

The Nexus between Fertility and Female Employment in Sri Lanka: Time Series Evidence

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The relationship between fertility and female labour force participation is a longstanding question in demography. Literature argues that a negative association between these two variables is evidence for the incompatibility hypothesis. The dilemma of female labour force participation rate (FLFP) and the total fertility rate (TFR) is a problem for the developed and less develop economies. Sri Lanka is experiencing the similar dilemma showing a significant decline in fertility and explicit increase in female labour force participation during past two decades. The effect of TFR and FLFP on each other is not immediate and this reality has led FLFP and TFR to be modelled in a dynamic manner. There is hardly any vidence for such study in Sri Lanka and hence the current study aims at filling the research gap existing in Sri Lankan context where just correlational studies are available. Therefore, the objective of this study is to investigate the long – term and short – term dynamics of TFR and FLFP for the period from 1990 to 2013. The econometric techniques indicate stationarity of time series of TFR and FLFP. Consequently, only the short – run dynamics exist between TFR and FLFP. The Cochrane-Orcutt Autoregressive procedure provides a negative relationship between TFR and FLFP which is consistent with empirical evidence supporting to incompatibility hypothesis. The bidirectional causation between TFR and FLFP guarantee theory of using TFR as independent as well as dependent variable. A disincentive for women with small children to re-enter the workforce is the lack of effective access to childcare. Thus, policy strategies should emphasise the provision of maternity facilities by private sector and need to improve the provision of government services to encourage mothers with small children to re-enter the workforce, particularly targeting at low income households. Policy reform in the childcare market is required, either through creating new facilities or lowering the costs of childcare with quality, affordable, accessible childcare services to increase the labour force supply through an increase in mother's participation rates.

Key words: *Female Labour Force Participation, Time Series, Total Fertility Rat.*