A BALANCING ACT:
CAN SRI LANKA OVERCOME REGIONAL INCOME INEQUALITIES?

SRI LANKA NEEDS TO ENSURE AN INCLUSIVE GROWTH PROCESS WHICH YIELDS BROAD-BASED BENEFITS TO ALL, BY PROVIDING EQUITABLE ACCESS TO ECONOMIC PARTICIPATION AMONG ALL CITIZENS, PARTICULARLY AIMING AT IMPROVING THE LIVELIHOODS OF THE POORER 40 PER CENT OF THE HOUSEHOLDS.

WIMAL NANAYAKKARA
Institute of Policy Studies
(Taking Economic Risk)

Although Sri Lanka has managed to reduce income poverty from 26.1 per cent in 1990/91 to 4.1 per cent in 2009, income distribution remains extremely unequal. The Gini coefficient, a measure of income inequality, is high. As such, it is important to consider both the percentage as well as the absolute number of households with very low levels of income, when taking any action to improve the living conditions of people living in poorer households, to prevent leaving anyone behind.

REASONS FOR INCOME INEQUALITY

IT IS ALSO VITAL TO PROVIDE ACCESS TO QUALITY EDUCATION FOR ALL CHILDREN. GREATER INVESTMENT IN SKILL DEVELOPMENT IS IMPORTANT, AS THE DEMAND FOR SKILLED WORKERS INCREASES WITH TECHNOLOGICAL ADVANCES.

Another reason for the persistent income inequality is the low female labour force participation in Sri Lanka (only around 36 per cent), especially in rural areas. This is mainly due to the inadequacy of decent employment opportunities in their villages. Weaknesses in targeting the most deserving in the social protection programmes also add to this prevailing undesirable situation.

Additional strategies to mitigate income inequality could include measures to enhance informal sector employment opportunities, as well as the expansion of social protection programmes to ensure greater coverage and better targeting of the poor and vulnerable in rural areas.
Income Deciles (NHIDs) are considered the 'richest group' in this analysis. The households receiving less than Rs. 36,500 in the poorest 40 per cent in the NHIDs scale are considered the 'poorest group'. Using these common national-level scales allows for a comparison of household income distribution in each district relative to the corresponding national income distribution at the national level. The graph gives the shares of Household Incomes and Percentages of Households falling into the richest 20 per cent and poorest 40 per cent in each district, based on this common national scale. As observed, the Colombo district, the 'richest group' enjoy 72.9% per cent of the district's total household income. More than 41 per cent of the households in this district are in the 'richest group' with a monthly income of Rs. 81,372 or more. The other districts with a high share of household income enjoyed by the 'richest group' are Gampaha (53.1 per cent), Kelaniya (54.5 per cent), Polonnaruwa (51.6 per cent) and Puttalam (50.2 per cent).

The highest percentage of households falling into the 'poorest group', with a monthly household income of less than Rs. 36,500, is in the Mullaitivu district (71.6 per cent) followed by Kilinochchi (76.6 per cent) and Batticaloa (66.2 per cent).

On the other hand, only 16 per cent of households in the Colombo district fall into the 'poorest group'. But in absolute terms, Colombo has more than five times the number of households in the 'poorest group' compared to the corresponding number in Mullaitivu. It should also be noted that in districts such as Mullaitivu, Kilinochchi, Manmol and Vavuniya, the shares of the households in the 'poorest group' out of the total in Sri Lanka are extremely small. In absolute terms, the percentage within each of these districts

WAY FORWARD

The imbalances in opportunities and wide gaps in income levels, as well as in living conditions, among regions and between the rich and the poor, need to be addressed immediately.

Sri Lanka needs to ensure an inclusive growth process which yields broad-based benefits to all, providing equitable access to economic participation among all citizens, particularly aiming at improving the livelihoods of the poorer 40 per cent of the households.

It is also vital to provide access to quality education for all children. Greater investment in skill development is important, as the demand for skilled workers increases with technological advances.

The agriculture sector needs special attention to reduce the spatial inequality, as most of the people in the less-developed regions in Sri Lanka depend mainly on agriculture and produce food for 21 million people in the country. This should not be disregarded when developing strategies to reduce spatial income inequalities.

Shares of Household Incomes and Percentages of Households Falling into Richest 20% and Poorest 40% (based on common national scale applied to each district) by Districts

* Households receiving a monthly income of Rs. 81,372 or more, which is the lower limit for richest 20% at national level considered the 'Richest Group.'