

# Analysis of the Average Daily Wages of Informal Sector in Sri Lanka

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**Abstract**—Sri Lanka is a South Asian developing country with a total population of 21.4 million people. The agricultural and informal sector employees contribute to a significant share of the Sri Lankan economy. The term informal sector refers to workers who perform an entirely legal task, are paid for their labour in cash, but are not governed by any labour legislation. The informal sector employs over 4.5 million Sri Lankans, which is more than the number employed by the formal private sector, the government sector, and state-owned enterprises, combined. It is very important that the average wages of the employees are being adjusted with time as the inflation rate of the country is varying. Also there are significant differences in the male and female employees wages especially in the informal sector. This paper gives an analysis of the average wages earned by the informal sector employees of Sri Lanka.

## 1. Introduction

Sri Lanka is a Lower Middle-Income country with a GDP per capita of USD 4,073 (2017) [1]. According to the central bank of Sri Lanka, the current economic growth rate is at 3.3%. Agriculture is a very important sector of the Sri Lankan economy. Even though its contribution to the gross domestic product declined substantially during the past 3 decades, it is a key source of employment for the majority of the Sri Lankan workforce. The major plantation crops are tea, rubber, and coconut which continue to figure prominently in the economy of Sri Lanka. It can be observed that there are significant differences in the wages of the employees in the different agricultural areas and other informal sectors. Also the differences in the wages are affected by different socio-economic factors in different regions of the country.

## 2. Methodology

Analyzing the National Inflation rate variation and the Variation rate of average daily wages from 2006 - 2012 - Sector wise and Province wise Analysis From the data set we calculated the variation rate (increase rate or decrease rate) for each year with respect to the previous year

$$\text{Variation rate} = \frac{\text{averagedailywageofcurrentyear} - \text{averagedailywageofpreviousyear}}{\text{averagedailywageofpreviousyear}}$$

This analysis was done for the national average daily wage for each sector and province wise average daily wage for each sector. Inflation rate of Sri Lanka for the respective years were obtained from the report Economic and Social Statistics of Sri Lanka 2014, issued by the Central Bank of Sri Lanka [2].

## 3. Data-set

There are many sub sectors in informal sectors. Here, we only considered Tea, Paddy, Rubber, coconut, Carpentry and Masonry. But there are fishermen, farmers excluding the paddy, tailors, business, house maids, cinnamon producers, clove producers and more other informal sectors which are contributing to the economy of Sri Lanka, but due to lack of data, we only considered those selected categories from the informal sectors.

The data set was obtained from the Open Data Inventory of Government of Sri Lanka [3].

## 4. Results

### 4.1. National Inflation rate variation and the Variation rate of average daily wages from 2006 - 2012 - Sector wise

In Figure 1, The red dotted line shows the national inflation rate from 2007 to 2012. The other plots show the variation rate of each informal sector wage. For 2007 the average wage increase rate is less than inflation rate for all the sectors except the category coconut in the agriculture sector. This has changed by 2012, the increase rate is greater than the inflation rate in all the sectors. Since 2009 majority of the sectors have a higher increase rate than the inflation rate. This may be due to the economic growth after the conclusion of the civil war.

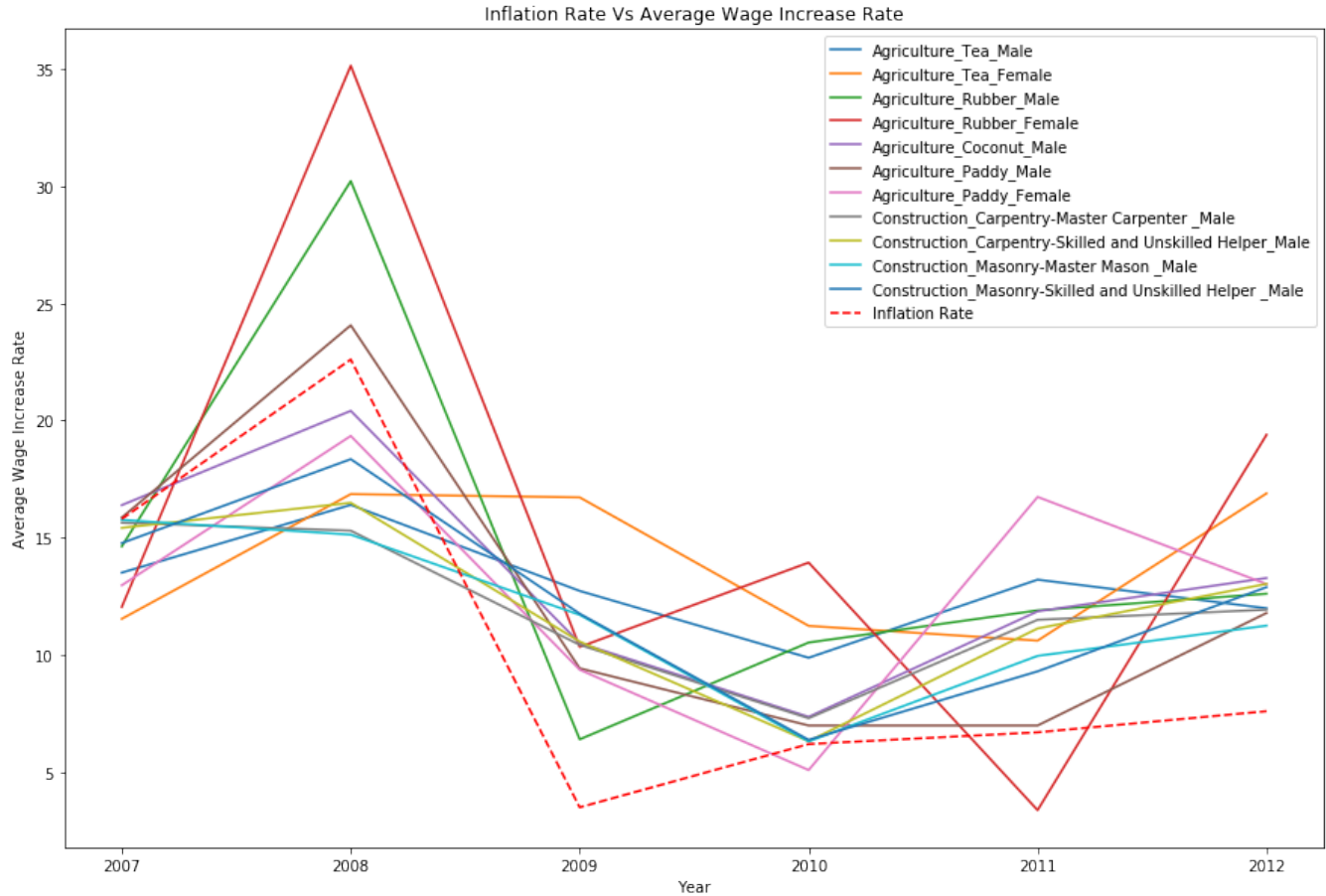


Figure 1. Inflation Rate Vs Average Wage Increase Rate - All Island Sector Wise Comparison

#### 4.2. National Inflation rate variation and the Variation rate of average daily wages from 2006 - 2012 - Province wise

In 2007 the only the wage increase rate for the coconut and paddy sectors for the male workers are greater than the inflation rate. But according to the province wise analysis the following provinces do not show this variation. Western, Eastern, Northern and Uva for female workers in the paddy sector and Uva, Eastern and Northern for male workers in the paddy sector where the increase rate is less than the inflation rate. Central, Eastern. Northern and Western provinces show a less increase rate. In most of the sectors Northern province shows a low increase rate. Once again in 2008 majority of the sectors have a lower wage increase rate. In 2009 the inflation rate is dropped with the end of the civil war and all the sectors have an increase rate higher than the inflation rate in the country. But the wage increase rate for female workers in the paddy sector for Central province has been recorded as -1.64 while for male workers in Eastern province is 1.62. Southern and Western province female workers in the rubber sector also have recorded a higher decrease rate. By 2012 all the sectors

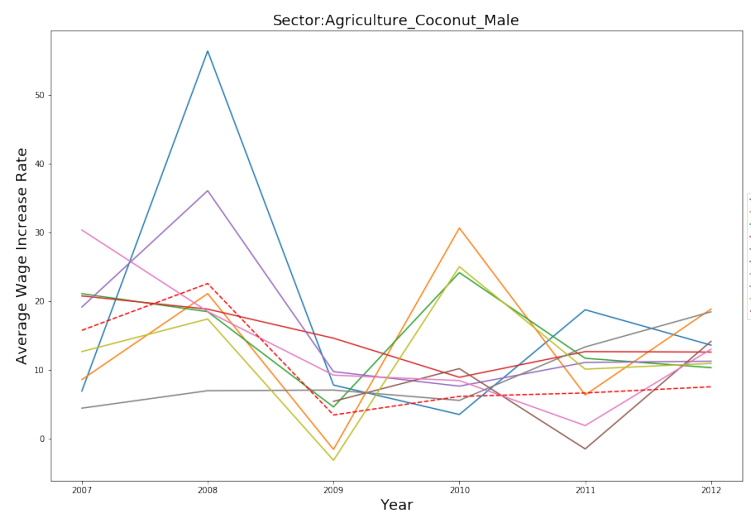


Figure 2. Inflation Rate Vs Average Wage Increase Rate Province wise comparison - Agriculture Coconut Male

show a growth rate more than the inflation rate but with a few exceptions according to the province wise analysis.

At the same time the average wage increase rates of the workers in the agricultural sector are better than the other sectors. The construction sector has a increase in average wage rates despite the low inflation rate in the post war era. A similar pattern can be observed for both all subcategories in the construction sector. That can be identified as due to the infrastructure development in the country after the civil war.

### 4.3. Trends in wage inequality between male and female over the period

As a second one, we analyzed the inequality of the daily average wages between male and female. For that we selected the data sectors which has male and female and visualize the inequality of daily average wages for each province.

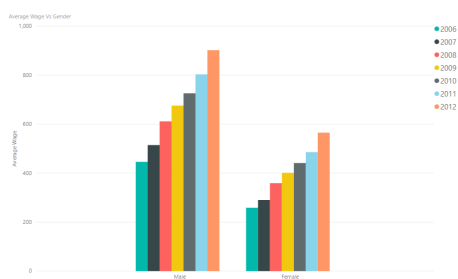


Figure 3. Average daily wages for men and women in the period considered

**4.3.1. Methodology.** Average wages for each gender was available separately by each sector and by province, for the period of 2006 to 2012. The simple difference between the two figures for male and female was obtained for each year, by each sector and by each province. The difference for each year in each province-sector combination was plotted to identify the general trend.

$$\text{Gender pay gap rate}(\%) = \frac{(\text{averagedailywageofmale} - \text{averagedailywageoffemale})}{\text{averagedailywageofmale}} \times 100$$

In the gender gap calculation using average daily wage of female and male, equation is given above. Here we took the males average daily wage as base point and the gap between the male and female average daily wage divided by male average daily wage. The negative gender pay gap rate means females average daily wage is greater than males average daily wage.

## 4.4. Results

**4.4.1. Analysis of wage trends in Rubber sector.** In rubber sector, there is not that much of deviation in the wage within male and female. In 2016, we can see a little amount of difference between male and female. But going forward, the

inequality of the wages among male and female get reduced. And in some province we can see the nearly equal wages for males and females. But in the central province rubber sector, the female get paid more than males. it seems like the wages given reflect the skillsets.

**4.4.2. Analysis of wage trends in Tea sector.** In the tea sector, in 2006 there is a huge gap between the male and female wages. But the gap was reduced with year and in 2012 the average daily wage is nearly equal in most of the province. In western province, the inequality reduced from 2007 to 2011. But, in 2012, again starting a huge gap which is greater than the 2006 one. In other provinces the inequality is reduced and both are getting nearly equal average daily wages, all island wise the inequality gap is increasing. Males are paid greater than females.

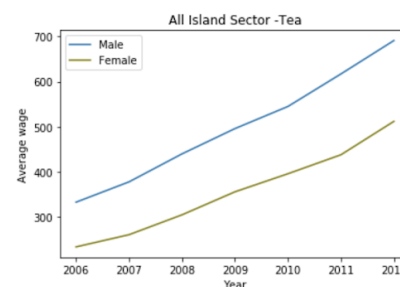


Figure 4. Gender-wise average wage comparison - All island - Tea

The all-island view of fluctuation of daily wages for Tea sector (Figure 3) clearly shows that the difference between male and female average wages has increased through the period considered. At the start of the observed period (2006), the difference of average daily wages was Rs. 99 in favour of males (nearly 30% of the average daily wage for males in that year - Rs. 333). By 2012, that difference had grown to Rs. 179 in favour of males, but now that difference was only 26% of average wage of a male in that year - Rs. 691. This actually reveals a trend of gradual decrease of gender pay gap, resulting in a drop of nearly 4 percentage points across 7 years.

Province-wise breakdown revealed that there is a sure reduction in gender pay gap in the period in all provinces where data was available (there was no data available for Northern, North Central, North Western and Eastern provinces, understandably because those sit outside of areas where Tea is grown). However, this reduction did not happen at a uniform rate across the provinces.

Southern province was the best performer in the reducing the gap. In 2006, it had pay gap of 34.4% in favour of men (Males - Rs. 343; Females - Rs. 225), but by 2012, it was a 3.8% in favour of women (Males - Rs. 677; Females - Rs. 703). This constituted the most drastic reduction of gender pay gap among the provinces, by 38.2%, resulting in an overtaking of wages for men. The second best performer was the Central province, where at the start of the period, the difference was 37.3%, but at the end of the period it had reduced to 7.8%, a drop of 29.5%. The third was Uva

province, with a start rate of 29.5%, reducing to 2.9% with a reduction of 26.6%. Following closely with a total reduction of 25.3% during the period was Sabaragamuwa province, where at the start it was 25.8% and at the end was 0.5%. The worst performer of the provinces (among which data was available), was Western province, where the total reduction was only 5%, where in 2006 the pay gap was 17%.

**4.4.3. Analysis of wage trends in Paddy sector.** At the starting, there is a huge gap in the daily wages between male and female in paddy sector also. But the gap is decreased with year. But still there is a huge gap in Northern province and southern province. The female average wages is greater than the male salary in Southern Province and Sabaragamuwa province in 2008-2009 period. But the all island wise, there is a huge gaps between male female daily wages. The gap is increasing with the year.

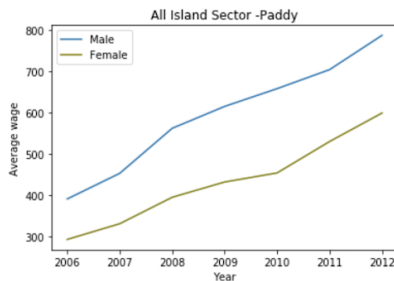


Figure 5. Gender-wise average wage comparison - All island - Paddy

The all-island trend of average daily wage fluctuation for Paddy sector for the considered period is similar to that of Tea sector. In 2006, the difference between wages for the two genders was Rs. 98 in favour of males. The average wage of a female (Rs. 293) was only 25% less than that of a male (Rs. 391). In 2008, this grew to Rs. 167, a 29.7% of average wage for a male. However, by the end of the observed period, this had come down to as low as 23.8%, even though the actual difference increased to Rs. 188 (Male - Rs. 787, Female - Rs. 599). This is a decrease of 1.2% in the wage disparity across 7 years.

As a conclusion, even though the inequality is reduced in province level, according to the island wise data, the inequality between male and female daily average wages increases with the year in the paddy and tea sectors.

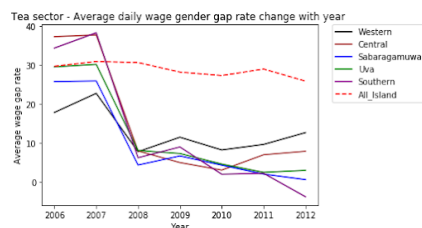


Figure 6. Gender pay gap fluctuation for all provinces - Tea

This graph describes the average daily wage gender gap behaviour with year in Tea sector. in 2006, there is

big average daily wage gender gap among all the available provinces. Anyhow there is huge drop in 2008. After that we can see the increase and decrease with year. But the changed gap is small. But in 2012, again its starting to deviate but less than 10%. When we consider the all island wise data, at the starting there is 30% gap. But there is no that much of fluctuation and deviation within this period.

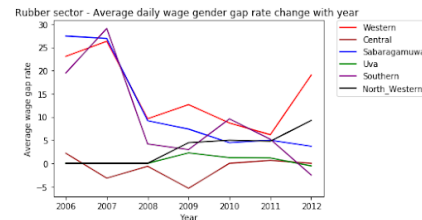


Figure 7. Gender pay gap fluctuation for all provinces - Rubber

This graph shows the average daily wage gender gap in rubber sector. There is a huge average wage gender gap rate in Southern, Western and Sabaragamuwa Province. But in Central province, there is minor gap between male and female daily average wage. But females paid greater than male in 2007 to 2009 period. But after that males and females paid equally.

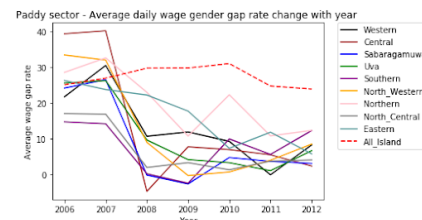


Figure 8. Gender pay gap fluctuation for all provinces - Paddy

This graph shows that, the average daily wage gap rate reduced with the year to all the province in paddy sector. In 2008, there is a huge fall in 2008. but there is no smooth increment or decrement with the year. But when we consider the all island wise data, there is no visualizable change in the average wage gap rate. There is a minor deduction only in the island wise.

## 5. Conclusion

Since 2009 majority of the sectors have a higher wage increase rate than the inflation rate. This may be due to the economic growth after the conclusion of the civil war. At the same time we can see that prevailing socio-economic factors have affected the province wise wage increase rates.

The gender pay gap in agricultural industries in informal sector is decreasing, but only slowly. In the fields In the three industries for which data was available (tea, rubber, paddy), the tea industry displayed the most rapid closing of the gap, by 4% across 7 years, while the least was displayed by the Paddy industry, with 1.2%.

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