International Labour Organization

ILO brief

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Employment and livelihoods recovery after Cyclone Ditwah in Sri Lanka

Key points

- Cyclone Ditwah triggered a significant labour market shock, disrupting informal and daily-wage livelihoods and exposing pre-existing vulnerabilities in participation, income security and social protection coverage.
- An estimated **149,400 workers** experienced temporary work stoppages, leading to around 5.0 million workdays lost and nearly USD 18 million in income losses; services account for the largest share of workdays and income losses.
- Women account for about **35 per cent** of affected workers and approximately 1.74 million workdays lost; welfare impacts are disproportionately high given lower baseline earnings and increased unpaid care burdens.
- Total employment and livelihoods recovery needs are estimated at USD 34 million, structured around three pillars: (1) access to decent employment for vulnerable workers, (2) enterprise recovery and resilience, and (3) decent work, rights and occupational safety and health.

Impact on the world of work

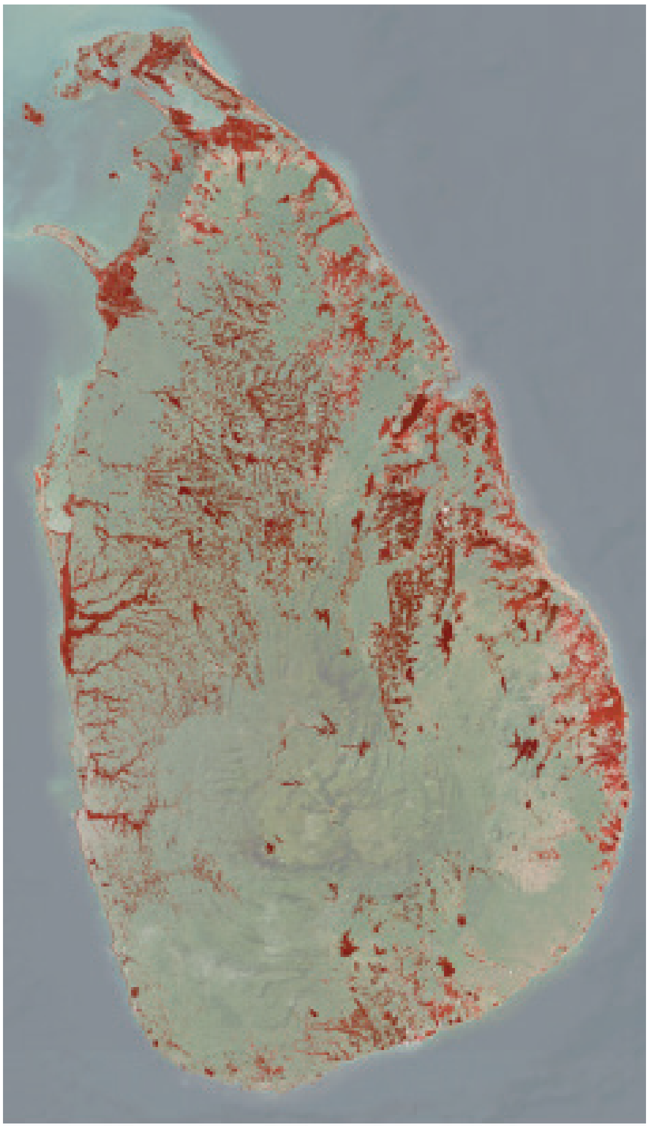
Cyclone Ditwah triggered widespread flooding and landslides, disrupting economic activity and livelihoods across Sri Lanka. The shock has been most severe where workers depend on daily wage labour, informal employment, and climate-sensitive sectors. Figure 1 illustrates the flood extent and the concentration of impacts across districts. Some of the most devastating impacts are in the plantation economy, in regions where very few livelihoods' alternatives exist.

Sri Lanka's labour market entered the cyclone already marked by structural vulnerabilities. Informality accounts for 67.6 per cent of total employment (around 5.3 million workers), leaving many workers without contributory social insurance or adequate income protection. Women's labour force participation remains low (31.2 per cent), and gender wage gaps persist, amplifying the welfare impacts of any disruption.

Against this baseline, the cyclone produced a sharp labour market shock. An estimated 149,400 workers experienced temporary work stoppages, corresponding to around 5.0 million workdays lost and income losses nearing USD 18 million. Losses were most pronounced in services (almost half of all workdays lost), reflecting disruptions to retail trade, transport, tourism, and the broader informal service economy, while rural districts experienced proportionally more severe impacts in agriculture and plantations, where recovery is often slower due to damaged productive assets and seasonal cycles.

Women accounted for about 35 per cent of affected workers and approximately 1.74 million workdays lost. While their share of total income losses is lower in absolute terms, the welfare impact is disproportionately high due to lower baseline earnings, informality, and the tendency for unpaid care burdens to increase during crisis periods—constraining women's ability to return to paid work quickly.

Figure 1: Scope of flooding (marked in red)



Without timely and targeted support, short-term job and income losses risk hardening into longer-term setbacks. Households are likely to compensate through negative coping strategies, including increased debt, reduced spending on essentials, and the withdrawal of household members from education or training. The risk of child labour and the drift toward lower-quality, more precarious work increases when income shocks coincide with limited safety nets and slow reconstruction.

Why an employment-centered recovery matter now

Employment recovery is not a downstream outcome of reconstruction—it is a primary stabilizer of household welfare and local economies. When incomes recover quickly, local demand returns, small enterprises reopen, and public confidence improves. When livelihoods remain disrupted, informality expands, productivity declines, and inequalities deepen, particularly for informal workers, youth, women, plantation communities, and persons with disabilities. A slow employment recovery also substantially increases the risk of the worst violations of fundamental principles and tights at work, including child labour, bonded labour, various forms of discrimination and poor standards of occupational safety and health.

Recovery strategy: three pillars supporting a common outcome

The recovery strategy advocated by the ILO and its constituents, as outlined in the PDNA employment and livelihoods chapter, therefore adopts a build back better, decent work–centred approach: combining rapid job and income restoration with medium-term measures that strengthen labour market institutions, enterprise ecosystems, and worker protection systems. It combines rapid income restoration with medium-term investments to strengthen labour market resilience and reduce vulnerability to future shocks. Total recovery needs are estimated at **USD 34 million**.

Pillar 1 — Promote access to decent employment for vulnerable workers

The first priority is rapid income restoration for households most exposed to the shock: informal workers, daily wage earners, plantation workers, and vulnerable rural communities. Employment-intensive approaches can quickly inject income into affected areas while contributing directly to debris removal, rehabilitation of community assets, and reconstruction-linked works—when paired with fair wages and basic occupational safety and health measures.

Focus of investment

This pillar is looking to invest in strengthening:

- skills development and entrepreneurship support to restore livelihoods
- employability in the recovery economy.
- recognition of unpaid care work.

Given the constraints women face in re-entering paid work after crises, the strategy includes expanded community-based care services to support labour market re-entry and reduce the penalty of increased unpaid care burdens.

Pillar 2 — Revitalize enterprise ecosystems and strengthen institutional resilience for employment recovery

Micro, small and medium-sized enterprises (MSMEs) are central to Sri Lanka's employment structure, particularly in services, trade, repair, tourism-linked activities and small-scale manufacturing. The cyclone disrupted both physical assets and the operating environment—market access, transport, utilities and local demand—especially in urban and peri-urban areas where informality remains substantial.

Focus of Investment

The strategy therefore prioritizes measures that prevent temporary disruption from becoming permanent closure. **Transitional wage subsidies are the most critical investment item** under the strategy, supporting enterprises to retain workers and restart operations.

In parallel, strengthening employer and business membership organizations and solidarity economy institutions helps extend business continuity support beyond better-connected firms, reaching smaller and informal operators. Formalization and recovery pathways are designed to link crisis-affected enterprises into appropriate government support schemes and longer-term productivity support.

Pillar 3 — Promote decent work, labour rights, occupational safety and health, and institutional coordination

Recovery can generate jobs, but not all jobs are safe, fair, or free from exploitation. Reconstruction surges often increase risks: hazardous working conditions, weak compliance, and heightened vulnerability to child labour or forced labour where households are under pressure.

Focus of Investment

This pillar strengthens worker protection and labour governance to ensure recovery aligns with international labour standards and decent work principles. Priorities include occupational safety and health training and supervision in recovery works, awareness and monitoring mechanisms to prevent unacceptable forms of work, and improved institutional coordination to deliver an inclusive and rights-based recovery.

Source: IFRC Operation Update #2, MDRLK023

ILO's comparative advantage

Supporting Employment-Intensive Recovery Frameworks:
The International Labour Organization is well positioned to support the Government in developing a national employment-intensive recovery framework that links reconstruction investments with labour market objectives. maintaining productivity and quality. Beyond immediate income support, the ILO can support the integration of skills development into recovery programmes. By embedding training and certification within public works, temporary employment can create pathways to more stable labour market participation, particularly for youth, women and informal workers.

Integrating Informal Economy Workers into Recovery Systems:
The ILO can support the Government in designing recovery mechanisms that explicitly target informal economy workers and reduce institutional exclusion, with the longer-term vision of encouraging their transition to the formal economy. This includes technical assistance to develop simplified eligibility and registration mechanisms for employment programmes that do not rely on formal contracts or business registration. The ILO can support

the establishment of community-based outreach systems, working through cooperatives, trade unions, women's groups, farmer organizations, and civil society partners to identify affected workers and facilitate their access to recovery programmes.

Supporting Own-Account Workers and Micro-Enterprises:
At the policy level, the ILO can support a phased, incentive-based formalization strategy aligned with international labour standards and tailored to Sri Lanka's informal economy. This would combine gender-responsive, simplified business registration with incentives—such as access to finance, social protection, markets, technology, and business development services—so formalization strengthens resilience rather than adding burdens during recovery. The ILO can also link micro-enterprise recovery schemes to employment-intensive programmes, enabling own-account workers to join reconstruction while rebuilding their businesses, and support cooperatives to improve market access and reduce risks.

Promoting Social Dialogue and Institutional Coordination:
The ILO can support the establishment or strengthening of social dialogue platforms that bring together government institutions, employers' organisations, trade unions, and community representatives to jointly define recovery priorities. Through its tripartite mandate, the ILO is well positioned to facilitate these processes and ensure that recovery policies are grounded in the perspectives of both workers and employers. At the institutional level, the ILO can provide technical assistance to strengthen the role of the Ministry of Labour and public employment services in coordinating employment-related recovery interventions.

Linking Employment Recovery with Social Protection Systems:
Only around 41.3 per cent of Sri Lanka's population was covered by at least one social protection benefit prior to the cyclone, with much lower coverage among informal workers and plantation labourers. The ILO can support the Government to develop shock-responsive social protection mechanisms that are linked to employment programmes. This includes technical assistance to design vertical and horizontal expansion of social assistance for households unable to participate in employment schemes, while ensuring smooth transitions between income support and employment opportunities as recovery progresses.

Strengthening Occupational Safety and Health in Recovery:
The ILO can help integrate occupational safety and health (OSH) into recovery by supporting the Ministry of Labour to develop post-disaster OSH guidelines tailored to employment-intensive programmes. It can also design training modules for workers, supervisors, and local authorities on hazard identification, risk mitigation, and safe work practices. Institutionally, the ILO can strengthen labour inspectorates at national and district levels to monitor working conditions, especially in districts with high workday losses and large informal workforces where oversight is weak.

Recovery

The Employment and Livelihood chapter of the PDNA estimates total needs of **USD 34 million** for recovery, combining urgent short-term stabilization with medium-term resilience building.

Targeted financing would allow Sri Lanka to move from disruption to recovery by restoring incomes quickly, preventing enterprise closures and job losses, and protecting workers during reconstruction. Specifically, it would support:

- restoring incomes for affected households through employment-intensive interventions;
- preventing MSME closures and job losses through targeted wage and resilience support;
- enabling women's labour market re-entry by strengthening community-based care services;
- protecting workers and communities through stronger OSH systems and labour safeguards; and
- reducing the risk of long-term scarring effects: deepening informality, labour downgrading, and negative coping strategies.

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