EARNINGS OF SRI LANKANS';
AN ECONOMIC ANALYSIS.

M.A. Programme in Labour Studies (1994)
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February 1996.

Abstract

The study is an econometric analysis of the Labour Force Survey data as obtained in 1992. The survey was conducted in 12 monthly rounds in the island other than in the Northern and the Eastern provinces. Several publications were released by Department of Census and Statistics, however no special analysis of data were carried out. The knowledge on Labour Economics gained through the MA programme in Labour Studies inspired me to analyse the data with multiple objectives. While one of the objectives is to fulfil the basic requirement of a research study and prepare a thesis for the MA programme, another very important objective was to use the opportunity to evaluate the data in detail and find the gaps and weaknesses in the survey programme with a view of improving the programme.

A model based on the Mincer's Earnings Function has been formulate and tested using the 1992 survey data. The model basically took Earnings of employees as the dependant variable, while many variables including demographic variables were taken as dependent variables. A semi-log specification was used which was in the following form:

$$\log Y = \alpha_0 + \alpha_1 S + \alpha_2 X + \alpha_3 X^2 + \alpha_i Z_i + U \quad \text{where,}$$

S - years of schooling

X - post school experience

Z_i - representing other variables (sex, sector, employment sector, race and training etc.)

Variable S has been subsequently replaced by Levels of education variables (Edl-1 thro Edl-7).

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The model thus constructed enabled the analysis of Human Capital perspectives of investment on education which resulted in higher earnings. These are measured as 'rate of return for education' in the models. A comparison of rate of return on education at different levels of education and between section of population gives data for policy considerations as to where the investments should take place in education planning process. In addition to this a comparison of earnings by different demographic and socio-economic aspects were being able to study through the estimated regression results.

The results have highlighted disparities between different section of population with regard to earnings of employment. The summaries are presented in final chapter of the thesis. In addition to above work, several improvements to the survey programme has been suggested in the conclusive stage of the study, out of which some have already been introduced into the system.