



## The Labor Force Pattern and Economic Growth of Sri Lanka in the last Three Decades

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### Abstract

For several reasons, Sri Lanka has had slower economic growth in the last three decades. Economists always try to understand what factors determine the growth of the economy. According to the Cobb - Douglas function, labour (L) and capital (K) determine economic growth. Sri Lanka has been unable to get a significant level of capital due to political and economic instability. On the other hand, the labour force pattern also negatively impacts the growth of the Sri Lankan economy. For instance, the female labour force participation rate in Sri Lanka has remained low, between 30 to 37 percent in the last three decades. Likewise, the contribution of aged labourers (aged 40+) to the employed labour force increased from 40.7 percent to 61.8 percent in the same period. It is clearly shown that Sri Lanka has a worse labour force pattern and is unsuitable for faster economic growth. This study aims to show the relationship between the labour force pattern and economic growth from 1990 to 2022 in Sri Lanka. Therefore, this study utilizes secondary data gathered from World Bank open data source and Sri Lanka labour force survey reports. Pearson's correlation method and (OLS) regression model are mainly used for data analysis. According to these study findings, if others are constant, the aged labour force participation (aged 40+) rate has increased by 1 percent. GDP per capita income (Economic growth) will be increased by 189.62 US\$. Similarly, the female labour force participation rate has a "U"-shaped relationship with economic growth. This means Sri Lanka has the capacity to increase economic growth by increasing female labour force participation, which will substitute for the labour force shrinking due to faster ageing population problems. This study also strongly recommended taking initial steps to reduce the aged labour force (60+) and increase the female labour force in the production sectors.

**Keywords:** Aged Population, Female labor, Labor force pattern, Sri Lanka Economic growth