Youth Employment in Sri Lanka

G.B. GUNAWARDENA
and
T. A. PIYASIRI

Regional Seminar on
Public-Private Partnership on Higher Education and
TEVT and Youth Employment

30 – 31 July 2012
General Overview

Sri Lanka

- Among Medium human development countries
- Human Development Index 0.513 (1980) - 0.658 in (2010)
- Human Development Rank (91st) among the 169 member countries of United Nations
- A result of measures taken to ensure adequate health services & educational opportunities
- Life expectancy is estimated as 74.4 (2010)
## General Overview

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy</td>
<td>74.4</td>
<td>(2010)</td>
<td></td>
</tr>
<tr>
<td>Literacy rate</td>
<td>91.9</td>
<td>(total)</td>
<td>Male (93.2)</td>
</tr>
<tr>
<td>Gross Enrolment Ratio</td>
<td>68.7</td>
<td>Primary (97.8)</td>
<td>lower secondary (98.2)</td>
</tr>
<tr>
<td>Enrolment, at university (04.2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour force participation rate</td>
<td>53.4</td>
<td>((10 years and above)</td>
<td>75.0% ( male )</td>
</tr>
<tr>
<td>Rate of unemployment</td>
<td>5.8%</td>
<td>(2009)</td>
<td>4.9%</td>
</tr>
</tbody>
</table>
Key Issues for Youth Employment

- Foremost issue is the continued youth unemployment

Unemployment Rate, 2010

<table>
<thead>
<tr>
<th>AGE</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24 years</td>
<td>3.5</td>
<td>7.7</td>
<td>4.9</td>
</tr>
<tr>
<td>25-29 years</td>
<td>19.4</td>
<td>9.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Over 40</td>
<td>19.4</td>
<td>9.2</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Educational Level

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 5 &amp; below</td>
<td>0.7</td>
<td>3.6</td>
<td>6.9</td>
</tr>
<tr>
<td>Grade 6-10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GCE (O.L)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GCE (A.L) &amp; above</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural (5.0)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Key Issues for Youth Employment

- More women, younger age groups and those with higher levels of education and urban residents face unemployment more than the others.
- Rural and estate sector youth are also marginalized.
- Disparities by district. The lowest % of unemployment recorded for Anuradhapura district & highest percentage for Kandy district 9.6 followed closely by Matara.
Mismatch between educational qualifications and employment

- Greater interest in getting a state sector job (69.9%) than private sector job (17.6%) or self-employment (11.6%).
- Opportunities for employment available in the private sector, but those accessible to rural youth are mostly low-skill and low-status jobs.
- Lack of competency in English bars rural youth from gaining jobs in the private sector.
- Rate of unemployment much higher among Arts & Commerce graduates, most of whom are females.
Employment Creation

- Economic liberalization and increased privatization in recent years was expected to expand the economy and generate more employment but
  - these expectations have not materialized
  - Very few, if at all, specific private sector projects had been commenced.
  - In 2010, the share of the Industry sector in total GDP increased marginally to 28.7 per cent (Central Bank, 2010).
  - The share of self-employed workers increased from 32.9 in 2005 to 35.9 in 2010
Entrepreneurship

- Determines how one manages & assume the risks of an enterprise, is weak among youth.
- Constraints exist in the regulatory environment, culture & in the programmes that aim at developing entrepreneurship.
- Educated youth are generally waiting for public sector jobs and a lack of a liking for business.
Youth Employment - Case Study

Self Employment Promotion initiative (SEPI) - Loan Scheme
SEPI Scheme

• To provide financial assistance for Self Employment to youth who completed Vocational Training courses
• 1000 youth to be benefitted in the first phase from 2003 to 2006
• 70% of the beneficiaries to be female
• Fund allocation in the first phase Rupees 100 million
• 14 day Self-employment and Entrepreneurship Training
Key Actors

- **Ministry of Vocational and Technical Training**
  Overall coordination and funding through ADB assisted Skills Development Project

- **SEPI beneficiaries**
  Trainees who completed Vocational Training and willing to engage in self employment

- **Participating Financial Institutions (PFI)**
  Central Bank of Sri Lanka holding the fund and operating through 11 commercial banks.
Financing mechanism

- Credit facility up to Rs. 250,000 per trainee
- Pay back period depending on the size of loan, maximum 8 years with 2 year grace period
- Rate of interest 10%
Processes

- Youth who completed vocational training apply for the loan with basic business plan
- Review of business plan by a team from Ministry and Banks and guidance for improvement
- Applicant submits full business proposal with budgets and implementation plan
- 14 day entrepreneurship training programme conducted for selected applicants. Female applicants get preference.
- Issue of loan and monitoring till loan is fully recovered
Key results of programme

- Total number of loan offered 840 out of which 214 were females
- Aggregate worth of loans Rs. 94.3 million
- **Surveys showed:**
  - In 2005, average net income of a participant was Rs. 8200 per month and one or two jobs created
  - Start of the business based on the field of training is 82.68%.
  - Settlement completed of the loan at present is 84.25%.
  - Present full time self employment is 58.27%.
Factors for success

- Role played by the Career Guidance officers in promoting the programme and guiding trainees
- Entrepreneurship training programme offered
- Review of business plan and guidance offered by professionals
- Simplified mechanism to offer loans within a short period
- Monitoring and guiding the business
Challenges and Implications for Sustainability

- Initial target of 70% of SEPI loan beneficiaries to be female was unrealistic
- Many larger banks showed little interest on the scheme
- Applicants had problems of finding suitable guarantors
- Loans up to Rs. 50,000 were granted based on parents guarantee
- Monitoring of enterprises in 19 districts required a large effort
Conclusion

• Strong preference for public sector jobs is one reason for the waiting period for employment to be long.
• Slow pace of economic growth and mismatch between the competencies developed and the demands of the economy has further aggravated the problem.
• Government investments in infrastructure to facilitate investments in enterprises and employment creation.
• Imparting competencies in youth in areas of high labour market demand and development of a culture of entrepreneurship.
Thank you