

# ILO's response to Sri Lanka crisis

## General background

Sri Lanka faces significant economic and political challenges in the wake of the Indian Ocean tsunami disaster that happens on Sunday morning, 26 December 2004, at 7:59 am local time (00:59 GMT). According to the January 12th OCHA Situation Report on the SE Asia Tsunami, the Government of Sri Lanka through the Center for National Operations (CNO) is reporting the following: i) Number of dead 30,882; ii) Number of people missing 6'088; iii) Number of people displaced 504'440; iv) Number of houses destroyed 88,022.

While the most tragic effects of the Asian Tsunami are undoubtedly the sheer number of lives lost, the families destroyed and displaced, and the accompanying humanitarian crises throughout much of region, the destruction left in the wake of the Tsunami has also devastated the livelihoods of hundreds of thousands of individuals. Sri Lanka's president, Chandrika Kumaratunga, has said rebuilding infrastructure in the country could cost almost US\$1bn. Small and medium enterprises that are in majority localised along the coast are destroyed as the fishing boats and the livestock.



All coastal infrastructure including houses and personal property have been damaged. The lack of transportation and storage facilities is hampering the flow and management of relief efforts. **If sufficient international aid and support is rapidly made available for the reconstruction of workplaces, replacement of physical capital, infrastructure repair and, vitally, to promote workers' health and well-being (optimistic assumption), the ILO estimates that more than half the affected individuals in Sri Lanka could once again be able to earn a living for themselves and their families by the end of 2005 and that around 85% of the jobs could be restored within 24 months.**

## The initial employment, economic and social impact assessment

By virtue of its small size, the Sri Lanka economy is not well equipped to absorb the disaster, while political problems may limit the extent to which the government will be able to implement rehabilitation programs. The Economist Intelligence Unit is forecasting a large impact from the tsunami, with GDP growing by only around 4.2% in 2005 instead of an expected 5.5%.



The total population in the affected districts has been estimated at 8.3 million. **ILO estimated that over 400,000 workers in the affected provinces in Sri Lanka may have lost their sole source of livelihood** due to the impact of the December 26<sup>th</sup> Tsunami. The majority of job losses in Sri Lanka have occurred in the service sector, followed by fishing, agriculture and industry.

The worst affected areas were underdeveloped coastal regions. Up to 100,000 fishermen are now unemployed, and this too will reduce private consumption. The Food and Agriculture Organization (FAO) reported that 19,637 fishing boats were destroyed/damaged or lost (about 66 percent of the fleet). The cost of repair/replacement of the above boats is estimated at USD 74.74 million. Harbor damage repair is estimated at USD 17 million. Including other damage the total damage repair bill will be of USD 98.24 million.

The tourism sector accounts for 4.6% of GDP and employs 400,000 people. The tsunami struck the crucial beach resorts on the south coast of the country, and the damage will take months to clear. Sri Lanka's tourist board claims that of the 7,682 rooms affected by the tsunami, around half are already back in full operation. However, even if facilities can be quickly rebuilt, the tourism industry may lose its luster. The bigger question is what will happen to future tourism arrivals, with cancellations already being reported in the US and Europe.

### Estimated Job losses

SRI LANKA	All Affected districts taken into consideration								
	1st quarter	2nd quarter	3rd quarter	4th quarter					
	2005				2006	2007	2008	2009	
<b>Optimistic version</b>									
Number of persons having lost employment	403,000	324,000	246,000	167,000	53,000	-	-	-	
<b>Pessimistic version</b>									
Number of persons having lost employment	403,000	371,000	340,000	309,000	210,000	170,000	131,000	92,000	

**As a result of the disaster the unemployment rate in the affected provinces may currently be 20% or higher, up sharply from the 9.2% rate in the provinces prior to the disaster.** Before the Tsunami, around 725,000 individuals were unemployed in all of Sri Lanka, which means that the country's total number of unemployed may have temporarily risen by 55% or more as a result of the crisis.

Under the pessimistic scenario if the aid and support from the international community is inadequate or poorly targeted, over a 300,000 Tsunami-affected workers in Sri Lanka could still be without an adequate means of earning by the end of 2005. Job losses might fall to around 200,000 in 2006 but then decline much slower so that in 2009 still nearly 100,000 jobs could remain lost. Also, it must be expected that as general employment recovers, an additional number of children will be at risk, particularly in families who have lost their breadwinners. We estimate that this number is roughly equal to the estimated number of orphans from the Tsunami disaster, i.e. around 28,000.

### The ILO response process

ILO prepared an integrated response creating a Tsunami Task Force at the Head Quarters level liaising with the ILO Sri Lanka office and the Regional Office for Asia and the Pacific: RO-Bangkok.

Within the framework of the UN response, ILO participated to the "Flash Appeal for Indian Ocean Earthquake - Tsunami 2005" coordinated by OCHA. The ILO Flash Appeal comprises 4 components: i) a rapid assessment of job losses and social protection needs, ii) an immediate employment friendly rehabilitation and reconstruction of essential infrastructure, iii) immediate support to restoration of local economies iv) and immediate protection to the most vulnerable groups of children.

In close cooperation and cost sharing with the World Food Programme which is assessing the food security situation, **ILO with a jobs recovery team of 90 enumerators, is currently undertaking a rapid livelihoods and labour-market survey** 1440 households and key informants in 8 tsunami affected districts are surveyed to quantify:



- i) Lost and retained productive assets and jobs; ii) Situation of livelihoods (social and financial); iii) Resources needed for rehabilitation; iv) And to establish the foundation for future regularly updated labour market assessments as the UN and ILO recovery programme takes effect.

In parallel with this assessment, **the ILO is cooperating with the Ministry of Women's Affairs and Social Welfare on a survey of 50,000 households assessing actual family socio-economic basic needs, extent of losses, and immediate support needed for children and other vulnerable persons** in the area of specialist counselling and improved family security.

**The ILO is already working through its existing JobsNet project to rapidly expand its employment services network** run in cooperation between the Ministry of Labour Relations and Foreign Employment and the Ceylon Chamber of Commerce **by establishing emergency employment service centres in tsunami affected Districts** currently not covered by the JobsNet programme.

## The ILO response strategy

A comprehensive response strategy should involve initiatives aimed at restoring the demand of local markets and at enabling the "supply-side" local economic actors. Scarcity of financial resources should require the mobilization of diverse funding sources including local savings schemes, remittances flows and other fresh financial resources. These will enhance the ability of local economies to stimulate the recovery process.

If sufficient international aid and support is rapidly made available for the reconstruction of workplaces, replacement of physical capital, infrastructure repair and, vitally, to promote workers' health and well-being (optimistic assumption), **the ILO estimates that more than half the affected individuals in Sri Lanka could once again be able to earn a living for themselves and their families by the end of 2005 and that around 85% of the jobs could be restored within 24 months.**

The post-disaster economic scenario situation could be characterized by:

i) a reduced purchasing capacity of local markets due to livelihood losses; ii) a deteriorated circulation of commercial and financial flows, iii) a considerable loss of productive assets and facilities, iv) damaged infrastructures and support services, and v) the loss of skilled labour and managerial capacity.

In this context, the most relevant axes of the recovery strategy proposed by the ILO will be the following:

### **1. Rapid labour assessment, identification of economic opportunities and promotion of Emergency Employment Services**

The ILO could contribute to set up a number of Emergency Employment Services Centres (in tents or temporary structures) to register and compile the skill and occupational profiles of returnees, youth, women head of households, unemployed women and men, demobilized soldiers and other job seekers to improve intermediation in the Labour Market during the crisis period.

### **2. Employment Intensive reconstruction as a tool to re-launch Local Markets**

ILO's strategy is based on a combination of tools which have proven their effectiveness in many crisis response operations worldwide. An essential element of this strategy, and usually the first step to be taken in a successful reconstruction process, is the promotion of *Employment Intensive Investment Programme (EIIP)* aimed at improving economic flows through the rehabilitation of roads and other essential infrastructure, transport and communication facilities. EIIP helps reactivate the purchasing power of local markets injecting new cash flows into local economies through labourers wages, increased business opportunities in infrastructure reconstruction, the involvement of local contractors, the use of local resources, and by enabling local capacity to respond to long-term reconstruction demands.

### 3. Supporting Local Economic Revival

In parallel, the *local economic revival* strategy focuses on local entrepreneurship and the promotion of small enterprises, enhancing their capacity to respond to market opportunities, enhancing local market absorption, and encouraging initiatives that reproduce those of successful entrepreneurs.



**This strategy, based on a local economic development (LED) approach is intended to help in the short, medium and long terms of the economic recovery process.** In the immediate aftermath of the disaster the business sectors specifically targeted will be mostly those which will benefit from the employment intensive investment reconstruction.

### 4. Enhancing Employability for Reintegration in Labour Market

Training should become one of the most important elements of the ILO's response strategy. Addressing the full training needs of the private and public sectors is often beyond the resources of traditional providers, subsequently a more flexible approach to address training delivery would be advisable.

### 5. Mobilizing Resources to Foster Economic Recovery

In order to facilitate the rehabilitation and reinforcement of local micro and small entrepreneurs', the **development of a micro-finance component should also be considered.**

### 6. Social Safety Nets and Social Protection Mechanisms

Improve or even introduce appropriate mechanisms to provide basic protection principally for those not included in the formal social security systems

## Contacts

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**Regional Office for Asia  
and the Pacific (RO-Bangkok)**  
11th Floor, United Nations Building  
Rajdamnern Nok Avenue  
P.O. Box 2-349  
Bangkok 10200, Thailand.  
Fax: +662.288.17.35  
Tel.: +662-2881712/ 2881785  
[lim@ilo.org](mailto:lim@ilo.org)

**ILO Office in Sri Lanka**  
202 and 204 Baudhaloka Mawatha  
P.O. BOX 1505  
Colombo 7, Sri Lanka  
Fax: +941.250.08.65  
Tel.: +94-1-500539  
[claudia@ilo.org](mailto:claudia@ilo.org)

**Infocus Programme on Crisis Response  
and Reconstruction-(IFP/CRISIS)**  
International Labour Office  
4, route des Morillons  
1211 Geneva 22 (Switzerland)  
Fax: +41/22 799.61.89  
Tel.: +41-22-7998822  
[lazarte@ilo.org](mailto:lazarte@ilo.org)

**Development Cooperation Department (CODEV)**  
International Labour Office  
4, route des Morillons  
1211 Geneva 22 (Switzerland)  
Fax: +41/22 799.61.89  
Tel.: +41-22-7998177  
[graziosi@ilo.org](mailto:graziosi@ilo.org)