

MINIMUM INCLUSIVE SOCIAL SECURITY FOR ALL

EXECUTIVE SUMMARY

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Well-thought-out and effectively executed social security (SS) and social protection (SP) programs can assist nations in altering their course of development, enhancing human capital and productivity, eradicating poverty, lowering inequality, and promoting peace. Furthermore, sustainable development and equitable growth may result from these outcomes. The shortcomings of the social protection system and the necessity for reform have been brought to light by the recent crises in Sri Lanka. This article evaluates the shortcomings in the country's social security programs for the working-age and senior populations and offers suggestions for increasing social protection coverage to all individuals while guaranteeing that everyone has access to at least a minimum level of social protection.

The World Bank (WB) and the International Labour Organization (2016) define social protection as a comprehensive collection of laws and initiatives designed to give individuals access to resources, assistance, and services they require throughout their lives. To determine whether Sri Lankans have access to a minimal degree of social protection, we employ the Social Protection Floor framework (SPF). With time, the SPF seeks to gradually expand access to greater degrees of security while establishing and preserving a basic level of social protection.

Given the time and resources available, this policy report will focus on providing basic income security for the active-age population and older people. When should such basic income security be available to individuals? The ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) – the flagship of all ILO Social Security Conventions specifies nine different types of risks against which workers should be provided social security.¹ Of these, seven are on providing income security. These include old age benefits, sickness benefits, unemployment benefits, employment injury benefits, maternity benefits, invalidity benefits, survivor's benefits, and family benefits for individuals or their families. This report will examine the adequacy and coverage of income support available for workers during the first seven of the above vulnerabilities. These vulnerabilities will be assessed in two main strands. First, income security during old-age and second income-security during working-ages. The second strand will look at sickness benefits, unemployment benefits, employment injury benefits, maternity benefits, invalidity benefits and survivor's benefits.

¹ (ILO Social Security Convention No.102, 1952).

Retirement benefit coverage²

One main problem in determining the retirement benefit coverage is the definition of elderly persons. Different legislation defines different groups as elderly. The retirement benefits for public sector workers, formal private sector workers, and informal workers are available from age 60, while the senior citizen's allowance is available from age 70. Also, available data does not provide information on the sizes of these different population groups.

The working-age population was protected by several employment-based retirement plans. Out of these, the employees in the public sector received three different kinds of retirement benefits. The Public Sector Pensions Scheme (PSPS) was available to public sector employees with more than ten years of service in pensionable occupations. A unique program called the Armed Forces Pension (AFP) is available to those who serve in the military. Everybody else makes contributions to the Department of Pensions' Public Servants Provident Fund (PSPF). The PSPS is a non-contributory pension scheme, which provides a monthly income at retirement that is equivalent to 85-90% of the salary drawn before retirement. The AFP is also a non-contributory pension scheme funded by taxes. The design of AFP is similar to the PSPS, but members can retire at the age of 55. Those in the formal private sector are not eligible for a pension, but they receive a lump-sum payment at retirement from the **Employees' Provident Fund (EPF)**. Certain employees in the unorganized sector are protected by various pension plans. The Agriculture and Agrarian Insurance Board (AAIB)³ provides pension schemes for fisherman (Fishermen's Pension Scheme (FSHPS)) and for farmers (Farmers' Pension Scheme (FMPS)). The Sri Lanka Social Security Board (SSSB)⁴ also has several pension schemes for the self-employed, migrant workers, sea farers, and artists. These pension plans are contributory plans that occasionally receive tax subsidies. Informal workers are entitled to a pension under the FMPS and FSHPS, which ranges from Rs. 1000 to Rs. 4167 per month. Certain pensions are also available to some unemployed individuals. For instance, the Senior Citizens Allowance⁵ is available to people over 70 who make less than Rs. 3000 a month. Under this system, individuals between the ages of 70 and 100 receive Rs. 2000, and those over 100 receive Rs. 5000. Additionally, the Widows' and Orphans' Pension Scheme (WOPS) allows widows and family members of dead public personnel to receive pension payments. Additionally, the government provides support to low-income households that include an older person (Rs. 400 to Rs. 1000 per month).

² This section draws on (United Nations Children's Fund, 2023)

³ (Agriculture and Agrarian Insurance Board (AAIB), 2024)

⁴ (Sri Lanka Social Security Board, 2024)

⁵ (Ministry of Women Child Affairs and Social Empowerment, 2024)

Working-age benefit coverage⁶

Here again defining the population that should be covered by working-age benefits is difficult. According to the Department of Census and Statistics (DCS) the working age population (i.e., those above 15 years or older) was 17.1 million people in 2021. But this also include elderly population. Also, as education is compulsory till age 16, sixteen-year-olds should not be included when defining working-age population. As per the DCS definition 1.4 million worked in the formal private sector, 1.2 million in the public sector, and 5.5 million in the informal sector. Nine million people did not have a job.

Paid **maternity leave** is available to employees in both the formal private sector and the governmental sector. However, these vary in duration. The employer is responsible for funding this leave.

Employees in the public sector, even temporary and casual ones, are entitled to up to six months of paid **sick leave** following a year of employment. The type of disease determines how long the leave will last. The Shop and Office Employees Act, No. 19 of 1954, provides up to seven days of sick leave to both formal and informal workers employed in formal organizations. Moreover, employees in the formal sector who make contributions to the Employees' Trust Fund (ETF) are eligible to withdraw their whole balance in the event that a chronic disease or disability prevents them from working. Employees in the public sector are entitled to up to six months of paid emergency leave due to **disability**. Employees receive their full pay throughout this time. If any public employee gets hurt or has an accident while doing their duties, they are all entitled to disability compensation for a maximum of six months. Additionally, the worker is qualified for early retirement if they are permanently handicapped.

Employees of the public sector are eligible to make pension contributions to the Widows'/Widowers' and Orphans' pension, which provides **Survivor Benefits** to the survivors of these workers. If a formal private sector worker passes away, their spouse or children may take out their accumulated EPF balance.

Employees in the public sector also don't really need an **unemployment benefit** program because they are hardly ever forced home. Official employees in the private sector who quit their jobs are paid under the workmen's compensation provisions of the Payment of Gratuity Act and the ETF Act. Every payment is made in one flat sum. There are no survivors' benefits available for workers in the unorganized industry, other than the allowances given to the destitute.

6 (Arunatilake, 2022)

The Workmen's Compensation Ordinance (WCO) of 1934 states that employers are exclusively liable for injuries sustained on the job. Both the public and private formal sectors are covered by the WCO. If a worker passes away under the WCO, their family may be entitled to a lump sum payout. The WCO states that a worker may be entitled to income or a lump sum payout in the event of disability. A maximum of Rs. 5500 may be given per half-month.

Gaps in social protection

Not everyone is eligible for retirement benefits. About 26% of people are eligible for assistance indirectly, whereas just 9% of people receive benefits directly.⁷ For people of working age, the availability of social security benefits varies greatly and is particularly low in certain demographic groups. The most generous benefits were given to public employees, then to formal private sector employees. There aren't many perks offered to informal sector workers. Furthermore, eligibility for social security benefits is not universal outside of the public and formal private sectors. Only those who contribute are eligible for benefits. For instance, not all eligible participants contribute to contributory systems like the FMPS and the FSHPS. Apart from the public sector, the benefits obtained are likewise insufficient. For instance, payments in the private formal sector are paid out in lump sums, which is insufficient to guarantee a steady stream of income in old age or during illness and incapacity. Additionally, despite the fact that the majority of workers are in the unorganized sector, they receive very little or no social security. Before retiring, they receive relatively little in the way of social benefits. Their retirement benefits only provide a meager allowance that falls below Sri Lanka's poverty line (e.g., the official poverty line in 2022 was Rs. 5972 per person).⁸

Conclusion

There is a discrepancy between the numbers available to determine the population covered by social security and the appropriate legislation in Sri Lanka. As a result, evaluating the population's coverage by the current social security programs is challenging. We recommend streamlining the different legislation available for providing social security. Additionally, information about the working-age population and the elderly and how they are covered by social security must be routinely supplied in order to evaluate the population's progress toward social security coverage. One main need of the social security scheme is to extend working-age social-security coverage to all. Those outside the formal sector are not covered by worker-age or

⁷ (United Nations Children's Fund, 2023)

⁸ (Department of Census and Statistics, 2024)

retirement benefits. As an immediate measure these individuals need to be provided with social security.

The retirement benefits are also only adequately available to the public sector workers. Although the formal private sector workers receive only a lump-sum payment at retirement. For some types of workers, the amount received is not sufficient for adequate old-age coverage. Large benefits funded by taxes are provided to public sector employees, while other demographic groups get inadequate benefits. Further, social protection available for those outside the public sector are contributory. Further funds maintained for providing social security are taxed, further eroding their size. We advise utilizing tax-funded social security to provide the bare minimum in benefits to everyone, while collecting contributions to provide more than minimal benefits to others. What is evident from the above is that the existing employment based social security benefits in the country are highly inequitable across different population groups.

Recommendations

What is outlined above shows that the present state of social protection in Sri Lanka is not satisfactory and demands serious attention of the policy makers. Yet, the possibilities for change and further expansion depend not only on the desire for policy change based on evidence, but also on how the Sri Lankan economy, employment structure and social sectors are transformed in the coming years. What is also necessary is the need to recognize that the country needs to move away from the present disjointed social protection schemes and interventions and progress towards a life cycle based, universal, and integrated system of social protection.

Sri Lanka has already adopted a considerable number of national laws to recognize, respect and fulfil social security systems. Even with an absence of a fundamental right to social security, these laws have created a fertile ground for achieving the social security goals. However, the shortcomings of prevailing laws, including textual, financial, institutional, and administration-related issues seem to create barriers in offering a fair and effective social security system in Sri Lanka. Therefore, there is a pressing need to address these issues in a comprehensive manner by expanding the existing law and adopting a new social protection policy and a road map to reach the target.

In summary, to ensure a minimum level of social security to all, the government needs to have a uniform and integrated social security scheme for all, funded by taxes. Additional social security can be provided based on contributory schemes.