

Rapid Social and Employment Impact Assessment - Tsunami Aftermath - Sri Lanka

Summary of Estimates

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1. General objective

The objective of this rapid Social and Employment Impact Assessment (SEIA) for the Tsunami is to support the government action and planning in coping with the social fall-out of the disaster. The SEIA establishes estimates of:

- a) the short to medium term effect of the disaster on employment levels in the affected districts which should provide indication as to the potential volumes of resources needed for the reconstruction of workplaces,
- b) the short to medium term effect of the disaster on poverty levels,
- c) the short to medium term effects of the disaster on dependency on social transfers and the respective additional expenditure to be met either from national budget resources or international donors.

Financial orders of magnitude under c) can be used by the government to either reserve a certain share of international aid for social transfer purposes or underpin claims for debt relief. The figures quoted in the documents are preliminary estimates which are constantly being updated as more accurate data become available.

2. Methodology

The estimates are based on a robust population and labour force model which projects district population and labour force data on the basis of

- UN population projections
- latest available national census data and labour force estimates
- casualty figures provided by UN assessment teams.

Employment losses are estimated by examining the share of employment in each of the categories of agriculture, fishing, industry and services and other in the affected districts together with different job-loss scenarios among these different types of employment. It is assumed that the highest job-loss rate occurred in fishing, followed, in decreasing magnitude, by services, agriculture and industry.

Poverty effects are based on the assumption that all families with totally and partially destroyed houses will be a net addition to the pre-disaster poverty line. This may be an overestimation but still leads to a reasonable assessment of the net additional recipients of social assistance transfer payments.

In addition to the persons who lost their employment, transfer payments are also due to additional groups of disabled persons, orphans and widows. Their number are estimated based on numbers of adult deaths. Payment amounts are calculated on the basis of the national food consumption poverty line minus social assistance payments already going to households through the Samardhi system (i.e. the social assistance scheme in Sri Lanka).

3. Scenario assumptions

To project the development of employment and social transfer effects it was assumed

- a) under a pessimistic variant that no international aid would be available to rebuild work places,
- b) under an optimistic assumption that sufficient aid would be available immediately to rebuild workplaces and infrastructure.

4. Estimated effects of the Tsunami

Results produced here are estimates, based on inevitably incomplete information. Numerical results should be interpreted as numbers of people feared to be affected. The following tables provide a synopsis of the results of the exercise. More details are available on request.

While the most tragic affects 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 South and South-East Asia, the destruction left in the wake of the Tsunami has also devastated the livelihoods of hundreds of thousands of individuals who were fortunate enough to survive the disaster. Since poverty is widespread throughout many of the affected countries, the loss of employment income due to the Tsunami presents an immediate and serious danger to the affected individuals and households: Without direct assistance, those members of society that have lost their jobs face increased risk of poverty, hunger and illness.

Over half the workers in Sri Lanka were living on less than US \$2 per day before the Tsunami struck, highlighting the need for immediate assistance to those who have lost their means of income.

4.1 Employment and livelihood effects

Table 1 summarizes the main results of the estimated effects of the Tsunami on the Sri Lanka Labour Market. The main points are :

- It is feared that over 400,000 workers in the affected provinces in Sri Lanka may have lost the sole source of livelihood due to the impact of the December 26th Tsunami. The majority of job losses in Sri Lanka have occurred in the service sector, followed by fishing, agriculture and industry.
- 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.
- 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.
- However, 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 a living by the end of 2005. Under the pessimistic scenario 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.

4.2 Impact on child labour

Most working children are presently employed as unpaid family workers in the agricultural sector. Child labour estimates are derived from the Child Activity Survey (1999-2000), sponsored by IPEC/SIMPOC. It is thus logical to expect that the levels of child labour will decrease briefly as general employment levels in the sectors with high child employment will suffer a major shock. However, it must be expected that as general employment recovers an additional number of children, particularly in families who have lost their breadwinners will be at risk. We estimate that this number is roughly equal to the estimated number of orphans from the Tsunami disaster, i.e.. around 28,000.

4.3 Poverty effects

The total population in the affected districts has been estimated at 8.3 million. Pre-tsunami regional estimates of poverty do not exist for all of this affected population, because some of the population falls into conflict zones like Jaffna. So it is assumed that the pre-Tsunami regional poverty level is given by the national poverty level.

National poverty in Sri Lanka for 2002, based on a national poverty line of Rs. 1423 was 22.7%. To determine the impact of the tsunami on this poverty level, the additional population made vulnerable to falling into poverty by the tsunami has to be calculated. This vulnerable population can be defined as the population that has lost its earnings or earning capacity..

The major population categories vulnerable to the tsunami include (i) those who have lost their employment and livelihoods, (ii) those who have lost their earning family members, and (iii) those whose earning family members have been injured.

Box 1. Estimated immediate poverty effect in the first quarter of 2005

Population in affected regions	8,326,000
National Poverty 2002	22.7%
Vulnerable Households (Lost Earnings):	975,000 Persons
i.e. Lost income =	403,000 income earners or affected 942,000 Population plus
Injured =	14,000 injured or affected 33,000 Population
i.e. 11.7% of the affected population will be poorer	

The box shows that the earners who have lost their employment and livelihoods are estimated at approximately 403,000. The population affected (i.e. families or households) by this lost earnings is approximately 942,000. The second category of the vulnerable, earners injured is approximately 14,000. The population affected by this lost earning is approximately 33,000. So total earners who have lost their earnings are approximately 417,000. The population affected by this lost earning is approximately 975,000. This implies that 11.7% of the population of the affected areas will be poorer, either falling into poverty, or falling deeper into poverty.

4.4 Additional social assistance transfer needs

Table 2 summarizes the main results of the estimated effects of the Tsunami on the social expenditure in Sri Lanka. The main points are :

- It is estimated that immediately after the disaster about 800,000¹ people would require some form of additional emergency transfer payments (in a form of direct aid, food stamps and cash)² to avoid that they fall into destitution.
- Providing these additional emergency social transfers (in a form of direct aid, food stamps and cash) to affected households will - under the both the above scenario assumptions - require in 2005 additional resources in the order of between 8 billion Rs (about \$86 million) in the optimistic variant and over 9 billion (or \$95 million) in the pessimistic variant.
- The above amount is less than 0.5% of GDP or less than 3% of the total expected revenue from taxes in Sri Lanka in 2005³. However, it would considerably increase the budget deficit which

¹ This is the estimated number of identifiable direct beneficiaries, i.e. persons living in destroyed houses., persons having lost their income, members of affected households, injured and disabled persons, persons having lost the breadwinner. The figure is smaller than the overall estimated poverty effect, which should include some persons that have become poorer but whose loss in income might not be big enough to trigger a food security level benefit.

² Calculations are based on a per capita benefit amount of Rs. 980 per month (which is equivalent to the food share in the official poverty line minus the average per capita Samurdhi payment) in 2004.

already is estimated to be 7.6% of GDP (or 1.9% with interest payments on public debt) in 2005. The additional transfer amount is also in the same order of magnitude as the country's present spending on income transfers under Samurdhi system.

- In the following years the amount of necessary additional resources for social transfers should decrease depending on pace of reconstruction efforts. Under the optimistic scenario benefit amounts should decrease to about 6 million US \$ in 2009 (largely due to longer term payments to widows, orphans and disabled persons) while under the pessimistic scenario the total additional benefit amount would be increased - due to incomplete reconstruction- to about US \$20 million.

5. ILO Recommended Actions

- Funds and support should be made immediately available to displaced workers assisting in reconstruction efforts. These funds can provide a temporary replacement of the workers' lost income while promoting the needed repairs and overall redevelopment of the country. The ILO welcomes US Secretary of State Colin Powell's announcement on January 7th in Colombo, Sri Lanka, that the US Government will provide Sri Lanka with US \$10 million for employment programs to employ Sri Lankans in the clean-up and reconstruction effort and help to start the economy going again in those parts of the country that were hit hardest. Additional employment programs are needed in the other affected economies.
- It is also important that the jobs made available to the individuals who have lost their livelihood are of sufficient quality to provide workers and their families with adequate income to survive and move forward. Merely replacing jobs is not enough: physical capital, such as fishing nets and boats, along with infrastructure repair and access to transport are vital for the reestablishment of productive employment opportunities in Sri Lanka's affected regions.
- It is estimated that about half to two thirds of the jobs lost and hence persons affected by the disaster are in the informal economy. Replacing the livelihoods of these people is thus of utmost importance. While major private sector reinvestment efforts can be expected to replace physical capital damaged in the formal economy, co-ordinated efforts to help people in the informal economy replace their means of income require focused government action. Such action has to combine the transitional replacement of income lost through transfers (welfare payments) while assets are rebuilt and people are retrained (inter alia to replace the primary breadwinners lost in the disaster). The ILO believes the existing social transfer schemes and the existing micro-finance network can be used - possibly after some re-engineering - as a conduit to deliver such combined transfer and reinvestment efforts. However, given the government's budgetary situation it is expected that substantial amounts of external aid or debt relief will be required to finance these efforts.

³ Based on estimated figures provided in: Economic Policy Department, General Treasury (Ministry of Finance and Planning), *Spotlight on Budget 2005*, Colombo, Sri Lanka, 18th November 2004. The total estimated tax income probably has to be revised downward following the Tsunami.

Table 2. Estimated Job and livelihoods losses

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

Table 3. Estimated social transfer cost (poor relief, disability, orphans and survivors benefits)

SRI LANKA		All Affected districts taken into consideration				
		2005	2006	2007	2008	2009
Optimistic version						
Household without housing	households	105,000	53,000	26,000	-	-
Benefit expenditure (amount 100%)	Rs billion	4.33	2.27	1.19	-	-
Benefit for those who lost employment	persons	285,000	53,000	-	-	-
Benefit expenditure (amount 100%)	Rs billion	3.35	0.66	-	-	-
Benefits for disabled,orphans and widows	persons	55,000	46,000	45,000	43,000	42,000
Benefit expenditure (amount 100%)	Rs billion	0.65	0.57	0.58	0.59	0.60
Total expenditure	Rs billion	8.32	3.50	1.77	0.59	0.60
Total expenditure	USD million	86.23	36.24	18.35	6.10	6.22
Total expenditure	% of GDP	0.39%	0.14%	0.07%	0.02%	0.02%
Total expenditure	% of govt. revenue	2.46%	0.90%	0.41%	0.12%	0.11%
Pessimistic version						
Household without housing	households	105,000	53,000	26,000	-	-
Benefit expenditure (amount 100%)	Rs billion	4.33	2.27	1.19	-	-
Benefit for those who lost employment	persons	356,000	210,000	170,000	131,000	92,000
Benefit expenditure (amount 100%)	Rs billion	4.18	2.59	2.21	1.79	1.31
Benefits for disabled,orphans and widows	persons	55,000	46,000	45,000	43,000	42,000
Benefit expenditure (amount 100%)	Rs billion	0.65	0.57	0.58	0.59	0.60
Total expenditure	Rs billion	9.16	5.43	3.98	2.38	1.91
Total expenditure	USD million	94.88	56.26	41.25	24.61	19.83
Total expenditure	% of GDP	0.44%	0.23%	0.15%	0.08%	0.06%
Total expenditure	% of govt. revenue	2.74%	1.45%	0.97%	0.52%	0.38%

note : number of persons who lost employment in 2005 is the simple average of the 4 quarters

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