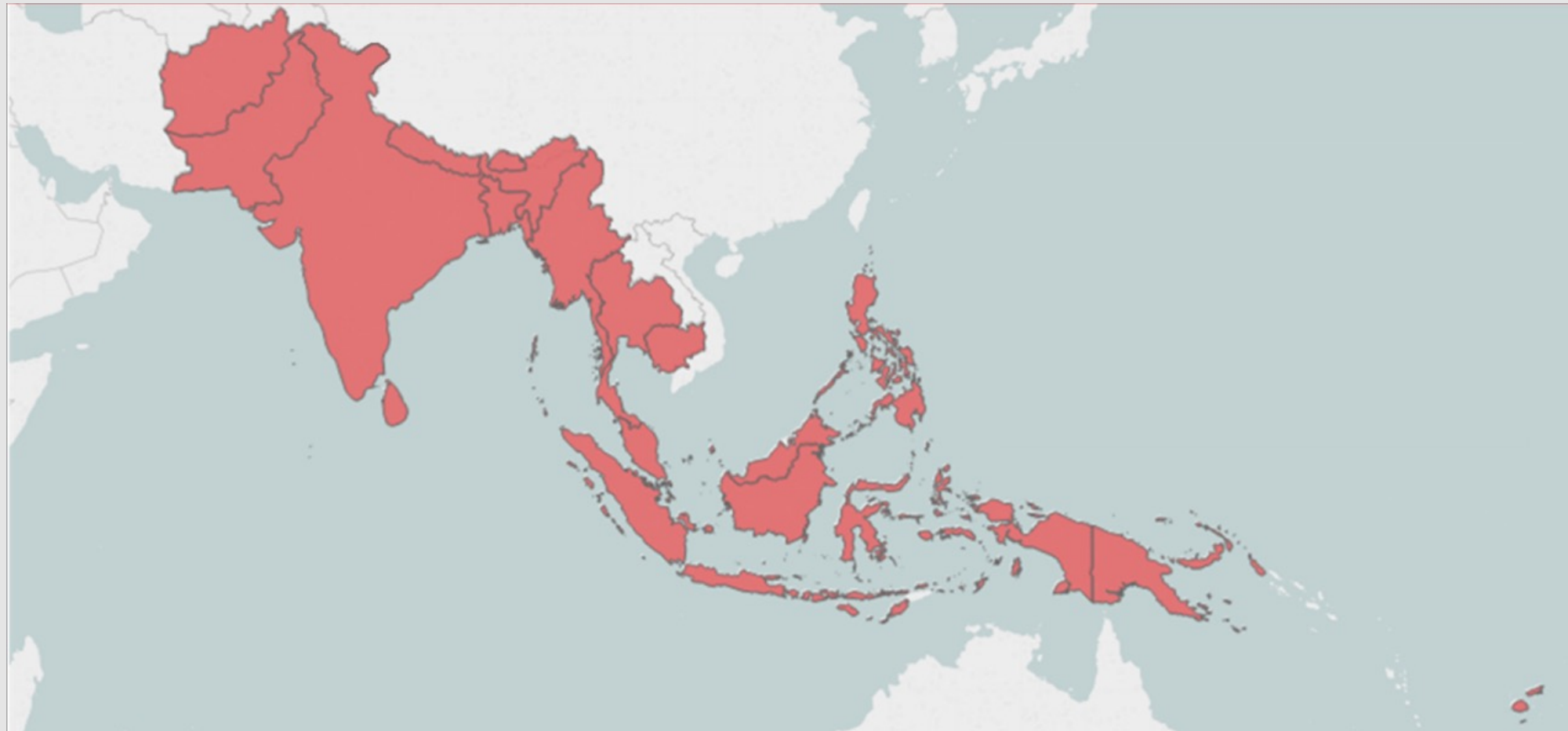


Social protection for private sector workers

Ministry of Labour and Foreign Employment

4 January 2024

LIRNEasia: a pro-poor, pro-market Asia Pacific think tank; focus on infrastructure policy and regulation



Our Mission:

“Catalyzing policy change and solutions through research to improve the lives of people in the Asia and Pacific using knowledge, information and technology.”

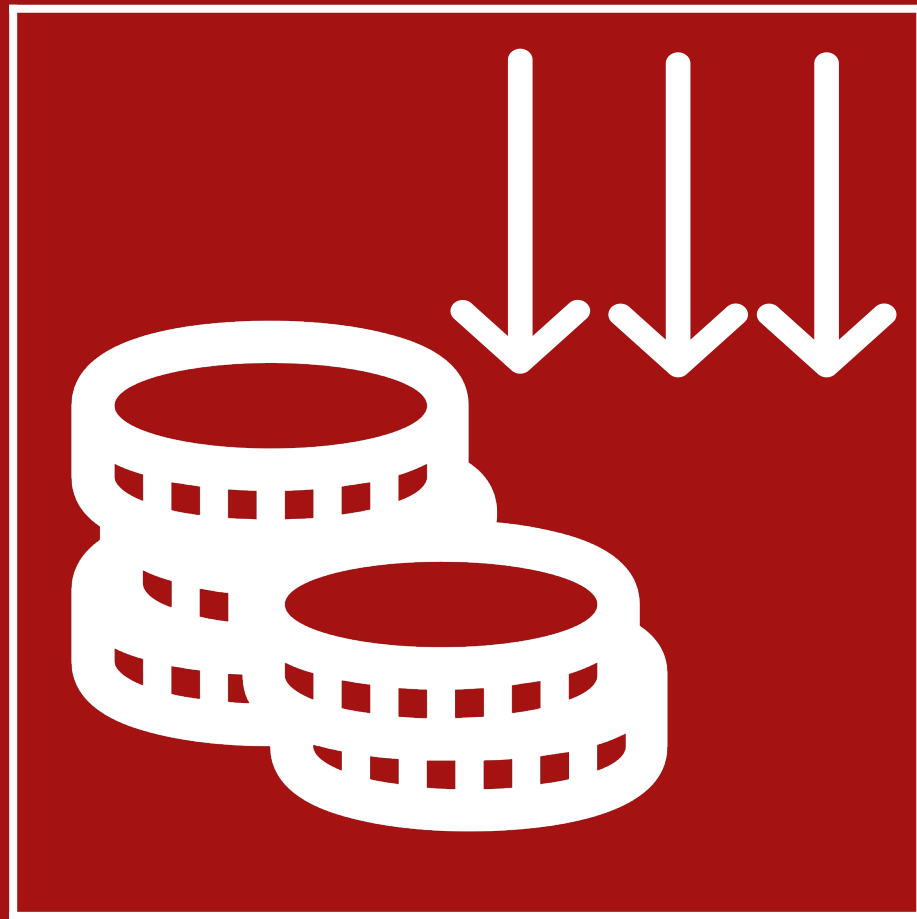
Our focus

1. State of poverty in Sri Lanka
- High level estimates

2 . Private sector employees
- High level estimates
- Poverty levels
- Eligibility for Aswesuma
- EPF/ETF coverage

3. Platform workers
- High level estimates

4. Policy implications



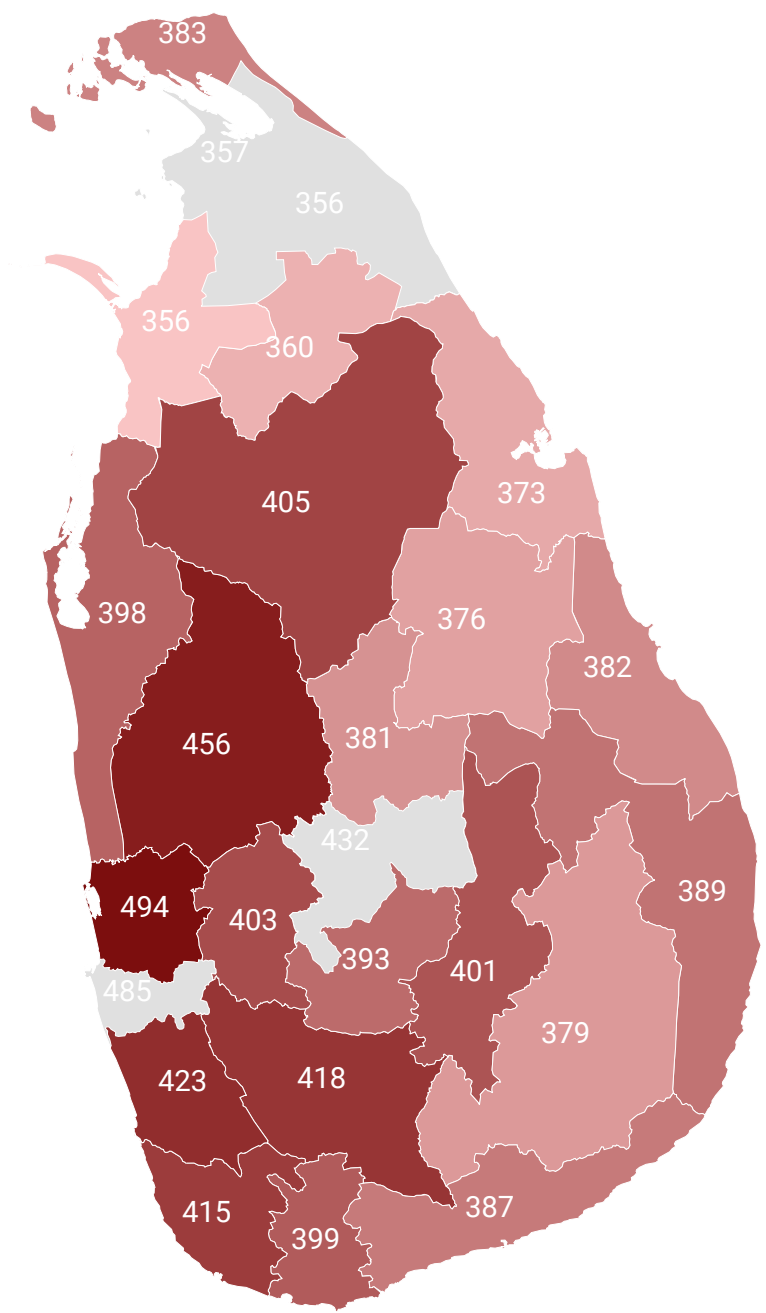
1. Poverty in Sri Lanka

Insights from a nationally representative survey conducted in 2022/2023

(95% confidence interval; +/-1.4% margin of error)

Nationally representative sample

District level sample sizes



**10,000**
Households

**400**
GN divisions

- Sample designed to be representative households and population at:
- National level
 - Urban, rural and estate level
 - Province level
 - District level
 - Men vs. women
 - SEC (socio-economic classification, a proxy for income)
 - Age



31%
of population

7 million

Sri Lankans are living in poverty

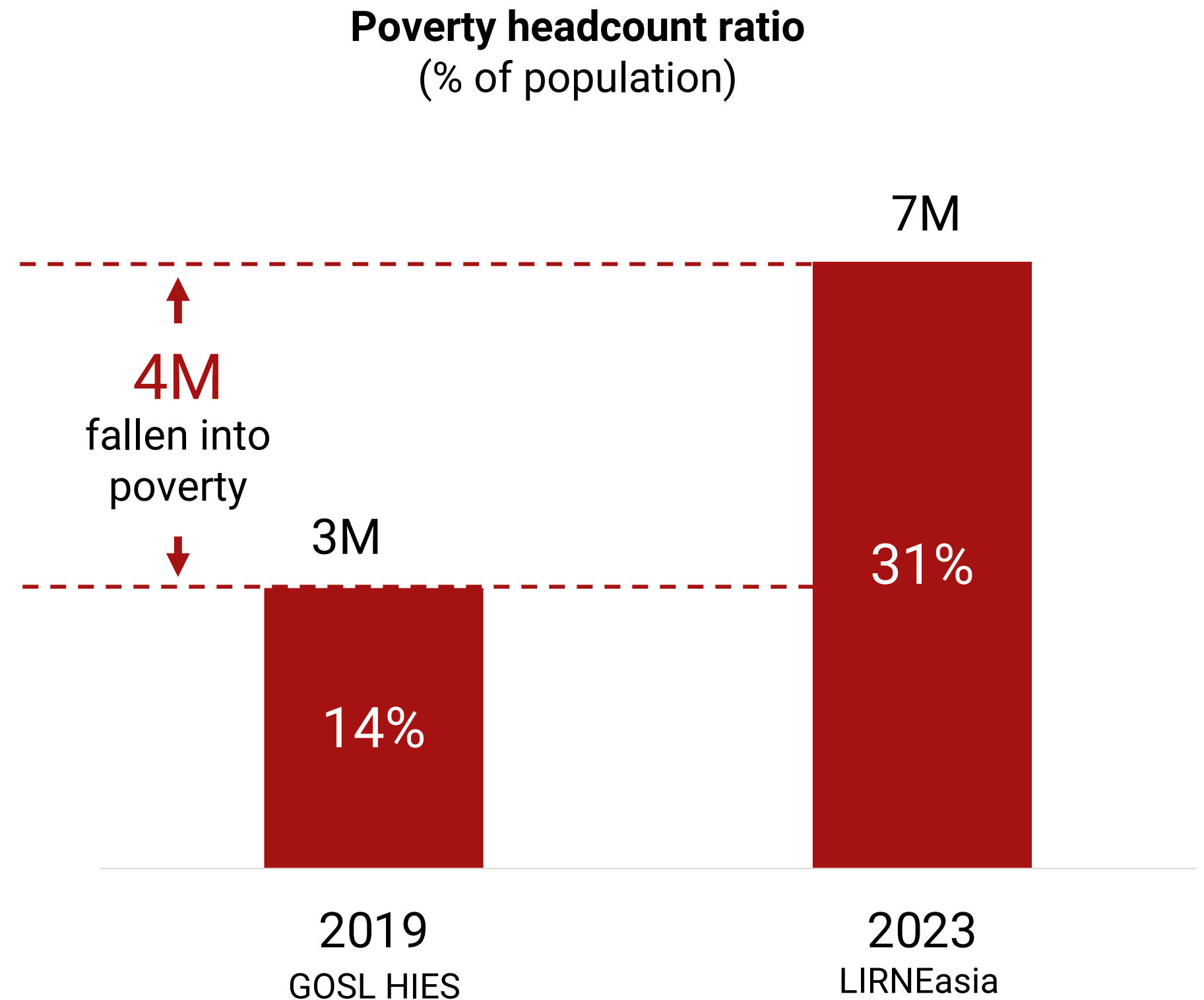
as per the national poverty line
(2 million families)



4 million

**Sri Lankans
(17% of population)
have fallen into poverty
since 2019**

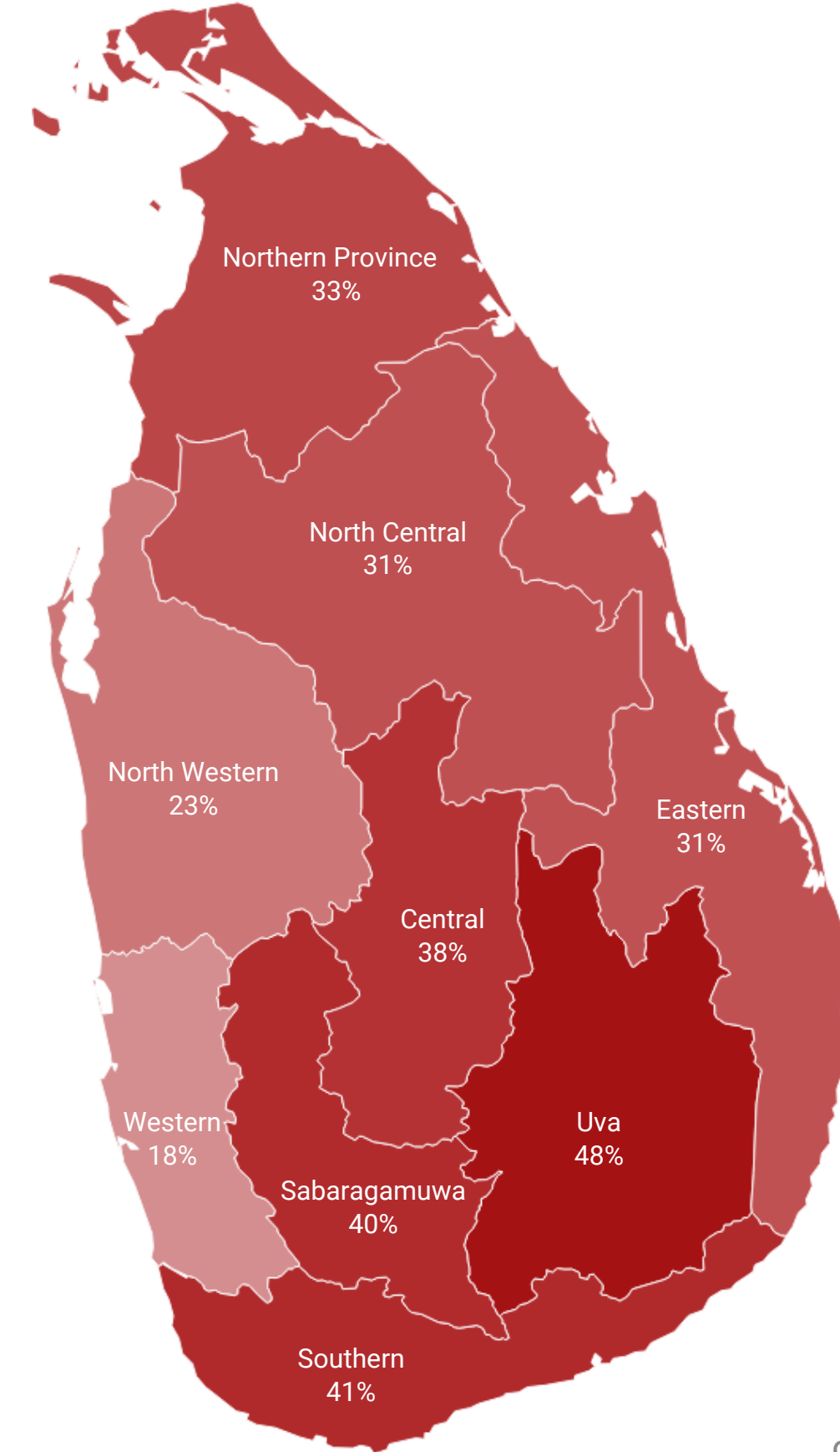
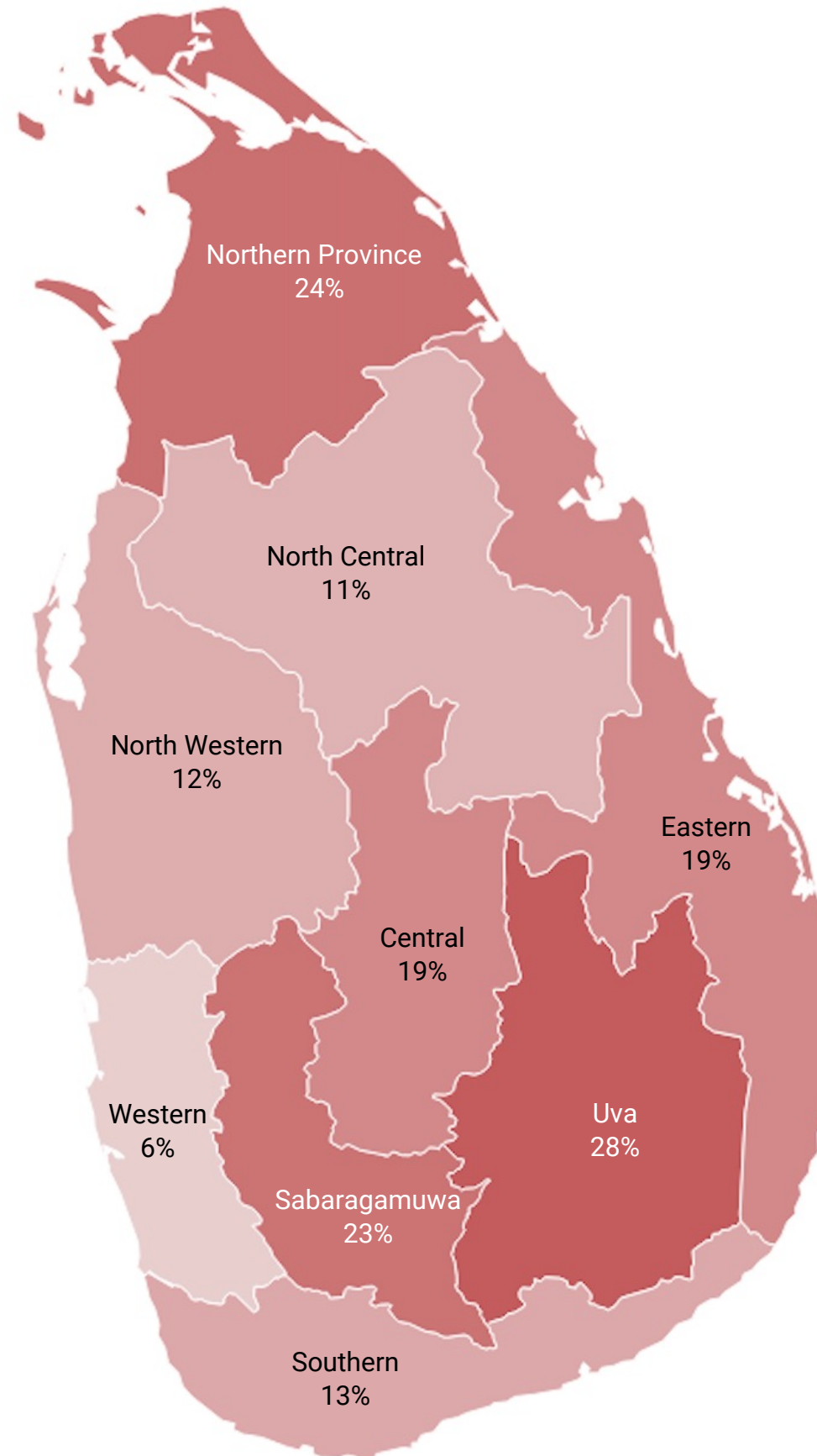
Base
2019: All households (n = 25,000). Poverty line: LKR 6,966
2023: All households (n=10,062). Poverty line: LKR 13,777



Poverty headcount ratio by province (% of population)

2019 HIES GOSL

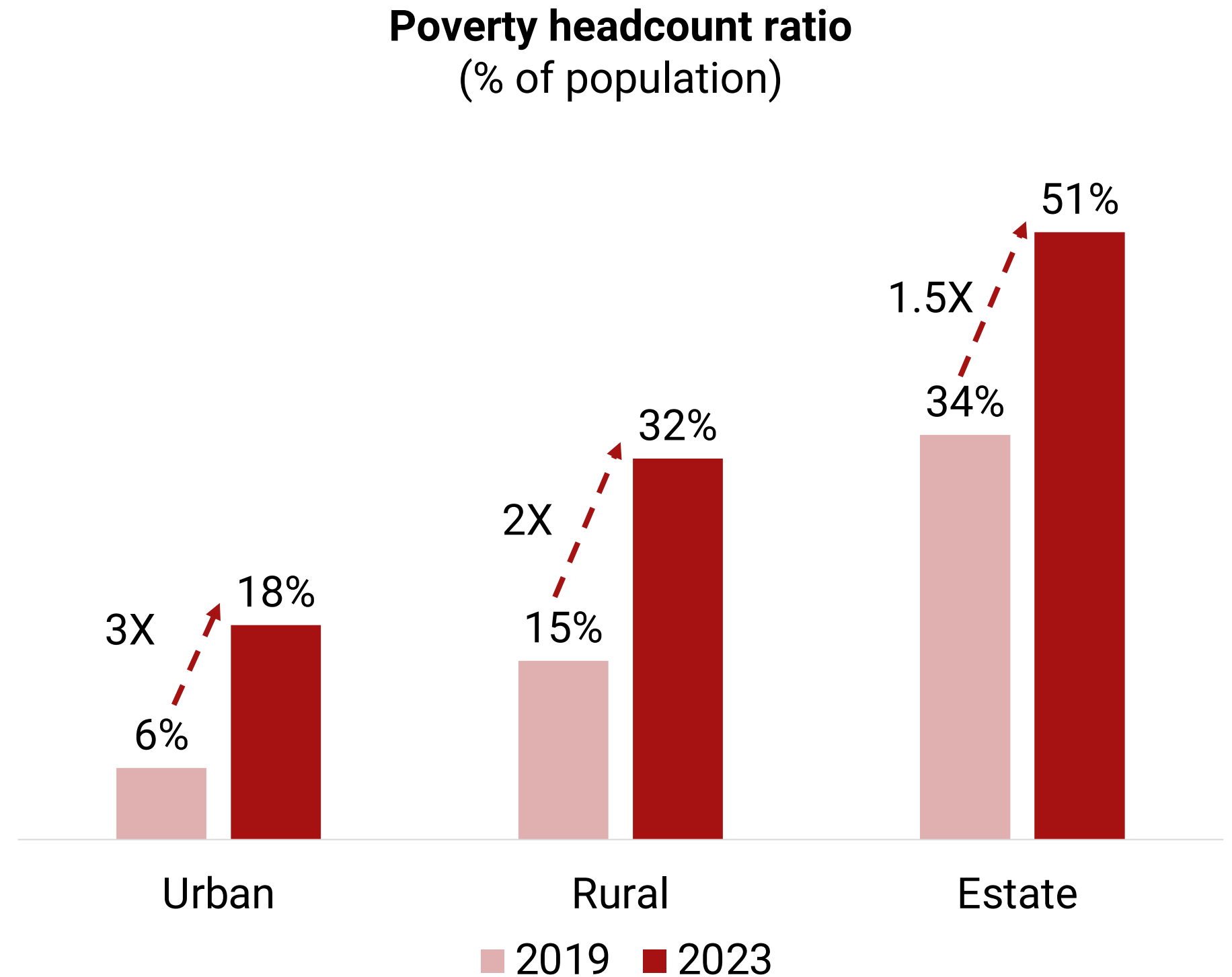
2023 LIRNEasia



**Poverty
increased
across all nine
provinces**

Base
2019: All households (n = 25,000). Poverty line: LKR 6,966
2023: All households (n=10,062). Poverty line: LKR 13,777

Estate communities continue to be the worst off (51% living in poverty) although poverty has increased across all sectors



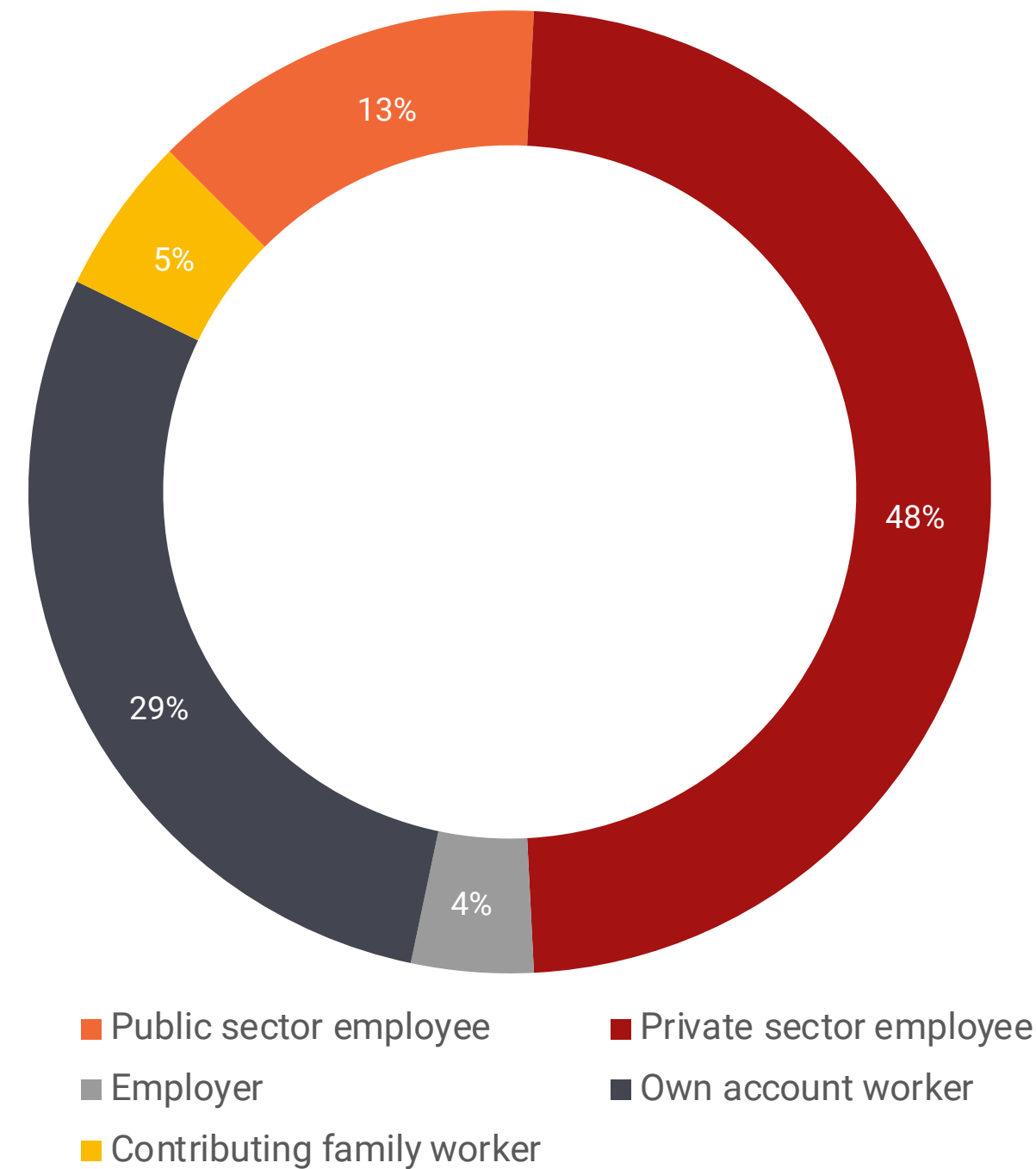


2. Private sector employees

4 million

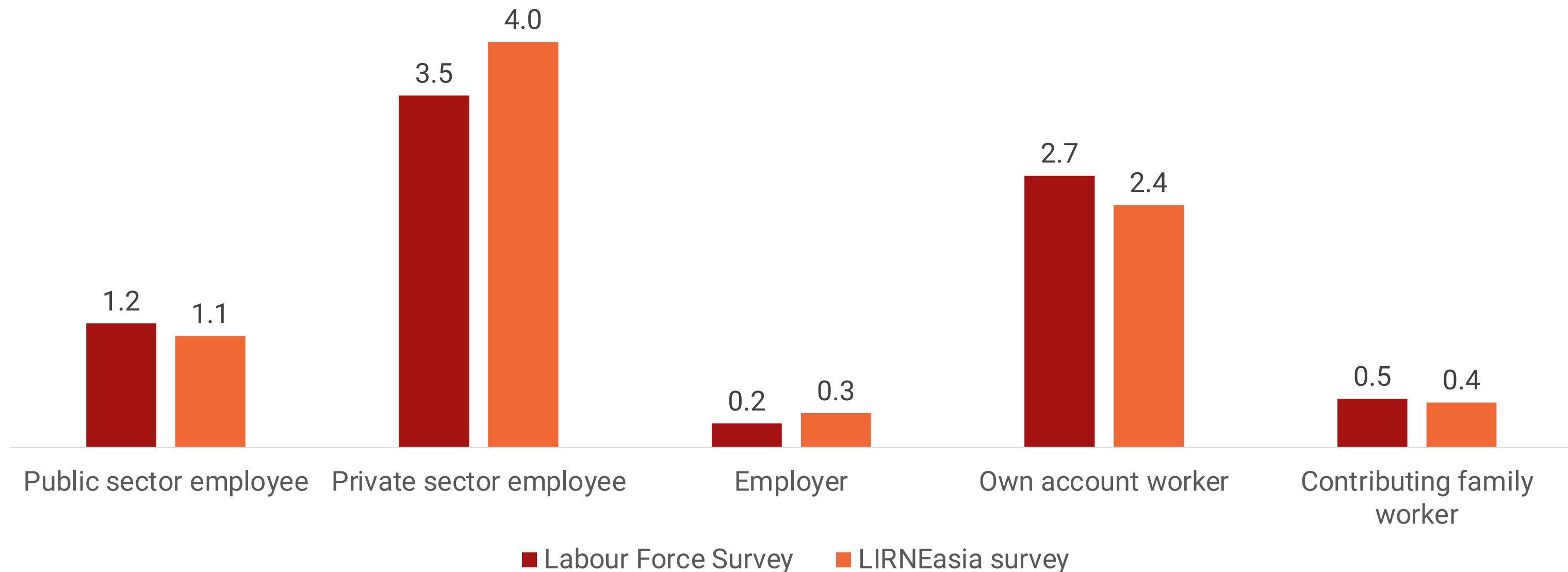
individuals
(**48%** of those in
employment)
worked in the private
sector
in 2022/2023

Employment by economic status
(% of employed population)



We estimate ~500,000 more individuals employed in the private sector employment than LFS

Employment by economic status - millions
 LFS (2022) vs LIRNEasia survey (2022/2023)



Most private sector employees work in the **services and manufacturing industries**



Other services

861,000

21%



Manufacturing

764,000

19%



Agriculture, forestry, fishing

556,000

14%



Construction

399,000

10%



Transportation & storage

285,000

7%



Trade; repair of vehicles

229,000

6%

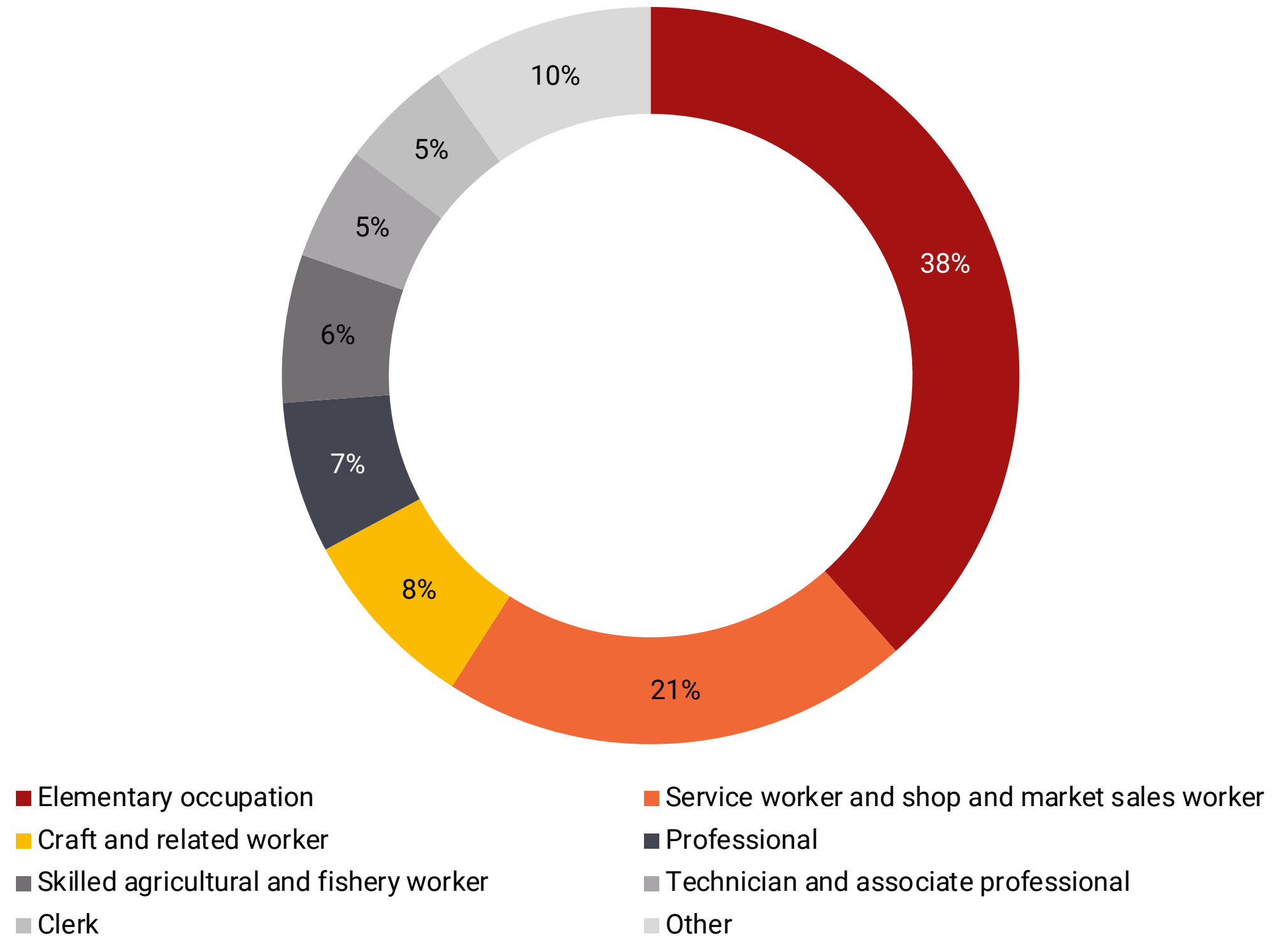
* non exhaustive – only top industries listed ** Rounded up to the nearest 1000

Base: Employed population (n= 13,728 respondents)

For more information: [Sri Lanka Industry Classification](#)

38%
of private sector
employees
engage in
elementary
occupations

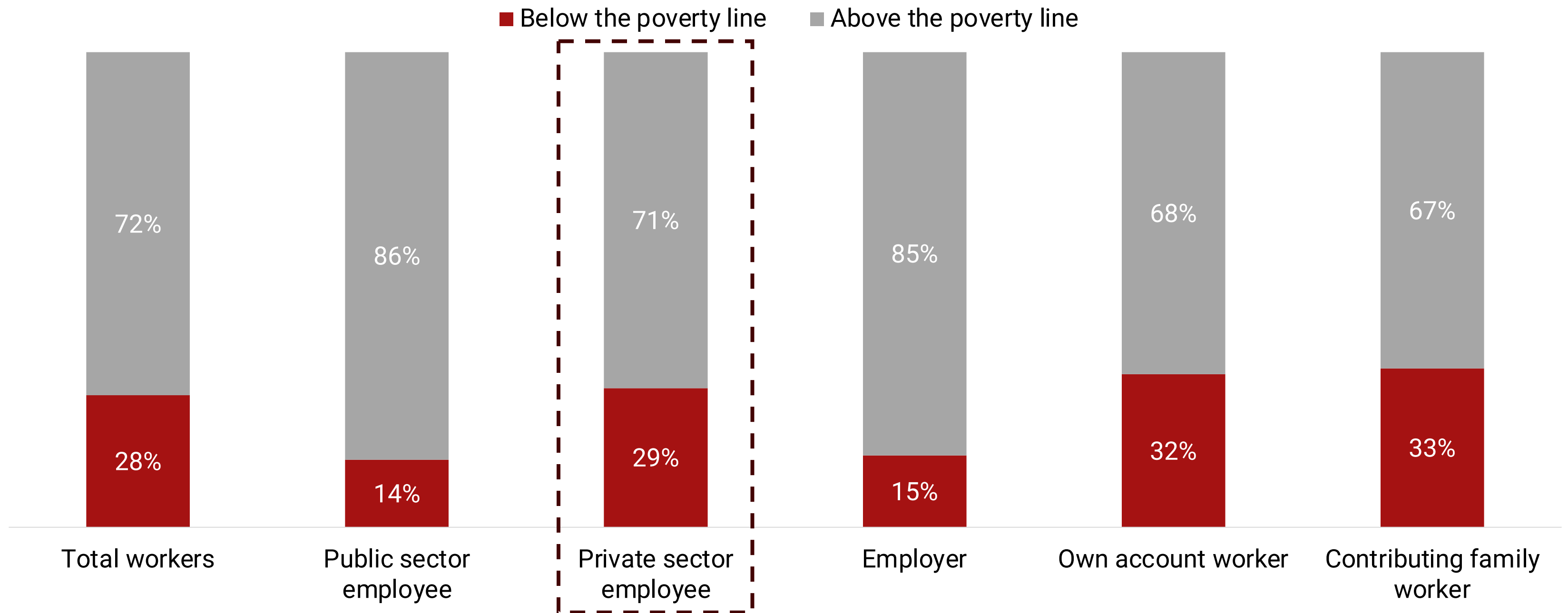
**Private sector employment by occupation category
(% of private sector employees)**



Base: Employed population (n= 13,728 respondents)
For more information: [Sri Lanka Classification of Occupation](#)

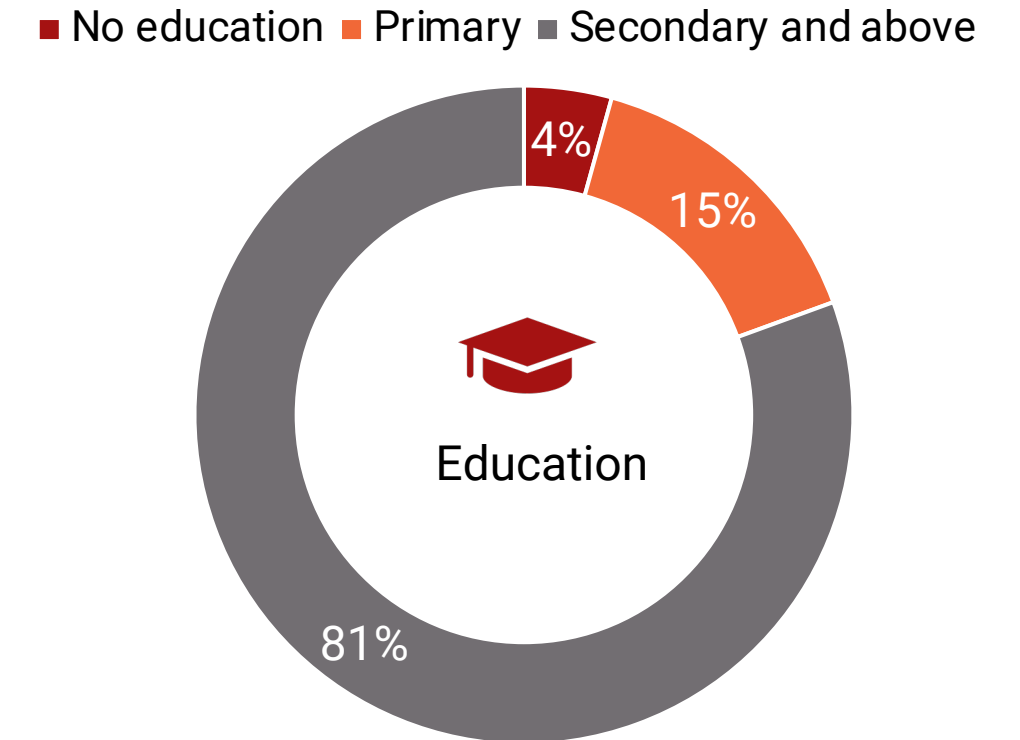
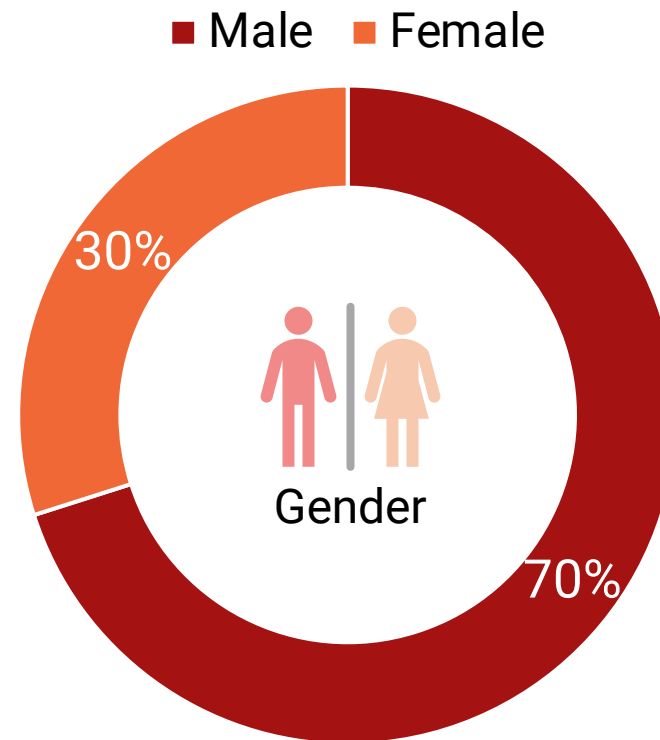
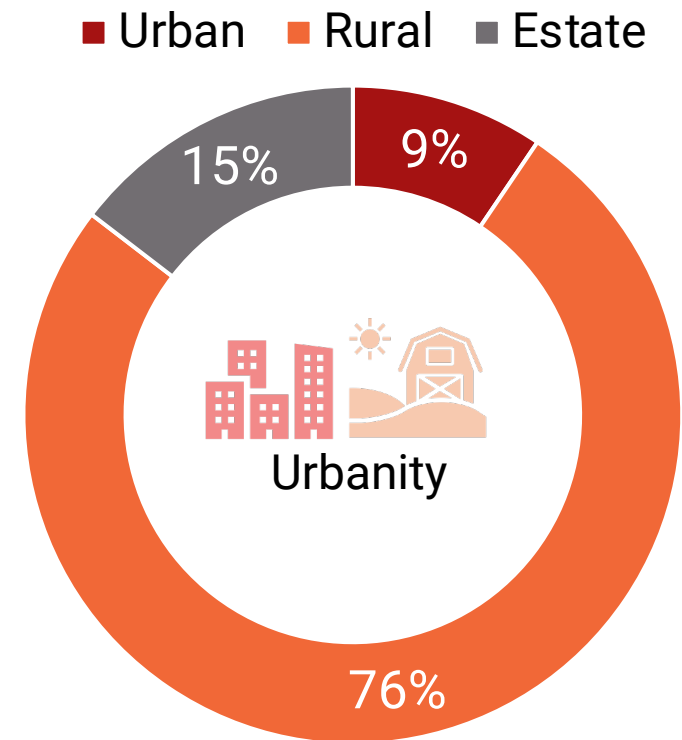
29% of private sector employees live in poverty vs 14% of public sector employees

Poverty amongst working population by sector (% of the employed population)



70% of private sector employees living in poverty are men; 81% have at least secondary education

Profiles of poor private sector employees (% of private sector employees living in poverty)



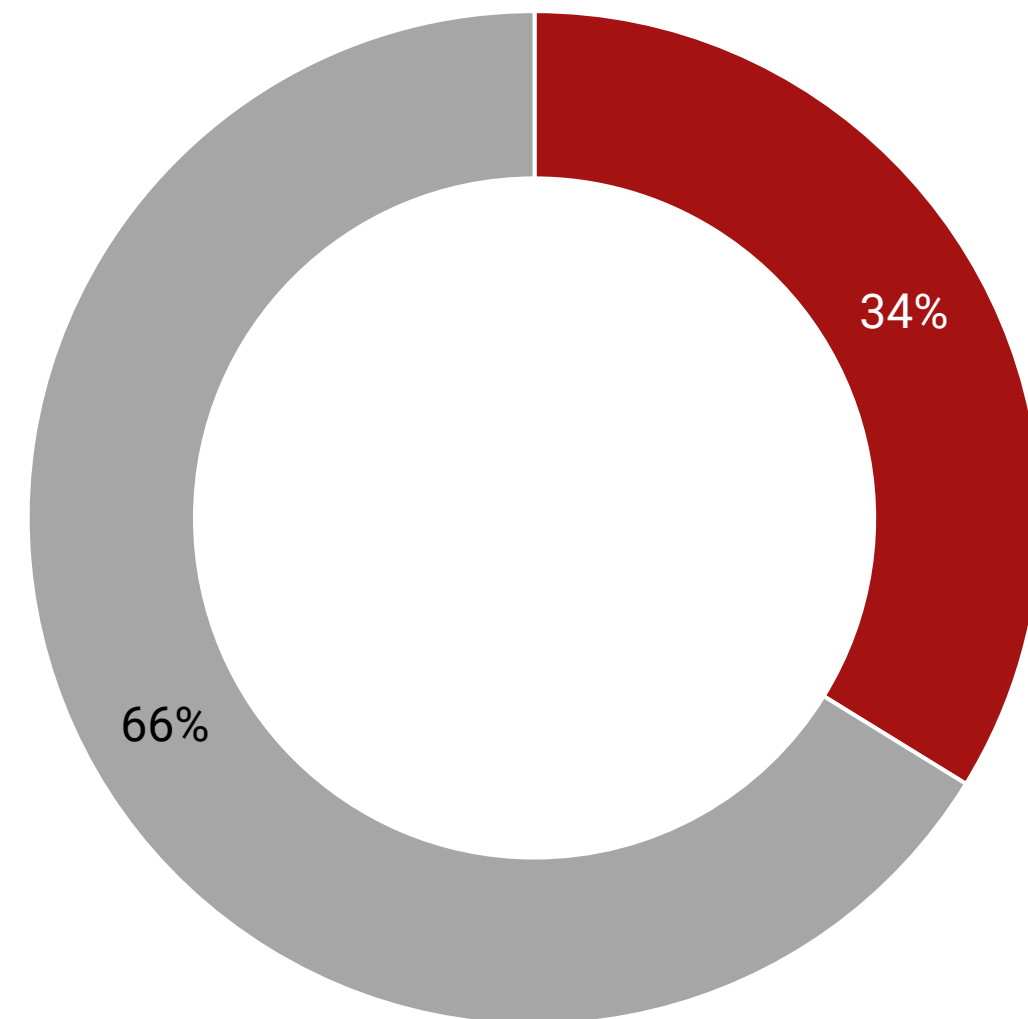
10-20 20-30 30-40 40-50 50-60 60-70 80-90+



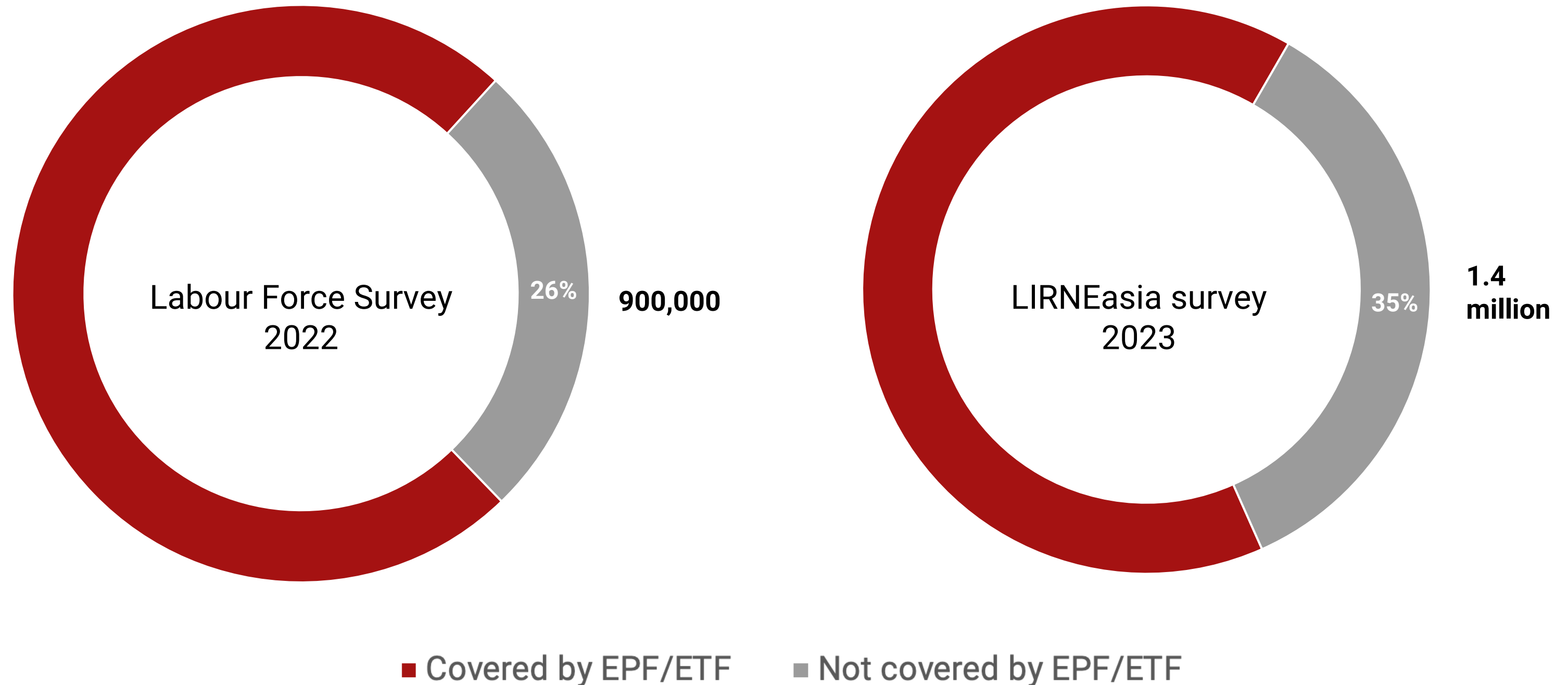
34%
of households with a private sector worker should be eligible for Aswesuma
(as per deprivation score formula)

Eligibility for Aswesuma program
(% of households with a private sector employee)

■ Eligible for Aswesuma ■ Not eligible for Aswesuma



2.6 million active EPF/ETF files in 2020/2021; at least 900,000 to 1.4 mil in private sector not paid EPF/ETF

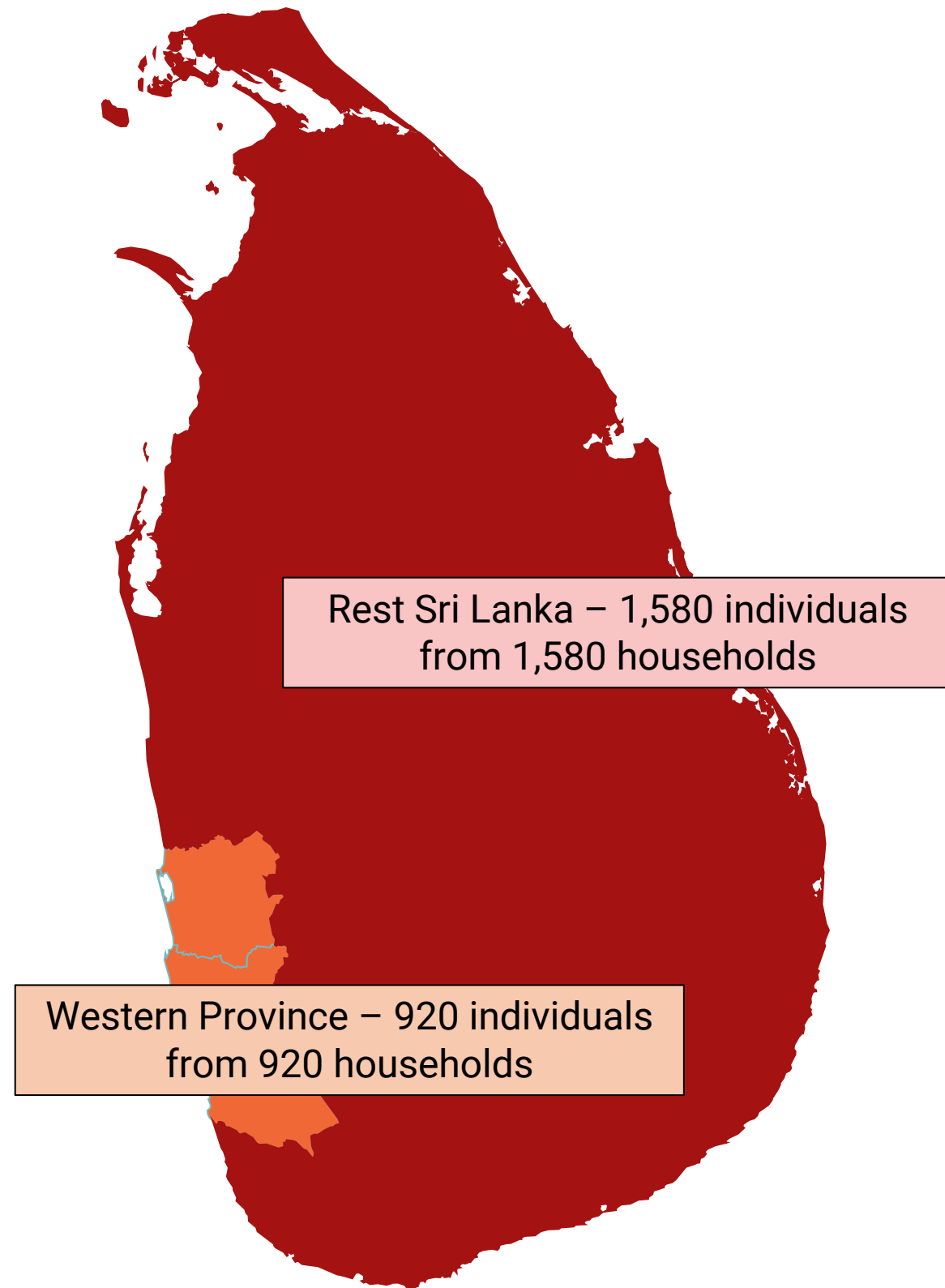




3. Platform workers

Insights from a national survey sample representative of population aged 15+ conducted in 2021

(95% confidence interval; +/-2.8% margin of error)



Nationally representative sample

 **2,500**

Individuals

 **125**

GN divisions

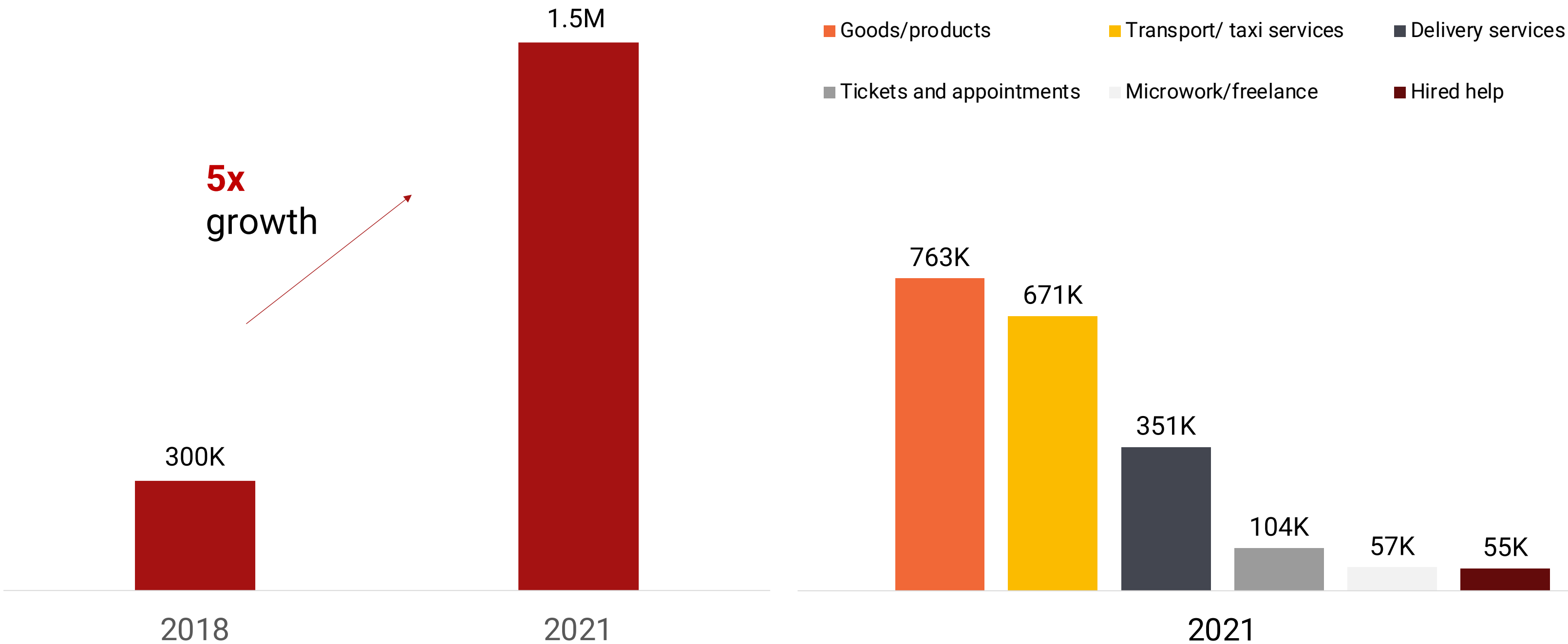
Sample designed to be representative of 15+ population at:

- National level,
- Urban-rural level
- Men vs. women
- Western province vs rest Sri Lanka
- SEC (socio-economic classification, a proxy for income)
- Age

Fieldwork time period: 4-Mar-2021 to 11-Oct-2021

Individuals selling goods/services on platforms grew 5x between 2018 and 2021; indicative of growth in number of platform workers

Number of individuals selling goods/services on platforms aged 15-65



Source
LIRNEasia COVID impact survey 2021 (n=2,500)
LIRNEasia AfterAccss survey 2018 (n=2,000)



4. Policy implications

Expand employment opportunities outside public sector, allowing for part time, flexible opportunities

- 28% of those employed live below the poverty line.
 - 29% amongst private sector employees vs 14% amongst public sector employees
- High levels of regulation (e.g.: setting high minimum wages, mandating social insurance payments) could be unattractive to businesses as products may become less competitive; this may lead to higher levels of informality, and reduced hiring.
- Labour force participation is low; only 1.5 employed in a household with an average size of 3.7; and these too largely men (71% of those employed)
 - Look to expand employment opportunities, allowing for part time, flexible work
 - Necessary to do without burdening public sector given fiscal constraints
 - Care burden is greater for women, even when working from home (as seen during COVID-19)

Increase returns from, and reduce transaction costs associated with, provident funds

- At least 900,000 – 1.4 million private sector employees (26% - 35% of private sector employees) are not paid EPF/ETF
- Returns on provident funds in single digits (8.75-9%)
- Increase yields from EPF/ETF investments, to provide adequate returns for employees.
- Provide tax incentives to save via provident funds (can draw on Indian model, which allows for tax deductions upto an income ceiling, withdrawals after a 5 year period, amongst others)
- Consider merging EPF and ETF schemes under a single administrative body to reduce transaction costs

Work towards ensuring that all workers, including platform workers, have access to decent work and guardrails against risk

- High growth in number of platform workers
- Regulation largely limited to platforms with physical presence in Sri Lanka.
- Some platforms such as Uber and PickMe have provided insurance schemes for drivers (including health insurance, accident covers etc.)
- Potential to explore other forms of social insurance
 - Platform providers to join contributory pensions schemes such as EPF/ETF (proposed in India); payments can be pro-rated according to hours worked relative to a standard workweek.
 - Paid annual leave for platform workers who have worked above a predefined number of hours (implemented in the UK)

Thank you!