

Terms of Reference

Minimum wage setting in Sri Lanka

BACKGROUND

In recent years, wage growth in Asia and the Pacific has been higher than other parts of the world. Yet rising inequality and prevailing low wages are still salient features of most South Asian countries. To address some of these social and economic imbalances, many countries have turned to wage policy to ensure an inclusive growth process and to promote decent work.

The United Nations 2030 Agenda for Sustainable Development has called to focus on decent work for all women and men, and on reducing inequality as part of the key objectives within the universal policy, through the use of fiscal and wage policies. Also, the G20 has agreed on the importance of sustainable wage policies to increase living standards. In Asia, the Bali Declaration, adopted at the 16th Asia at the Pacific Regional Meeting, has set policy priorities to confront extreme poverty, income inequality, and the gender wage gap amongst others

Within South Asia, many countries have strengthened their minimum wage systems. Countries like India, have prioritized the extension of the coverage through a national universal minimum wage, stipulated in the recent Code on Wages Bill currently under discussion in Parliament. In the past few years, Nepal and Pakistan have actively revised and fixed minimum wages through a process of consultation within their tripartite wage boards. Similarly, Sri Lanka established a National Minimum Wage in 2016.

Government of Sri Lanka Request

During the month of July 2019, ILO's Wage Specialist, Mr Xavier Estupinan from ILO Decent Work Technical Support for South Asia Team, New Delhi undertook a mission to Sri Lanka and met the tripartite constituents to understand the needs and interest in developing a roadmap for a minimum wage-setting mechanism.

As a follow-up, the Ministry of Labour and Trade Union Relations formally request the technical assistant from ILO to prepare a concept note in this regard.

Scope of work

The ILO has accumulated much expertise in the area of minimum wage setting, as Governments from all parts of the world, as well as employers' and workers' organizations, have in recent years asked the ILO for support to develop and strengthen their minimum wage systems.

Minimum wage policy has an important role to play in improving the living standards of wage earners and their families; and it is also an important indicator of economic progress and social justice. The effectiveness of setting an adequate minimum wage system relies on a balanced approach that ensures the effective protection of workers and the appropriate development of sustainable enterprises.

Wage levels are not only a robust indicator of well-being but are influenced and shaped by market conditions and characteristics as well as productive levels. Labour market institutions, and particularly minimum wages can also play an important and decisive role in this matter, as for improving wage protection floors and reducing levels of wage inequality.

Recent academic literature and national experiences have changed the perception of minimum wages. The new emerging consensus is that – if properly operated and set at an appropriate level – minimum wages can have positive effects on the wages of low-paid workers, and reduce gender pay gaps, at little or no cost to employment

The lack of adequate information and research for a strategic approach to national wage fixation has been highlighted as a key constraint by the constituents. A recent workshop held in 2017 on wage determination in the private sector highlighted the need for strengthening labour market institutions to support processes such as minimum wage fixation through social dialogue, development of strong evidence-based approach and the use of statistical data and information for wage determination. The Bali Declaration adopted at the 16th Asia and the Pacific Regional Meeting, amongst the priorities for national policy and action stressed the importance of investing in collective bargaining as a wage-fixing mechanism and building on a minimum wage floor through social dialogue and the sharing of productivity.

ILO'S PROPOSAL

ILO will provide technical assistance to constituents to pursue these actions and specific support will be provided on the assessment of existing wage setting mechanisms and legal frameworks, establishment of a Tripartite Committee for the formulation of a road-map to strengthen national minimum wage mechanism articulated in sectoral wage boards, including the participation of experts from academia and relevant stakeholders.

The interventions include:-

- Development of a road-map with participation of government and social partners to strengthen national minimum wage mechanism articulated in sectoral wage boards
- A better designed and operationalised minimum wage setting mechanism

Taking into account both the needs of workers and their families as well as economic factors, the use of up-to-date and relevant statistical indicators should serve as a basis to ensure a process of full consultation, aligned with ILO Minimum Wage Fixing Convention No.131, ratified by Sri Lanka as far back as 1975.

Scope of Work

ILO has proposed to provide a concept note aiming to develop a road-map with participation of government and social partners to strengthen national minimum wage mechanism.

The Consultant is expected to look at the historical perspective of the wages system in Sri Lanka, while oversee the policies and laws pertinent to current wage system in Sri Lanka. Also the consultant required to review of the data available across government, to complete the necessary

research for setting up a minimum wage and identifying additional data requirements/ surveys, for a meaningful assessment.

Outputs

At the end of the consultancy period, the following outputs shall be delivered by the consultant:

1. A report outlining the following:
 - Back ground;
 - ILO Conventions;
 - Sri Lanka Legal Framework on Minimum Wages and its application
 - Minimum Wage Systems and Minimum Wage Setting Machinery. This capture could also capture the figures, reflecting on who is getting the minimum wage and who is left out within the labour force with the evidence from analysis.
 - International Practices , not limiting to below country specific minimum wage systems
 - Low Pay Commission – UK
 - Malaysia
 - Vietnam
 - A way forward for Sri Lanka – Recommendations for an effective minimum wage system
2. Present report findings to stakeholders

Place and dates

The consultancy will be started on 10th October and completed by 30th November 2019

Competencies of Consultant:

- Solid experience (at least 5 years) in wage setting mechanism
- Experience in thematic areas of labour economics, wages and employment
- Good understanding of minimum wage policy and the socio-economic regional context of South Asia
- Good analytical skills
- Demonstrated excellence in written and spoken skills in English language
- Proven track record in delivering good quality reports in a timely manner
- Ability to work under time pressure in a multi-cultural environment

Interested persons should submit a cover letter along with their CV indicating how their expertise and experience would best fit this consultancy position, to Mr Xavier Estupinan, Wage Specialist DWT estupinan@ilo.org on or before Close of Business, Monday the 30th September 2019