. Data also show significant underemployment among the youth. This includes those who are employed in jobs for which they are over qualified.

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.

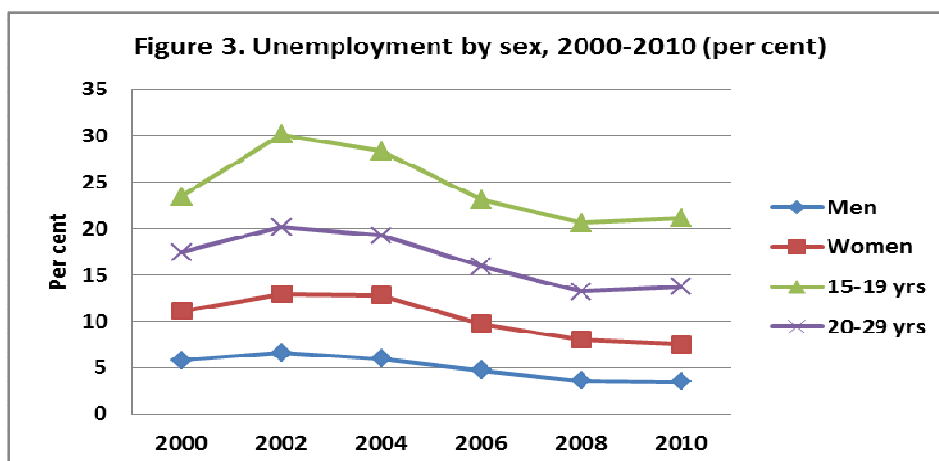
The majority of the youth prefer to be employed in the public sector for reasons of job security, good remuneration packages, high social status, and attractive fringe benefits. Therefore, some segments of the private sector find it difficult to recruit young workers for certain jobs – for example, work 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 the construction industry, and so on.

There are some other known factors with regard to the employment preferences of the youth. First, there is a widespread perception among them that private sector establishments discriminate against the rural youth in employment selection processes. Second, many of the youth show a preference for migrating overseas for employment, despite the fact that the overseas jobs they can obtain are low-level blue-collar or manual jobs.

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<sup>12</sup> Source: Ibid.

<sup>13</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.



(Source: Op cit, Otake, N., p. 8)

Against 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 emphasizing 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 those people with opportunities for skills development and remunerative employment.

### ***Science, technology and innovation skills***

Sri Lanka's vision for rapid industrialization and sustained growth critically depends on the 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 the science, technology and innovation workforce requirements. There are "specialized technical occupations" that are essential for the development and sustenance of an industrial and post-industrial economy. These need to be identified through a focused, coordinated approach.

The development of high technology 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 levels of 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.

Another significant point about highly skilled personnel is that they can generate inventions in high-end technologies that can be patented, thus contributing to wealth creation in the economy. For the very same reason, however, there is a high demand for such people 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 technology innovation and techno-entrepreneurship activities and for high technology industries are needed 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 capacity 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 domestically for that purpose.

- A focused, coordinated and monitored strategy to train and retain the highly skilled personnel required for a knowledge economy is yet to be developed.
- There is a lack of clear policies and procedures at the national level to attract and retain personnel for highly skilled jobs and compete for such personnel on 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 on the global market. For the time being, the education system does not produce sufficient numbers of such personnel.

The policy document is timely in acknowledging the imperative need for highly skilled technical personnel for rapid economic development and the introduction and implementation of policies, strategies and procedures to ensure that this need is met.

### ***Employment opportunities for vulnerable groups, people living with disabilities and those in underdeveloped regions<sup>14</sup>***

A basic problem in generating employment for vulnerable groups, especially in underdeveloped regions, is the lack of accurate data and systems of training support and continuous monitoring.

In Sri Lanka, accurate statistics on people living with disabilities are not available. According to pilot surveys conducted on people living with disabilities, approximately 7 per cent of the population falls into this group. The majority are poor, as they lack access to education, health services, income-generating activities and wage employment.

People with disabilities face multiple issues and challenges. Given that they are also among the poorest and the most vulnerable in society, and highly dependent on others, measures to empower people with disabilities and to integrate them into society will benefit them, their families and society as a whole. This issue is not sufficiently addressed at development forums. There are only a few donor-supported projects or programmes that are directed at protecting their rights through social and economic inclusion.

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.

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, mining, construction, transport and related activities and domestic work. Most child workers are in rural areas, many of them working while 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.

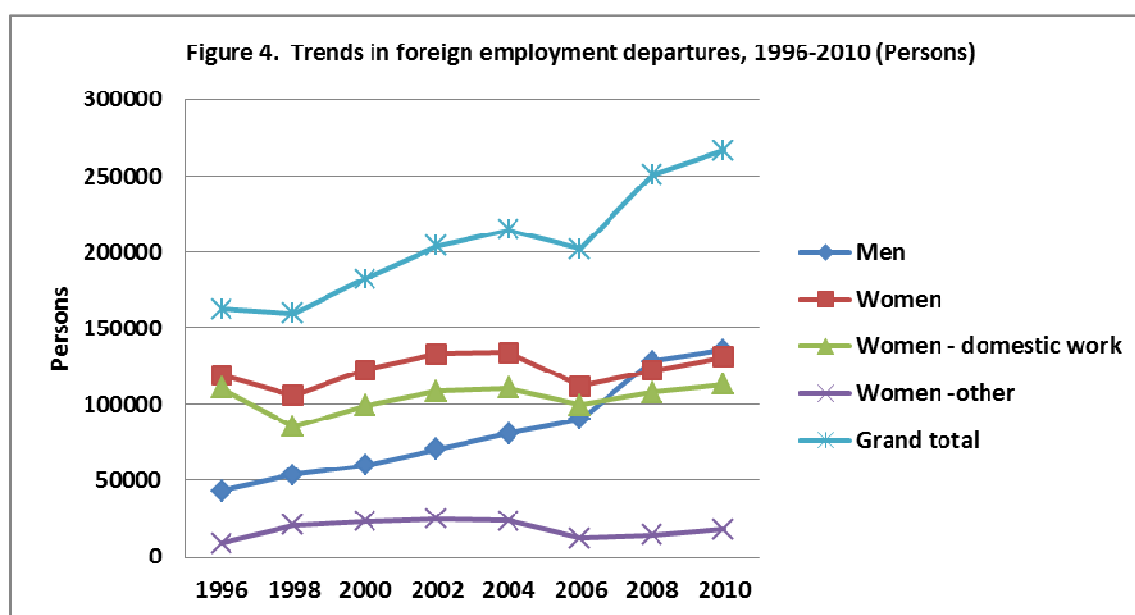
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<sup>14</sup> Source: Subcommittee on labour market policies, strategies and target groups.

## Foreign employment<sup>15</sup>

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 people. The percentage of women 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. Of the migrant workers who are women, 86.4 per cent are employed as domestic workers with 95 per cent of those going to the Middle East. 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 to US\$4.65 billion in 2010. Foreign employment is thus an important and stable source of foreign currency inflow to the country. The share of the total GDP comprising remittances was nine times higher than the annual foreign direct investment (FDI) inflow in 2010. 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 unskilled women and youths.

At the same time, Sri Lanka has not been able to supply the numbers of workers in the 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 open to workers from Sri Lanka, but the country was able to supply people for only 247,119 of those positions.



(Source: Op cit. Otobe, N., p. 14)

<sup>15</sup> Source of information: Ministry of Foreign Employment Promotion of Sri Lanka, 2012.

## ***Public service employment<sup>16</sup>***

The success of the National Human Resources and Employment Policy (NHREP) for Sri Lanka, which covers a wide spectrum of development interventions, depends largely on the effectiveness and efficiency of the public service.

While the public service has a marginal impact on employment as a direct employer, and that is confined to a few categories, it plays a more important role in promoting the creation of job opportunities in the economy at large, through the efficient execution of appropriate policies, programmes and projects. A productive public service needs a human resources development effort, incorporating the best elements of training, performance appraisal and motivation. There must be an appropriate institutional framework to ensure implementation. The form and content of such an institutional arrangement is a matter for political decision-making.

The private sector works as the engine of growth, this engine being guided by the public service. Indeed, the primary function of the public service is to manage the development process. The service delivery and regulatory functions of the public service could be subsumed within the concept of development, since they ultimately serve this purpose.

It is believed that the public service is already too large and unwieldy. As a percentage of the population, the Sri Lankan public service is one of the largest in the world. Many institutions and organizations in the public service are overstaffed.

A point noted elsewhere in the present report is that jobseekers show a greater preference to join the public service sector than the private sector. However, there is also evidence to show that the public service finds it difficult to attract people with skills and competencies that are scarce and are in high demand in the labour market. With regard to certain professional categories, such as medical specialists, engineers and IT personnel in public service employment, there is also a significant brain drain problem.

Measuring the performance of the workforce as well as of the government institutions overall is essential in order to improve the efficiency of the 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 to 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.

Capacity development of the public service requires generic and institution-specific training of all segments of the service. A particularly noteworthy element of generic training that is urgently required is in language skills in Sinhala, Tamil and English. Although public service capacity-building is critical for the management of the development process, sufficient funds have not been allocated.

Action has already been taken to establish management reform cells (MRCs) in all the ministries and in the institutions that come under their purview. The principal objective of their establishment is to promote the administrative reform process. However, the required reform processes and their expected final outcomes have not been fully identified.

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<sup>16</sup> Source of information: Gunatilaka, R. 2012. Public sector employment in Sri Lanka (mimeograph, Geneva, ILO).

Effective and efficient implementation of policies enunciated with 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.

### ***Mainstreaming gender***

In Sri Lanka, women are at a disadvantage in the labour market. 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 women are as well educated as men, as a result of the free education policies. Indeed, nearly half of all employed graduates are women, as are a little less than half of all those educated up to the GCE A-Level. However, the promise of equal opportunity for young women and men that was brought about by the provision of free education has not translated into equal opportunity in the world of work. The unemployment rate of women is twice that of men, and women with a minimum of A-Level qualifications make up slightly more than a fifth of all unemployed people, while men with equivalent education account for less than a tenth. Underemployment among women is also much higher.

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 the construction industry are largely male-dominated, while social attitudes about the appropriateness of jobs for women, and issues of personal safety, transport and housing, constrain women from taking up jobs away from home. As a result, a significant proportion of women are excluded from social, industrial, financial and other spheres of activity, and thus deprived of the opportunity to contribute to the current process of growth and development. There is clearly a need for the increased involvement of women, and enterprises and associations owned by or NGOs concerning women, in a dialogue on policy reform and implementation strategies related to sustainable employment creation for women.

Whether there is gender-based wage discrimination in Sri Lanka is often debated. A combined Government of Sri Lanka and ILO study of 2009, however, argued emphatically (using a set of 2006 data) that in nearly every instance, men in the same skill or occupational group and same employment group, in terms of public, formal or informal, earn more per hour than their female counterparts, indicating the existence of a widespread gender-based gap in wages. Women workers are also far more vulnerable to sexual harassment at the workplace and, given the social attitudes and limited job options, almost invariably suffer in silence.

Such issues discourage women from looking for work and may also account for low female rates of participation in the workforce. In addition, 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.

While these combined factors 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 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 are needed to enable women to participate in the labour market and access jobs that pay better wages and with better working conditions.



## ***Labour market information and employment services<sup>17</sup>***

The data needed by policy-makers dealing with employment issues on the one hand, and by educational and training authorities to plan, organize and operationalize programmes of education, training and skills development on the other, are not readily available in Sri Lanka. The skills development activities in this context are needed 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 is thus needed to effectively assess, estimate and monitor the rapidly changing demand for skilled human resources in a wide range of fields.

There are a variety of users of labour market information – employers, jobseekers, training institutions, and public institutions in policy-making, regulatory and promotional roles and so on. Different groups among these prospective data users will use labour market information for a variety of purposes. Access to robust labour market information is a key element in the overall functioning of a labour market.

The Government has strengthened the systems in place for the collection and compilation of human resources data. But there are still major data gaps. A labour market information system, which is demand driven and of a multi-purpose nature, is needed and is yet to be fully developed. The labour market information system planned should produce regular, timely and relevant labour force, employment and human resources information to meet the needs of the various users of the relevant information noted in the foregoing paragraph in both the 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 labour market information data to manage their industrial and service enterprises. The institutions having the responsibility for producing labour market information data are highly decentralized and they require mechanisms to coordinate the data collection and compilation activities. Arrangements to pool the data that have been gathered need to be made so that data can be easily accessed by users. The significance of developing the capacity of the institutions responsible for collection, compilation and dissemination of data cannot be over-emphasized.

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 private sector. The state sector recruitment schemes did not use this service. The Job Bank Scheme introduced later applied to a limited proportion of lower- and middle-level openings in the public sector. This was not used by the private sector. Both these schemes had numerous weaknesses and were later discontinued. This previous experience in operating an employment service in Sri Lanka, therefore, is of little use as a guide to the introduction of a new comprehensive Public Employment Service (PES).

A PES could be used in activities related to registration for employment. The mandate of the PES, wherever it operates, is the facilitation of job matching rather than placement in jobs. This avoids the perception that a public employment service is responsible for finding jobs for people, which is more likely to be the role of private recruitment agencies. The service could also be useful as a platform to operationalize contributory social security and pension schemes, as well as to generate labour market information. A public employment service could also help to undertake

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<sup>17</sup> Source: Subcommittee on employment services.

career guidance and counselling services and in the identification and promotion of employment for vulnerable groups.

### ***Social dialogue institutions and labour relations<sup>18</sup>***

Social dialogue institutions and labour relations constitute vital components of any human resources and employment policy, providing the necessary human-centred 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 cooperation will create a healthy environment for social dialogue institutions. In this regard, management of enterprises should engage in periodic dialogue with trade unions and other worker organizations to resolve outstanding issues and differences of opinion in a friendly atmosphere, before such issues lead to disputes requiring intervention by the authorities.

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

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

It is believed that all partners in social dialogue, namely the trade unions and workers' groups, employers and government officials, have limitations in their ability to effectively handle matters discussed in forums involving labour-related matters. Moreover, in cases related to industrial disputes and other labour-related issues, many trade unions cannot afford legal representation. In this scenario, all stakeholders require training in various disciplines pertaining to labour administration.

### ***Wages<sup>19</sup>***

Sri Lanka recognizes that the National Human Resources and Employment Policy must ensure not only the availability of mere jobs, but of jobs that are productive and decent. In this sense the question of wages is a key variable which 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 to 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.

The tripartite relationships involving the Government, employers and trade unions need to be improved to strengthen the wage agreement 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 *Samurdhi* scheme for poverty alleviation.

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<sup>18</sup> Source: Subcommittee on labour market institutions and labour relations and Ministry of Labour and Labour Relations.

<sup>19</sup> Source: Ibid.

The Wages Boards Ordinance and the Shop and Office Employees (Regulation of Employment and Remuneration) Act provide the legal framework for determining minimum wages. Under the Wages Boards Ordinance, currently 43 wages boards have been established, and these determine the minimum wages of respective trades. However, the mechanisms for minimum wages in the Shop and Office Employees Act are inoperative. Hence a large number of workers who are not covered under the decisions of the wages boards do not benefit from the minimum wages system.

Data indicate a high degree of income inequality, as shown by the GINI coefficient which remains at a level of 0.49 (2009/10). Data also show significant disparity between regions. Reports indicate a gender gap in the informal sector in spite of the minimum wages in the formal sector determined by the wages boards system. These issues need to be addressed.

There is a wage gap between the private and public sectors. In respect of less skilled workers, private sector wages are lower than for those of the public sector – a minimum wage of 6,750 Sri Lanka rupees (LKR) in the private sector as against a minimum of LKR13,000<sup>20</sup> in the public sector. The gap narrows – and even reverses – as skill levels go up. The wage gap at the lower end is a deterrent in promoting employment in the private sector.

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 would be useful and could help to address this issue, if collective bargaining were to be improved.

A productivity or performance-based wage system is considered to be an effective tool in enhancing productivity and the country's 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. Employers need to be encouraged to formulate such wage systems in consultation with workers' organizations.

## ***Social protection<sup>21</sup>***

Policy action in the 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 for poor workers and help to finance social protection. Social protection improves the productivity and employability of poor people and stabilizes and increases 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 to protect the most vulnerable while also promoting longer-term sustainable development.

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, or occupational accidents and diseases.

The existing social security system of Sri Lanka is fragmented and comprises fairly well-established schemes of old-age pensions and of lump-sum payments at retirement for public officers and workers in the formal private sector and their dependents, and voluntary schemes for

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<sup>20</sup> The average exchange rate for 2014 was: LKR130.6=US\$1.00.

<sup>21</sup> Source of information: Ministry of Labour and Labour Relations.

workers in the informal economy. Besides, there are schemes which cover disability, health care, and social safety nets targeting the poor.

There are gaps in the coverage of existing schemes in terms of the range of contingencies set out in the ILO Social Security (Minimum Standards) Convention, 1952 (No.102), and the number of people 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 the family-based social safety-net, 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.

Participation in existing social security schemes is not comprehensive. This gap could be explained by factors such as a lack of knowledge or interest on the part of eligible workers, and an inability to pay the contributions due and deliberate evasion on the part of employers due to weak enforcement.

With the exception of a few schemes, including the public officers' pension scheme, the social security schemes are contributory and provide benefits in a lump sum rather than as 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 of contributions made during the period of employment.

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 also a package of services including counselling, training and re-training, and job placement services is considered imperative.

As at present, the payment of maternity benefits is the employer's liability and is not undertaken through a social insurance scheme as required by the ILO Maternity Protection Convention (Revised), 1952 (No. 103) which has been ratified by Sri Lanka.

Sri Lanka is also one of the fastest ageing societies in the world, posing significant social protection challenges. The sustainability of relevant social protection schemes and the provision of appropriate conditions of well-being to people are major issues.

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. 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 has become more important to prevent people from becoming destitute and to provide employers with some labour market flexibility during difficult times.

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 an early stage. Affected workers face high health-care costs, and threats of termination of employment, lower wages, social isolation and discrimination. Steps taken early will reduce the impact of HIV/AIDS on the world of work and the national economy as a whole.

## 4.2 Technical workshop in August 2011

Several technical workshops were held to provide inputs to the thematic areas of concern and to share knowledge and provide comments on the draft documentation that would feed into the final National Human Resources and Employment Policy document.

The technical workshop held in August 2011 deliberated on the findings of the analyses of the impact of the development strategies and policies, on the overall economic growth and on the quantity and quality of employment, as well as on poverty reduction. More specifically, the workshop reviewed the past and recent growth strategies and policies, the patterns of economic and sectoral growth and the patterns of employment, including public sector employment, employment implications of macroeconomic policies, as well as gender and age differentials in the labour market. The workshop took into account the on-going negative external economic factors which may have had some impact on future employment patterns. Particular attention was also paid to the persistently high levels of informal employment, and the poverty situation of vulnerable groups, such as rural youth and women, particularly in the post-conflict regions – in other words, youth and gender issues were consciously integrated throughout the deliberations of various thematic working groups, as cross-cutting issues.

In addition, the results of the series of consultations undertaken by various working groups were presented to the National Steering Committee. These included: (1) employment generation; (2) public service employment; (3) foreign employment; (4) SMEs and the informal sector; (5) sectoral policies for employment creation; (6) development of skills, employability and career guidance; (7) human resources planning, development, management and productivity; (8) labour market policies, strategies and target groups; (9) labour market information and employment services; (10) labour market institutions and labour relations.

The technical sessions resulted in findings on key employment challenges and proposed relevant policy measures, as follows:

- *Global Employment Challenges and the ILO's Perspectives on Employment Policies:* The session entailed taking into consideration the global employment challenges and ILO perspectives on employment policies as an integrated approach in the developmental context.
- *Macroeconomic policies (monetary, fiscal and trade policies), and employment generation:* This addressed the linkages between the macroeconomic policies, and their implications for economic growth and overall changes in employment patterns and poverty reduction.
- *Public service employment:* The session analysed the past policies and the patterns of employment in the public sector, deliberated on key employment challenges and proposed some policy measures for public sector reforms.
- *Employment, informality, and SME development:* The session reviewed past government policies for promoting the SME sector and the issues of informality of employment, structural change, and policy implications for vulnerable groups of workers, in particular those in the informal rural and urban sectors.
- *Foreign employment and demographic implications:* The session reviewed the overall internal and overseas migration patterns, analysing both the push and pull factors, and drawing the demographic and macroeconomic implications.

- *Sectoral policies for employment creation:* This session reviewed the past and recent sectoral growth strategies and their implications for patterns of employment. Specific attention was paid to the overall vision of the Five-Hubs Development Strategy, industrialization, policies and measures targeted at the agricultural sector, ICT, the health and services sectors, and tourism.
- *Development of skills, employability and career guidance and human resources planning, development, management and productivity:* The session addressed the key challenges faced by Sri Lanka in its human resources development, employability of the labour force for the country to boost its productivity and competitiveness on the global market.
- *Labour market policies and strategies for target groups:* The session addressed the gender, age and ethnicity dimensions of the labour market and the importance of promoting equal employment opportunities for all, regardless of personal attributes (gender, ethnicity, class, religion, colour, political opinion, and others) and, in particular, those who are more economically and socially disadvantaged, such as rural youth and women, and the disabled, including those in the Northern and Eastern Provinces.
- *Labour market information and employment services:* This session reviewed the current labour market information system, addressed the key challenges and gaps, and proposed concrete measures to improve the overall national labour market information system and employment services to facilitate overall job matching, and the monitoring of labour market trends.
- *Labour market institutions and labour relations:* This addressed the key labour market constraints and issues that need to be resolved to improve the functioning of the labour market and labour relations, and proposed priority policy, institutional and legislative measures, including strengthening of the ILO constituents and social dialogue.
- *Policy coherence and the way forward:* After analysing various aspects of key employment challenges and causes, the workshop deliberated on policy coherence and the synergies between various proposed policy measures to be included in the National Human Resources and Employment Policy.

## **5. Policy consultation, validation and adoption**

### **5.1 Thematic working groups**

Inputs were provided by thematic working groups by August 2011, and were consolidated in a set of draft documents which provided the basis for further national and regional consultations. A national consultant was engaged to coordinate the formulation of the policy document.

### **5.2 National and regional consultation workshops in September–October, 2011**

The regional consultations were held in the Northern Province in Jaffna (post-conflict areas included), and in Matara, in the Southern and Kandy, in the Central provinces of the country, representing concerns of the populations that were geographically dispersed across the island. Apart from tripartite constituents, the national experts and line ministries were represented in addition to subnational-level partners with a stake in human resource development and employment. The concerns, findings and recommendations of the consultations were then captured in a consolidated document that took into consideration the regional context of the policy issues, the policy gaps identified and the policy action proposed.

### **5.3 Drafting of the National Human Resources and Employment Policy (NHREP)**

The NHREP was then drafted taking into consideration the inputs from the thematic working groups (based on the reports of the sessions) and also the regional consultations conducted over a two-month period. The draft document developed by the lead consultant was then presented to the drafting committee appointed by the SMS in consultation with the ILO. Several sittings of the drafting committee (as a full committee as well as in limited numbers of committee members based on specific areas of interest) facilitated the finalization of the NHREP proposal for Cabinet approval.

### **5.4 Validation workshop on NHREP**

The NHREP comprised 19 areas of critical policy concern, consisting of 371 policy paragraphs of which 250 were policy recommendations. Given the multi-faceted nature of the document, its validation was deemed necessary. A validation workshop was conducted in mid-2012 to validate and seek the endorsement of all concerned stakeholders prior to securing Cabinet approval. After validation of the draft NHREP, a “Cabinet paper” based on the NHREP was drawn up for the endorsement of the NHREP by the Cabinet.

### **5.5 Cabinet adoption and launching of NHREP**

Cabinet approval of the NHREP was received in September 2012 following discussion and debate amongst the Cabinet of ministers. This part of the process was led by the Senior Minister for Human Resources. Comments from the Cabinet were taken into consideration, and the policy document revised accordingly and translated into the national languages. The approved version of the National Human Resources and Employment Policy was printed in all three official languages (English, Sinhala and Tamil). The NHREP was launched by His Excellency the President of the country on 30 October 2012 at his official residence, “Temple Trees”, in the presence of over 100 dignitaries that included, among others, a number of donors, development partners, high-level government officials, and representatives of the private sector, workers’ organizations, NGOs, academia and the media. A special newspaper supplement for wider dissemination of the policy was released on the occasion, as well. This ILO-supported event received unprecedented media coverage and visibility for the ILO.

## **6. Development of the Master Plan on the National Human Resources and Employment Policy**

Rationale: It was decided by a steering committee formed under the aegis of the Senior Ministers’ Secretariat that the NHREP should be, to all practical intents and purposes, translated into a Strategy and Action Plan for the Implementation of the National Human Resources and Employment Policy, or Master Plan, in consultation with the line ministries charged with implementing the NHREP. This process commenced with consultations among the National Steering Committee members that approved a five-pillar approach to the Master Plan apart from using youth, gender, disability, ageing and focus on lagging regions as cross-cutting issues.

## **6.1 Providing inputs by thematic subcommittees**

During the phase of the development of the implementation master plan of the NHREP, five amalgamated subcommittees were set up and consulted, after which one-on-one consultations were held with line ministries who provided inputs to the key consultant and two facilitating consultants to develop the results-based matrix for a master plan. The five subcommittees were based on the five pillars of the NHREP that logically clustered related issues against the five broad themes, as follows:

1. Education and training
2. Private sector including the informal sector
3. Public service employment
4. Labour relations and social protection
5. Foreign employment

The policy document, spanning 19 policy areas, captured in 371 policy paragraphs of which 250 were policy measures, was transformed over time into a comprehensive implementation plan. This master plan, also called the National Human Resources and Employment Policy (NHREP) of Sri Lanka Strategy and Action Plan for Implementation, makes reference to the NHREP paragraphs that deal with the subject matter of the implementation plan, sets out baselines, targets and outputs over a 10-year period (for the same period of the current National Development Plan) and provides key performance indicators.

## **6.2 Policy and institutional coordination under the National Steering Committee (NSC)**

A management consultant together with the staff of the Senior Ministers' Secretariat held a series of consultations with the National Steering Committee (NSC) that was set up, based on the five pillars, to reach consensus with regard to a time frame, modality of consultation and structure of the overall implementation plan. The process was led by a results-based-management national expert with technical assistance from the ILO. The steering committee initially met for one to two rounds of discussion on the master plan. The main outline of the master plan was developed during discussions at these meetings. Obtaining details such as baselines, budgets, and similar information, posed a challenge at such meetings, since many of the line ministry representatives were not in a position to give the SMS team such detailed information. It was decided that an alternative consultative process should be followed.

The five-member team of the SMS along with the ILO Process Manager visited approximately 26 line ministries involved with the proposed implementation of the NHREP. This process took over six months of consultations. The format used for the master plan lent itself well to coordination between the various actors and reporting on the progress of the NHREP and the plan itself. A team within the SMS set up for this purpose comprised consultants for the SMS who also worked in various divisions of the SMS which facilitated the development of a comprehensive master plan. This also augured well for sustainability of the coordination as they were well positioned to liaise and interact with the 26 line ministries who invariably worked alongside the relevant SMS divisions. For instance, the Ministry of Education worked closely with the team to ensure that education policies were in line with the NHREP and other related policies through the SMS Education Committee.



### **6.3 Validation of the master plan**

The draft master plan was presented to the stakeholders who had contributed to its development for validation. The validation workshop, held on 27 September 2013, drew over 100 high-level stakeholders – mainly senior officials from government agencies. Comments were received during and soon after the workshop, which were reviewed and incorporated into the master plan. Re-visits to some agencies were also undertaken to complete gaps in information.

### **6.4 Cabinet approval and launching of the master plan**

The master plan was then printed and submitted to the Cabinet for approval on 3 April 2014.

## **7. Policy Coordination on Monitoring and Evaluation (M&E) of the implementation of the National Human Resources and Employment Policy: Implementation phase begins...**

### **7.1 Monitoring and evaluation framework**

Given the need to provide the necessary input to Parliament and the working committees on a regular basis, a system managed by responsible officers of the SMS using existing “worksheets” has been considered at this stage to ensure timely feedback for quarterly and annual reporting. The five thematic pillars (of the NHREP master plan) have been separately assigned to five dedicated officers who will call for, collect, collate, analyse, report and provide feedback to the stakeholders on progress based on the Key Performance Indicators of the master plan.

This network forms the nucleus of the coordination operation and its members will keep in regular contact among themselves via email and telephone calls. They are required to collect reporting data and other inputs needed to generate the necessary reports for reporting onwards to the Senior Ministers’ Secretariat and beyond. The assistance of the IT consultant who created and installed the system will also be required on a regular basis in this regard. It is expected that there will be limited or no new training required for the internal and external stakeholders involved as they are already aware of and have been trained on the existing monitoring and evaluation format through the various workshops carried out in the latter stages of the project. However, based on feedback and coordination amongst the ministries, some re-training may be considered at a later stage.

### **7.2 Institutional framework for implementation**

#### **7.2.1 Role of the NHREP coordination unit**

The NHREP coordination unit (which later has been transferred from the SMS to the Ministry of Labour and Labour Relations) will provide support to agencies in their efforts to mobilize resources for implementing the NHREP using the master plan, as well as providing regular advice and developing tools that would lend themselves to better coordination. The unit will set up a coordination and reporting system – initially as a worksheet-based monitoring mechanism – to support better coordination and reporting against key performance indicators of progress. The unit will also convene meetings of the stakeholders and partners in the NHREP master plan and of the subcommittees as and when deemed necessary to ensure better coordination among partners.

### **7.2.2 Roles of various stakeholders**

The various stakeholders will be responsible for the varying components within the framework of the NHREP master plan: they will mobilize resources; develop baselines (where not presently available); share knowledge either through the worksheet-based reporting mechanism or through stakeholder meetings and subcommittee (follow-up) meetings convened by the Coordination Unit, implement the components within their respective mandates; complement work related to their own cluster-related subjects within the pillar-based master plan; share lessons learned and good practices and share resources for strengthened partnerships to implement the NHREP through its master plan.

### **7.2.3 Coordination meetings**

The coordination meetings will take place quarterly and at other times as and when necessary – for example, to coincide with a key milestone of the national programme for development that will ensure that any further or new human resource development work will be premised on the NHREP and its master plan.

### **7.3 Financing of the NHREP master plan**

The master plan is expected to be financed by both internal and external resources. There is an indication within the master plan document itself as to which components have already secured funding and where funding gaps exist. Thus the master plan also serves as a resource mobilization tool.

### **7.4 Government budget (coordination mechanisms)**

The NHREP master plan is considered to be the overarching framework for human resources development and employment promotion in the country. Soon after the validation, even prior to Cabinet approval, the national budget for the year reflected a commitment of funds to selected priority areas within the NHREP and its master plan, namely, support to informal economy development, and support to SME development and microfinance projects for entrepreneurship. The Ministry of Education's new education policy presented to the Cabinet was referred to the SMS for scrutiny and compliance with the master plan prior to Cabinet approval. This type of practice lends itself to better coordination among the various ministries subscribing to the master plan and for employment budgeting. However, not all agencies (and there are more than 26) are as well versed in employment-oriented budgeting and some will need further capacity-building and re-training from time to time to keep up the momentum and help with the sustainability of such initiatives.

### **7.5 External resource mobilization**

The NHREP and a draft of its master plan were presented to the bilateral and multilateral development partners at a special meeting convened by the United Nations Resident Coordinator on 14 March 2013. The draft master plan was also shared by the SMS with donors from Canada, Australia, the ADB and the World Bank. For the purpose of more aggressive and systematic resource mobilization, 37 project and programme concept papers, developed by over 30 experts, were reviewed by a technical committee of the SMS, the five pillar representatives as and when required, and the ILO, to ensure that they were in line with the formats provided and the NHREP itself.

## 8. Key lessons learned

Some lessons learned through this overall policy-making process that warrant highlighting are:

***Initial capacity-building:*** The national stakeholders participated in a number of capacity-building preparatory workshops to appreciate the importance of integrating key issues of employment promotion and human resource development into their development plans, including the importance of having appropriate national institutional frameworks for policy coordination;

***Extensive consultative process:*** where the depth and breadth of the consultations lent itself well to total buy-in by all stakeholders, who have now starting using the policy document as a key resource mobilization and monitoring tool. Workshops were also held in the regions, including the Northern and Eastern Provinces, where post-conflict recovery remained essential for the long-term peace and stability of the country. The extensive consultations with various stakeholders helped, therefore, to develop national ownership.

***Institutional framework for policy coordination:*** Making the NHREP comprehensive so as to respond to complex employment and human resources challenges could make it difficult to formulate, implement and coordinate the policy measures; only time will tell if its implementation will ultimately be successful. It was also important to have proper national institutional frameworks set up for both the policy formulation and the implementation stages, which are anchored by high-level political commitment – this combination of appropriate institutional frameworks and a high level of political commitment has contributed to the success of the overall formulation process. (The coordination role for the implementation phase has later been transferred to the Ministry of Labour and Labour Relations.)

***Political commitment anchored in the institutional framework:*** The setting up of a coordinating unit for the NHREP within the Senior Ministers' Secretariat, which has been the driving force behind the policy, and which has a high-level oversight role across various line ministries, ensures that the process will be maintained by the national stakeholders to ensure that the various policy measures adopted will be fully implemented.

***Public advocacy, and communication and dissemination:*** In addition, the role of public advocacy and communication and dissemination has been an important contributory factor to give a fillip to the overall process. The policy document has been made available in national languages (Tamil and Sinhala), in addition to English. An executive summary of the NHREP was issued in two major national newspapers on the day of the policy launch.

The National Human Resources and Employment Policy of Sri Lanka, including its master plan, has taken over three years to develop – it could have taken less time and been less complex, but may then not have done justice to the twin subjects of human resources development and employment which are critical issues in linking job aspirations with the existing labour market. In this case, the length of the process added value to the depth and width of the content, and the money invested in the elaborate process did not in any way compromise its impact – namely, addressing all the complex and intertwined issues and policy challenges in promoting decent work for women and men in Sri Lanka.

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## Annex I: National Human Resources and Employment Policy for Sri Lanka: Annotated outline<sup>22</sup>

**‘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’.

**Background:** Providing the overall historical context of the National Human Resources and Employment Policy.

### **Objectives of the policy:**

- 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 for each worker, without discrimination, to qualify for and to use his or her skills and endowments in a job for which he or she is best suited so that worker motivation and productivity are maximized; and
- To safeguard the basic rights and interests of workers in line with national labour laws and key international labour standards.

**Considerations:** refers to the key policy documents, key challenges, as well as those key guiding principles in the ILO Employment Policy Convention, 1964 (No. 122) of promoting full, productive, and freely chosen employment for all, regardless of various attributes (race, colour, sex, religion, political opinion, national extraction or social origin).

**Macroeconomic policy context:** provides the overall macroeconomic context of the country with reference to the relevant issues in the 10-year National Development Plan.

**Human resources planning, development and productivity:** indicates the context and key issues, and policy measures related to human resources planning, development and enhancing the productivity and competitiveness of the country. The policy review and proposed measures cover all aspects of human resources development, not limited to but including vocational and technical education and training.

*School education:* acknowledging the current gaps in measures, the policy includes increasing vocational educational options at the secondary level and beyond, enforcing languages, as well as integrating professional skills development in the secondary schools.

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<sup>22</sup> The NHREP may be found on the government web site:  
[http://www.nhrep.gov.lk/images/pdf/nhrep\\_final.pdf](http://www.nhrep.gov.lk/images/pdf/nhrep_final.pdf) [accessed on 7 October, 2014].

*Higher and professional education:* enumerating the current challenges, the policy includes measures to enhance both quantity and quality of tertiary education, developing knowledge and skills that meet labour market demand.

*Vocational skills and employability:* acknowledging the need to enhance quantity and quality of TVET, the government will introduce a TVET stream for school leavers at the secondary level, introduce a system of recognizing qualifications, as well as enforce the private sector participation in the development of curricula in TVET.

*Career guidance and counselling:* noting the shortcomings of the current status of career guidance and counselling, the involvement of the private sector will be encouraged; the network of career guidance institutions will be strengthened, and the capacities of those who provide counselling will be enhanced.

*Enhancing employability of the youth:* notes the context and key challenges, and policy measures to address youth employment issues, through introduction of active labour market programmes, in particular targeting the disadvantaged youth, promotion of entrepreneurship development, and changing attitudes of both youth and employers.

*Science, technology and innovation skills:* in the context of fast changing technological challenges, the government will provide higher incentives to develop scientific and technological skills; and will develop a National Technical Workforce Planning and Development Strategy.

**Sectoral policies:** presents the overall context of the country's sectoral development and its employment and skills implications, and policy measures:

- Agriculture sector
- Manufacturing sector
- Tourism sector
- ICT and BPO sectors
- Health services
- Ports and shipping sector
- Environment-friendly (green) jobs
- Infrastructure investments
- Performing arts, music and creative industries
- Other emerging spheres

**Informal Sector and Small and medium-sized enterprises (SMEs):** provides the overall context, key challenges facing SMEs, and policy measures, such as creating conducive business environment; enhancing access to credits and technologies; enhancing entrepreneurial culture; and enhancing protection of workers in the SMEs.

**Employment opportunities for vulnerable groups, people with disabilities and those in underdeveloped regions:** (especially in Northern and Eastern regions recovering from the long-term civil war).

**Foreign employment:** sets out both the opportunities and challenges of foreign migration for Sri Lankans and relevant policy measures to promote orderly labour migration for decent work, and not migration because of need.

**Public service employment:** notes the key challenges in the existing public sector, which has been undergoing reform, and policy measures to improve its efficiency and effectiveness.

**Mainstreaming gender:** provides the key challenges of persisting gender inequality in the labour market and policy measures.

**Labour market information and employment services:** presents the key gaps and challenges in the labour market information system and public employment services, and related policy measures. The measures intend to expand the coverage of labour market information and strengthen public employment service.

**Social dialogue institutions and labour relations:** notes key weaknesses of social dialogue institutions and the dialogue environment, and presents policy measures.

**Wages:** provides the context with a focus on minimum wage fixing systems, and suggested policy measures.

**Social protection:** sets out broad issues of social protection and social safety-nets and the existing gaps and challenges, in particular in harmonization of pension systems and the lack of an unemployment insurance system, as well as policy measures.

**Institutional framework: Implementation, monitoring and coordination:** provides the overall institutional framework, involving multi-stakeholder and inter-ministerial coordination.

## **Annex II: Terms of Reference of the National Steering Committee<sup>23</sup> on the National Human Resources and Employment Policy for Sri Lanka**

1. Discuss and approve the draft terms of reference of the Committee.
2. Establish a time frame and a detailed work plan for development of the National Human Resources and Employment Policy (NHREP), and revise them if needed.
3. Deliberate and decide on priority or focus areas for inclusion in the NHREP using the ILO Technical Note as a guide.
4. Select core themes or clusters for the establishment of thematic working groups to develop detailed recommendations for national policy.
5. Convene regular meetings for following up on policy development.
6. Circulate minutes and decisions of National Steering Committee (NSC) meetings to members on time, and ensure follow-up of the NSC decisions.
7. Appoint thematic groups to represent key stakeholders, provide strategic inputs to the work of thematic groups and facilitate and oversee their work.
8. Appoint a drafting group for preparation of the draft NHREP drawing upon contributions of various working groups.
9. Identify and coordinate the commissioning of research, requests for expert inputs, and generation of additional information as needed for the NHREP and the ILO technical report.
10. Interact with the ILO and coordinate requests for ILO support and inputs throughout the policy development process, and keep ILO informed of requests to and support from other agencies.
11. Ensure that the policy being developed is consistent with the overall government policy framework.
12. Review and provide feedback on the draft NHREP.
13. Participate in a national stakeholder consultation for the validation of the draft policy.
14. Arrange for revision of the draft NHREP based on the consultation and oversee its finalization.
15. Outline a strategy for ensuring that the NHREP is adopted by the Sri Lanka Government (Cabinet) and implemented.

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<sup>23</sup> Members of the thematic working groups – see the list of the members and institutions in Annex III.



## Annex III - Members of the thematic working groups

### Macroeconomic policies for employment generation

Name	Designation and Organisation
Mr. S. Lankathilake – (Chair)	Assistant Governor, Central Bank of Sri Lanka
Dr. N. Ravindhira Kumaran	Senior Lecturer, University of Colombo
Dr. Dushni Weerakoon	Deputy Director, Institute of Policy Studies
Mr. Uditha Palihakkara	President, Organisation of Professional Associations

### Development of skills employability and career guidance

Name	Designation and Organisation
Prof. Dayantha Wijesekara (Chair)	Chairman, Tertiary & Vocational Education Commission
Mr. Vajira Ellepola	Deputy Director General, Employers Federation of Ceylon
Mr. Benedict Ulluwishewa	Consultant, Organisation of Professional Associations
Mr. K. Marimuttu	Vice President, Ceylon Workers Congress
Mr. Lakshman J.K. Hettiarachchi	Consultant, Organisation of Professional Associations
Mr. Vajira Perera	Director (NVQ), Tertiary & Vocational Education Commission
Ms. R.M.M. Basnayake	Director Establishment, Ministry of public Administration and Home Affairs
Ms. Indrani Abeywickrama	Deputy Director of Education, Department of Education

### Labour market policies strategies and target groups

Name	Designation and Organisation
Mr. N.G. Kularatne – (Chair)	Ex-Director General, National Institute of Labour Studies
Mr. E.L.K. Dissanayake	Asst. Director, Department of Manpower and Employment
Ms. Ayomi Fernando	Deputy Director General, Employers Federation of Ceylon

## Employment services

Name	Designation and Organisation
Mr. R.B.M. Korale – (Chair)	Consultant, ILO/ADB
Mr. Panitha Ratnayake	Asst. Director, Vocational Training Authority
Mr. E.L.K. Dissanayake	Asst. Director, Department of Manpower and Employment
Dr. P.J. Kumarasinghe	Director Career Guidance, University of Sri Jayawardenapura
Mr. Ajith Jayawardena	Career Guidance Officer, University of Colombo
Ms. Indrani Perera	Director Training, NAITA
Mr. J.S.N.P. Dharmawardena	Snr, Statistician, Department of Census and Statistics
Mr. Laksara Edirisooriya	Labour Market Analyst, TVEC

## Foreign employment

Name	Designation and Organisation
Ms. Padmini Ratnayake- (Chair)	Addl. Secretary, Ministry of Labour
Mr. L.K. Ruhunuge	Consultant, Ministry of Foreign Employment Promotion
Mr. M. Somasundaram	Ministers' Advisor, Ministry of Foreign Employment Promotion
Mr. J.A.D.J. Jayalath	Director, TVEC
Mr. M.Z.M. Mansoor	Secretary, Association of Foreign Employment Agencies
Mr. K.O.D.D. Fernando	Additional General Manager, Sri Lanka Board of Policy
Mr. Roy Jayasinghe	General Manager, Sri Lanka Foreign employment Agency

## Public sector employment

Name	Designation and Organisation
Dr. Lloyd Fernando – (Chair)	Project Director, PIM
Ms. M.W. Kanthi Gunathilake	Additional Secretary, Public Service Commission
Mr. Dhammika Amarasinghe	Advisor to the President
Mr. W.H. Piyadasa	President, Public Service Trade Union Federation

Mr. Upasena Senanayake	Consultant, National Salaries and Carder Commission,
Ms. H. Gunawathie	Senior Asst. Secretary, Ministry of Public Administration
Mr. G.K.D. Amarawardena	Secretary, Ministry of Public Sector Reforms
Mr. K.D.S. Ruwanchandra	Additional Secretary, Ministry of Public Sector Reforms
Mr. Dinesh Sattrurasinghe	Deputy Director, Industrial Technology Institute
Mr. B. Wijyaratne	Director, SLIDA
Mr. W.M.P.G. Wickramasinghe	Director, Public Service Training Institute

### Labour market institutions and labour relations

Name	Designation and Organisation
Mr. R.P. Wimalasena – (Chair)	Senior Labour Advisor, Ministry of Labour
Mr. Ditttha de Alwis	Deputy Director General, EFC
Mr. T.M.R. Raseedin	General Secretary, NATURE
Ms. D.V.S. Dayawansa	Director, Central Bank of Sri Lanka
Mr. W.A.F. Jayasiri	Director, Board of Investment
Mr. Ravi Peries	Director General, EFC
Mr. K. Marimuttu	Vice President, Ceylon Workers Congress
Mr. A. Wimalaweera	Senior Asst. Secretary, Ministry of Labour
Mr. P.S. Pathiratne	Commissioner, Department of Labour
Ms. Pearl Weerasinghe	Commissioner General of Labour
Mr. Upali Wijayaweera	Secretary, Ministry of Labour

### Sectoral policies for employment creation

Name	Designation and Organisation
Prof. Sudatta Ransinghe –(Chair)	Professor of Management, OUSL
Ms. Lathisha P. Liyanage	Senior Asst. Secretary, Ministry of Agriculture
Ms. Sarojini Dias	Director, National Institute of Education
Dr. Nimal Gunatillake	Advisor, Ministry of Higher Education
Ms. Mangalika Adikari	Director, Ministry of Traditional Industries and SME
Mr. Kanishka Weerasinghe	Deputy Director General, EFC

**SMES and the informal Sector**

<b>Name</b>	<b>Designation and Organisation</b>
Prof. Sunil Chandrasiri – (Chair)	Dean, Faculty of Graduate studies, University of Colombo
Ms. R. Jayatilleke	Director, Industrial Technology Institute
Mr. P.M. Karunaratne	Deputy Director, Ministry of Industrial and Commerce
Mr. W.C. Dheersekara	Consultant, national Enterprise Development Agency

**Human resources planning, development, management and productivity**

<b>Name</b>	<b>Designation and Organisation</b>
Mr. Ariyaratne Hewage - (Chair)	Chairman, Finance Commission
Dr. Nisha Arunatilake	Fellow, Institute of Policy Studies
Mr. R.G. Pandithakoralage	Representative of EFC
Dr. Nimal Gunatillaka	Advisor, Ministry of Higher Education
Mr. E.L.K. Dissanayake	Asst. Director, Department of Manpower and Employment

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