

# Perceptions of Small Businesses and Youth of Employment and Peace-Building in the Conflict-Affected Region of Sri Lanka

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**This paper analyses the perceptions of small businesses and youth from the conflict-affected region of Sri Lanka with regard to employment and peace since the end of the war. It argues that there is a mismatch between the perceptions of small businesses and youth with regard to suitability of youth in the region to meet the needs of employers. With regard to perceptions of the link between business and peace, small businesses felt that growth of businesses and incomes was critical for durable peace. Many youth viewed that employment contributed to long-term peace, but felt that there were several factors that were also critical.**

- Small businesses
- Youth
- Employment
- Peace
- Sri Lanka

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**T**HE THREE-DECADE WAR IN Sri Lanka ended in May 2009 when the government's military forces overpowered the Liberation Tigers of Tamil Eelam (LTTE). The three-decade war had claimed over 70,000 lives, displaced and traumatized several hundred thousand more, and created significant strain on the economy of the country as a whole and the conflict-affected region (primarily the northern and eastern provinces of the country) in particular. Many of those who fought in the war were youth, easily recruited by both the LTTE as well as the government military due to lack of alternative employment opportunities. Thus, it was not surprising that the end of the war marked a pivotal moment for the people of the region due to expectations of a peace dividend.

Somasundaram (2010) highlights several push and pull factors that led to Tamil youth joining the LTTE, observing that many of those who joined the militants were from the lower socio-economic classes. Many were forced to do so because of economic circumstances or because the LTTE required at least one child from each family joining the movement. The lack of economic opportunities significantly affected the well-being of families and many thus depended on remittances of those who were able to leave the country. The economy of the conflict-affected region became largely subsistence-based with very few, if any, new businesses starting during the war years.

There are currently no signs that indicate a high possibility that the war could restart anytime in the near future. However, there continues to be resentment towards the government on the part of many people of the north and east. Clarke (2011) also notes that the LTTE's arms procurement network continues to exist, which is a significant risk factor for long-term peace. Moreover, some sections of the diaspora openly maintain and promote secessionist views. Creating a peace dividend for youth and small businesses in the region through business creation and youth employment generation is therefore critical as one prerequisite for long-term peace.

There is, however, little research on the aspirations of youth from the north and east with regard to employment that can enable them to live economically productive lives in the post-conflict economy. It is also critical to understand the views of small business owners on youth as they are the main employers in the conflict-affected region. This paper partially fills these gaps. In addition to understanding views of small businesses and youth on the business and employment situation, this paper also discusses perceptions of entrepreneurs and youth on the importance of employment generation for long-term peace. This is perhaps the first paper that provides insights of this nature and it adds significantly to the literature. Insights from this paper are important not only for the academic community, but also for managers and investors who have an interest in establishing businesses and using business to promote peace. Indeed, investment, business development and employment creation are fundamental for efforts to develop the region and reduce inter-regional inequality in Sri Lanka.

## Conflict in Sri Lanka

It comes as no surprise that the northern and eastern provinces are two of the most underdeveloped provinces in the country. However, it is important to note that the underdevelopment of the north and east is not a conflict-related or post-conflict phenomenon, and that its decline commenced before the start of the conflict. Historically, other areas of the country had plantation investments for crops such as coffee, tea, rubber and coconut from pre-independence times, which had been instrumental in sustaining rural incomes (De Silva, 2010). Indeed, when Sri Lanka gained independence in 1948, policy analysts believed that the country had a strong enough foundation to ameliorate all forms of poverty (Gunathileke *et al.*, 1983). However, the policy decisions did not balance the need to increase incomes and employment, along with other social improvements. Thus, although there was significant improvement in the health and education sectors, economic dividends from the growth of the economy did not materialize (Snodgrass, 1999). It is notable that deterioration in the relations between the majority Sinhalese and Tamils was largely aggravated because the youth from both the Sinhalese and Tamil communities were unable to find opportunities to improve their well-being. It was not simply inequalities of opportunity between ethnic communities, but also within them.

A number of scholars have argued that economic factors were instrumental in the lead up to the ethnic conflict in 1983. For example, Srisankandarajah (2005) argues that inequalities in income and employment of youth had been the root causes of the commencement and continuation of the conflict. Tambiah (1986) provides key insights to the state of the economy just prior to the ethnic riots in 1983 that triggered the start of the war. With open liberalization of the economy in 1977, macro-economic policies focused primarily on economic reform that would make Sri Lanka competitive in the world economy. The policies, however, largely ignored the north and east.

Interestingly, even for the rest of the country, the real benefits were transitory, unequal and based on political patronage. Until a change of government in 1977, the country had followed an import substitution policy based on a closed market. Exports were based on revenue from plantation crops, most notably tea, rubber and coconut. By the mid-1970s the country had fallen into a balance of payments crisis, large fiscal deficits and widespread unemployment. The new government was elected with a two-thirds majority with a promise of liberalizing the market. It adopted a set of policies that opened up the economy and engaged in a process of liberalization and reforms to be more export-oriented. Expansionary fiscal policy was encouraged particularly through large infrastructure investment along with encouraging the private sector. Key government enterprises were privatized and large loans were taken to drive investment-based growth.

Exports through the private sector were encouraged through the depreciation of the exchange rate and replacement of the quota system with a tariff structure. Moreover, and importantly, the government commenced a massive infrastructure investment drive through the Accelerated Mahaweli Development

Programme (AMDP) with the support of foreign aid to develop six dams and settle 218,000 families in an ambitious six year period. The government hoped to generate employment through construction while also reducing subsidies. Dunham and Kelegama (1994) argue that these construction projects provided “an invaluable mechanism for the dispensation of patronage” (p. 10). Furthermore, “there was not so much a retreat of the state from economic activities, as a shift in the nature of its predominance and fields of operation...” (Dunham and Kelegama, 1994, p. 10).

The result of these policies was strong short-term growth. However, over the medium term a number of issues arose. Firstly, there was a sharp rise in the cost of construction, which led to significant pressure on reserves. Moreover, imports continued to rise more than exports further pressuring the current account. By the early 1980s, the external debt had quadrupled. While continuing with the large infrastructure investments, other government expenditure declined. In terms of monetary policy, there was increased money supply and credit, though the effects were not necessarily supportive of the poor.

Though employment increased after 1977, the nature of the employment was not ideal. Most jobs were created in the transitory construction sector. Indeed, once the AMDP started coming to an end in the mid-1980s, unemployment had increased to about 20%, with the majority being rural youth. The real beneficiaries of development during this period had been the top 10% of the population. The export sector did not pick up as had been expected. This was partly due to the fact that, owing to large inflows of foreign capital, there was upward pressure on the exchange rate. This appreciation reduced the competitiveness of the exporters (Dunham and Kelegama, 1994).

Large infrastructure projects that were much needed for the economy, while not providing benefits to those in the north and east, in fact also significantly increased the income inequality within the Sinhalese community of those regions that benefited from the investments (Tambiah, 1986). Athukorala and Jayasuriya (1994) also agree that prior to the commencement of the war in 1983 large investment and development policies were discriminatory and led not only to inter-ethnic disharmony, but also negative repercussions for the long-term growth of the country. With reduced national savings to finance large infrastructure investments, real wages for non-construction workers declined, and both the main beneficiaries as well as the victims of key development initiatives were Sinhalese (Tambiah, 1986). Along with open liberalization, it was the transition to autocratic governance with little voice for opposition that strengthened the conflict which led to the war (Tambiah, 1986). In essence, Sri Lanka’s economic growth story prior to the commencement of the conflict was one of slow growth with unequal regional distribution. If the growth had been stronger or if policies had recognized the need for greater redistribution, the country may not have experienced the conflict that it did (Athukorala and Jayasuriya, 1994).

However, it would be rather simplistic to suggest that the open liberalization of the 1977 government was the only factor that led to the start of the war. Several other historic, political, economic and social factors contributed to the commencement of the war. The most important aspect about social relations

before the start of the colonial period in 1505 with the arrival of the Portuguese is that ethnicity in its current form did not exist. Within three kingdoms based in Jaffna (north), Kotte (west) and Kandy (centre) “lived peoples, many of whom were recently settled from diverse localities in South India—the Malabar Coast, the Coromandal Coast, the southern tip of Ramnad, and elsewhere” (Tambiah, 1986, p. 7). Importantly, “these people lived their lives as components of local or regional socio-political complexes rather than as ethnic ‘Sinhalese’ or ‘Tamils’ as they are conceived today”, and this remained the case throughout the colonial period of the Portuguese and Dutch until 1796 (Tambiah, 1986, p. 7). Thus, Sinhalese and Tamils as ethnic categories in the way they are known today did not exist until very recent history. It was only during the British colonial rule that ethnicity in its current form developed and divisions further escalated (Tambiah, 1986, p. 9). Indeed, even to this day Sinhalese and Tamils are difficult to differentiate by appearance alone, and differences are “culturally transmitted and socially determined” (Silva and Hettige, 2010, p. 7).

Until independence from the British in 1948, a significant proportion of Tamils in comparison to the population benefited from a higher percentage of places in universities and better public sector jobs than their proportion of the population. This was because colonial divide and rule policies had led to a disproportionate percentage of Tamils obtaining much sought after English education, which in turn led to access to more lucrative urban sector jobs. The Jaffna Peninsula was particularly important in supplying a large number of those who could enter the professions such as medicine, law, teaching and government (Spencer, (1990). This left the majority Sinhalese population mainly engaged in subsistence and plantation agricultural work. However, historically, the areas dominated by the Sinhalese also had plantation investments for crops such as coffee, tea, rubber and coconut for many years, which had helped to keep rural incomes higher than those in the north and east. In the north and east, such plantation investments did not take place and the only possibility for plantation agriculture was coconut (De Silva, 2010). Though entering white-collar jobs indeed benefited the Tamil community, Tambiah argues that Tamil youth in the north and east had little option other than to seek them (Tambiah, 1986).

The key reason for the loss of white-collar employment opportunities after independence was that reforms in policies related to language, education and employment were introduced to equalize opportunities for the majority Sinhalese. The notable discriminatory policies were the Official Language Act of 1956 that made Sinhala the only national language, higher education policies giving quotas to different ethnic groups, discrimination in recruitment for government sector jobs, and unequal regional development and investment policies (Sriskandarajah, 2005). It was thus no surprise that these policies reduced what the Tamils in the north and east felt to be their only means to economic success and resulted in increased disillusionment and antagonism towards the majority Sinhalese.

As the perceived injustices of the 1950s and 1960s were matched with the further decline in real incomes and opportunities in the 1970s, sporadic violence emerged out of dormancy in the late 1970s. The government of the time

had little development policy response to these violent uprisings resulting from the reduction in education and employment opportunities and in incomes. As violence escalated, Tamil youth targeted politicians and security forces. In response to these violent acts by youth, July 1983 saw violence against the Tamils by Sinhalese evolve into riots encouraged by Sinhalese political opportunists, leading to large-scale destruction of Tamil-owned assets and displacements. In response, Tamil youth mobilized around the LTTE and in retaliation to the riots, full-scale ethnic conflict broke out. Many Tamils, particularly those who had the economic means to do so, fled the country, leaving behind the more vulnerable and poorer groups in the north and east who could be easily attracted or compelled to fight for a separate state.

Despite the decline in economic opportunities of Tamils with respect to Sinhalese since 1956, it would also be rather inaccurate to suggest that inequalities and tensions were simply inter-ethnic. Indeed, intra-ethnic and inter-regional inequalities in employment and incomes also had a key role to play in leading to conflict. Several researchers have studied how income inequality contributed to the conflict.<sup>1</sup> With regard to inter-regional inequality, the gaps between the regions which had predominantly Tamils and the capital,<sup>2</sup> Colombo, led to widespread youth resentment (Peiris, 2001). Moreover, Lakshman (1997) concurs that “the crisis in the Northern and Eastern Provinces can be described as a special and extreme case of the general regional inequality issue...” (p. 193). It is thus important to reflect on the fact that the ethnic conflict had always been concentrated in the region where the Tamils were the majority (north and east) and that Tamils in the west had, by and large, not turned to violence. This appears to be proof that while Tamils in general were discriminated against, higher income sections of the Tamil community, particularly those in the capital Colombo, continued to prosper.

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### Private sector, employment generation and peace-building

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A number of researchers have provided key insights on the causes of war.<sup>3</sup> Theorists, peace analysts and policy makers have also sought to understand the key determinants for sustaining peace after an end to conflict.<sup>4</sup> Studies such as that by Collier *et al.* (2003) have cautioned that ending a war does not automatically give rise to a peace dividend and there continues to be a risk of the conflict recurring if key policy issues are not addressed. Ferreira (2005) also argues that

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1 See for example, Abeyratne (2004); Athukorala and Jayasuriya (1994); Dunham and Jayasuriya (2000); Lakshman (1997); and Peiris (2001).

2 It is important to note that the capital city has a significant proportion of Tamils.

3 See for example, Gurr (1970); Collier (2001); Keen (2008), Brown (2001); and Azam and Mesnard (2003).

4 See for example, Hartzell *et al.* (2001); Ferreira (2005); Lee and Vedder (1994); Roberts (2008); and Woodward (2002).

one should not assume that there would be sustainable peace after the end of a war. Indeed, Carbonnier (2003) notes that one of the key prerequisites for peace is to transform war-affected communities into peace economies. However, factors such as “poverty, unemployment, land pressures, inadequate tax base, lack of education and insufficient or unavailable human skills” make peace-building especially difficult (Hartzell *et al.*, 2001). This is made all the more challenging when political benefits do not match the social benefits of a peace dividend (Lee and Vedder, 1994). Overall, the critical factor that is required to achieve a peace dividend after the end of a war is for there to be a decrease in military spending. However, this by itself is insufficient (Lee and Vedder, 1994). Moreover, a government’s ability to establish legitimacy to govern is clearly another factor that affects the possibility of long-term peace. Not surprisingly, however, many governments find that people distrust governmental intentions mainly because of their manipulation of existing institutions (Roberts, 2008). Gaining trust is inevitably a slow and gradual process, but the existence of exploitative and distrustful relationships may make the peace-building all the more difficult, especially after the end of a bitter war.

Some observers believe that post-conflict countries initially see an increase in rural employment, increased agricultural production, and so an overall improvement in the quality of life (Ferreira, 2005). This is because of the reallocation of money previously budgeted for military purposes, to improve the quality of lives of the people. Moreover, the reallocation of military funds plays an important “role in the sense of transmitting confidence, commitment and credibility” (Roberts, 2008). Others note, however, that there is generally a high level of unemployment in the first few years of peace, threatening its sustainability. Despite the importance of employment growth, it is often neglected by governments (Woodward, 2002). Moreover, militaries in countries generally continue to have significant political power even after the end of the war. Overall, depending on the perceived level of insecurity among the people, international experience suggests that they will feel either a strong sense of optimism or disillusion about the future and the level of insecurity (Ferreira, 2005). Specific country-level experience offers important warnings on the disillusionment. In Angola, for example, the continued high levels of military expenditure, exploitation of resources, poor job growth and unequal distribution of income suggest that prospects for future peace seem to be questionable (Ferreira, 2005). The Northern Ireland case also suggests that the peace dividend has not materialized, and that Protestants still feel a sense of inequality with the Catholics (O’Hearn, 2008).

Voicing the critical importance of employment creation in post-conflict reconstruction and peace-building, Krishnamurthy (2003) stated that it “has to be accorded centrality, for it reduces poverty, cements peace, and promotes justice, equity, security and last, but not least, human dignity” (p. 60). Nevertheless, studies and reports on reconstruction after war have generally given little attention to employment issues in reports (Cramer, 2006). Thus, little is known about how the job markets change in conflict and post-conflict settings. However, Cramer (2006) argues that since the key beneficiaries during



war may continue to be the main beneficiaries during the subsequent period of “peace”, they may prevent real institutional changes from taking place to improve employment. On the other hand, peace may bring large changes to production and trade.

Munive (2010) argues that youth unemployment should be the key focus area to stabilize post-conflict countries. Collier (2009) also notes that two of the key policy focus areas for post-conflict countries to sustain peace are to reduce military expenditure and create jobs for young men. Indeed, Liberia’s post-conflict approach focused on youth employment and eliminating their grievances in order to sustain peace (Munive, 2010). In Kosovo, there was a risk that conflict would re-emerge due largely to economic decline and unemployment of Albanian youth (Glenny, 2005). With economic growth declining and youth unemployment at 70%, few expected the region to be safe from the onset of conflict in the future (Glenny, 2005). Ngeve and Orock (2011) have showed that Cameroon had successfully prevented conflict by recognizing different ethnic groupings in education and employment.

International research on post-conflict situations has also shown that youth motivation for seeking jobs is not simply because they are a means of earning an income, but also because work is a symbol of success and access to modern life, which will then lead to “prestige and respect” (Munive, 2010). Post-conflict development is difficult primarily because youth aspirations have to be met. People’s social and economic background plays a large role in determining the ability to secure employment, especially if they are from rural, disadvantaged and culturally different areas. Giroux (2008) found that people from rural backgrounds in Africa had significant difficulty in securing formal sector employment in urban areas because of the poor quality of school education and the skills required for the jobs (p. 362). Polk and White (1999) argue that if an area has large numbers of unemployed people, specific individuals find it that much more difficult to obtain employment and create shared identities. Moreover, if the person lives in a disadvantaged location, poor networks handicap people from linking themselves with potential employers.

Given the challenges of peace-building, it is essential to look at factors that have helped to sustain peace, especially with regard to investment and employment creation. Conflict prevention approaches are both short term and long term. While diplomacy is used as the key short-term approach, long-term approaches are political, economic and social (Wenger and Möckli, 2003). The role of business in peace-building is noteworthy. More often than not, the private sector in peace-building is rarely acknowledged and often they are branded as conflict-enhancing rather than peace-promoting (Wenger and Möckli, 2003). Importantly, Oetzel *et al.* (2010) note that while much of the normative literature in this regard is aspirational in that it supports the view that businesses should promote peace, in fact there is clear evidence that conflict-sensitive businesses are already contributing to peace-building. The reciprocal nature of the peace–business relationship is significant in much of the literature (Fort and Schipani, 2004). Indeed, Bruck *et al.* (2011) also note that while conflicts affect



entrepreneurship, public policies that improve entrepreneurship are critical for peace dividends to war-affected communities. At the heart of the justification for private sector involvement is their potential for enhancing the economic well-being of conflict-affected communities and contributing to the peace dividend of the affected people, especially those facing economic exclusion.

From a liberal market perspective, “setting up a liberal market economy and favourable conditions for trade and investment, building up a physical infrastructure, and for instance, strengthening local business capacity are all important factors for generating employment opportunities and sustainable economic development” (Wenger and Möckli, 2003). However, perhaps not surprisingly, businesses weigh risks and opportunities before embarking on investments, especially because the business losses associated with conflict are considerable. While the contribution of peace towards business through expansion of markets is well known, the reverse contribution is less clear. Wenger and Möckli (2003) argue that peace-building through economic means must take into account three factors. The first is that there must be a strong enabling environment within which business can operate of “sound and consistent macro-economic policies, especially low inflation, fiscal stability and stable exchange rates” (Wenger and Möckli, 2003: 144). Secondly, it is essential to develop the capacity of local businesses; and thirdly the attraction of foreign direct investment in a manner that appropriately considers the ground realities of the conflict-affected areas (Wenger and Möckli, 2003).

In practice, however, there is evidence that benefits as a result of appropriate investment have not materialized in many post-conflict contexts. The belief that foreign direct investment (FDI) would automatically bring in money and jobs was a significant “carrot” that led to the end of the war in Northern Ireland. However, this FDI has not materialized, with the north creating ten times fewer jobs than in the south (O’Hearn, 2008). Sierra Leone also faced enormous challenges in improving employment and income for people after the end of the war with the informal sector providing livelihoods for most people. The Sierra Leone Government did little to attract private investors, and there were a number of constraints that reduced the creation of jobs. Of those that did benefit from formal jobs, few were youth, which included ex-combatants (Cubitt, 2011, p. 10).

With regard to the links between business and peace, issues related to entrepreneurship, investment and employment are thus critical. In addition to these issues, those relating to ethnic homophily in the workplace are important. Lee and Reade (2015) notes through a survey of 550 managers in the capital of Sri Lanka, Colombo, that there is a positive correlation between the sensitivity of employees in workplaces to ethnic conflict and ethnic homophily. Similar research has unfortunately not been done in the conflict-affected region.

Overall, there is a dearth of research on youth employment and businesses in the conflict-affected region of post-conflict Sri Lanka. However, recent research has indicated that many segments of society face significant challenges. Recent research on self-employment of ex-combatants of the LTTE in the conflict-affected region suggests that many find it difficult to reintegrate into society. This

was especially important because they felt that there was a strong link between employment and long-term peace (Miriyaqalla, 2014a). In another research study, Miriyaqalla (2014b) argued that several challenges exist for different types of businesses (foreign investors, large investors from outside the region, traders from outside the region and small local businesses) to invest and create employment in the conflict-affected region of Sri Lanka. Based on these findings, Table 1 summarizes the key factors that are “locking-in” and “locking-out” investment and business expansion in the conflict-affected region. Notably, the key businesses that have benefited the most from the opening up of the conflict-affected region have been local traders and investors from outside the region.

**Table 1** Key determinants “locking-in” and “locking-out” investment

Source: Miriyaqalla (2014b)

No.	Type of Factor	Key Factors	Large			
			Foreign Investors	Southern Traders	Southern Investors	Local SMEs
1	P	End of violence	I	I	I	I
2	P	Political stability	O	I	I	O
3	P	Lack of political devolution	O			O
4	P	Anti-government sentiment	O			O
5	P	Presence of the army	O			O
6	E	Cost of starting/expanding business			O	O
7	E	Government infrastructure	O	I	I	
8	E	Government incentives			O	
9	E	Access to finance		I	I	O
10	E	Markets for short-term profits		I		I
11	E	Resources for long-term profits			I	
12	E	Attitudes of workers	O		O	O
13	E	Quality of skills available	O		O	
14	E	Third-party business facilitation		I	I	I
15	L	Legal rules			I	
16	S	Sense of responsibility			I	
17	S	New business culture of region	O			O
18	S	Language of region (Tamil)	O/I			I
19	S	Entrepreneurial ambition	O	I	I	O
20	G	Regional isolation	O		O	

Note: P, political; E, economic; L, legal; S, social; G, geographic; I, lock-in factor; O, lock-out factor

## Methodology

This paper is based on interviews conducted in two districts in the conflict-affected region: Jaffna in the Northern Province and Batticaloa in the Eastern Province. Table 2 shows the ethnic composition of the two districts studied in relation to that of the country. Both districts have predominantly a Tamil population; a sizable proportion of Muslims are present in Batticaloa. Both districts have a very minor proportion of Sinhalese, though they are by far the majority in the country as a whole.

**Table 2** Ethnic composition of country and districts researched by percentage

Source: Preliminary data of 2012 Census; Census and Statistics of Sri Lanka

	Sinhalese	Tamil	Muslim	Other <sup>5</sup>
Country	74.9	11.2	9.4	0.45
Jaffna	0.6	98.9	0.4	0.1
Batticaloa	1.2	72.6	25.5	0.7

This paper is based on interviews with a random sample of 50 small local businesses and 75 youth from two districts of the conflict-affected region. Of the small businesses, 25 were from Jaffna and the other 25 from Batticaloa. The sample was taken from a database of registered businesses at the two District Labor Secretariats, which indicated that there were 2,727 and 1,311 registered business establishments in Jaffna and Batticaloa, respectively. The owners of the 50 businesses were interviewed in their establishments between August and October 2013. Appendix 1 provides further details about the small business sample.

For the section on youth perceptions, a random sample of 75 youth who were employed in private firms or unemployed were interviewed. Of the 75 youth, 45 were from Jaffna and the remaining 30 were from Batticaloa. Interviewees were found using a snowball method through introductions made by university students in the area. They were interviewed in various locations including close to workplaces, shops and in small restaurants between August and October 2013.

All interviews were conducted anonymously and any names given in the sections below are altered to maintain anonymity. The questionnaires used for businesses and youth are presented in Appendices 2 and 3, respectively. The rest of the paper presents only part of the key findings from the two sets of interviews.

5 The "Other" category comprises mainly Burgers (descendants of European settlers), Ved-dhas (indigenous population) and Indian Tamils (descendants of indentured labourers brought into the country by the British to work in the plantations). A social and cultural difference is felt between the Sri Lankan Tamils and Indian Tamils. For this research, "Tamil" refers to Sri Lankan Tamils. Notably, Indian Tamils, who reside mainly in the central part of the country, were not involved in the ethnic conflict.

## Employment generation by local businesses in Jaffna and Batticaloa

The employment statistics of the registered businesses of Jaffna district given in Table 3 (Batticaloa employment details were not available) suggest that many of the businesses are not making large contributions to the employment situation and are to a large extent very small self-employment businesses.

**Table 3** Number of registered establishments in Jaffna, 2013

Source: District Labour Secretariat database, Jaffna

Number of employees	Number of establishments in Jaffna
0–5	2,454
6–10	70
11–19	94
20–29	44
30–39	20
40–49	16
50–59	6
60–69	6
70–79	4
80–89	2
90–99	2
100+	9
<b>Total</b>	<b>2,727</b>

The lack of employment generation from these establishments in Jaffna district is notable given that it is the most developed district in the conflict-affected region, and it can be safely assumed that the situation is unlikely to be better (and most likely much worse) in other parts of the conflict-affected region. As can be seen in Table 4, of the institutions with over 50 employees, most are cooperatives, which are community-managed organizations. Only one of the nine local business establishments that had more than 100 employees was a private sector firm (hospital).

**Table 4** Institutions with more than 50 employees of 2,727 registered businesses

Source: District Labour Secretariat database, Jaffna

Public	Private	Cooperative	Total
7	7	15	29

In the sample of 25 businesses from Jaffna, 16 had started before the war ended, four immediately afterwards in the same year, and five thereafter. Of the 16 business that existed before the war ended, only 62% of those recorded said that their businesses had improved since the end of the war. Of the other nine that started after the end of the war, only 33% stated that their businesses had shown an improvement over the past four years. In Batticaloa, of the sample of 25 businesses, 24 had started their businesses before the war ended. However, only 21% felt that the end of the war had improved their incomes.

## Youth perceptions of aspirations, skills and employability

This section describes the perceptions of youth with regard to the employment situation and their aspirations, skills and employability. The employment situation in the north and east has changed dramatically since the end of the war. The semi-structured interviews with the 75 youth from Jaffna and Batticaloa are informative, but it is important to note that the sample sizes are small so they should be analysed along with the qualitative comments given after the presentation of the statistics.

Tables 5 and 6 summarize the perceptions of youth interviewed with regard to the employment situation. Importantly, far less youth in Jaffna (56%) felt that jobs in the area were improving compared with those in Batticaloa (80%). Families of 80% of the males in Batticaloa were pleased about the employment situation, while only parents of 58% of females were satisfied about their job prospects. Unlike in Batticaloa, parents of almost all females in Jaffna were pleased about the employment situation of their daughters and a lesser proportion was seen for their sons. For both groups, a significant proportion of youth felt that their skills matched the jobs available, but a lower proportion felt that the jobs matched their aspirations. Moreover, unlike in Batticaloa, a higher proportion of female youth than male youth of Jaffna felt that their skills matched their aspirations, but a lower proportion felt that their skills matched their jobs.

*Table 5* Perceptions of the employment situation among Jaffna youth

	Males	%	Females	%	Total	%
Jaffna total sample	25		20		45	
Feel that jobs in the area are improving	16	64	9	45	25	56
Family pleased about employment	20	80	19	95	39	87
Skills match aspirations	18	72	11	55	29	64
Skills match jobs	16	64	16	80	32	71

**Table 6** Perceptions of the employment situation among Batticaloa youth

	Males	%	Females	%	Total	%
Batticaloa total sample	20		10		30	
Feel that jobs in the area are improving	15	75	7	70	22	73
Family pleased about employment	16	80	6	60	22	73
Skills match aspirations	13	65	7	70	20	66
Skills match jobs	17	85	8	80	25	83

### Small employer attitudes about youth

While many youth from the conflict-affected region felt that they were employable, most employers did not agree. Many were frustrated at the work ethic of youth and many were discouraged at how difficult it was to find suitable youth to work for them. Part of this frustration was simply based on a general private sector feeling of wanting to continue to pay low wages when there was little security in employment along with that payment. However, added to this were perceptions that many youth were not used to working hard and that the conflict had increased their dependency on others. They also did not have strong role models to ingrain in them a positive work ethic.

People are restless for security. The conflict environment of the past has made people unambitious, risk averse and lazy (private sector employer, Jaffna).

We don't find skilled people here, and people don't have practical skills even though they have paper qualifications (private sector employer, Jaffna).

Even though they work here, they may be waiting for an opening in a government agency (private sector employer, Jaffna).

Youth have high expectations about wages. They want more money than what I can pay (private sector employer, Jaffna).

Many youth want to show that they have something, and they don't think about how they can contribute to the society. It is difficult to find good people to work. Their minds are not free, and they are not willing to sacrifice to progress (private sector employer, Jaffna).

Nobody works regularly and properly. There is no permanency. Everyone who comes leaves quickly (private sector employer, Jaffna).

The workers are very careless. It [employing them] is a very high risk for us (private sector employer).

Both skills and attitudes are a major problem among youth (private sector employer, Jaffna).

## Perceptions of the link between self-employment and peace

In order to evaluate the importance of the link between employment and peace, small businesses and youth were asked specific questions in that regard. It is noted again that sample sizes are small and that the qualitative comments given after the presentation of statistics further inform the analysis. On the perceptions of local businesses, the similarities between the Jaffna sample and Batticaloa sample are noteworthy; 82% of Jaffna businesses and 84% of Batticaloa businesses felt that improving business was important for long-term peace. This is important because Batticaloa also had a significant number of Muslim business owners.

Many youth believed that there was a strong connection between employment and peace though some other factors were also felt to be important, as shown in Tables 7 and 8. In Jaffna, 44% and 60% for males and females, respectively, felt that increasing job opportunities in the area would lead to sustainable peace. In Batticaloa, the figures were 55% and 50% of males and females, respectively. However, 96% of those in Jaffna and 73% of those in Batticaloa felt that there were other factors that were as important as or more important than employment for peace.

**Table 7** Perceptions of youth in Jaffna of the links between employment and peace

	Males	%	Females	%	Total	%
Feel that jobs are important for peace	11	44	12	60	23	51
Feel that other factors are as important or more important than jobs	24	96	19	95	43	96
Jaffna total sample	25		20		45	

**Table 8** Perceptions of youth in Batticaloa of the links between employment and peace

	Males	%	Females	%	Total	%
Feel that jobs are important for peace	11	55	5	50	16	53
Feel that other factors are as important or more important than jobs	15	75	7	70	22	73
Batticaloa total sample	20		10		30	

Overall, most people connected employment and peace through incomes. With increased income and employment security, people were occupied with sufficient hope for the future, and did not have time to engage in activities which were a problem to society. Other social and political factors were also mentioned as being important for peace in addition to employment.



Creating employment opportunities must be planned well. Either in public or private sector, people should be recruited irrespective of ethnic group or other category. When people get an income, their families will be happy. When families are happy, the society will be happy. Peace originates from individuals and jobs can help to create that (Mario, Batticaloa, male).

Yes, development and employment creation can create peace. There is a positive connection, and giving jobs to youth will stop a lot of problems. There should be a good policy of the government and long term plans to lead to long-term peace (Sooriya, Jaffna, male).

Yes, jobs and incomes will be the main reasons for peace. Compared to other reasons, this is an economic issue (Gangatharan, Jaffna, male).

I think if income increases, people will be happy. But, if the rights of Tamils are denied, even if the income increased, there is no use. Politicians must act properly. People must be able to move freely for jobs (Thiru, Kokkatticholai, male).

Yes, the causes of peace are income, elimination of poverty, social integration, economic development, improvement of livelihood and good political solution. If all of these are brought together, there will be lasting peace (Uwaraj, Jaffna, male).

Some believed that employment and peace were not connected. This was primarily because peace was perceived to be connected to the reduction of social and political inequalities.

Peace and jobs are not connected because Tamils don't insist on jobs. If they can't find a job, they can go abroad. To satisfy Tamils, we need a political solution to our problem. There is communal mindedness and racism even now. This racism must be eradicated and people should feel oneness as one community and one nationality (Jivitharan, Jaffna, male).

I cannot fully say that employment will lead to peace. We need an impartial political solution to have lasting peace. We have a fundamental rights problem between the two ethnic groups and it could be solved only through a political solution (Sumaruthy, Jaffna, female).

No I don't think there will be peace if there are just jobs and incomes. Didn't income and jobs exist during the war for three decades? Only if there is no difference between majority and minority communities, and all are treated equally will there be peace. There must be equal rights (Sabra, Batticaloa, female).

No, job opportunities and increases in incomes will only develop the country. It will not bring peace (Thawarajah, Jaffna, male).

Jobs and peace are two different things (Nitharshini, Jaffna, female).

There is a small connection between jobs and peace. But I think social integration, understanding, language differences, and settlement discrimination affect peace much more (Pradeepan, Jaffna, male).

Some distinguished between the short term and long term, and saw jobs and incomes as more of a short-term need and political factors as long-term requirements. Others felt that the factors which were important for peace were mixed.

We can see a change in the short term. Income and jobs have improved and that is good. But for long-term peace, there must be constitutional change and a better rule of law. Leadership is important (Riyaz, Batticaloa, male).

Job and incomes will create harmony in the family. But for long term peace amongst communities, good government policy is essential (Anima, Batticaloa, female).

Overall, while only half felt that employment helped to sustain peace, there were also a number of other factors mentioned, which had to do with the fact that continued political disharmony, army presence and perceptions of continued inequality made it difficult for people to feel entirely confident about long-term peace. Despite the fact that many saw other non-economic factors as being as important as or more important than employment for peace, it would be premature to assume that employment only served the purpose of income generation, job status and occupying youth's time.

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## Conclusion

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This paper analysed the perceptions of small businesses and youth from the conflict-affected region of Sri Lanka with regard to employment and peace. It showed that there is a mismatch between perception of small businesses and youth with regard to suitability of youth for employment. It is noteworthy that small businesses (both Tamils and Muslims) felt that growth of businesses was critical for durable peace. Youths were less convinced and there appeared to be several factors other than incomes that were critical for long-term peace.

The research confirms that links between entrepreneurship, employment and peace are complex. Conflict-affected countries such as Sri Lanka clearly have a better chance of sustaining peace if local businesses and youth from the conflict-affected region have opportunities to improve their economic status. However, this research shows that while youth see employment as one very important prerequisite for peace, the types of employment opening up are critical. They must meet aspirations that are determined not only by their own views but those of family members and the community at large. Importantly, the ability of businesses to succeed and grow depends on them being able to employ suitably skilled youth, but more often than not such skills are not available. The links between this research and other research done on ex-combatants and the private sector in conflict-affected regions is also noteworthy. Indeed, in comparison to research on ex-combatants (Miriyaigalla, 2014a), youth in general do not see incomes and employment as the only or main prerequisites to peace, but rather as one of the factors that include political and social issues.

Thus, youth employment must not be seen in isolation of the wider political economy of the country. The implications of investments and businesses from outside the region are also noteworthy. This study as well as that of Miriyaigalla (2014b) highlighted that small local businesses from the region do not believe that they have benefited fully from peace. In addition to the constraints related

to youth attitudes and skills noted in this paper, one must also be cognizant of the challenges small businesses face in terms of competing with larger and savvier entrepreneurs who have entered the region from outside to gain from the opportunities available.

Public policies that promote greater entrepreneurship, business growth and employment creation in the conflict-affected region in a conflict-sensitive manner will go a long way in sustaining peace in the country. These policies must be laid over a larger set of policies that promote political and social reconciliation in the country. The findings of this study provide a platform for further research to be done to determine the key challenges that small businesses and youth face in the conflict-affected region of Sri Lanka so that they can contribute to long-term peace.

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## Appendix 1: Small business sample

Jaffna sample				Batticaloa sample			
Type of business	Year Com	Employees	Ethnicity	Type of business	Year Com	Employees	Ethnicity
1 Communication	1999	2	Tamil	1 Textile	1977	8	Muslim
2 Restaurant	2009	1	Tamil	2 Timber	2010	7	Muslim
3 Trade	2005	60	Tamil	3 Restaurant	1995	8	Muslim
4 Pharmacy	2009	1	Tamil	4 Factory	2000	15	Muslim
5 Diesel engine	1982	3	Tamil	5 Trade	2004	6	Muslim
6 Trade	2001	3	Tamil	6 Fuel station	1994	8	Muslim
7 Trade	2012	2	Tamil	7 Trade	1989	3	Muslim
Finance/ 8 Accounting	1991	10	Tamil	8 Tailoring	2000	4	Muslim
9 Restaurant	1988	10	Tamil	9 Trade	2005	3	Muslim
10 Pharmacy	1995	2	Tamil	10 Trade	1990	7	Muslim
11 Trade	1996	3	Tamil	11 Tailoring	2003	4	Tamil
Finance/ 12 Accounting	2003	3	Tamil	12 Fuel station	1993	4	Tamil
13 Restaurant	1998	5	Tamil	13 Trade	1995	3	Tamil
14 Factory	2002	30	Tamil	14 Trade	1994	5	Muslim
15 Timber	2003	5	Tamil	15 Pottery	2000	2	Tamil
16 Communication	2011	2	Tamil	16 Factory	2005	3	Tamil
17 Jewellery	2012	1	Tamil	17 Welding	1988	5	Muslim
18 Hardware	2009	10	Tamil	18 Restaurant	2007	8	Tamil
Finance/ 19 Accounting	2006	12	Tamil	19 Communication	2003	4	Muslim
20 Communication	2009	6	Tamil	20 Welding	1999	12	Tamil
21 Communication	2010	3	Tamil	21 Textile	1995	8	Muslim

Jaffna sample					Batticaloa sample				
	Type of business	Year Com	Employees	Ethnicity		Type of business	Year Com	Employees	Ethnicity
22	Travel agency	2012	2	Tamil	22	Brick making	2000	6	Tamil
23	Optometrist	2000	4	Tamil	23	Trade	1994	20	Tamil
24	Trade	1995	40	Tamil	24	Trade	2001	3	Muslim
25	Jewellery	1950	5	Tamil	25	Factory	2003	4	Tamil

## Appendix 2: Questionnaire for small businesses

### Background questions

District/location:

Name of business owner:

Name of business:

Year of establishment:

Number of people employed:

### Main questions

1. Which district are you originally from?
2. Is this your main source of income? If not, what other business do you have?
3. How has business changed over the last 5 years?
4. What are the main reasons for the change?
5. What are the main difficulties in doing your business?
6. How are these difficulties different from the war time (if business also existed before)?
7. What challenges do you face regarding employing suitable youth from Batticaloa/Jaffna?
8. Do you feel it is important for people from outside Batticaloa/Jaffna to invest and set up business here?
9. Is it good to have competition among businesses?
10. Do you feel improving business is important for long-term peace? If so, why?

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## Appendix 3: Questionnaire for youth

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District/Location:

Name:

Age:

### Questions:

1. Which district are you from and how long have you been living here?
2. Are you currently working? If so where and what are you doing?  
If working: Do you enjoy your work? Why did you choose to work here?  
If not working: Have you tried to find work? What are the difficulties?
3. What aspirations do you have and in what ways are they different from your friends?
4. How do your parents and family feel about you working/not working?
5. What new skills are you seeking?
6. Do you feel that your skills match your aspirations? Why or why not?
7. Do you feel that your skills match the jobs available? Why or why not?
8. What skills do you wish to have that you cannot get in the region?
9. What kinds of jobs would you like to see created in this area?
10. Do you feel that you are employable if you wish to change jobs?
11. How easy is it to take decisions about jobs? Why?
12. What are your views about the new employment opportunities that are opening up in this area?
13. What jobs are considered “good jobs”?
14. Do you believe that increased income and employment are critical factors for sustainability of peace and how do they compare with other factors? Why?
15. What do you believe is “peace”?
16. Is employment linked to peace? Is there anything that is as or more important than employment for long-term peace?