OPEN FORUM ON POVERTY

Living Conditions in the North and East – How Different?
Findings from the Consumer Finances and the Socio – Economic Survey 03/04

Presented by

Dr. Anila Dias Bandaranaike

**Documentation of a discussion held on 05th July 2006
at Sri Lanka Foundation Institute**

July 2006

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1. Introduction

The twenty seventh Open Forum hosted by Centre for Poverty Analysis (CEPA) was designed to discuss "Living Conditions of the North and the East" in relation to the rest of the country from the findings of the Consumer Finances and Socio Economic survey 2003/2004 conducted by the Central Bank. This is the eighth of a series of CFS surveys conducted by the central bank that dates back to 1953.

The presentation brought forth lot of interest from various groups mainly due to the fact that this is the first set of household data regarding the North and the East after 1983. The CFS survey was conducted immediately after the cease fire spanning over 2003/2004.

"Living Conditions of the North and the East" was presented by Dr. Anila Dias Bandaranaike, Director, Department of Statistics, central bank and commented by Dr. Rohan Samarajiva, the event was chaired by Ms.Priyathi Fernando, Executive Director, Centre for Poverty Analysis.

CEPA's objective in hosting the Open Forum is to provide a platform for a group of professionals to enter into a discussion on the research / expertise shared by a colleague and also to create a medium for knowledge dissemination.

2. Summary of presentation by Dr. Anila Dias Bandaranaike

A brief back ground was given on the CFS series that dates back to 1953. CFS 2003/2004 is the eighth of the series and it is particularly special due to 02 factors:

- First House Hold survey that since 1983 that includes the Northern and the Eastern provinces

- First survey in the series that analyses findings by provinces

Scope of the survey includes demography, labour force and housing. Data could be used to capture individual and house hold characteristics to update poverty, price, and wage indices, to measure regional variations, changing consumer preferences and size of markets.
Presentation was based on findings of population structure, labour market characteristics, house hold income and expenditure characteristics.

Share of male population and share of working age population are lowest in the North and East, reason for this being the male population having left for employment elsewhere. On the other hand highest share of dependence on tuition is in the north and the western provinces and share of post secondary education highest in the north while the lowest is in Uva province.

Male unemployment fares the lowest in the Northern and the Eastern provinces while female unemployment is lowest in Sabaragamuwa province and highest in Eastern province. Conflict conditions and the issue of isolation are two major related factors.

Two key factors highlighted through out the presentation were the conflict affectedness in the north and the east and the isolation factor with regard to access in Uva and Sabaragamuwa.

Enhancing access, creating awareness, instilling accountability and bringing about change of attitude were identified as the challenges ahead in achieving better quality of life for all citizens.
Discussant comments on the presentation were mainly with regard to the use of telecommunication methods of the people in Jaffna. Use of mobile phones and internet has gone up after the ceasefire. Most of the families having family members living abroad or outside the peninsula and the need to arrange for remittances are two main reasons.

The two presentations brought forth lot of questions in the very enthusiastic and curious audience which gave way to a very interesting discussion.

3. Synopsis of Floor Discussion:

The two presentations prompted a number of interesting questions from an alert and enthusiastic audience and which resulted in a very lively discussion.

One question concerned the impact of the tsunami on the data collection and its findings. As the survey was conducted in 2003/4, the impact of the disaster was not taken into account in the survey or its findings. However, Dr Bandaranaike speculated that the situation following the tsunami and the findings of the CFS are unlikely to be significantly different, as she expected that much of the post-tsunami reconstruction work would have largely been completed. The Department of Census and Statistics (DCS) is currently working on survey which will cover the impact of the tsunami.

A question was asked on whether it would be possible to use the survey to assess the impact of the conflict on the prosperity of the North and East; that is, whether it is possible to compare the situation before the war and afterwards, at the time when the CFS data was collected? Dr. Bandaranaike said that since a survey such as the CFS has never been conducted before in the manner in which it has (analysed in terms of provinces), it would be almost impossible to compare the pre-conflict situation (that is using the 1983 CFS data) with the current situation in the North and East.

One participant asked about the categorisation of the formal and informal sector within the service sector as a whole. In response Dr Bandaranaike said that 70% of the Sri Lankan population is engaged in informal sector employment (including agricultural sector) while about 30% is engaged in formal sector employment. In the CFS, the entire labour force in the service sector was categorised as 'informal' in nature.

A clarification was requested on the nature of income transfers. In the CFS, these were taken to include not only remittances, but also payments by the government, such as Samurdhi and payments under pension schemes.

Another concern raised was the relationship between unemployment and involvement in the armed forces. Dr Bandaranaike accepted the possibility that respondents would tend to say that they were unemployed rather than allowing categorization as employed fighters. The fact that the survey has had limited access to members of the armed forces being a household survey and they would have been on duty during data collection, supports the possibility that those employed in the armed forces are actually categorised as 'unemployed'.

When asked why the Sabaragamuwa province has been found to be worst off in terms of economic development, a key factor was poor infrastructure. In addition, the issue was further aggravated by poor access to roads and the implications of this, for example, reduced access to markets.

Another participant pointed to the fact that savings and consumption levels in the North and East were comparably very low. So where does the income go? According to the survey, 42% of their income was consumed on food, 11% on clothing, 5% on housing and 42% on other items. It was suggested that as the opening of the A9 road has caused an increase in the numbers of consumer goods flooding the market, households in the North and East used their income to purchase these goods. For example, the lack of electricity has not prevented people from purchasing a television – instead they run their televisions on car batteries.

As for the question of disparities in the data collected by the DCS (Department of Census and Statistics) in its census and the CFS, it was suggested that whilst the two institutions have been working closely, the two use different methodologies and use the data in different ways. CFS focuses more on upper income classes for data collection. The differences in data collection

between the CFS and the census also stems from the different objectives for the two surveys. The suggestion by a member of the audience for a combined survey was welcomed by both Dr Bandaranaike and Professor Samarajeeva.

During the discussion, Professor Samarajeeva raised some specific findings from LirneAsia's survey. The existence of the high internet usage in Jaffna was considered to be an inexpensive way of making international phone calls. Jaffna has many cyber cafes (but no ADSL) and also enjoys Dialog connectivity (which the respondents considered to be expensive). One member of the audience pointed out that the increase in the number of mobile calls and in the use of the internet by those in Jaffna could also be attributed to the fact that those living in still insecure environments would tend to use these modes of communication to tell their relatives and friends that they are safe and not only for the sake of securing remittances.

On the general question of why there were regional disparities in relation to development, it was explained that regional disparities are common to any country, even in relatively wealthy countries such as the United States. Overcoming the regional disparities depends on the ability of that country to use the resources at its disposal in an effective way; it also depends on how the issue of access to infrastructure is addressed.

It was also emphasised that as the survey was completed during the ceasefire period, some of the data may no longer be valid when taking into account the present context.

Slide 1

**Living Conditions in the North and East
- How Different?**
*Findings from the Consumer Finances and
Socio-Economic Survey 2003/04*

Prepared for the CEPA Open Forum

*Anila Dias Bandaranaike
Central Bank of Sri Lanka
5 July 2006*

Slide 2

About CFS 2003/04
- Series commenced in 1953
- 8th survey in series
- Survey Period: October 2003 to October 2004
- Coverage: 11,722 Households in 22 districts
  (excludes Killinochchi, Mannar, Mullaitivu)
- Scope:
  - Demography   - Education and Health
  - Labour force   - Income
  - Housing   - Expenditure and Consumption
              - Investments and Borrowings

Slide 3

Representativeness of CFS 2003/04 Data
- Sample balanced district-wise and sector-wise for HH density
- Sample balanced for seasonality by 4 quarters
- Income and expenditure data collected over 3 visits
- Income and expenditure data cross-checked for internal consistency
- 11,722 HH in 1508 census blocks in 22 districts
- Represents around 98% of all households, 100% in 8 provinces and 67% in NP

Slide 4

Uses of CFS 2003/04 Information

- **To capture individual characteristics**
- **To capture household characteristics**
- **To update poverty, price and wage indices**
- **To measure regional variations**
- **To measure changing consumer preferences**
- **To measure size of markets**
- **To identify business opportunities**

Slide 5

Highlights from CFS 2003/04

- **First household survey since 1983 that includes the Northern and Eastern provinces**

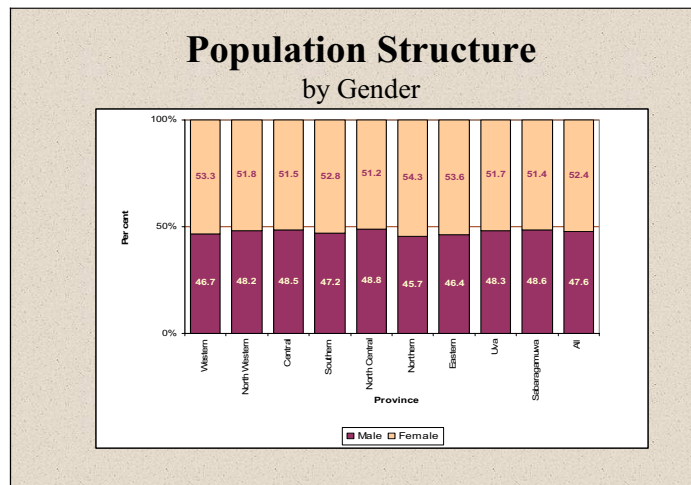- **First CFS Survey in the series that analyses findings by provinces**

Slide 6

Economic Activity Backdrop

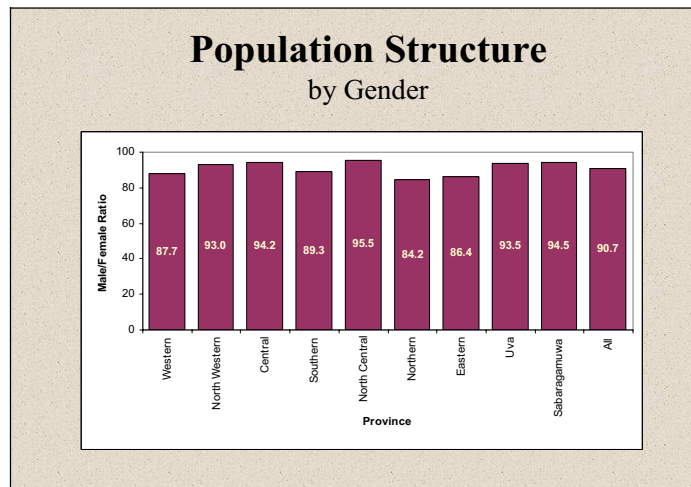| VARIABLE	SERVICES	INDUSTRY	AGRICULTURE
Share of GDP (2004) %	56	26	18
Employment Share %	41	26	33
Underemployed %	18	20	35
Average Monthly Income Rs.	9,846	7,313	4,449

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Population Structure
by Gender

Slide 8

Population Structure
by Gender

Slide 9

Population Structure
by Age Group

Slide 10

Population Structure
by Education

Province	No Schooling	Primary	Secondary	Post Secondary
Western	4	24	45	27
North Western	7	30	42	21
Central	11	32	40	18
Southern	8	32	38	22
North Central	8	31	44	17
Northern	8	32	32	28
Eastern	14	38	31	17
Sabaragamuwa	9	31	43	17
Uva	12	36	39	14
All	8	30	41	21

Slide 11

Dependence on Tuition
by Education Level

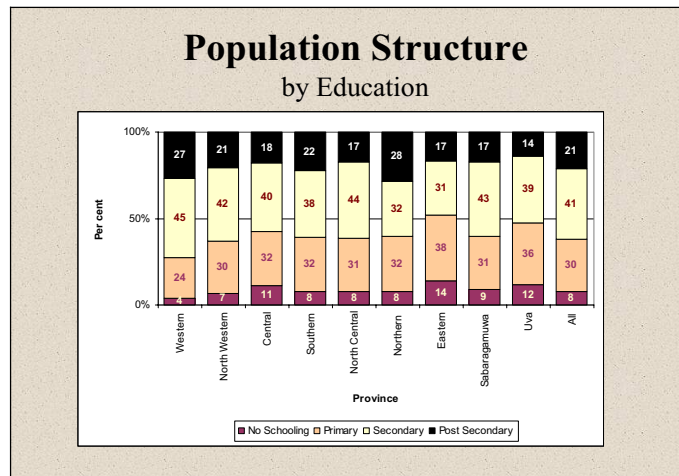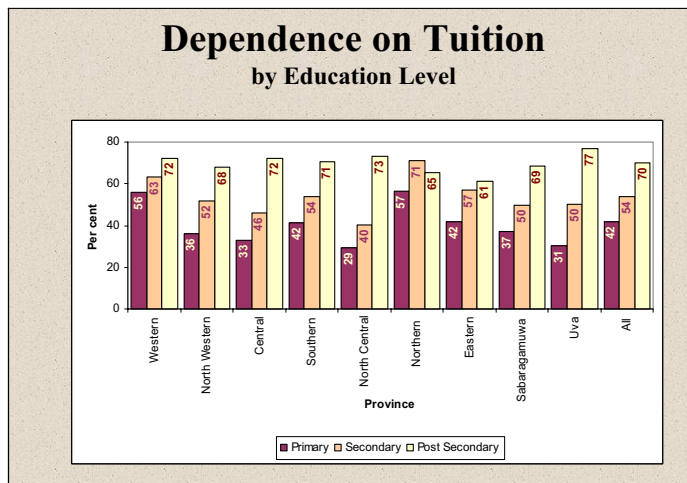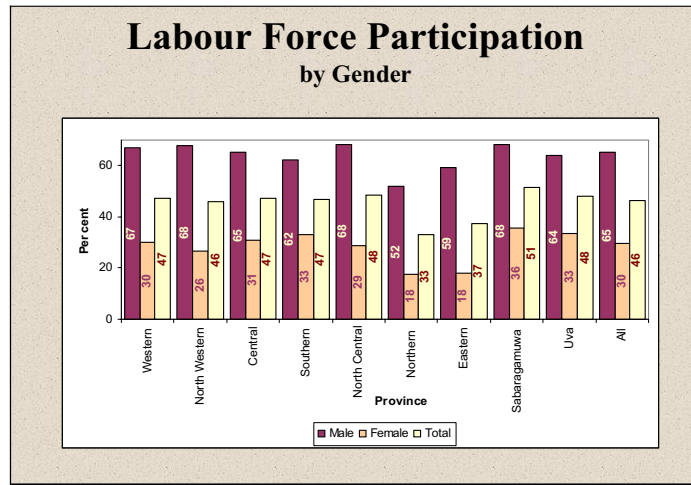| Province	Primary	Secondary	Post Secondary
Western	56	63	72
North Western	36	52	68
Central	33	46	72
Southern	42	54	71
North Central	29	40	73
Northern	57	71	65
Eastern	42	57	61
Sabaragamuwa	37	50	69
Uva	31	50	77
All	42	54	70

Slide 12

Household Population Structure

FINDINGS
- Male population share lowest in N, E
- Share of working age population lower in N,E
- Share of post secondary educated highest in N,W and lowest in U
- Share of primary or less educated lowest in W and highest in E, U
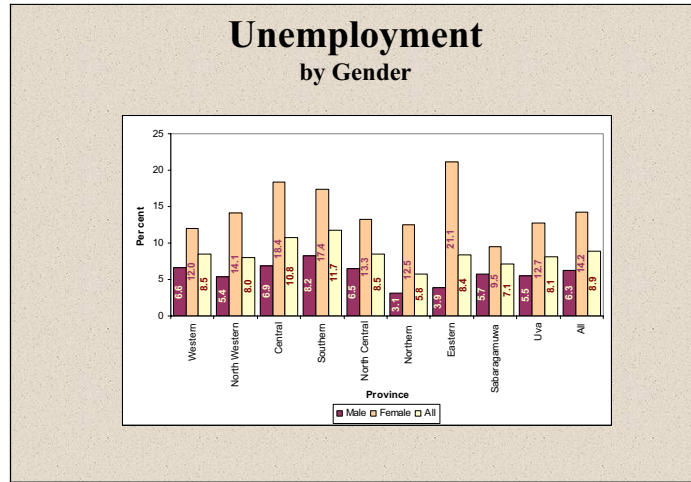- Dependence on tuition highest in N,W

RELATED FACTORS
- Men may have left N,E for employment elsewhere.
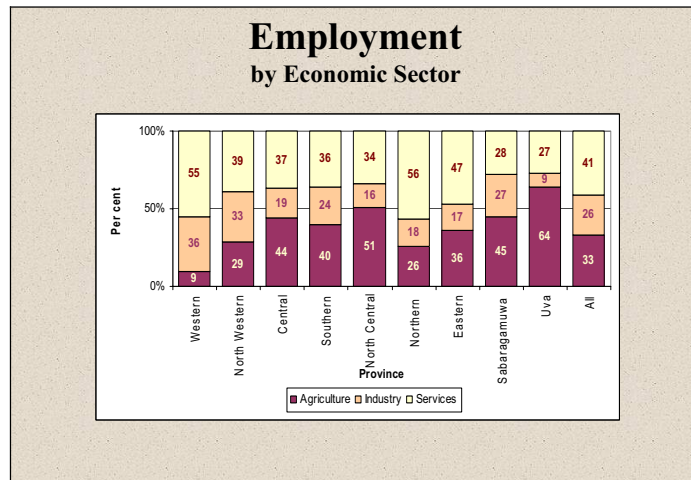- Higher priority on education in Urban W, N versus rural U,E. Formal system may be affected in N
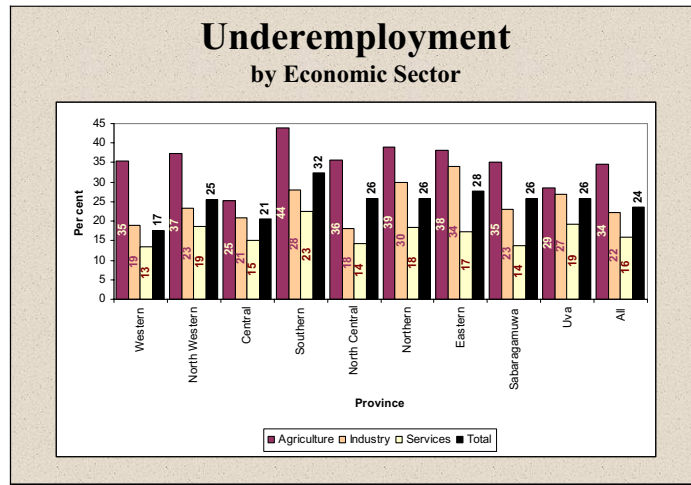
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Labour Force Participation
by Gender

Western: Male 67, Female 30, Total 47
North Western: Male 68, Female 26, Total 46
Central: Male 65, Female 31, Total 47
Southern: Male 62, Female 33, Total 47
North Central: Male 68, Female 29, Total 48
Northern: Male 52, Female 18, Total 33
Eastern: Male 59, Female 18, Total 37
Sabaragamuwa: Male 68, Female 36, Total 51
Uva: Male 64, Female 33, Total 48
All: Male 65, Female 30, Total 46

Per cent — Province — Male ☐ Female ☐ Total

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Unemployment
by Gender

Western: Male 6.6, Female 12.0, All 8.5
North Western: Male 5.4, Female 14.1, All 8.0
Central: Male 6.9, Female 18.4, All 10.8
Southern: Male 8.2, Female 17.4, All 11.7
North Central: Male 6.5, Female 13.3, All 8.5
Northern: Male 3.1, Female 12.5, All 5.8
Eastern: Male 3.9, Female 21.1, All 8.4
Sabaragamuwa: Male 5.7, Female 9.5, All 7.1
Uva: Male 5.5, Female 12.7, All 8.1
All: Male 6.3, Female 14.2, All 8.9

Per cent — Province — Male ☐ Female ☐ All

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Employment
by Economic Sector

Western: Agriculture 9, Industry 36, Services 55
North Western: Agriculture 29, Industry 33, Services 39
Central: Agriculture 44, Industry 19, Services 37
Southern: Agriculture 40, Industry 24, Services 36
North Central: Agriculture 51, Industry 16, Services 34
Northern: Agriculture 26, Industry 18, Services 56
Eastern: Agriculture 36, Industry 17, Services 47
Sabaragamuwa: Agriculture 45, Industry 27, Services 28
Uva: Agriculture 64, Industry 9, Services 27
All: Agriculture 33, Industry 26, Services 41

Per cent — Province — Agriculture ☐ Industry ☐ Services

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Underemployment
by Economic Sector

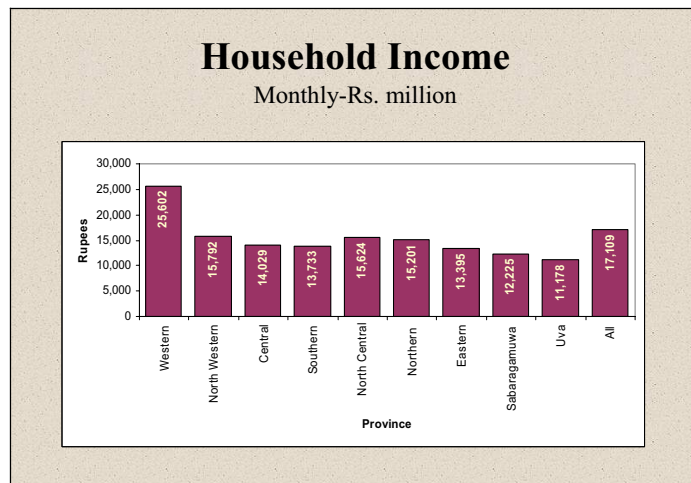

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Labour Market Characteristics

FINDINGS
- **LFPR lower in N,E for both sexes**
- **Male unemployment lowest in N,E. Female unemployment lowest in Sa, highest in E.**
- **Employment share in agriculture highest in U,NC,Sa,C.**
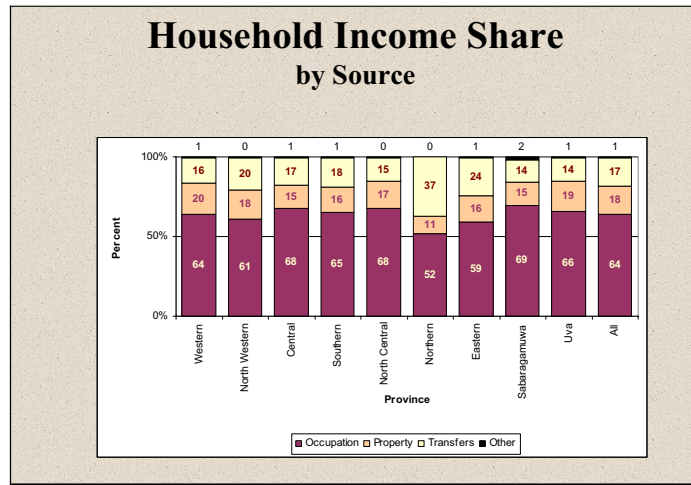- **Underemployment highest in Agriculture.**

RELATED FACTORS
- **LFP affected by conflict conditions in NE**
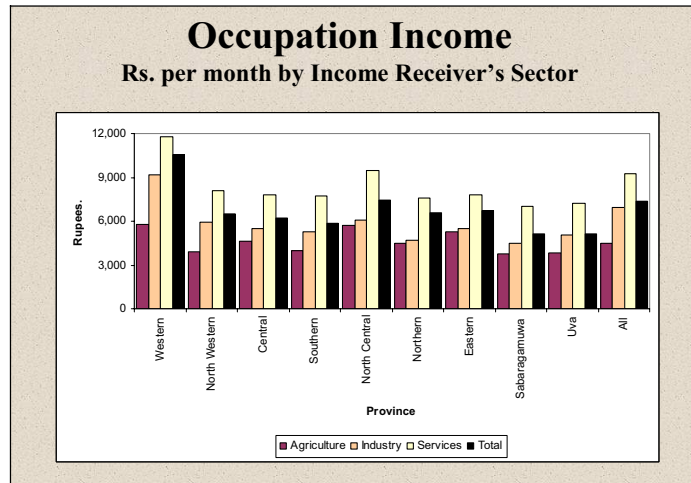- **Isolated rural areas may have no options but domestic agriculture.**

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Household Income
Monthly-Rs. million

Slide 19

Household Income Share by Source

Slide 20

Occupation Income — Rs. per month by Income Receiver's Sector

Slide 21

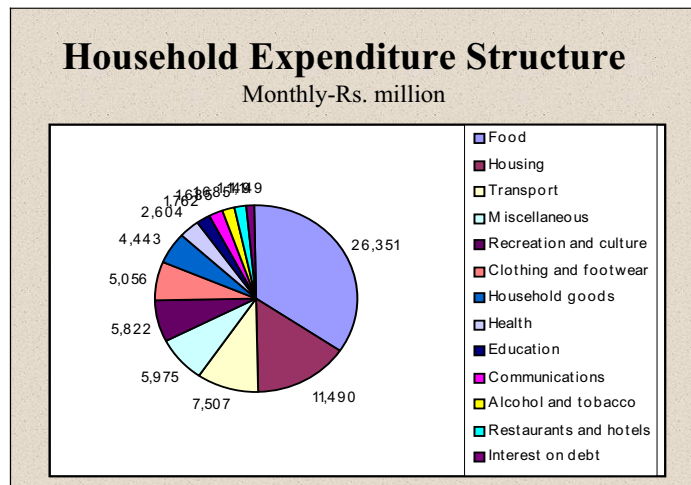### Household Income Characteristics

FINDINGS

- Incomes highest in W; lowest in U,Sa
- Income share from occupation lowest and from transfers highest in N,E; from property lowest in N
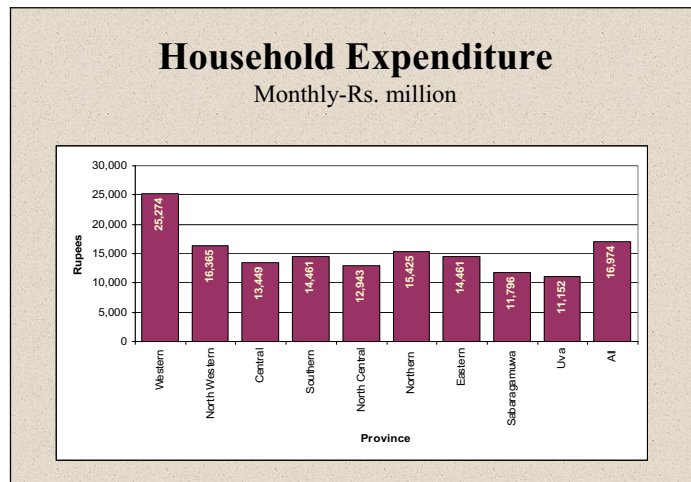- Occupation income lowest for Agriculture, highest for Services, inversely related to underemployment

RELATED FACTORS

- Migration for employment away from N,E
- Unsettled investment, employment climate in N
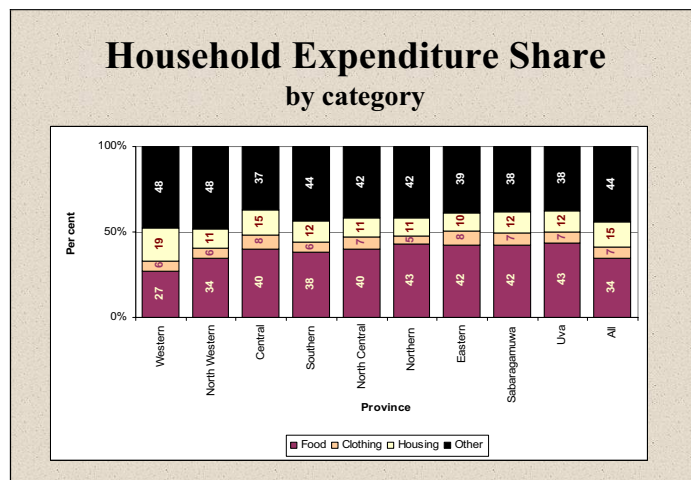- Excess labour in Agriculture in isolated areas where no other economic or employment options

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Household Expenditure Structure
Monthly-Rs. million

Food
Housing
Transport
Miscellaneous
Recreation and culture
Clothing and footwear
Household goods
Health
Education
Communications
Alcohol and tobacco
Restaurants and hotels
Interest on debt

26,351
11,490
7,507
5,975
5,822
5,056
4,443
2,604
1,762
1,618

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Household Expenditure
Monthly-Rs. million

Province	Rupees
Western	25,274
North Western	16,365
Central	13,449
Southern	14,461
North Central	12,943
Northern	15,425
Eastern	14,461
Sabaragamuwa	11,796
Uva	11,152
All	16,974

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Household Expenditure Share
by category

Province	Food	Clothing	Housing	Other
Western	27	6	19	48
North Western	34	6	11	48
Central	40	8	15	37
Southern	38	6	12	44
North Central	40	7	11	42
Northern	43	5	11	42
Eastern	42	8	10	39
Sabaragamuwa	42	7	12	38
Uva	43	7	12	38
All	34	7	15	44

Food   Clothing   Housing   Other

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Slide 25

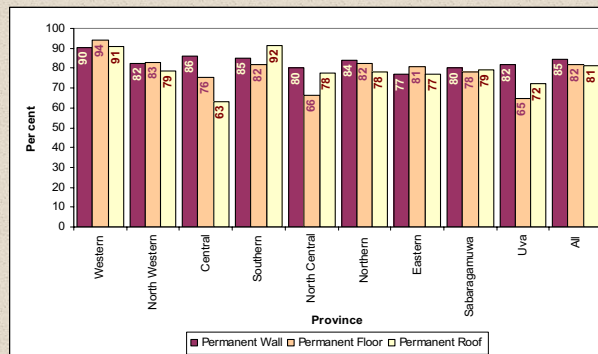**Household Expenditure Characteristics**

FINDINGS
- Expenditure highest, share on food lowest, share on consumption of choice highest in W, NW
- Expenditure lowest in U, Sa.
- Food share highest in U, N, E, Sa
- Share on consumption of choice lowest in C, U, Sa, E. (Housing share highest in C)

RELATED FACTORS
- Choice highest in W, NW; lowest in U, Sa, E
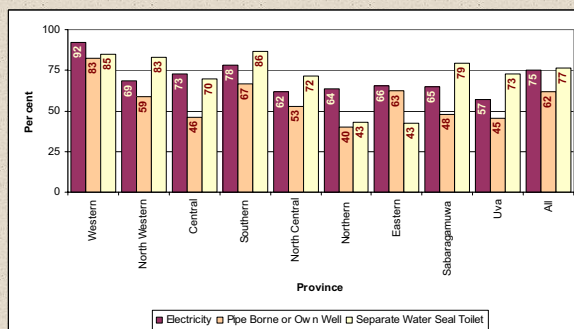- Basic needs more important in poorer regions.
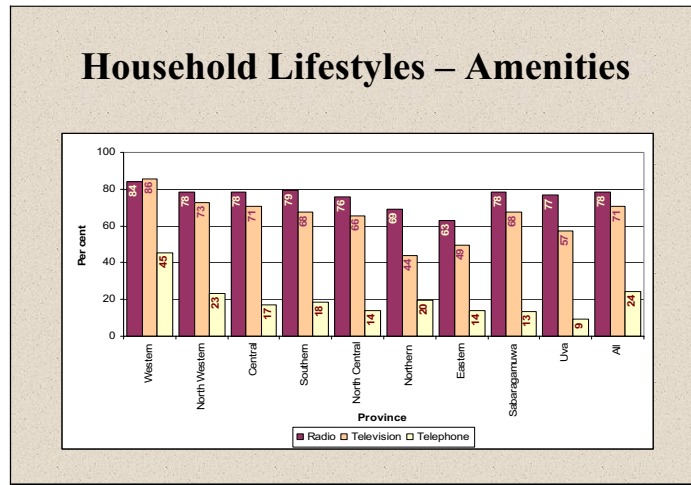
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Household Lifestyles – Housing

Slide 27

Household Lifestyles – Utilities

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Household Lifestyles – Amenities

Slide 29

Housing and Amenities

FINDINGS
- Permanent construction lowest in U, C, NC, E
- Access to electricity lowest in U, NC
- Access to safe water lowest in N, U, C, Sa
- Sanitation conditions lowest in E, N
- Access to basic amenities lowest in N, E, U

RELATED FACTORS
- Conflict has affected N,E housing, safe water and sanitation.
- High illegal electricity connections in N, E
- Low incomes and isolation have affected housing (estates and remote rural regions)
- Use of amenities linked to income and market access

Slide 30

Household with Savings, Investments and Borrowings

Share of Households
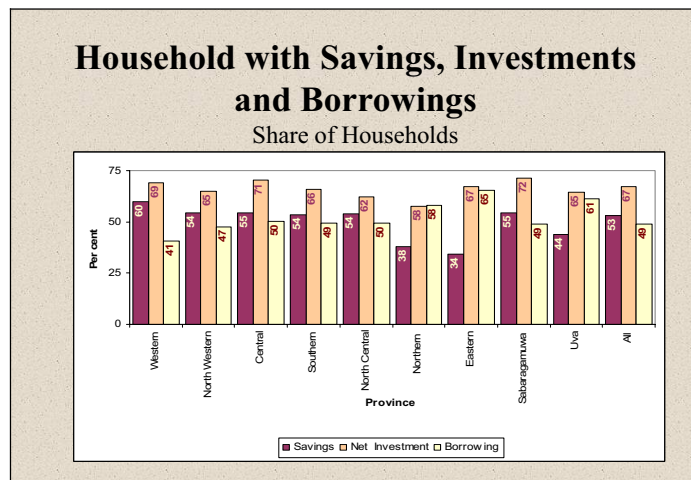
Household Savings, Investment and Borrowings

FINDINGS
- **HH with positive savings lowest in E,N,U**
- **HH with positive investment lowest in N, NC, U**
- **HH with borrowings highest in E,U,N**
- **Borrowing rate highest in N,E**

RELATED FACTORS
- **Financial conditions affected in conflict and isolated areas**
- **Employment and economic opportunities affected in conflict and isolated areas**

Regional Economic Activity

Item	WP	UP	NP	EP	SaP	Others
Share of GDP (2004) %	51	4	3	5	6	4-9
Employment Share %	28	7	2	6	12	7-13
Under-employment %	16	24	24	25	24	19-29
Average HH Monthly Income Rs.'000	26	11	15	13	12	14-16
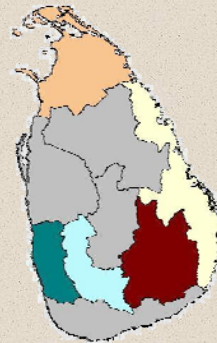
Some Field Observations

- **Housing – Lower share of owner occupants in N**
- **Utilities – entire villages illegally connected to CEB grid in N, E; some used energy-saving light bulbs!**
- **Sanitation – More temporary housing without latrine facilities seen in N,E**
- **Water Supply – In poor village in NW dry zone, water purchased for household use at Rs. 10 per 30 lt can**
- **Education services – Tuition classes rampant in N**
- **Health services – In destitute fishing village in E, baby delivered in hospital**
- **Consumables market– mobile ice cream van active in same destitute E village**
- **Urbanisation – Jaffna more akin to Kandy or Galle for access to goods and services**

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Living Conditions-How Different?

Findings from survey provide evidence of

- Isolation from economic and employment opportunities a key deterrent to human development - in N, E and elsewhere (U, Sa)
- Key infrastructure needs – roads, rail, ports and energy- similar in N, E and elsewhere (U, Sa)
- Key social needs – relevant skills training, improving transport and distribution network similar in N, E and elsewhere (U, Sa)
- Key housing needs – electricity, safe water, sanitation – N, E worst affected by conflict
- Worst affected areas – U, E, Sa
- Cannot comment on rural North (Kilinochchi, Mannar, Mulaitivu) from this survey

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Challenges Ahead – 4 As

- Enhance ACCESS to economic and employment opportunities thro' improving infrastructure and skills,
- Create AWARENESS thro' evidence - on economic trade-offs, costs vs. benefits, short-term vs. long term options for Sri Lanka,
- Instill ACCOUNTABILITY thro' transparent procedures and monitoring mechanisms, and
- Change ATTITUDE to create a positive, pro-active, national identity
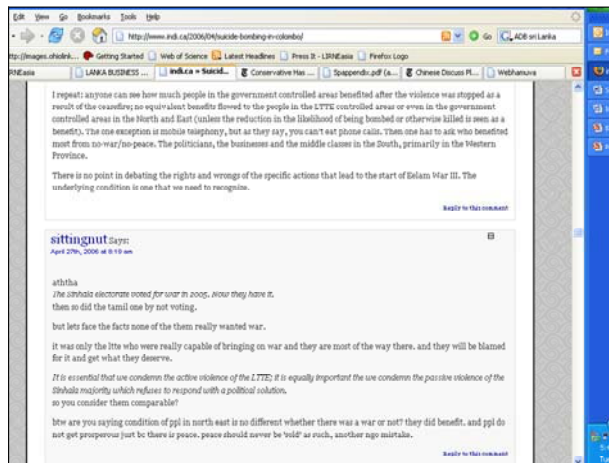
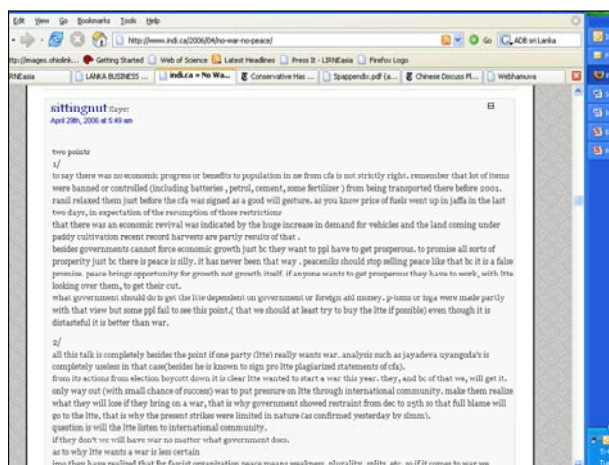to achieve a better quality of life for all citizens

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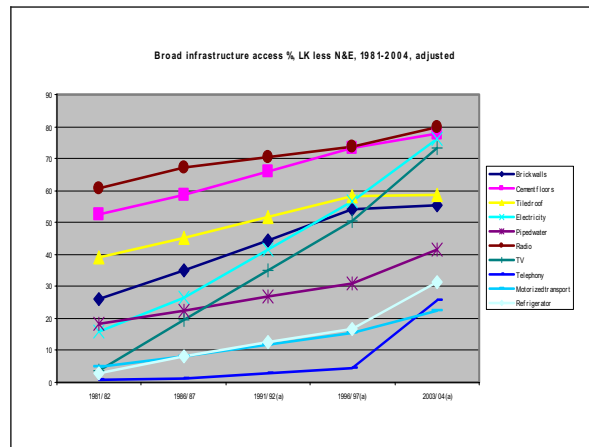## *Thank You*
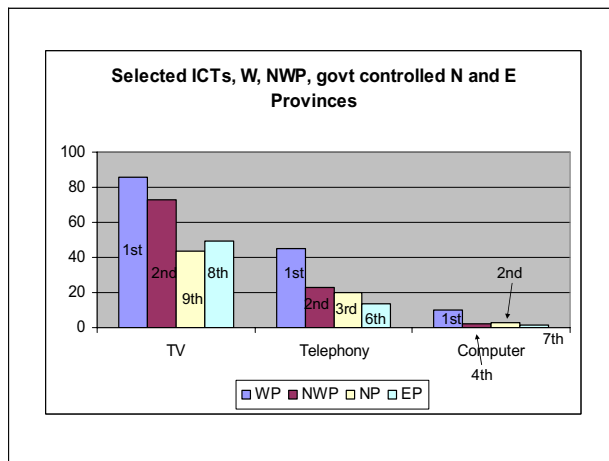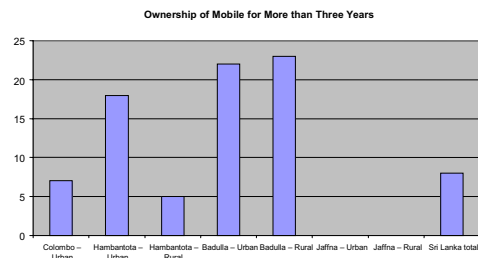
Slide 1

Slide 2

Slide 3

Slide 4

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Slide 6

Slide 7

Use of telecom services in a post-conflict (?) society: the case of Jaffna

Slide 8

## Jaffna only got mobile service after 2002 ceasefire

Ownership of Mobile for More than Three Years

Categories: Colombo – Urban, Hambantota – Urban, Hambantota – Rural, Badulla – Urban, Badulla – Rural, Jaffna – Urban, Jaffna – Rural, Sri Lanka total

Slide 9

Dependence on fixed access is low

	Jaffna (%)	SL Full (%)	India Full (%)	Full Sample (%)
Public Access	52	52	73	66
Fixed	7	37	56	49
Mobile	44	34	12	19

- 8,021 fixed lines for *entire Northern Province* (end 2002)

- Mobiles provide a better alternative
  – Quick connection – prepaid used by 87% in urban, 93% in rural
  – Low-cost
    • After cease fire agreement, 22,000 new connections in Northern Province within 1 year
    • As of March 2005, over 150,000 new connections in the North (and East)
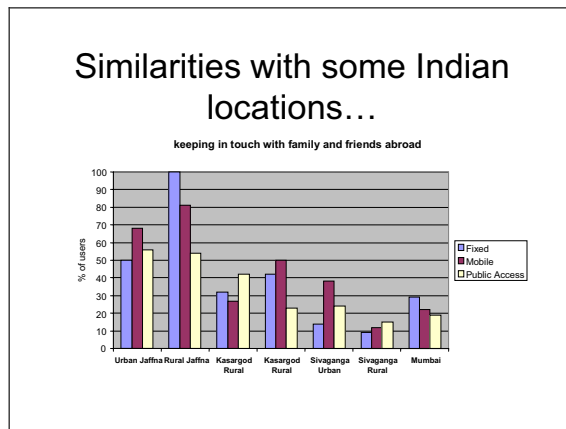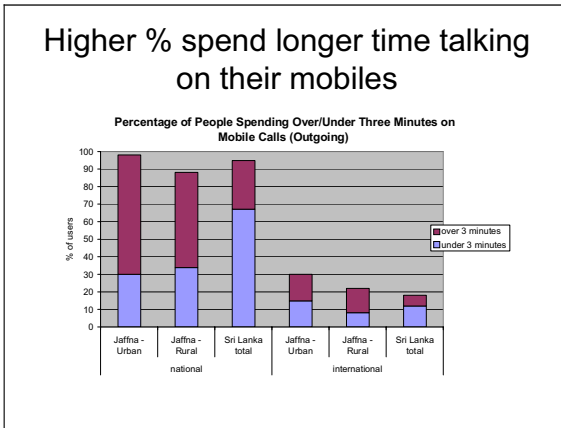
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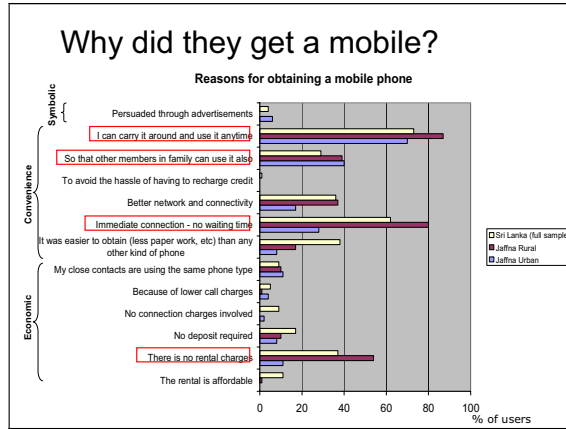
Slide 11
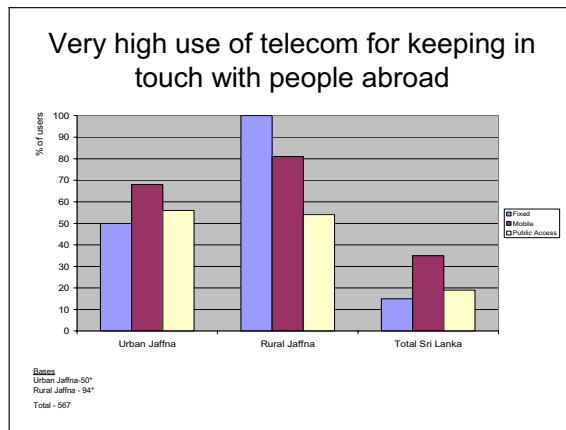
Slide 12

Slide 13

People in Jaffna are heavier users, especially on mobiles

- **Receive** and make more international calls than any other location in SL
    - **Mobile**
    - Fixed
- Reflects highly dispersed families: need to keep in touch, arrange for remittances
    - 80% of households in Jaffna district have family/friends outside district

Slide 14

Higher % spend longer time talking on their mobiles

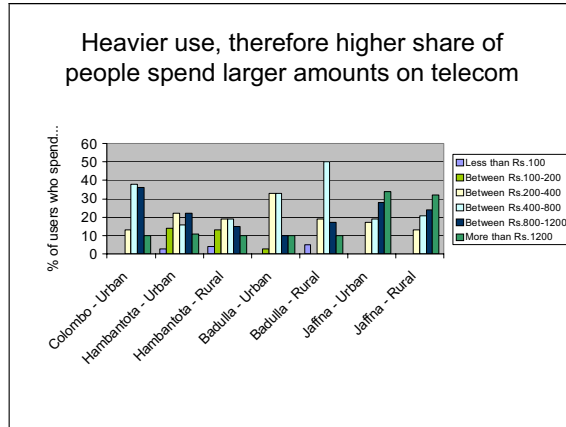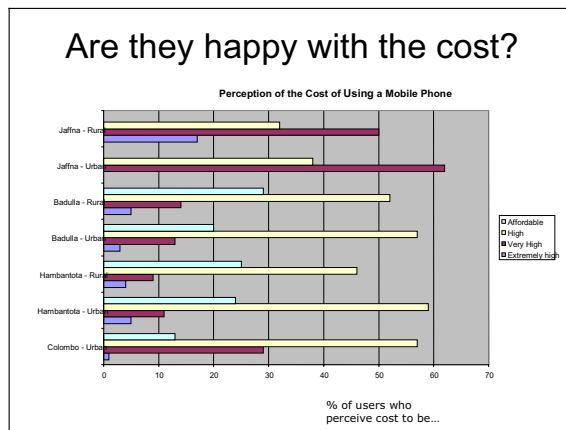Percentage of People Spending Over/Under Three Minutes on Mobile Calls (Outgoing)

Slide 15

Jaffnaites spend more time on the phone (more than 3 minutes per call)

- Average call durations are longer for local, national and international calls when compared with the rest of Sri Lanka
    - This appears true for incoming and outgoing, whether on fixed lines or mobiles

Slide 16

Heavier use, therefore higher share of people spend larger amounts on telecom

Legend:
- Less than Rs.100
- Between Rs.100-200
- Between Rs.200-400
- Between Rs.400-800
- Between Rs.800-1200
- More than Rs.1200

% of users who spend…

Categories: Colombo - Urban, Hambantota - Urban, Hambantota - Rural, Badulla - Urban, Badulla - Rural, Jaffna - Urban, Jaffna - Rural

Slide 17

Are they happy with the cost?

Perception of the Cost of Using a Mobile Phone

Categories: Jaffna - Rural, Jaffna - Urban, Badulla - Rural, Badulla - Urban, Hambantota - Rural, Hambantota - Urban, Colombo - Urban

Legend:
- Affordable
- High
- Very High
- Extremely high

% of users who perceive cost to be…

Slide 18

Few complaints about getting connected

Categories:
- no difficulties
- phone was not activated immediately
- too much paper work
- long waiting list
- had to travel to another town to get connected
- little information available
- had to wait for service
- finding finance

Legend:
- rural
- urban

% who faced difficulty

24

Slide 19

More quality of service problems in urban areas
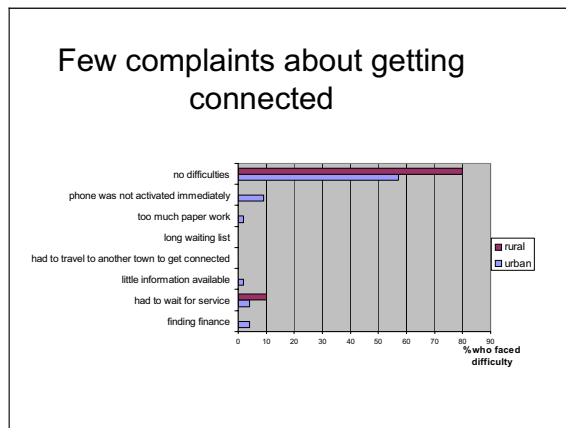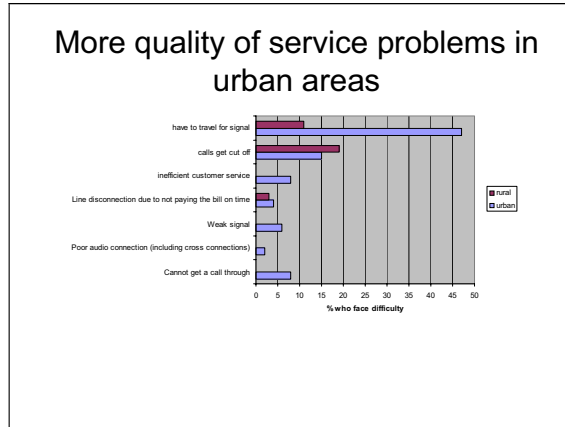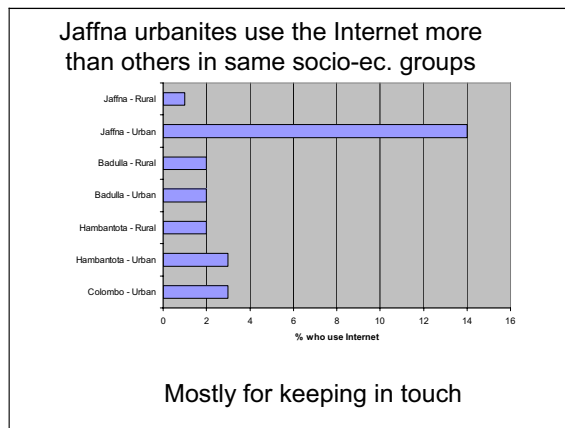

Slide 20

The cost of communicating

- Higher expenditure on communication
  - Heavier use, high use of phone for IDD calls
  - Longer duration calls

- But, limited choice means they bear cost with little complaint

Slide 21

Jaffna urbanites use the Internet more than others in same socio-ec. groups

Mostly for keeping in touch

Slide 22

Jaffnaites appear to be more internet savvy

- many of the people of Jaffna have friends and family abroad/outside the district, with whom they wish to keep in touch
  - This could also be to coordinate remittances
  - While there is a small percentage of people who also use it for business purposes, especially in rural Jaffna

Slide 23

In conclusion

- Large untapped demand until 2002
- lack of choice for a prolonged period
- High number of relatives / friends living abroad; dependence on remittances

- Leading to heavy reliance on mobile, and high expenditure on telecom services in general

Slide 24

References

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- http://www.indi.ca/2006/04/no-war-no-peace/
- Teleuse on a shoestring research (use shoestring as search term in www.lirneasia.net)

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