

TRADE UNION COMMON POSITION PAPER

BUILDING BACK BETTER FROM COVID – 19 IN SRI LANKA



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1. Introduction:

It is almost the end of 2021, nearly 2 years after the start of the deadliest pandemic –COVID-19. Like many other countries Sri Lanka is still battling the COVID-19 pandemic and undergoing its socio-economic impacts. All of the countries in the South Asian region have been relatively less successful in containing the virus outbreak. The pandemic affects economic sectors and segments of people differently: while some sectors¹ and people are benefited by the pandemic, many sectors and people are badly hit and affected. Women, workers particularly in the informal sector and the private sector, and micro, small and medium enterprises (MSMEs) are severely affected groups.

Disrupted supply chains and control measures that limit economic and social interactions and activities, and falling demand put people's jobs² and livelihoods at risk. Immediate and long-term employment and social-policy responses are needed and essential. Immediately, reducing workers' exposure to COVID-19 in the workplace and ensuring access to income support for sick and quarantined workers are essential. Working parents need help with unforeseen care needs as schools are close and elderly relatives are particularly vulnerable. Short-term work schemes can help protect jobs and provide relief to struggling companies. Workers who lost their jobs and incomes need income support as well as psychological support. As business firms are suffering from a sharp drop in demand, rapid financial support through grants or credits can help them to bridge liquidity gaps. Like many other countries Sri Lanka introduced some measures (Appendix I) with a focus on supporting the most vulnerable who are bearing a disproportionate share of the burden. However, little or no effort has been made to accommodate the perspectives and recommendations trade unions (TU) in the country, to ensure workers' concerns, interests and aspirations are safeguarded.

The aim of the current report is to reveal the impacts of the pandemic on labour market in Sri Lanka and provide recommendations and proposals from TU perspectives that stimulate the economy and employment; support enterprises, jobs and incomes; protect workers in the world of work; and strengthen social dialogue, underpinned by international labour standards³ (ILO four pillars⁴) – thereby ensuring that workers' concerns, interests and aspirations are highlighted in '*Building Back Better from COVID-19*'⁵ in Sri Lanka.

¹ Service sector is the 'most vulnerable hit sector. Tourism and hospitality, school education, logistic services and small businesses have been hit badly.

² According to quarterly Labour Force Survey data (LFS data) of the Department of Census and Statistics, from 2019 (Q4) to 2020 (Q4), employment levels reduced by 1.8% (or 150,209 jobs).

<http://www.statistics.gov.lk/LabourForce/StaticalInformation/AnnualReports>

³ The most recent international labour standards, the Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205).

⁴ https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745337.pdf

⁵ ILO (2020), Covid-19 and the world of work: Impact and policy responses,

<https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms738753.pdf>

After this short introduction, the current report contains six sections. Section 2 explores COVID-19 impacts on Sri Lanka with particular reference to the labour market. Section 3 presents recommendations and proposals to stimulate the economy and employment (pillar 1). Recommendations and proposals to support enterprises, jobs and incomes will be presented in section 4 (pillar 2) while section 5 presents recommendations and proposals to protect workers in the world of work during the COVID-19 pandemic and post-COVID-19 period. Section 6 highlights recommendations and proposals identified through the consultation meetings with TU leaders to strengthen social dialogue, underpinned by international labour standards (ILS). Finally, section 7 concludes the reports highlighting Strategic Actions of TUs to advance the common proposals.

2.1. COVID19 impacts on Sri Lanka, with particular reference to labour market

The pandemic affects the economies and labour markets through the supply side as well as the demand side. On the supply side, it damages the supply chain and many workers became ill, forced to be quarantined and were subject to lockdowns. Many companies particularly MSMEs were unable to operate or completely closed down. On the demand side, consumers were unable to purchase due to income losses, job losses, lockdowns and fear of exposure to the virus. All of these affect the economy, labour market, the society, households and individuals.

Sri Lanka's economy⁶ was already in an enfeebled position even before the COVID-19 pandemic struck. Sri Lanka recorded its lowest growth rates in 2019 (2.3 percent) and 2020 (- 3.6 percent). The average GDP growth rate for the preceding five years was around 4.0 percent, the lowest in South Asia. While other economies are steadily picking up and reporting relatively higher growth rates in 2021, Sri Lanka is still at a weakened position. The country has to deal with an international debt repayment around US \$ 16 billion during the 2020-23 period. Trade deficit was USD 5978 million in 2020⁷. Economic growth is essential to guarantee all other developmental goals such as income generation, job creation and poverty reduction; key requirements to guarantee fiscal consolidation, debt sustainability, balance of payments equilibrium and macroeconomic stability (SLEA, 2020).

The country now slipped down from the “upper-middle income” category back to the “lower-middle income” category. Whilst the capacity of the economy to cope up with the issue has been challenging, the social and economic impact from the resulting fallout seems almost unresolvable at least in the short run. Recent monetary policies and fiscal policies do not show aggressive positive impact on the economy in the long run either.

⁶ The economy faces many economic challenges even before the COVID-19 hit, which include slow economic growth, income inequality, huge massive trade deficits, serious debt burden, inferior conducive business environment, and experiences various shocks such as JVP insurrection in 1977 and 1987, global recession in 2001, Tsunami in 2004, high military expense in 2009, and Easter Sunday Bomb Blast (ESBB) in 2019 (CBSL, 2020). Central Bank of Sri Lanka. (2020). Annual-report-2020. Retrieved from <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports/annual-report-2020>.

⁷ Fiscal Management Report 2023, 12 November 2021. The Ministry of Finance.

The negative shock has been large in terms of household welfare, sources of income earned from economic activities have declined substantially. Thus, earning from tourism has been estimated to have fallen by 74 percent compared to 2019, even considering the Easter bombings in 2019. Due to the decline in demand in major export markets, export earnings were expected to fall by 42 percent. Foreign exchange has become a crisis in the country. New expenditures – in a country largely dependent on imports- include medical expenses for COVID-19 patients, PCR and other testing, vaccination, and building and renting quarantine centers add to the importation basket. At the same time, providing relief to private debt repayment obligations, money needed to help closed private sector entities particularly MSMEs, to pay salaries and meet startup costs are created double burden to the country since there is no proper social protection system in place in the country. All of these are going to be financed given the limited fiscal space.

In respect of the sectoral composition of growth outcome, industry and service sectors, and export industries appear to be the worst affected, domestic agriculture may be able to stand on its own despite the negative impact of the paralyzed supply chains.

However, with increased demand for digital and delivery technologies, the ICT sector and related services have improved their industrial growth. The decline in growth prospects would result in loss of incomes, jobs and livelihoods, increase in poverty incidence and poverty gaps on one hand, and a disarray of government finance and external finance as well as the country's debt obligations on the other hand.

2.2. Impact on labour market (jobs, informal sector, women workers)

The COVID-19 pandemic has severely impacted jobs and livelihood activities and caused poverty to rise in 2020 and 2021. Prior to the COVID-19 pandemic, it was estimated that 1.7 million working⁸-age men and women were unemployed in Sri Lanka; a figure that has significantly increased during the current pandemic. The impact is more severe in informal employment, which represents almost 67 percent of total employment in Sri Lanka. Many informal workers lost their jobs and incomes. According to DCS⁹, during the first quarter of 2020, Sri Lanka's unemployed population increased by 100,000. Labor Force Participation Rate in the country decreased to 49.80 percent in the second quarter of 2021 from 50.90 percent in the first quarter of 2021 (Central Bank of Sri Lanka)¹⁰. In the second quarter of 2019 the rate was 52.6. Labor Force Participation Rate averaged 50.5 percent from 1990 until 2021.

⁸ The economically active population of Sri Lanka was at 8.6 million. The private sector employs about 3.5 million people whilst own account workers amount to 2.7 million. Further, 81.3 % of the private sector employees and 57.3 % of own account workers are employed in non- agriculture sector (Wimalaweera, 2020),

⁹ http://whhttp/203.94.94.89/mainsite/Resource/en/LabourForce/Bulletins/LFS_Q1_Bulletin_2020

¹⁰

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/ess_2021_prices_wages_and_employment_e.pdf

The most affected groups of workers and enterprises are the workers in the non-agricultural informal sector and MSMEs and their employees that mainly operate informally without registration. Some workers in the organized sector received some relief (Appendix I) with 50 percent salary or LKR 14,500 whichever is higher paid by employers as arranged by NLAC. State Sector meanwhile received the full salary even without the need to come to workplace. This crisis has shown that workers in independent forms of employment including informal workers, self-employed, MSMEs need to be able to build up rights to the types of out-of-work support that are already available to formal sector employees. Collective agreements, which were working well some time ago, have come to a standstill with COVID-19 crisis. TUs believe in the dispute resolution / prevention mechanism through social dialogue and collective agreements.

The pandemic has posed two major risks to workers: health risk and income loss. The crisis also affected individuals and certain groups differently across the labour forces. Some sectors such as health services are at high risk in terms of health hazards. Some sectors particularly informal workers are greatly affected in terms of income loss. Meanwhile some sectors such as online businesses and teleworkers are better off and booming.

It is very vital to investigate issues and damages done to the labour market and employment. After a series of consultation meetings with TU leaders, key areas and issues arising from the COVID-19 pandemic were identified and are listed as follows:

- The COVID Task Force formed by the government failed to address the real issues faced by the working people affected due to COVID-19 pandemic.
- Lack of PCR testing and such other vital health care facilities.
- Lack of worker's health care and safety measures at workplaces.
- Inadequate social dialogue among social partners in workplaces.
- Programme to form health committees at workplaces has not successfully implemented and the existing health committees are not properly functioning.
- Poor knowledge and lack of awareness of sound health practices on the part of workers at workplaces: e.g. among plantation workers and garment workers.
- Workers faced an increasing threat of unemployment and underemployment due to the COVID 19 pandemic.
- Inadequacy of the existing social protection system to protect workers.
- Most of the government interventions focused mainly on the state employees. They hardly apply for the private and informal sector employees.

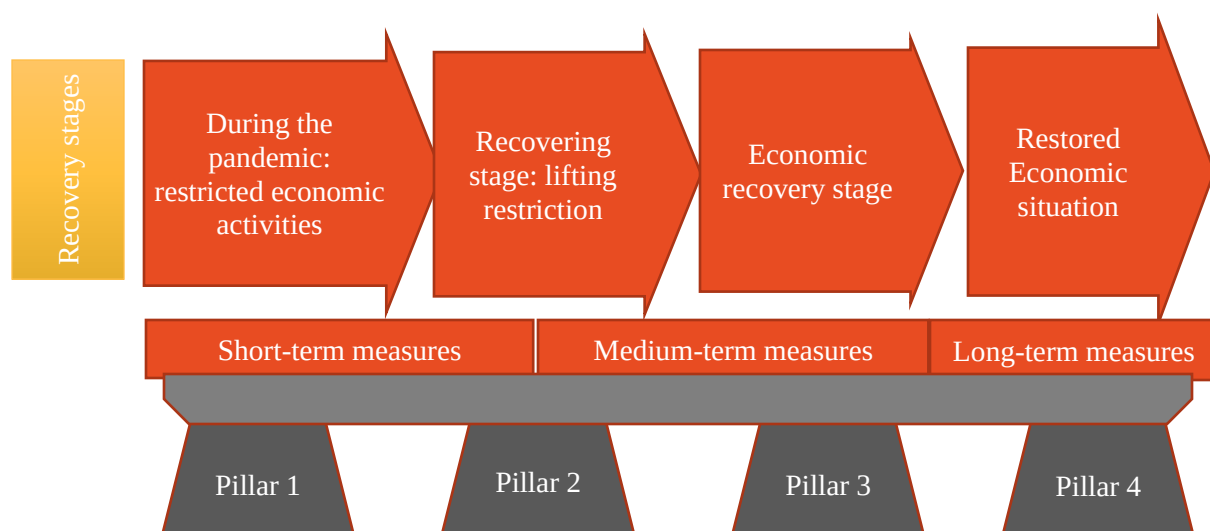


Figure 1 Building Back Better from COVID-19

Sources: Developed by the Authors

3. Pillar 1: Stimulating Economy and Employment

Pillar 1 of the ILO's general policy framework¹¹ mainly stipulate with nations both fiscal and monetary policies and more specifically, it elaborates in what way the government should adjust its spending levels and tax rates (active fiscal policy) and how the central bank influences a nation's money supply by boosting up consumer spending through lowering interest rates that make borrowing cheaper (flexible monetary policy) to manage or stimulate the economy. In this respect, the idea is to find a balance between both monetary and fiscal policies in support of the economy, making ample amounts of public money available to enterprises, workers and households to mitigate immediate negative impacts of the economic recession induced by the response to the COVID-19 pandemic. In addition to above, Pillar 1 also emphasizes on short-term sectoral policies including immediate loans and financial assistance to specific sectors, including the health, tourism, MSMEs that have been hit hard by the crisis.

Short-term measures:

- Proper distribution of **financial relief for MSMEs and affected workers**: Although the government announced support for MSMEs, little progress can be seen. According to TUs, the support does not properly reach MSMEs and affected workers. Policy measures and actions would not bring the desired outcomes unless timely and properly targeted disbursement of financial relief has not been done. The Central Bank refinance packages¹²

¹¹ https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745337.pdf

¹² COVID - 19 Relief Loan Schemes, <https://www.cbsl.gov.lk/en/covid-19-relief-loan-schemes>

have not adequately and properly reached for affected MSMEs and workers. The following actions are proposed.

1. **Develop a data base** of MSMEs that require supports. Immediately identify the MSMEs that have not received economic relief, collected by Grama Niladhari/Divisional Secretary, and database created with Divisional Secretariat
2. In addition, set up an **online platform to apply** short-term relief.
3. **Prioritize** the sectors affected and address issues separately
4. Without given all the responsibilities to the government alone, profitable private firms should come forward and provide necessary support to the needy. The government should **develop a system to ensure to deliver** such support to the needy and target groups. Transparency must be is a critical factor.

Medium and Long-term measures:

- Encourage business creation is vital at this recovery stage. A **comprehensive study** is required to formulate a suitable mechanism and a project to support entrepreneurship and business resilience.
- Now telecommunication and data have become the engine of growth. Therefore, the government should enhance its capacities and accessibility to make **high-speed and quality internet access** and use available to all at an affordable price.
- Maintain a **quality data-sets** on economy and employment. Data on the public should be available to the public in an accessible way.
- Monetary and fiscal policy frameworks need to be revisited and adjusted to stimulate the economy. A **comprehensive study** is required and strategies must be developed based on the proposed study.

4. Pillar 2: Support enterprises, jobs and incomes

The Pillar 2 of the ILO's general policy framework¹³ is concerned with measures which can be adopted by governments to provide immediate support for enterprises in the sectors which are most affected and for workers and households who are facing job and income losses. In this respect, this pillar has drawn attention to extend social protection to all of society to ensure inclusive and effective access to social protection systems, including social protection floors, that provide comprehensive and adequate benefits meeting people's needs. Moreover, this pillar looks at measures which CAN possibly be implemented in terms of job retention to keep workers on the payroll so that enterprises are ready to resume activity as soon as the restrictions have been eased or lifted. In addition, this pillar seeks suitable mechanisms which the government can provide with possible financial/taxation assistance and other means of relief to enterprises in response to the pandemic.

Many countries are now in a recovery stage and adapting to the situation using the positive side of the COVID-19 crisis. Some workers are still on job retention schemes and some are still unemployed

¹³ https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745337.pdf

or underemployed. In this recovery stage, it is essential to continue supporting needy and affected families while implementing a proper recovery plan taking medium term and long term measures to reduce short run supports and to foster start-ups and job creation. In this critical juncture, a country must identify target sectors that can shape a human-centred future of work and that can lead the 4th Industrial revolution, and sectors that can create better and decent jobs. So the future becomes better and brighter.

Short term measures:

- Continue with **support to target families** most in need and with right incentives for job creation and to resume work. It is too early to withdraw short-term policy support.
- Continue with **vaccination** to protect people from the deadliest virus. TUs were of the views that it may require a 3rd dose of vaccination. Some counties have already started to give a 3rd doses. Since some **companies are willing** to buy vaccines and give to their employees, the government can import and sell vaccines to those companies at affordable prices.
- Carry out **health awareness campaigns** particularly in estates, government factories and schools. TUs particularly mentioned the importance of such campaigns for estate workers and garment workers. Government (health, labour (DoL, NIOSH & NILS), divisional etc.) officials should be mobilized to conduct training-of-trainers health and hygiene programmes in estates, factories, and especially other workplaces that were functioning even during the lockdown restrictions
- Use state media and social media to create awareness and educate the public at large, involving the participation of NLAC members from employers' and workers'.
- Provide **more facilities for PCR** tests. Since the COVID-19 pandemic will continue for years, it is importance to provide PCR test facilities all the hospitals and medical centers.
- **Help youth and women** maintain their link with the labour market and education and trainings.
- Introduce more and more **online training** particularly for youth and women. Training can help workers improve the viability of their current job. Training can also help workers to adopt telework more effectively, and to find new jobs. Training courses should be targeted at individuals rather than groups, delivered in a flexible manner through online teaching tools, and of relatively short duration.
- Donors and the government can provide financial and non-financial assistance to MSMEs to help them quickly **develop teleworking capacity**. The government can collaborate with telecommunication companies to provide MSMEs including self-employed persons with low cost and rapid access to communication and sharing tools. Many countries now provide MSMEs financial subsidies toward costs of installing telework facilities.
- Establish an active private and **public employment services (PES)**: PES either set up by private providers supported by the government or purely public PES play a vital role in keeping labour market functioning during crises. PESs in many countries are playing a significant role to limit the labour market consequences of the COVID-19 pandemic. PES services can be extending to the formal sector as well as the informal sector workers. PES

can continue to play an important role in matching labour supply and demand even in post COVID-19 crisis and in any other disaster situations. ILO under its existing work on ILO COVID-19 public employment and labour market intervention may extend support private sector or public sector to establish PES.

Medium and long term measures:

- Introduce a comprehensive **public health intervention** as well as safe working environments
- Provide necessary caring and medical facilities in hospitals.
- Direct job creation for youth and women can be investigated in the areas of the logistics of health caring and vaccination.
- **A study** may be conducted to identify future job markets and required skills for future job markets.
- Gradually increase interest rate and let accumulate savings (saving mobilization) since Sri Lankans are ‘saving oriented’ people. The country can use accumulated savings for enhancing investment (*‘savings lead investment and economic growth’*).
- The pandemic shows the importance of online vacancy data which allow for the analysis of labour market and skills demand information with a level of granularity that is difficult to achieve using traditional data sources. These data can be used to investigate the impact of the COVID-19 crisis. However, policy makers must use these data with caution since low skilled jobs, low-tech jobs and traditional industries may be advertised online. This may merge with the proposed PES.
- **Jobs converting into 4th Industrial** revolution: The COVID-19 pandemic creates unexpected blessing for the journey of the 4th Industrial revolution. During the last two years, many activities and jobs were successfully performed on online modes. Some studies¹⁴ have tried to provide an estimate of the jobs that can be performed directly from home, and they indicate that many jobs can be performed directly from home and online¹⁵.
- Returning **migrant workers** is challenging for policy makers. They should be provided with the subsidized loans for small start-ups and also explore other opportunities of employment.
- The impact of the COVID-19 pandemic on the **informal economy and informal workers** needs to be studied for future policy measures and actions.
- A mechanism must be established to encourage and facilitate registration of informal sector workers and establishments. It is timely important to introduce a mechanism to encourage the informal micro and small firms to bring into a formal system.

¹⁴ Policy Brief: Working from Home: Estimating the worldwide potential (ilo.org) and Dingel and Neiman, (2020) (<https://doi.org/10.1016/j.jpubeco.2020.104235>) and Espinoza and Reznikova (2020)

¹⁵ For example, around 30 percent of workers across the OECD easily perform their job-related tasks remotely (Espinoza and Reznikova, 2020) <https://dx.doi.org/10.1787/3f115a10-en>

5. Pillar 3: Protect workers in the world of work

The pillar 3 of the of the ILO's general policy framework¹⁶ mainly deal with strengthening occupational safety and health (encourage to develop workplace emergency preparedness plans in response to the present health crisis and which need to be integrated into occupational safety and health management systems), adjusting work arrangements through measures such as teleworking reduces the risk of workers contracting and spreading the virus, preventing discrimination and exclusion through enhancing and enforcing laws and policies on equality and nondiscrimination in employment, and providing access to health care for all workers and their families irrespective of their employment status and also drawn attention what immediate measures can be used to expand access to paid leave (and also to food and social services for the most vulnerable). The ILO Social Security (Minimum Standards) Convention, 1952 (No. 102)¹⁷ is applicable: C102, which covers nine components of social security, is the international instrument that establishes worldwide-agreed qualitative and quantitative minimum standards for all nine branches of social security.

During the pandemic period, measures are taken to limit physical interaction. The first focus was on interpersonal interactions in the workplace and the daily commute, given that workplaces and public transport often gather large numbers of people and thereby increase their risk of contracting and spreading the COVID-19 virus. All the measures related to protecting workers must ensure: (i) basic income security for workers whose jobs have been disrupted by the pandemic and crisis, (ii) social protection coverage, and (iii) effective access to essential health care and other basic social services in particular for vulnerable groups.

Short-term measures:

It is also advisable to offer appropriate protection to self-employed workers, such as offering unemployment insurance to self-employed

- Collaborate with the TUs regarding the impact of COVID-19 on the workplace to protect the health and safety of all workers. In medium-sized and large enterprises (50 personnel or more), a sanitation chamber should be provided before entry of workers into enterprises. In small enterprises (>50), state officials should conduct regular inspections
- Paid sick leave can be used as a tool for addressing the economic impact of the COVID-19 crisis for workers and their families. It helps to provide some income continuity for workers who are unable to work because they have been diagnosed with COVID-19 or have to self-isolate. However, there must be a mechanism to oversee if workers use such facilities unethical manner. COVID – 19 should be **treated on special seasonal outstation diseases**, sick leave should be granted.
- Include a **member from TUs to the COVID Task Force**. In addition, TUs proposes to set up **sub-committees** composing of representatives from TUs under the COVID 19 Task Force.

¹⁶ https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745337.pdf

¹⁷ https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C102 (nine branches are: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit, and survivors' benefit.

A subcommittee on labour issues (with employer and employee representation) should have been formed to ensure representation of world of work stakeholders.

- Meantime, all frontline workers such as health workers and armed forces must have access to the necessary **personal protective facilities and equipment**. They must be assured of proper care in case they themselves become sick.
- Relaxing existing regulations allowing for teleworking.
- Many sectors require awareness and educational programmes aimed at promoting social distancing at the workplace, on how to stay safe while working, and safe working environment. This may be a main agenda of ‘workplace health committees’. Workplace health committees can **design workplace safety guidelines** and health measures.
- Youth unemployed must be supported in terms of job trainings and financially until they enter the job market. Kind of a dole should be paid.
- It is importance to develop a data base and keep contact with people who recently lost their jobs or youth left school without finding employment¹⁸.
- Job retention schemes have been one of the main policy tools in many countries during the pandemic period. Job retention schemes must be properly planed and implemented. It guarantees that employees keep their contracts with the employer even if their work is temporarily suspended.
- The government should provide **access to health care** including testing and treatment for COVID-19 island wide at reasonable prices those who can afford and other free of charge.
- Provide quarantine facilities by extending numbers of quarantine centres and ensure workers are able to access health care such as PCR testing and treatments for COVID-19.
- Some policy measures are essential to support workers and families with **child and elderly caring responsibilities**. As a long-term measure, public or workplace child care options can be strengthened while in the short-run, there is a need for support workers who need to take leave due to child and elderly caring. Due to limited financial space, the government must think of optional measures such as adapting telework requirements to workers who want to take care responsibilities. Some countries have begun to implement emergency measures to support working parents. For example, in some countries (Germany and the Netherlands), in case of school closure, some school facilities remain open to look after children of essential service workers.

Medium and long-term measures:

- Most importantly, the protection of the health and safety of workers must be recognized as a fundamental right. **Necessary legislation must be introduced** or amended to the existing labour laws and acts. The draft Safety and Health at Work Act (comprehensive OSH legislation) has been pending for more than 10 years. This report should strongly advocate for urgent adoption and enforcement.
- Need **a system to provide facilities firms that are not affordable** such workplace safety procedures and tools.

¹⁸ This has been a concern of the ILO for several years. Also see https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_elm/documents/publication/wcms_114297.pdf

- It is crucial to introduce wage subsidies to help companies maintain and expand apprenticeship and on-the-job (in-service) training programmes for youth.
- It is very critical to introduce an **unemployment insurance scheme** under the national social protection system in the country. It can work as a ‘Short-Time Compensation’ programme during crisis or disaster situations. The most vulnerable groups of workers such as women, older workers, migrant workers, workers in informal sectors should be paid more attention to. Comprehensive/universal social protection system should be established (identifying unique issues and needs of each sector) and expedited as an immediate priority for all in the World of Work. COVID-19 can be used as a crucial juncture to establish such a social protection system. This may target to extend **social protection** to informal economy workers, home-based workers, and MSMEs and their workers. When it comes to social protection the labour ministry comes up with ideas but nothing happens maybe for the lack of funds, so one way to utilize is the *Sharama Wasana* lottery¹⁹. **Social Security Benefits Fund**²⁰ should be established for crisis/emergency situations such as COVID19 pandemic. Private and Informal Economy workers should be comprehensively covered under social protection system. Many works have been done in Sri Lanka for this in past few years²¹.
- Learning a lesson from the COVID-19 pandemic, the government must take actions to set up a **fund for job retention schemes** in which will be able to use any such disaster situations.
- The rapid increase in teleworking, online workers, and use of new technologies, must be accompanied by proper regulation and protection. **Online workers** should be financially assisted to buy data and machinery.

6. Pillar 4: Strengthen social dialogue, underpinned by international labour standards

The pillar 4 of the of the ILO’s general policy framework²² relies on how the social dialogue is utilized to find a solution on issues of common interest in the areas of economic, labour and social policy. Social dialogue is reflected by negotiation, consultation or exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest to all parties, workers, employers and government. Social dialogue is key to restore and improve the impact of a crisis situation on the economy, business and workers.

In this respect, social dialogue is primarily concerned with three areas: how to strengthen the capacity and resilience of employers’ and workers’ organizations; how to strengthen the capacity of governments by creating an enabling environment for sound labour relations; and how to strengthen social dialogue, collective bargaining and labour relations institutions and processes on socio-economic policies and conditions of work and employment. The main goal of social dialogue is to promote consensus building and democratic involvement among the main stakeholders in the world

¹⁹ This was introduced sometime back.

²⁰ 2022 budget already announced such fund ‘social security fund’ (Budget 2022).
<https://www.treasury.gov.lk/web/budget-speeches/section/2022>

²¹ Ministry of Finance (2021) with the support of the World Bank has already drafted National Social Production Strategy and IPS with the support of ILO has done a study on ‘Repositioning Social Security in Sri Lanka (2021)

²² https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745337.pdf

of work. Many countries²³ around the world use social dialogue to mitigate the impact of the COVID-19 crisis on businesses and workers.

The critical issue is near with the absence of any effective social dialogue, either informally or institutionally, within state or formal private sector (i) at workplace, (ii) at respective production / services sector level, and (iii) at national level, affecting both the twine objective of labour welfare and country's development. The situation has arisen due to the nonexistence of essential enabling conditions for social dialogue. vie (i) strong organizations of workers with technical capacity; (ii) political will and commitment to engage in social dialogue; (iii) respect for the fundamental rights of freedom of association and collective bargaining particularly on the part of employers; and (vi) appropriate institutional support.

TUs were of the view that the collective agreement process was very important. They were of the view that the existing mechanism was sufficient but enforcement is required, if one party can unilaterally withdraw and the purpose is lost. CMU's Collective agreement started with 59 companies in 1969, revised in 1967, with 67 companies and peaked in 1980 with 80 companies but then started to drop the number of companies participating and now only 3 companies left. They assert that TUs are an asset for a wise employer. In the COVID-19 affected context, what is needed first is to stimulate the worker.

In the Plantation Sector, with the Lease agreement signed by Companies with the government, the social dialogue mechanism started to be weakened. With the long-time demand of LKR 1000 for estate workers being granted by the Government by a Gazette. Companies unilaterally abandoned the Collective agreement which is possible in terms of Section 43 (the Industrial Disputes Act²⁴). TUs opined that the companies think only in terms of profits for the company. TUs were very worried about the collective agreement coming an end. Companies have introduced 20 kilograms of tea leaves per worker receive LKR 1000 which is a difficult task except in estates in Nuwara Eliya District.

National Labour Advisory Council (NLAC)²⁵, umbrella organization for social dialogue for private formal sector employees, though ideally should represent all employees in the private sector, a large union representing labour is not represented in this mechanism. The ILO has been promoting reform of the NLAC, including verification of union membership to establish the most representative organizations of workers are seated in the NLAC. Social Dialogue mechanism at workplace level and sector level too are not functioning properly.

²³ Social Partnership in Times of the COVID-19 Pandemic, OECD 2020. <https://www.oecd.org/about/secretary-general/social-dialogue-and-the-sdgs-in-times-of-the-covid-19-pandemic-june-2020.htm>

²⁴ <https://www.lawnet.gov.lk/industrial-disputes-2/>

²⁵ With the ratification of ILO Tripartite Consultation Convention (C144) Sri Lanka established the National Tripartite Consultative Mechanism in 1995 known as National Labour Advisory Council(NLAC). <http://www.aicesis.org/database/organization/277/>

Short-term measures:

- Activate **Health Committees**: TUs suggested to establish Health Committees, this was a very sound mechanism to encourage tripartite relations at the workplace. A good outcome resulted from COVID-19 impact. However, this was not accepted by many workplaces. Even after vaccination workers are not aware about new health precautions. Due to the breakdown of collective agreement, for example in the plantation sector, making workers aware about the new situations has become critical. Government health and other authorities cannot intervene in estate affairs while estate management is only taking care of productions and not the worker welfare. TUs can better engage with the different ministries and agencies after setting up health committees. .

Medium and long term measures:

- Employers and State must **recognize the importance and value of social dialogue** at all levels including workplaces/enterprises.
- Government and the employer should facilitate social dialogue and can organize congresses of worker at **District Secretariat level**.
- Where there are trade unions, the management must recognize and negotiate with workers' organizations in the workplace (as the representatives of workers')
- Strengthen social dialogue in the formal sector, plantations, garment industry, tourist industry, to make employees as part of the production process, their views formally recognized, they are rewarded and looked after in crisis times.
- Find suitable arrangement for social dialogue in the informal sector or find suitable institutional arrangements to accommodate social dialogue and ILs. Where there are no trade unions, there should be bipartite **Workplace Cooperation Guidelines**, with elected representation by workers. TUs proposes to **develop such mechanism and guidelines**.
- Expediting the introduction of social dialogue mechanism to the state sector as well as the efficiency and effectiveness of state sector is vital for the whole economy to prosper.

7. Conclusion (Strategic Actions of TUs to advance the Common Proposals)

The COVID-19 crisis has opened eyes of everyone and the whole world. One of the most considering areas is workers and employability. This is not only a health issues though it originated as a health side, but a burning economic issue in many countries. While some countries- adapting their effective and efficiently policy support and measures- have already began recovering and preforming better (building Back Better from COVID-19) - than before the crisis, some countries are still straggling. Sri Lanka is unfortunately one of them. The report aims to produce recommendations and proposals to address the COVID-19 crisis from TU perspectives. Immediate or short-term as well as medium- and long-term measures were identified through a series of consultation meetings held with TU leaders and presented in this report.

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APPENDIX I

Key Policy Responses to COVID-19 in Sri Lanka

Reflecting the first case of COVID-19, were reported in March, 2020 (first wave), the government swiftly take the containment measures like island-wide curfew (was imposed from mid-March through June, 2020), contact tracing, quarantine, isolation and suspend of tourist arrivals. Thereafter, the country was contended with a second wave (last quarter of 2020) of infections and with the result of that, the government resorted lockdowns in heavily affected areas instead of island wide curfews to minimize the impact on economic activity. However, with the hit of third wave, the government implemented quarantine curfew again in July, 2021 to minimize spreading of the Delta variant across the country.

Apart from such physical restriction and social distance measures, the government of Sri Lanka has introduced following measures to contain the spread of COVID-19 and mitigate the impact on the economy, individuals, households, and the society²⁶. Table 1 summaries those measures.

Fiscal Sector
Health Measures
a) Establishment of a COVID-19 Healthcare and Social Security Fund (open at the Bank Ceylon) with an allocation of LKR. 100 million from the President Fund. Tax and foreign exchange control restrictions have been lifted for all local and foreign donors who wishes to contribute to this fund.
b) Granting tax exemptions on ▪ importation and supply or donation of medical, surgical, and dental instruments, drugs and chemicals and similar items, required for the provision of health services to address the COVID-19 pandemic. ▪ supply or donation of health protective equipment and similar products by export-oriented BOI enterprises to the Ministry of Health and other government institutions. ▪ importation of pharmaceutical machinery and equipment including accessories and spare parts for pharmaceutical machinery and equipment. ▪ importation of medical instrument and equipment including test kits required for the provision of health services, to help in detection of COVID-19 patients.
c) Allocation of LKR 65 billion for preventive measures.
Social Protection
a) Provisions of LKR 5,000 cash allowance for period between of April to December to senior citizens, differently-abled persons, kidney patients, farmers (registered under the Farmers' Insurance Scheme) and displaced daily workers.

²⁶ <https://www.cbsl.gov.lk/en/covid-19-relief-loan-schemes> (Central Bank of Sri Lanka, various circulars on COVID - 19 Relief Loan Schemes) last retrieved 12 October 2021

- b) Provision of LKR 5,000 for Samurdhi beneficiaries and low-income families for New Year in April 2021.
- c) Provisions of fertilizer, and seeds and plantation material for “Samurdhi” beneficiaries.
- d) Providing LKR. 10,000 worth of dry rations for families who are undergoing quarantine of 2 weeks.
- e) Thripasa and other nutritional supplements will be delivered directly to the residences of expectant mothers and families with malnourished children
- f) Payment of an interest-free advance of LKR 10,000 to Samurdhi recipients and Samurdhi card holders through all Samurdhi Bank Associations.
- g) Samurdhi Authority to issue title certificates to Samurdhi and low-income families immediately for issuing nutritional food items to low-income families. They should be provided with rice, lentils, onions and food cards on weekly basis
- h) Doubling the insurance benefits (Agrahara) for health workers, Police, Tri-forces personnel and other government employees engaged in COVID-19 prevention activities
- i) Payment of the pensions to 645,179 public officers.

Assistance to Businesses and Individuals

- a) Establishment of the Fuel Price Stabilization Fund (FPSF) with an initial capital of Rs.50 billion.
- b) Implementation of a debt moratorium facilitated through banks complemented by guarantees from the Central Bank.
- c) Introduction of one-month grace period to the general public for the payments of utility bills and bank check valued less than LKR 15,000 and monthly credit card bills less than LKR 50,000.
- d) Suspension of the loan payment deductions from salaries of all public sector employees.
- e) Extending the payment deadlines for Value Added Tax (for the months of February and March until April 30, 2020).
- f) Directions issued to exempt penalty payments of all taxes during the COVID-19 lockdown period and to commence penalty provisions for late payments from July 2020.
- g) Relief measures for SMEs;
 - Wavering of income tax arrears on assessments issued up to the Year of Assessment 2018/19,
 - Non-issuance of additional assessments for the year 2019/20,
 - Granting grace period to settle taxes in arrears/default,
 - Extension on seizure notices, and
 - Extension of the dates for the payment of taxes and filling tax returns.
 - Ad hoc relief on lease installments for 1,500,00 self-employed people in 2020.

Monetary Sector

- a) Six-month grace period on leasing loan repayment 1.5 million self-employed persons, including owners of three-wheelers, trucks, school buses and vans and self-employed motorists.
- b) Injection of liquidity amounting to LKR 150 billion into the banking system by reducing the Statutory Reserve Ratio (SRR) to 2.00.
- c) Introduction of the LKR 50 billion re-financing facility to support business and the economy.
- d) Introduction of a “Special Deposit Account” to support the national efforts to manage the challenges faced due to COVID-19.
- e) Reduction of the Standing Deposit Facility Rate (SDFR) and Standard Lending Facility Rate (SLFR) by 250 basis points to 4.50 and 5.50 respectively to reduce market lending rates.
- f) A 15% interest rate of credit cards for domestic transactions of value up to LKR 50,000.00 and reduce the minimum daily reserve requirement limit from 90 per cent to 20 per cent for Licensed Commercial Banks 50 percent in minimum monthly charges.
- g) Opening of all bank branches during non-curfew hours.
- h) Issuance of the guidelines to licensed banks for them to maintain uninterrupted credit flows by cutting down on discretionary payments and other non-essential expenditures.
- i) Implementation of three new Credit Schemes to support the revival of economic activity to support lending to business segments affected by the COVID-19 (construction and other needy sectors) at the concessional rate of 4.00 percent per annum. Repayment period was extended to 9 months.
- j) Issuance of guidelines to Non-Banking Financial Institutions (NBFI) on concessions for businesses and individuals affected by the 3rd wave of COVID-19. This includes a variety of concessions catered towards performing and none performing credit facilities and other facilities.

External Sector

- a) Suspension of foreign currency outflows in relation to any investments by local persons, outward remittances and repatriation of funds by emigrants for three months.
- b) Suspension of Letters of Credit (LCs) facilities on the importation of selected motor vehicles and on the Importation of selected non-essential goods under LCs, documents against acceptance and advance payments for a period of three months.
- c) Imposition of restrictions on all non-essential imports with certain conditions.
- d) Issuing of directions to Authorized Dealers to issue foreign currency notes up to a maximum of US\$ 5,000 as travel allowance to person’s resident in Sri Lanka.
- e) Sell-Buy Forex SWAP Auctions for LCBs to provide foreign currency liquidity on term basis without depleting the foreign reserves.
- f) Obtaining approval to enter into a Bilateral Currency Swap Agreement with the Reserve Bank of India for US\$ 400 million.
- g) Curtailing of Net Open Positions (NOP) of LCBs on a selective basis to prevent speculative activity in the foreign exchange market.
- h) Obtaining approval to initiate a Repo Facility for US\$ 1,000 million from Federal Reserve Bank New York, to meet the contingent liquidity needs of the government.
- i) Obtaining approval to enter in to a Bilateral Currency Swap Agreement with the Bangladesh Bank for US\$ 250 million
- j) Return to the US\$ 400 million swap agreement with the Reserve Bank of India.

Administration

- a) Establishment of the National Operations Centre for Prevention of COVID-19 – a hotline (117) has been established for to the public to obtain or notify any details regarding the Coronavirus situation.
- b) Appointment of Presidential Task Forces on COVID-19 Health Care, Education, Economic Revival and Poverty Alleviation and a high-level coordination council to manage health risks and economy easing strategies.
- c) Conversion of National Institute of Infectious Diseases and many other major hospitals into the COVID-19 treatment centers
- d) Establishing around 34 Quarantine Centers Island wide.
- e) Increase the Daily PCR testing to over 10,000 tests as at November, 2020.
- f) Delivery of Thriposha, “PoshanaMalla” and medicines directly to the selected beneficiaries.
- g) Payment of the pensions supervised though Divisional Secretariats and Postal Services.
- h) Implementation of the “Saubhagya Home Garden” programme
- i) Encourage of domestic manufacturers/inventors to produce hospital beds, disinfection chambers and sanitizers.
- j) Relaxing of the restrictions on all agricultural activities.
- k) Contribution of US\$ 5 million to the SAARC COVID-19 Emergency Fund.
- l) Arrangement of Sri Lankan Airline flights to bring back Sri Lankans stranded due to COVID-19.
- m) Issuance of Guidelines to carry out “work from home” activities. It has been extended for state, semi government and private sector entities except which are categorized as essential services.

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APPENDIX II

Key Informant Scheduled List

Name (KII's)	Scheduled Dates	Status
Mr. Leslie Devendra (Sri Lanka Nidhas Sewaka Sangamaya)	22 nd Wednesday at 10.00 a.m.	Completed
Mr. K. Marimuttu (Ceylon Worker's Congress)	22 nd Wednesday at 11.00 a.m.	Completed
Mr. Wasantha Samarasinghe (Inter Company Employees Union)	28 th Tuesday at 9.00 a.m.	Completed
Mr. S. Ramanathan (General Joint Plantation Trade Union Center)	28 th Tuesday at 8.00 a.m.	Was not able to conduct due to poor internet connection. Therefore, KII was not conducted.
Mr. Sylvester Jayakody (The Ceylon Mercantile, Industrial and General Workers)	27 th Monday at 10.00 a.m.	Completed
Vadivel Suresh MP (Lanka Jathika Estate Workers Union (LJEW), 'Workers House')	23 rd Thursday at 9.00 a.m.	Completed
Mr. Robert Francis (Ceylon Estate Staff's Union)	27 th Monday at 7.00 p.m.	Completed
Mr. Srinial De Mel (Jathika Sewaka Sangamaya (JSS))	Not Scheduled	Incompleted
Mr. T.M.R. Rasseedin (Ceylon Federation of Labour)	Due to poor connection, he will not participate for a zoom session but will mail the details of the Guideline	Sent the written Proposal
Mr. Ranjan Sennanayake (Ceylon Bank Employee's Unions)	27 th Monday at 8.00 p.m.	Completed

APPENDIX III

Technical Committee Meeting

Names	No. of FGD's	Scheduled Times
1. Mr. Anton Marcus -Free Trade Zone & General Services Employees Union 2. Mr. Chaminda Perera-Ceylon Federation of Trade Unions 3. Mr. Palitha Athukorala, National Union of Seafarers of Sri Lanka 4. Ms. Swasthika Arulingam, - On behalf of United Federation of Labour 5. Mr. Marimuttu - Ceylon Workers Congress	01	24 th Friday at 2.20 p.m. to 3.30 p.m.