

Patterns of Livelihood Diversification in Sri Lanka

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Globally a higher attention is given to the Livelihood diversification as an important strategy by which households may work to achieve sustainable livelihoods through mitigating the income risk. Since there are structural changes with the unique characteristics of the livelihoods in the Sri Lankan context, much attention is needed on analysing the nature of livelihood diversification. The objective of this study is to examine the patterns of livelihood diversification in Sri Lanka. Data were derived from the 2016 Household Income Expenditure Survey and were analysed from descriptive statistics, Probit regression, and OLS Regression. According to the results, only 15% of households from the total population have been diversified their livelihoods. Concerning the livelihood strategy, 53% of households from total households are adopting urban-salaried livelihoods and they have the least tendency towards Livelihood diversification. In terms of employment choice, only 6% of households with government employees have diversified their livelihoods. Households located in the urban sector and estate sector are less likely to being diversified. According to the OLS regression carried out specifically for the agricultural households which are having a high vulnerability to the income, risks implies that the livelihood diversification has a significant and positive impact on enhancing agricultural household welfare in terms of per capita expenditure and aggregate asset index. Probit regression results depict that the major determinants of Livelihood diversification decisions in Sri Lanka are human capital-related factors and regional differences. Programs for removing the regional disparities, promoting human capital development from quality education and skills acquisition, entrepreneurial development, and promoting concepts like “Flexible working hours” should be facilitated to successful livelihood diversification which will ultimately lead to enhancing the household well-being.

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