

## **Characteristics and determinants of informal employment in Sri Lanka**

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Informal employment has become an important source of livelihood for people all over the world. As in other developing countries a major portion of the work force in Sri Lanka are engaged in the informal sector. The concept of informal employment, as defined by the International Labor Organization, has been developed based on the three factors namely; permanency of the job, entitlement for leave and entitlement for fringe benefits such as pension or provident fund. Informal employment is a developing phenomenon in developing and developed countries. Sri Lanka has remarkably high incidence of informal jobs recording around 78% of total employed population in 2009. Due to its heterogeneous and precarious nature, studying the structure of informal employment is imperative.

To understand the structure of informal employment in Sri Lanka, the individual and household characteristics of people engaged in informal employment and characteristics of informal employment were discussed initially at descriptive level. Secondly, a binary logistic regression model on “whether a person engaged in informal job or not” was fitted with determinants that affect person’s decision on choosing informal employment. In fitting the model, Generalized Estimating Equations technique was used as the responses were correlated within districts. The study reveals that level of education, sector that person resided, salary, ethnicity, sex and age were the most significant factors that were associated with person’s decision on moving towards informal employment. The order of significance will be discussed. Informal employment is characterized by comparatively low wage rates or income except for a very small portion of informally employed population.