



UNEMPLOYMENT BENEFITS FOR PANDEMIC PREPAREDNESS OF WOMEN WORKERS IN THE APPAREL INDUSTRY

Key Points

- The apparel sector is a significant contributor to employment, particularly for women in Sri Lanka.
- Although the apparel factories were closed at the onset of the pandemic, they were required to remain open after May 2020, according to a special government directive aimed at stabilising the economy before vaccines to protect workers became available.
- Formal apparel sector workers and their employers contribute to statutory social security schemes (EPF, ETF),¹ but these schemes did not provide additional support during the pandemic-related economic hardships.
- The government spent Sri Lankan Rupees (LKR) 55 billion (Bn) (0.33% of gross domestic product (GDP)) on emergency cash transfers in 2020. Still, many apparel workers were excluded due to administrative limitations in determining vulnerable households and verifying the residency of migrant apparel workers.
- The tripartite negotiations between employer groups, labour unions, and the government resulted in a rota schedule, allowing for social distancing to be practised on the factory floor. The workers were paid according to the actual number of hours worked, which reduced their incomes while keeping them employed.
- Limited orders led to job losses, as some firms decided to close or downsize.
- Introducing an unemployment benefit scheme within existing frameworks, such as the ETF, can circumvent these administrative limitations and ease the burden on the treasury for social security provision.
- The expansion of the ETF to cover casual and temporary apparel workers employed in formal apparel work can widen the coverage of this unemployment benefit scheme.
- In this context, this policy brief argues for reforming ETF to provide relief to factory workers affected by pandemics.

¹ EPF and ETF denote Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) Board, respectively.

Introduction

The garment industry employs a large number of women with diverse backgrounds. The employment status of women in the industry was varied. In 2020, the sector employed 475,000 people. About 70% of these were women, while 30% were self-employed or business owners. Among those who are employed under others, 76% contribute to social security or retirement schemes, and the remaining 24% are in casual, temporary, or informal work. The average age of apparel workers is 37. The majority, 80%, of workers are from rural areas (DCS, 2019a).

The garment factory workers were among those most affected by the pandemic. Some workers were more affected than others. Internal migrant workers who live in temporary rentals were among the most affected, as their ability to quarantine safely was hindered by the limited space and amenities available at the rentals within their economic capacity. Another group of workers affected were casual and temporary workers, who had little bargaining power against dismissals or suspensions, which directly affected their income generation. A survey conducted by the Department of Census and Statistics of Sri Lanka shows that out of the apparel workers interviewed, 24% of female workers and 11% of male workers were temporarily unemployed due to initial lockdowns. In comparison, the national averages were 12.8% for men and 11.3% for women (DCS 2020)

Although the government provided relief to those affected by the pandemic, many garment sector workers were excluded. In 2020, the government allocated LKR 55 Bn (0.33% of GDP) for emergency cash transfers during the initial lockdowns; however, many apparel workers were excluded (UNICEF, 2020). The impact of the coronavirus (COVID-19) pandemic on employment survey by the Department of Census and Statistics of Sri Lanka (DCS) shows that 40% of male respondents and 30% of female respondents from the apparel industry indicated that their households did not receive the government assistance packages (e.g. Disability Allowances, Samurdhi Allowances, Allowances for Kidney patients, Elderly Allowances, Government Allowance of LKR 5,000 for COVID-19 etc.). Some employers provided material aid, such as dry food items to workers. However, approximately 113,952 workers who were not in the permanent cadre or not affiliated with a specific employer were not eligible to receive this aid. The eligibility criteria differed across the country, with some apparel workers being excluded due to being migrant workers registered as permanent workers in another

administrative division. These workers could sometimes receive support through trade unions, civil society organisations and religious institutions. However, these initiatives were largely conditional on location, memberships or funding availability.

Study and Methods

The Institute of Policy Studies of Sri Lanka (IPS) **assessed the vulnerabilities faced by garment sector workers during the pandemic to improve pandemic preparedness in the future and minimise the adverse economic outcomes of workers.** The study utilised both primary and secondary data to examine the impact of the pandemic on the well-being of garment factory workers (Dissanayake & Wijesinghe, forthcoming). As the impact of the pandemic on garment sector workers changed as the pandemic progressed, the analysis was conducted across four phases of the pandemic (see Box 1).

The study's primary objective was to investigate the impact of the COVID-19 pandemic on the well-being of female apparel workers and to develop strategies for mitigating its adverse effects.

Box 1

Four phases of pandemic progression were identified through focus group discussions:

1. The months preceding the first national lockdown, and
2. May to August 2020, when apparel factories were permitted to reopen
3. August 2020 to April 2021, and
4. April 2021 to January 2022.

The survey utilised the phases to assess the financial impact, as measured by self-reported financial security (Figure 1), and to determine whether participants could obtain daily necessities (Figure 3).

Source: Focus group discussions.

Findings

The results indicated a high prevalence of financial insecurity among apparel workers during the pandemic. The percentage of workers who self-reported as being financially secure dropped drastically from 65% to 31.8% between May and August 2020. Primary data indicates that only 18.59% of the primary survey respondents could save once the expenses were met. As the pandemic progressed,

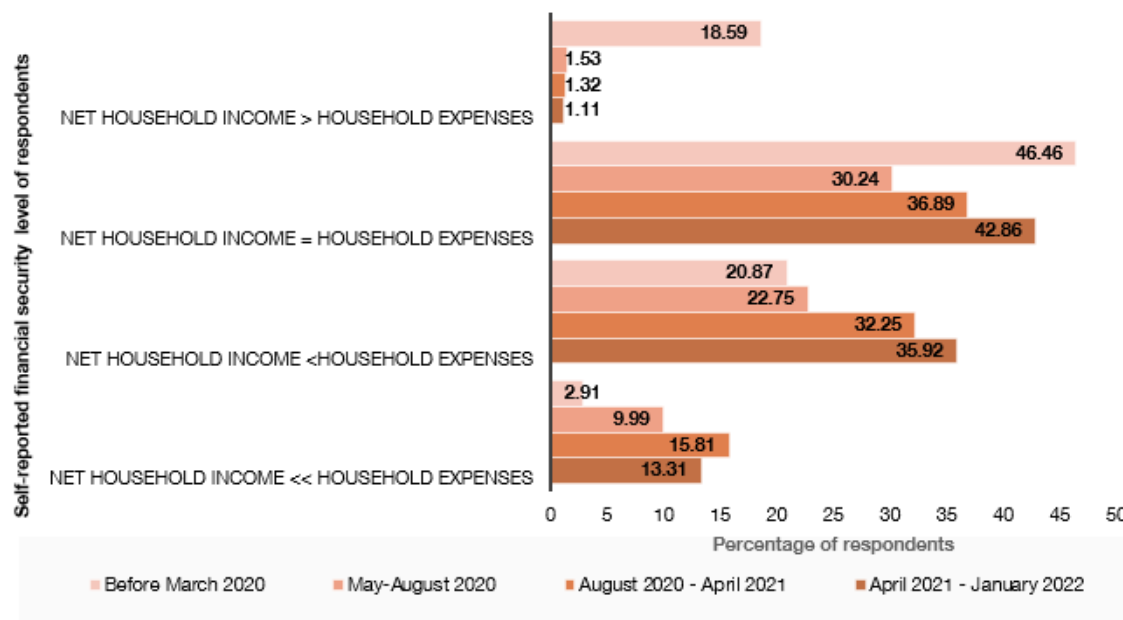
this number drastically decreased, while the number of workers reporting that they earned less than their expenditure increased (Figure 1).

Many apparel workers do not have adequate savings to buffer them during sudden unemployment. Figure 3 illustrates the self-reported ability to obtain daily necessities during the pandemic, showing an increasing percentage of respondents relying on external financial aid or friends and family to obtain these necessities from the first phase to the second phase. They were also coping with the shortages by cutting down consumption. Only 2.4 % of the respondents were consuming below their usual requirement of daily consumption before March 2020, which had then gradually increased to 13.9% of the respondents by April 2021.

Secondary data indicate that the adverse impacts were not equally distributed between male and female apparel workers (Figure 2). The 2020 Impact of the COVID-19 Pandemic on Employment survey, conducted by the DCS, asked respondents whether they had access to food and medical services during the first phase of the pandemic. The responses from apparel sector workers indicate that female workers were more likely to forgo meals or have had reduced access to health services.

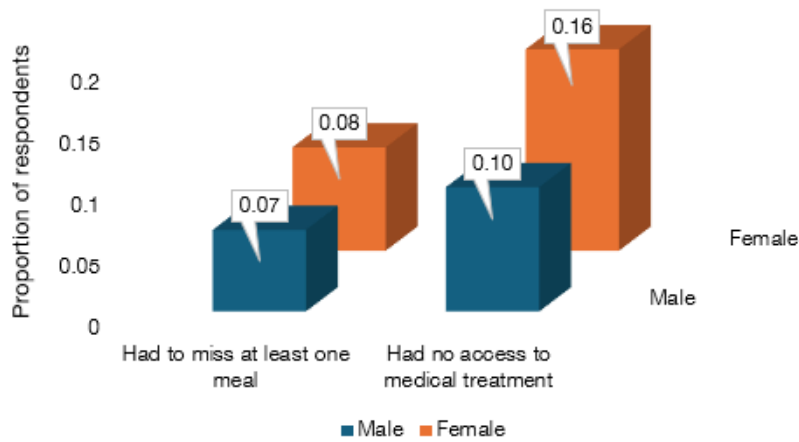
Casual and temporary workers were more affected by the pandemic. Furthermore, 24% of female apparel workers are either casual workers, temporary workers, or employed in informal work arrangements. While permanent workers were eligible for material support from certain apparel companies, casual and temporary workers were excluded.

Figure 1:
Primary Survey of Apparel Workers with Self-reported Levels of Financial Security through the COVID-19 Pandemic



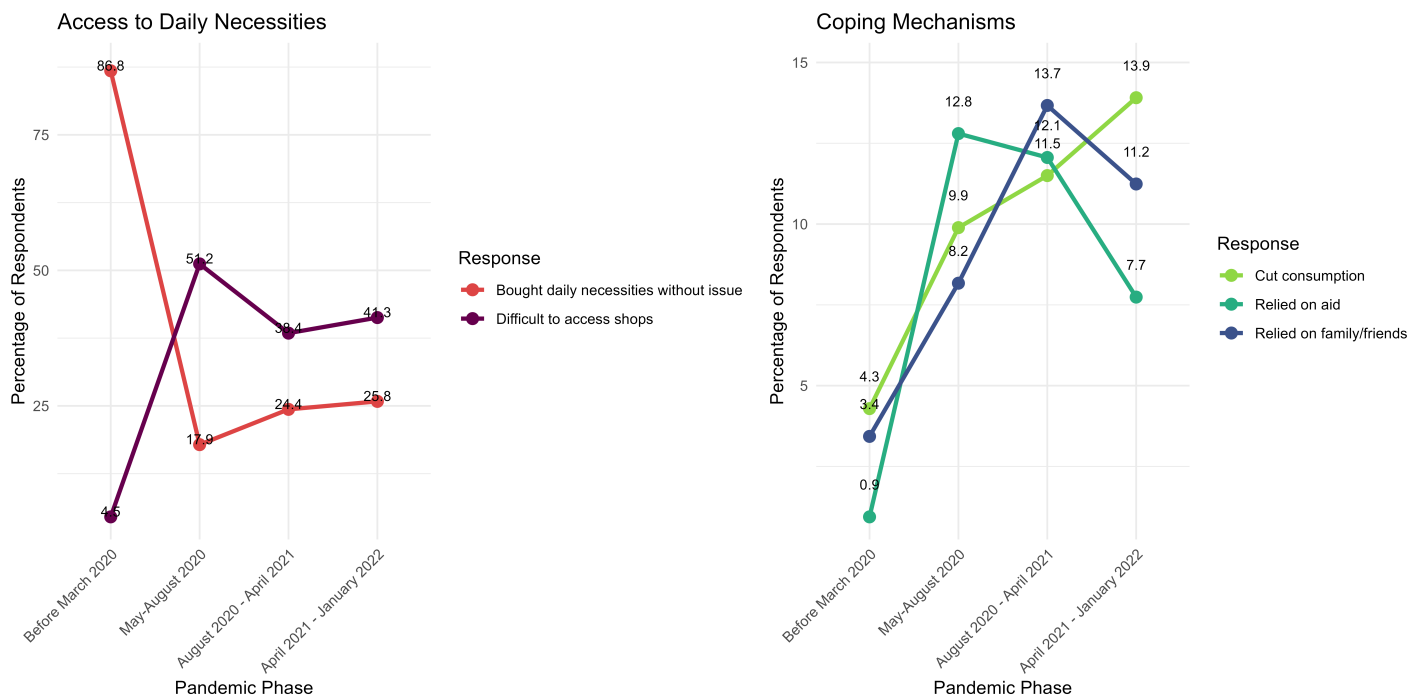
Source: Primary survey of apparel employees.

Figure 2:
Impact of the COVID-19 Pandemic on Employment Survey



Source: Based on data by the DCS, 2020.

Figure 3:
Changes in Access to Necessities Immediately After the National Lockdowns



Note: This shows that the ability of the respondents to buy daily necessities plummeted, partly due to restricted access to shops (left). However, for some respondents, this was due to financial constraints (right).

Source: Primary survey of apparel employees.

Discussion - Social Security Mechanisms for Pandemics

Sri Lanka has already developed a national framework for social protection, in which an unemployment benefit scheme is recognised as a fundamental necessity for the social protection of the working-age population (NPD, 2024). However, no consensus has been reached on establishing the scheme. Current social security schemes, such as the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), are primarily designed for retirement savings and do not address temporary income loss during crises. EPF medical benefits, which might have been applicable for those who contracted the virus, apply only to those with over LKR 300,000 in savings and 10 years of contributions (EPF, 2025). ETF withdrawals are restricted with a five-year cooling period between subsequent withdrawals of the fund unless they have reached the age of 60 years, migrated abroad for permanent residence, or have joined state service, have incurred permanent disability or have passed away (ETFB, 2025). Neither scheme currently covers unemployment due to national emergencies.

Internationally, unemployment benefits have proven effective in mitigating economic shocks. During COVID-19, these schemes lowered income loss by 18% in the Europe (European Foundation for the Improvement of Living and Working Conditions, 2024) and in the United States (U.S.) poverty projections by 1.4 percentage points (Gwynn, 2022). Several Asian economies—Japan, China, Thailand, and Vietnam—expanded existing unemployment benefits, while Jordan and Indonesia introduced new schemes, enabling faster economic recovery (ISSA, 2022).

Conclusion and Strategic Recommendations

Workers, particularly women working in factories, were particularly affected by job and income losses during and after the pandemic due to factory closures and scale-downs. As mentioned at the onset, temporary and casual workers were the most affected and the first to be terminated due to the business downturn. But, even formal workers who were contributing to social security systems did not receive adequate compensation. As a result, they were made economically vulnerable. Although the national framework for social protection in Sri Lanka calls for unemployment benefits, such benefits are not yet available to workers across sectors. This policy brief highlights the need to provide such benefits by reforming the existing social security schemes.

Further, it argues for bringing in regulation to expand social security benefits to casual and temporary workers, so that they also benefit from social security reforms.

Specific recommendations are as follows:

- 1. Expand Contributory Social Security Schemes**—Introducing an unemployment benefits scheme within EPF/ETF that can be accessed during national crises. One suggestion is to divert 0.2% of the 3% ETF contributions towards a disaster wage support fund within the ETF, which workers would be able to withdraw from during unemployment due to a disaster (Arunatilake et al., 2020).
- 2. Pilot an Industry-specific Unemployment Benefit Programme** – Given the apparel sector's economic significance, a targeted initiative can serve as a model for broader national implementation.
- 3. Ensure Inclusive Coverage** – Extend benefits to informal, subcontract, and temporary workers to provide comprehensive social protection.

Implementing these measures will safeguard the livelihoods of apparel workers, enhance industry stability and national economic resilience against future crises, and act as the first step towards a national-level unemployment benefit scheme.

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This project is funded under Women's Health and Economic Empowerment for a COVID-19 Recovery that is Inclusive, Sustainable and Equitable (Women RISE), an initiative of the International Development Research Centre (IDRC), the Canadian Institutes of Health Research, and the Social Sciences and Humanities Research Council.



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