Present Status and Future Prospects of Non-farm Employment (NFE) in the Mahaweli Area

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EXECUTIVE SUMMARY

The Mahaweli Development Programme was undertaken to make the country self-sufficient in rice, generate hydro power electricity for industrial purpose and create employment opportunities for about 1.2 million unemployed youth in the country. However, some socio-economic issues pertaining to Mahaweli areas have arisen after the second and third generations. The hidden land fragmentation in Mahaweli areas results in low levels of household income insufficient to meet their requirements. If this trend prevails further, Mahaweli areas will contribute to poverty of the country instead of contributing to the development of the country. The main objective is focused on examining the present employment opportunities in the Mahaweli area, their sustainability and potentials of expanding non-farm employment opportunities in the Mahaweli area. Four specific objectives to achieve the main objective are identifying types and number of existing employment in the Mahaweli areas, assessing contribution of non-farm sector to employment generation and household income, identifying relationships of some socio-economic factors and non-farm employment and investigating potentials and barriers to expand non-farm employment opportunities.

The methods of conducting the research are relevant to four specific objectives. Variables regarding the first specific objective are type of existing employment – farming and non-farm employment and number of existing employment. Variables relevant to the second objective are the percentage of non-farm employment and contribution from non-farm employment to total household income. With regard to the third objective, hypotheses regarding relations between socio-economic factors and non-farm employment of household members were tested. Variables regarding the fourth objective were identified as per the theoretical perspective which explains potentials and barriers of non-farm employment. Analyses regarding the first, second and fourth objectives were conducted using tables, graphs and descriptive statistics. With respect to the third objective, hypotheses were tested using a tobit regression model. The primary data and the secondary data were collected for this research. The research unit is a household from a Mahaweli settlement scheme. Locations of the study are system-B, system- C, system-G, system-H and Uda Walawe. The sample size is 416 households.

The interviewed households include the initial settlers (52.4%), the second generation (36%), those who bought Mahaweli lands (10.6%) from initial settlers and *Ande* tenants (0.96%). The majority of the interviewed grow paddy in *Maha* season and in *Yala* season. Average land extent cultivated with paddy per household is about a hectare in *Maha* season and 0.6 ha in *Yala* season. Other crops - chilies, onion, maize, groundnuts, vegetables, banana, papaw and green gram - are grown in both seasons. Livestock management in Mahaweli areas is at a minimal level. Out of total individuals (2028) of

the interviewed households, 44.7% (917 individuals) are employed (farm or non-farm) and more than 50% are unemployed which comprise the disabled, the aged, infants, housewives and students. Farming is practised as a main income source as well as a supplementary income source. Public sector employment include labourers, office assistants, field officers, school teachers and military servicemen as a main income source and a supplementary income source. Garment factories in system-B, system-C and System-H areas provide most of private sector employment. Individuals are engaged in business activities, activities based on skilled labour and self-employment.

Number of employees (both farm and non-farm), natural log value of household education index, non-farm employment index and education level of decision maker of a household are positively related with non-farm employment index and significant at a 0.05% probability level. Age of household decision maker and household income from farming per month show a negative relation with non-farm employment index value and the relation is significant at 0.05% probability level. Household income from non-farm activities per month is related with non-farm employment index positively and significant at 0.05% probability level. Non-farm household income contributes to 3% of the variation of non-farm employment index.

Households of the second or third generations and that do not possess lands exclusively depend on income from non-farm employment. Non-farm income has taken the highest contribution to total household income of a considerable number of households in Mahaweli areas. Existing legal provisions of land transfer to the heir in Mahaweli areas should be revisited and a suitable policy should be proposed to minimize possible social problems. Development of non-farm sector is not exclusively related to Mahaweli areas and it is linked to the whole economy of the country. Therefore, attention should be paid not only for creating non-farm employment opportunities in Mahaweli areas but for providing more education facilities to uplift education level of children of beneficiary families in Mahaweli areas.