
ANKER LIVING WAGE REFERENCE VALUE

**SRI LANKA
URBAN
2022**



LIVING WAGE

**LKR 84,231
PER MONTH
(US\$259)**

These values are for April 2022. Given the level and uncertainty of inflation and exchange rate, we have not projected this value to mid-year as we do for other countries.

Anker 
Research
Institute

GLOBAL 
LIVING WAGE
COALITION

The Anker Living Wage and Income Research Institute engages in and disseminates high quality research, analysis, and training related to living wage and living income (based on the Anker methodology) to inform and influence companies, empower working people, and shape public policy, thereby helping to enhance quality of life and sustainable livelihoods for working people and their families everywhere. Social Accountability International (SAI) is the institutional host.



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Urban Sri Lanka Reference Value 2022

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Abstract:

This report provides a living wage estimate for typical urban areas of Sri Lanka as of April 2022. The estimate is presented alongside additional socio-economic data to contextualize the results.

Keywords: Living wage, Anker Methodology, Sri Lanka, Labor market

JEL classifications: J30, J50, J80, I30, I32, R20, R23

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Anker Living Wage Reference Value¹

Urban Sri Lanka 2022

1. Anker Living Wage Reference Value for Urban Sri Lanka

The Anker Living Wage Reference Value for April 2022 for urban Sri Lanka is LKR 84,231 (USD 259) per month with a 95% confidence level, ranging from LKR 76,539 to LKR 92,695. This is the living wage required by workers in typical urban areas of Sri Lanka to be able to afford a basic but decent living standard. The Reference Value is comprised of a net living wage (i.e., take-home pay) of LKR 77,492 (USD 238 per month plus an estimated LKR 6,737 (USD 21) per month that workers would need to pay by law as payroll taxes and contribution to a provident fund. Note that this Anker Reference Value is for April 2022 rather than for mid-year which is typical for Anker Reference Values. Sri Lanka is currently experiencing an economic crisis with rapidly increasing inflation, (an annual rate of almost 34% in April 2022), and a rapidly falling currency (depreciated by 73% between March 1 and May 1, from 202 to USD on March 1 to 350 to USD on May 1). It is impossible to know what Sri Lanka's inflation rate will be in the remainder of 2022, which is the reason for using the April inflation rate. Users of the Anker Reference Value in this report will need to continually adjust this value upward to consider inflation in the remainder of 2022, depending on inflation rates in the remainder of the year.

The Sri Lanka urban living wage Reference Value for 2021 is presented in Annex 1 for easy reference.

The Living Wage may be defined as:

“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.” (Global Living Wage Coalition)

2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on a new methodology developed by Richard Anker, Martha Anker, and Ian Prates. This methodology is based on a statistical analysis of numerous internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and living income Benchmark studies and easy to update

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every year, and so are especially valuable for countries where it has not yet been possible to organize and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Wage Reference Values represent a living wage for typical families in rural or urban areas of low-income and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (urban) areas of a country which is generally around + or - 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (or urban) locations, the margin of error might be larger than this for unusual locations with atypical living costs within a country such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

3. Country context

Geography and demographics

Sri Lanka is an island in the Indian Ocean, lying at the south-eastern tip of India. It is a relatively small country with an area of 65,610 km² and is ranked 123rd in the world by size.² The country has a warm and tropical climate and is characterized by low-lying coastal plains in the north, east and south-west, while the central and south regions are mountainous.

The most recent data, based on projections made by the United Nations Population Division because the country's last census was in 2012, suggest that the population in Sri Lanka was nearly 22 million in 2020.³ The annual population growth rate has steadily declined over the last few decades and was 0.5% in 2020.⁴ The sex ratio at birth – or the male births per female births – was 1.04 in 2020, according to the World Bank. However, as a share of total population, females make up 52% while males comprise 48%. In 2020, the total fertility rate was just above replacement level, at 2.17 births per woman.⁵ In South Asia, most countries have a youth bulge, but Sri Lanka is distinctive as it has an ageing population. The old age dependency ratio – the ratio of elderly (above 60 years) to the working age population (15-59 years) – has steadily increased from 14.5% in 2000 to 27.5% in 2020 and is projected to continue to increase.⁶ The average household size was 3.8 in 2016, according to the Household Income and Expenditure Survey (HIES).⁷

² World Population Review. 2022. "Largest Countries in the World 2022." <https://worldpopulationreview.com/country-rankings/largest-countries-in-the-world>. Accessed on 8th April 2022.

³ World Bank. 2022. "World Development Indicators." <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=LK>. Accessed on 8th April 2022.

⁴ Ibid.

⁵ Ibid.

⁶ Kumar, Utsav. 2020. "Charting Sri Lanka's Aging Population." Asian Development Bank. <https://blogs.adb.org/blog/charting-sri-lankas-aging-population>. Accessed on 8th April 2022.

⁷ Department of Census and Statistics, Government of Sri Lanka. 2017. "Household Income and Expenditure Survey Report 2016."

The urban population accounts for 18.2% of Sri Lanka's total population according to the 2012 population census. This makes Sri Lanka the 11th least urbanized country in the world.⁸ However, the World Bank showed that many cities in Sri Lanka are "under-bounded" – the true extent of the city extends beyond its administrative boundaries, while as much as one-third of the population may be living in urban areas.⁹ Using the agglomeration index as a measure, the World Bank estimates the urban population share as approximately 48% in 2015.

Economy

Sri Lanka liberalized its economy in 1977, but started experiencing steady growth from 1990 onwards, with the average growth rate between 1990 and 2012 being 5.6%. Consequently, the GDP in USD increased ten-fold from 1990 to 2020 in current US\$ (from \$8 billion to \$80.7 billion). Similarly, GDP per capita went from \$463.6 in 1990 to \$3,681 in current US\$ in 2020. Sri Lanka is right at the boundary line between lower-middle income countries and upper-middle income countries according to the World Bank with the World Bank designating Sri Lanka as a lower-middle income country in 2018 and 2020 and as an upper-middle income country in 2019 because of small changes in its per capita income in USD. The economy is skewed towards the services sector, with its contribution to GDP at 59.7% in 2020. In contrast, agriculture, forestry, and fishing contributed 8.6% to GDP in 2020, while industry's share of GDP was 26.2%.¹⁰ Inflation in the country, following the 2008 recession has been moderate for the most part (with it rising to 6.1% in 2020) until recently.

However, despite broad progress over the last few decades, Sri Lanka's economy has been facing serious macroeconomic issues, partly due to poor management and partly due to exogenous shocks. With an economy heavily dependent on tourism, the Easter Bombings in early 2019 and then the Covid-19 pandemic have been particularly damaging to economic growth in Sri Lanka. Although these shocks have compounded economic problems, the economy was already in a precarious state before this according to the IMF due to "inadequate external buffers and high risks to public debt sustainability" that originate from various policy decisions (e.g., large tax cuts and changes to agriculture subsidies).¹¹

Sri Lanka, at the time of writing this report in May 2022, is experiencing a balance of payments crisis as well as a sovereign debt crisis. This has resulted in rapid inflation, reaching 16.8% in January 2022 (year-on-year), 18.5% in February 2022, 21.5% in March 2022, and 33.8% in April 2022.¹² Food inflation rose to 45.1% in April 2022 (year-on-year).¹³ To contextualize this, the

⁸ United Nations. 2018. *World Urbanization Prospects: The 2018 Revision*. United Nations Department of Social and Economics Affairs/Population Division.

⁹ World Bank. 2015. *Leveraging Urbanization in South Asia*. Washington DC: World Bank.

¹⁰ World Bank. "World Development Indicators."

¹¹ IMF. March 2022. "Staff Country Report No. 2022/091." Washington DC: International Monetary Fund. <https://www.imf.org/en/Publications/CR/Issues/2022/03/25/Sri-Lanka-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-515737>

¹² Central Bank of Sri Lanka. 2022. "Consumer Price Inflation." Accessed on 28 May 2022.

¹³ Chugtai, Alia, Rehana Thowfeek and Mariam Ali. 7th April 2022. "Sri Lanka's economic crisis and political turmoil." Al Jazeera. <https://www.aljazeera.com/news/2022/4/7/infographic-sri-lankas-economic-crisis-and-political-turmoil>

highest historical annual food inflation had been 15% while headline overall inflation was at its highest level since October 2008, following the global recession.¹⁴ The Sri Lankan Rupee has also depreciated considerably, falling from LKR 202 to 1 USD on March 1, 2022, to LKR 298 on April 1, and to 350 on May 1, a decline of 73% in only two months.¹⁵ The economic crisis has fueled political turmoil, with large and significant protests that have led to resignations from the entire Cabinet and the head of the Central Bank of Sri Lanka. The new Finance Minister has stated that Sri Lanka will not be able to meet foreign debt repayments in the near future and will be going to the IMF, as the country struggles to meet basic requirements to import fuel and medicines for its citizens.¹⁶ It is unclear what will happen with the LKR exchange rate in the remainder of 2022, nor is it clear what will happen with inflation in the remainder of 2022 in part because of the effect of the collapse of the LKR.

Poverty

Poverty in Sri Lanka has fallen steadily over the last few decades. The share of population living below \$1.90 per day (in 2011 PPP prices) fell from 24.7% in 1981 and 10.75% in 1990 to 2.6% in 2010 and 0.57% in 2019.¹⁷ This poverty line is applicable to low-income countries. The share of population living below \$3.20 per day (in 2011 prices), which is the poverty line for lower middle-income countries has fallen from 38.4% in 2000 to 8.58% in 2019.¹⁸ Using the national poverty line, poverty is more prevalent in rural areas, although that is partly due to the way urban and rural areas are defined. It is also higher in the Northern (7.7%) and Eastern (7.3%) provinces compared to the national average (4.1%) using the national poverty headcount index.¹⁹ However, despite broad progress, the pandemic and the recent slowdown in the economy caused the World Bank \$3.20 poverty rate to increase to 11.7% in 2020²⁰, and the World Bank expects this to remain above pre-pandemic levels at around 11% in 2022.²¹

While growth has led to poverty reduction, inequality remains relatively high and has increased. The Gini index increased from 36.1 in 2009-10 to 38.7 in 2012-13 and 39.3 in 2016, which is the latest available data.²² Part of the reason for this is weak targeting and delivery systems for

¹⁴ Ibid.

¹⁵ Central Bank of Sri Lanka. 2022. "Exchange Rate Movement – Rupees per USD." <https://www.cbsl.gov.lk/en/rates-and-indicators/exchange-rates/usd-lkr-indicative-rate-chart>. Accessed on 20th April 2022.

¹⁶ Shih, Gerry. 12th April 2022. "Sri Lanka suspends debt payments as it struggles to import fuel and food." The Washington Post. <https://www.washingtonpost.com/world/2022/04/12/sri-lanka-economic-crisis-default-external-debt/>

¹⁷ Our World in Data. "Share of population living with less than 1.90\$ and 3.20\$ per day, 1981 to 2019." <https://ourworldindata.org/grapher/share-of-population-living-with-less-than-190-and-320-per-day?country=~LKA>

¹⁸ Ibid.

¹⁹ Department of Census and Statistics, Government of Sri Lanka. 2017. "Household Income and Expenditure Survey Report 2016."

²⁰ World Bank. 2021. "The Covid-19 Impact on Livelihoods and Poverty in Sri Lanka: Background Note to Sri Lanka Poverty Assessment." Washington DC: World Bank.

²¹ World Bank. "Reshaping Norms: A New Way Forward."

²² World Bank. 2021. "Sri Lanka Poverty Assessment: Accelerating Economic Transformation." Washington DC: World Bank. <https://documents1.worldbank.org/curated/en/153941634242634615/pdf/Sri-Lanka-Poverty-Assessment-Accelerating-Economic-Transformation-Synthesis-Report.pdf>

welfare schemes, and the World Bank expects inequality to increase further due to losses from the pandemic being distributed unevenly.²³

Standard of living

With economic progress and poverty reduction has come marked improvements in living standards in Sri Lanka. Life expectancy at birth increased from 70 years in 1990 to 77 years in 2020.²⁴ The mortality rate for children under-5 declined from 23 deaths per 1000 live births in 1990 to 7 deaths per 1000 live births in 2020.²⁵ Maternal mortality also declined from 56 deaths per 100,000 live births in 2000 to 36 deaths per 100,000 live births in 2017.²⁶ Immunizations have had a high uptake; for instance, the measles vaccine had a 99% immunization rate in 2020.²⁷

Sri Lanka has done well in providing education to its population, especially relative to its peer South Asian countries. The net primary enrollment rate has been around 99% since 1990, while the primary completion rate was 97% in 1990 and 99% in 2020.²⁸ The gross enrollment ratio for secondary education has steadily improved over the last several decades, rising from 83% in 1990 to 97% in 2010 and 100% in 2020.²⁹ In terms of gender parity, the enrollments have been equal for males and females. Although there was a small difference in the adult literacy rate between males (93.0%) and females (91.6%) in 2019, both are very high.

Further, the living conditions of Sri Lankans have improved. In 2016, 96% of all houses had a permanent structure, while 92% of households had toilet facilities that were exclusive to them, and 97% used electricity as their primary source for lighting.³⁰ Most Sri Lankans (89%) also had access to safe drinking water in 2016; however, those that do not have access to it are predominantly those that live in the Estate sector³¹, where only 45% residents had access to safe drinking water. In comparison, 98% and 89% of urban and rural residents respectively had access to safe drinking water in 2016.³² Additionally, mobile cellular subscriptions have gone up from 2.3 per 100 people in 2000 to 138.8 per 100 people in 2020.³³

Despite significant social progress, there are some areas needing improvement. Ownership of durable goods has increased; however, the use of electric fans, which is important for Sri Lanka's tropical climate, was relatively low in rural (59.2%) and estate (17.9%) areas compared to urban

²³ Ibid.

²⁴ World Bank. 2022. "Country Profile: Sri Lanka." Washington DC: World Bank. https://databank.worldbank.org/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=LKA

²⁵ Ibid.

²⁶ World Bank. "World Development Indicators."

²⁷ World Bank. "Country Profile: Sri Lanka."

²⁸ Ibid.

²⁹ Ibid.

³⁰ Department of Census and Statistics, Government of Sri Lanka. 2017. "Household Income and Expenditure Survey Report 2016."

³¹ In addition to urban and rural classifications, Sri Lanka has a third sector called Estate, which comprises of all plantations which are 20 acres or more in extent with ten or more resident laborers.

³² Department of Census and Statistics, Government of Sri Lanka. 2017. "Household Income and Expenditure Survey Report 2016."

³³ World Bank. "Country Profile: Sri Lanka."

(83.3%) areas.³⁴ Garbage disposal is also an issue, as a distressingly high 29% of households dumped garbage within their premises in 2016, which can create unsanitary conditions, and 44% of households buried or burned their garbage.³⁵ In addition, the prevalence of wasting (15.1%) and stunting (17.3%) were relatively high in under-5 children in 2016, which suggests that nutrition remains a matter of concern.³⁶

Labor market

Sri Lanka's labor force was 8.47 million in 2020.³⁷ The sectoral distribution of employment in 2020 was as follows: agriculture employed 27.1% of the total employed population, industry had a share of 26.9%, while 46% were engaged in the services sector.³⁸ Informal employment makes up 67% of total employment in Sri Lanka and is more prevalent in the agricultural sector (91.4%) than in non-agricultural sectors (57.9%). The World Bank points out that the “quality of informal jobs is much lower than that of formal jobs”, as these are more precarious arrangements and have worse working conditions.³⁹

4. Living wage ladder and gaps to living wage

Figure 1 below provides a wage ladder for urban Sri Lanka and some context and gaps to a living wage. It compares the Anker Living Wage Reference Value for urban Sri Lanka for April 2022 with six other indicators. The gross Anker Living Wage Reference Value is LKR 84,231 (USD 259) which is much higher than all six wage comparators. It is 4.6 times the World Bank's \$3.20 poverty line wage for a lower middle-income country, which Sri Lanka was in 2018 and 2020, and 2.7 times the World Bank's \$5.50 poverty line wage for an upper middle-income country, which Sri Lanka was in 2019. It is 4.9 times the national poverty line wage updated by inflation to April 2022. The Anker Living Wage Reference Value is 5.3 times the statutory minimum wage in Sri Lanka, 2.2 times the 2019 median wage for industry workers updated by inflation to April 2022, and 1.7 times the 2019 median wage for urban workers updated for inflation to April 2022. Such large gaps to our living wage could be due to our living wage being unduly high or current prevailing wages and minimum wages as well as poverty line wages being unreasonably low for a country at Sri Lanka's level of development. This living wage estimate is not unduly high for a country at Sri Lanka's level of development (around \$259 per month and an exchange rate of 325 LR to a USD), but rather that all of the comparators are unsustainable and unrealistically low. The national poverty line wage is only around \$50 per month, the international poverty line wages are

³⁴ Department of Census and Statistics, Government of Sri Lanka. 2017. “Household Income and Expenditure Survey Report 2016.”

³⁵ Ibid.

³⁶ World Bank. “World Development Indicators.”

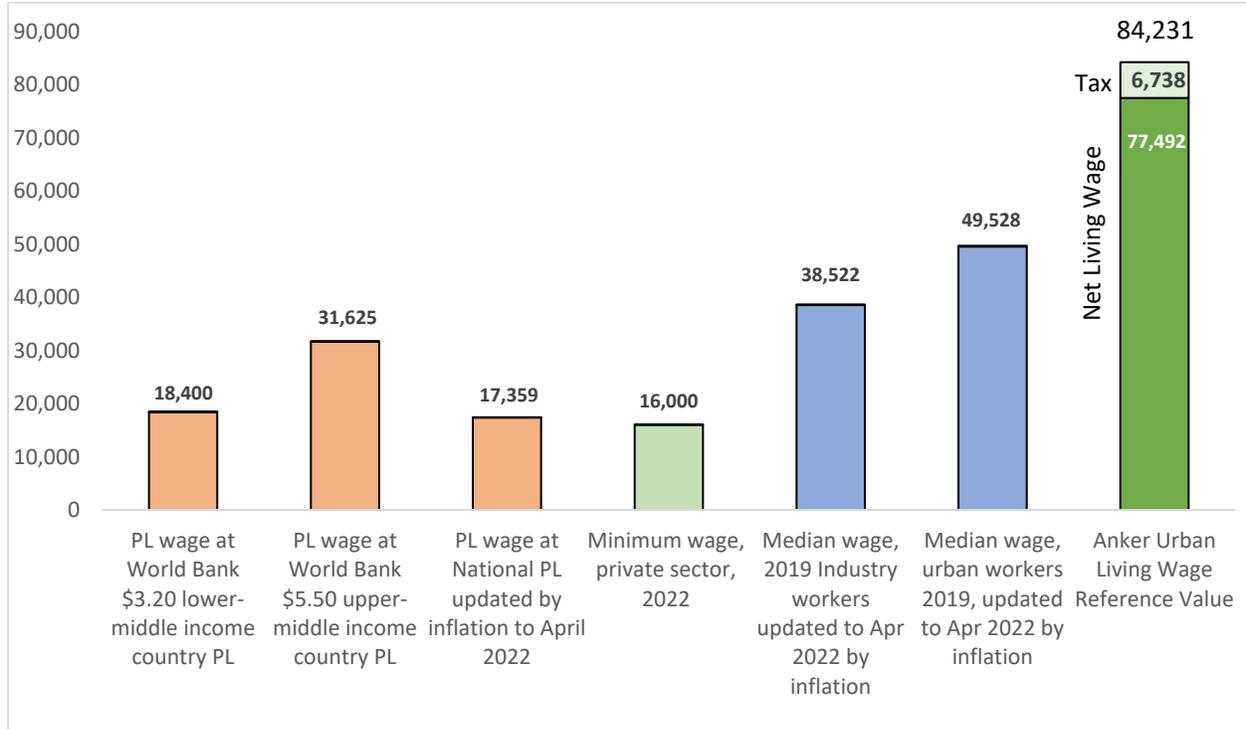
³⁷ Department of Census and Statistics, Government of Sri Lanka. 2021. “Labour Force Survey – Annual Report 2020.”

³⁸ Ibid.

³⁹ World Bank. 2020. “Informality, Job Quality, And Welfare in Sri Lanka.” Washington DC: World Bank.

about \$60-\$100 per month, the minimum wage is around \$50 per month, and median prevailing wages are about \$120 per month for industrial workers and \$150 per month for urban workers.

Figure 1: Wage ladder for urban Sri Lanka, April 2022 (in LKR)



Notes: ^a Sri Lanka’s national poverty line is calculated by the Department of Census & Statistics. The last year available is 2016. We updated this by inflation to 2022. ^b The World Bank poverty line for Sri Lanka was estimated using the World Bank poverty lines for both lower-middle income and upper-middle-income countries (\$3.20 PPP and \$5.50 PPP), because Sri Lanka is right at the boundary between lower-middle income and upper-middle income countries, being designated by the World Bank as a lower-middle income country in 2018 and 2020 and as an upper-middle income country in 2019 because of small changes in its per capita income. ^c Family size of 4.0 (2 adults and 2 children) was used for expositional purposes to estimate the poverty line wage and the World Bank poverty line wage. This family size is in keeping with a national total fertility rate slightly above 2 and an urban average household size slightly above 4. ^d Number of full-time equivalent workers per family of 1.60 is used for expositional purposes to estimate poverty line wages. It is based on urban labor force participation rates, unemployment rates and part-time employment rates for ages 25-59 from Labor Force Survey Report (2019) and ILOSTAT data. ^e Wages for industry workers and urban workers are from the 2019 Labor Force Survey Report. ^g The Anker Living Wage Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage benchmark studies). ^h The national minimum wage was last increased in March 2016 by the National Minimum Wage of Workers Act. However, minimum wages in Sri Lanka are often “determined by sector-specific tripartite wage boards for more than 40 trades in the country” (www.wageindicador.org).

Annex 1

Anker Living Wage Reference Values for Urban Sri Lanka: Net and Gross Living Wage for 2021 and 2022, in local currency

	2021	2022*
Reference Value		
Net LW	LKR 58,266	LKR 77,492
Gross LW	LKR 63,333	LKR 84,231
Lower confidence limit		
Net LW	LKR 52,945	LKR 70,416
Gross LW	LKR 57,549	LKR 76,539
Upper Confidence limit		
Net LW	LKR 64,121	LKR 85,280
Gross LW	LKR 69,697	LKR 92,695

*These estimates are for April 2022. Given the high level and uncertainty of inflation in Sri Lanka in 2022, values should be updated further over the year.