

# Effects of Third Wave of COVID-19 in Sri Lanka: Response on Unemployment and Economic Cost

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## Abstract

As a developing country Sri Lanka has undergone three waves of coronavirus. COVID-19 continues to pose significant challenges to Sri Lanka even after the lockdowns of the first and second waves. The country is currently on island-wide travel restrictions since 21<sup>st</sup> May 2021. Sri Lanka had massive impacts on the economy due to the first and second waves. The observable variations in GDP rate contraction by 3.6%, poverty rate by 4.1%, unemployment rate by 5.2%, and inflation rate by 4.56% in 2020 are evident to prove the economic massacre of the country. This paper explores the impact of coronavirus disease (COVID-19) on the economy and unemployment. Several themes emerged from the literature and survey results of various institutes. First, the economic crisis had caused high layoffs and closures in informal sectors at beginning of the crisis. Second, the risk of closure is negatively associated with the livelihood of individual. Third, most small businesses are financially delicate: and with less capital to operate the business was unable to pay salaries. Fourth, the vaccination crisis within the country will lead to more exposure to increasing the number of COVID-19 impacted cases on new variants. Further, the Sri Lankan Government needs on devising an appropriate National Level vaccination plan or health and safety measures to avoid an increase in the number of impacted COVID-19. The paper analyses the results of the surveys and predictions of the World Bank and other entities to predict the aftermath of three waves of COVID-19 on creating economically unstable conditions within the country. As a result, increase in unemployment and poverty.

## Keywords

Unemployment, Informal Economy, Economy Growth

## 1. Introduction

Sri Lanka is presently facing the third wave of COVID-19 lockdown consequences. The rise of COVID-19 due to the outpouring in the number of infections in mid-April this year (2021), the country was enforced into an island-wide travel restriction. The travel restrictions were placed for nearly a month and the article is written during this time period to envisage the unemployment response in upcoming months by comparing the results of data on the first and second waves. As of 12 June 2021, 213,581 cases are been reported, of which 59,585 were yet active. The number of losses of life officially attributed to COVID-19 was limited to 2073 as of now, while nearly 2700 patients were reported on a diurnal basis (Health Promotion Bureau, 2021). The imposed travel restrictions will be eased with fewer cases reported daily and limited community spread (Kapilan, 2020). While the COVID-19 pandemic impacts the livelihood, Sri Lanka's economy constricted by 3.6 percent in 2020, the worst growth performance on record (World Bank, 2021). The swift measures enacted by the government hit on livelihoods and the economy. Though the costs borne in facing the first impact is principally unavoidable, the costs of the second and the third strategy are dependent on the chosen strategy.

The International Monetary Fund has projected global economic growth to progress around 5.5% in 2021 (Economynext, 2021). Sri Lanka's economy is projected to grow between 5.5% - 6.0% in 2021 as per the central bank, convalescing from contraction in 2020, driven by the Coronavirus pandemic. The International Monetary Fund has lowered growth to 4.0% from an earlier 5.3%. In spite of the growth in handling Coronavirus, outlying debt remnants a challenge within concerns over printing money under Modern Monetary Theory and foreign exchange dilemmas. The World Bank has warned the country's public and publicly guaranteed debt can increase to 115% in 2021 and poverty could deteriorate further. (International Finance Corporation, A World Bank Group, 2020).

Sri Lanka was successful in controlling the spread of the first wave of the virus in the community with a lower death rate. As an outcome, the economy constricted by 16.4% (y-o-y) in the second quarter. Therefore, the economy was largely kept open during the second wave of the impact. In spite of restricted fiscal space, resources were allocated (almost 0.7 percent of GDP) for health procedures, cash transfers, and suspended tax payments. Although public expenses increased, revenues declined, consequently in a broadening of the fiscal deficit in 2020 (World Bank, 2021).

The paper adopts a qualitative analysis based on secondary data and information from responsible authorities; hence, the prevalence of the informal sector covers a higher percentage of the country's GDP. Addressing the informal sector is vital to funding the economy of the country. The COVID-19 pandemic has a severe effect on the economy too. The statistics related to informal sector employment are not precisely traceable to include in the paper (Bartika, 2020). Employees have collapsed from formal employment to informal employment raise

of 70% as per the informal sector employment 2021 (Labour Department of Sri Lanka, 2020). The time limits and revealing data is been a constrain throughout the literature search.

However, Sri Lanka couldn't rule out the second wave of the virus, at least the third wave of the virus could be controlled with effective strategies enforced by the government. Therefore, it is suitable to draw insights from the reactions to the first wave and second wave to inform the policy response to a potential third wave. As a result of the previous learning, travel restrictions were imposed instead of lockdown and curfews. Also, if government can avoid further economic contractions through adopting appropriate methods could support the recovery and sustainability of GDP. This article will examine the unemployment impact as a result of the economic crisis of the strategies imposed by the government during the first and second waves and forecast the upcoming issues in the economy and labour market. The paper contributes towards the future economic crisis which country will possibly face. If the future challenges are addressed with proper mechanisms by the government, we can eliminate the drastic raise in poverty, inflation, and economic devastation.

## 2. Economic Base to Unemployment Drift

Sri Lanka has an economically dynamic population of 8.6 million, with 64.5% males and 35.5% females. Further, nearly 3.5 million employs the private sector whilst self-employed workers are 2.7 million. It is significant to indicate that 81.3% of the non-public sector employees and 57.3% of self-employed employees are employed in the non-agriculture sector (Labour Department of Sri Lanka, 2020). A quarter of labour are engaged in agriculture, 28% in industries, and the remainder in services. A large share of workers continues to be engaged in low-productivity jobs, especially in agriculture. It indicated a 3.3 million employed population of informal sector employment. Since 85.7% employers from the non-agricultural sector the degree of the susceptibility and the effect on the employment was severe. Annual Labour Force survey 2020 indicated 68% of employment from informal sector. Considering the fact that the key sectors of Services, Industry and Agriculture contributions of 57.4%, 26.4% and 7% respectively contributes the US \$ 84.0 billion in 2019 to the Gross Domestic Product (GDP), with a portion of almost 40% of the whole exports, it is necessary to incorporate measurements to withstand the manufacturing industry of the country. The significantly high level of employment in the manufacturing industry confirms this requirement further (Gunawardane, 2020). This indicated the need for government interventions to revive business in these selective sectors.

The survey conducted by the Sri Lankan Labour department on COVID-19 impact indicates that 53% of the institutions have closed their businesses for operations. Further, another 44% operates under capacity. The survey indicates that 64% of employees were not in employment. This signifies the threat of unemployment. The report summaries, travel restriction and curfew as the reason for closed operation for business. A significant finding in the survey is the ca-

capacity of paying salaries and continuation of business (due to lack of capital) declines with the scale of the businesses. The number of terminations transpired in this category is significantly lesser than in the establishments with more than 500 employees.

These are mostly the firms with more cash in their pockets. Another survey conducted in the US estimates that closures of businesses discretely might lead to 32.7 million job losses. If the crisis lasts for 4 months and 35.1 million job losses if the crisis lasts for 6 months. The challenging fact is now the crisis has lasted for more than 14 months around the world with on and off lockdowns, travel restrictions and curfews.

Despite the fact that the transportation and storage sector was encouraged and promoted under the essential services it was still under capacity or inability to operate as these mostly operate through informal sectors. Further, the Labour Department survey report indicates 596,022 employees were employed by their selected sample at the end of February 2020 and the number has declined to 213,011 by the end of May in the same year. Accordingly, below indicates how employment losses have occurred after the first and second waves of the COVID-19 impact.

### **3. Informal Sector Unemployment**

The employment in the informal sector is not stable as in the formal sector, the statistics need to be more accurate to trace the employment percentage in the informal sector. One article suggests the suitable strategy to recognize the informal jobs is through an appropriate subcategory of status (Organisation, 2022). A unique characteristic of labour markets of developing countries is the prevalence of informal operations, which have been defined as the informal sector or the informal economy (International Labour Organisation, 2022). Informal sector workers are a shortage of informal work. Informal sector workers are expected to be poor than the formal sector employees due to a lack of social protections and formal implications in employment. The informal sector employment allied with higher differences in payments: similar skills workers are paid/earn less in an informal sector (Corinne Deléchat, 2020). A different view could be that people avoid the formal framework to be resilient to respond to uncertainties such as the pandemic. Contradict, the pandemic may encourage some employers to shift from formal to informal, due to existing opportunities for flexibilities and quick response to crucial tremors that informal provisions consent for. Small and medium-sized entities, where informal jobs are distillate, may grieve from interrupted supply chains: bigger firms give priority to goods in restricted supply releasing minor ones, or the supply chains basically changed due to the pandemic (Aleksandra Webb, 2020; Delechat, 2020).

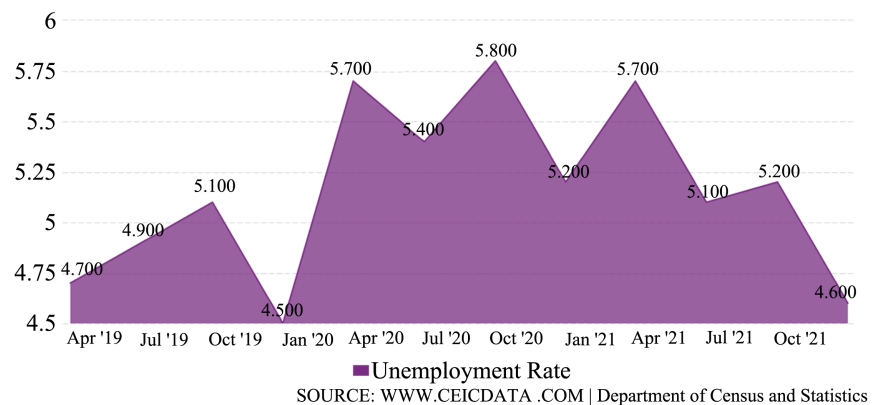
### **4. Cost of Unemployment**

“Decent work and economic growth” are the eighth sustainable development

goal. This goal identifies that economic growth will generate employment-productive and meaningful work, and contribute to human development (Perera, 2020). Therefore, it's significant to be alert not only about the impact on the economy but also about the creation of jobs and the degree of unemployment. There are no exclusions in labour laws which could be applicable in situations like COVID-19. Safeguarding employment whilst safeguarding businesses and ensuring sustainability has become a challenging task in Sri Lanka.

Sri Lankan labor market had a huge impact immediately after the first wave of COVID-19 hit the country. There were many survey reports which resulted to show the impact on the country. As reflected in the below **Table 1** on the Sri Lanka Labor Force Survey for the 4<sup>th</sup> quarter of 2020 produced by DCS indicates overall unemployment increased to above 6% in the second quarter of 2020 (Department of Census and Statistics, Ministry of Finance, 2021) retrieved from CEIC data website.

As we can see in **Figure 1**, during the past few years Sri Lanka has reported an unemployment level of less than 5% in every quarter. The impact of the government strategy on curfew enforcement can be seen in the percentages of the first quarter (5.7%) and third quarter (5.8). hence, the lockdown was completely



**Figure 1.** Distribution of unemployment rates and 95% confidence interval (2017Q4-2020Q4) CEIC, 2022).

**Table 1.** Number of unemployed and unemployment rate by age group and gender—fourth quarter 2020.

Level of Education	Unemployment rate %			
	Sri Lanka Number	Sri Lanka	Gender	
			Male	Female
<b>Sri Lanka</b>	441,997	5.2	4.1	7.5
<b>Below GCE O/L</b>	140,434	2.9	2.3	4.1
<b>GCE O/L</b>	113,671	7.3	7.5	7.0
<b>GCE A/L &amp; above</b>	187,893	9.3	6.3	12.8

(Department of Census and Statistics, MInistry of Finance, 2021)

elevated after June 28. COVID-19 infections seemed controlled until a breakout in an interrelated combination that led to an exponential heave in cases during the latter quarter of 2020. Confined lockdowns were introduced beginning from October 4, primarily in high-risk areas in the highly developed and populated Western, Central and North Western provinces.

As presented in **Table 1**, the number of unemployed persons is projected as 441,997 through the fourth quarter 2020. The unemployment rate for the fourth quarter of 2020 is 5.2 percent. It indicates female unemployment is higher than male employment. Employment loss was more likely to arise in urban areas and among private-sector employees and self-employed workers which may also include the informal sector employment. It was indicated that 28.6% of all workers were home in urbanized Western Province before the pandemic, but it surged with 36.3% share for employment losses. This is predicted to be led to a large contraction in industries that are existing in urban areas. Most Employment losses arose among private-sector employees and informal sector employees, followed by self-employed workers (Department of Census and Statistics, Ministry of Finance, 2021). Letting a significant sector of the employed population lacking with any form of social security makes them highly susceptible in the event of deprived of income.

Sectoral progress forecasts and past employment resistances suggested that employment in 2020 decrease by 1.1% in industry and 0.8 percent in services (World Bank, 2021). While agricultural operations sustained through the pandemic, there were recurrent interruptions in logistical operations and tea exports slightly declined in 2020. Moreover, the fishery sector grieved a substantial shock. Employees at the top end are more likely to have jobs that are formal and that can be operated remotely and are secured from unemployment (Economynext, 2021). Also, employees working in services that have suffered the smallest overall shock are secured the employment during the pandemic. The high segment of employment sufferers in the mid of the revenue distribution could surge both disparity and poverty. For some individuals, the income loss will imply that they fall into poverty (World Bank, 2021).

The deprived employees susceptible to unemployment are majorly informal. While the burden of job loss is lesser, the employees who are impacted are mostly informal. This unveils a dual vulnerability with regard to their position on the income dispersal and in the social security actions, they can approach. These underprivileged, informal employees are unlikely to have personal managing measurements, such as savings to deal with the crisis, and do not have the option of unemployment cover (insurance) or compensation payments connected to their jobs. Even formal workers are not resilient to the unemployment crisis and in fact, confront the effect of the impact (World Bank, 2021). At the higher end of the distribution, the weight of employment losses is much lower, partially because these employments are in sectors that had fewer affects. These employees are partially adopted teleworking options. The position of employment loss in the distribution has significant insinuations for total poverty rates.

A survey conducted by International Financial Corporation on “Gendered Impact on COVID-19” indicates that all companies have implemented remote working policy, hence, companies have started practicing temporary shifting in employees’ work roles, increasing and reducing working hours, using different work locations, utilizing paid and unpaid leave and further, 20% conglomerate and garment sector firms have made employees redundant (International Finance Coporation, A World Bank Group, 2020). The World Bank report states only around 27% of employees in Sri Lanka have potentially tele-workable jobs. In comparison to Sri Lanka, a survey conducted by a US survey group on employee concern about COVID-19 indicates that 71% of the respondent has moved into remote work (Anthony Caputo, 2021). Among the 20% the highest 20% of income earners, the segment of teleworkers is 47%. To be able to telework, one needs the digital access to fulfil the specific job requirements.

However, Export oriented subsectors are impacted by Weak external demand. Among industrial subsectors, construction and textile manufacturing, which are delicate to demand complications and required employees to be physically available, suffered the largest failure (Alekkandra Webb, 2020). As a result, the export-oriented clothing industry, which employs about more than five hundred thousand a worker, allegedly cut a significant amount of employment and applied significant salary reduction. As other reports published after the first wave indicates these industries were not planning to do so but unfortunately the second wave raised with the export-oriented textile industry this decision has changed.

Inequal opportunities to work remotely have presented new economic and spatial separations as working remotely is virtually a possibility for high-income earners, and small and medium-sized enterprises were doubtful to implement digital technologies. In the medium to long-term, digital transformation could develop a significant engine for an increase in jobs. However, in spite of the widescale possession of cellphones in Sri Lanka, the digital revolution will not be up to expectations without the extension of high-speed networks and accessible data around the country.

## 5. Employee Layoff & Reduction of Salaries

Sri Lanka has a highly defensive labor law administration; hence it does not contain provisions to manage with incomparable circumstances such as the COVID-19 pandemic, making employment shield tough even for formal workers, an employer position to seek reduction of salaries for employees who are in a non-operational status due to reasons beyond his/her control. Furthermore, even in this type of scenario, employers must follow the provisions of the “Termination of Employees Act”, if they compelled to fire employees due to the impact of “COVID-19”. In addition, Shop and Office Employees Act restricts female employees from being employed after 8.00 p.m. excluding in a few definite industries and trades (Gunawardane, 2020). As flexible employment provisions have

not been distinct and related to the rights of the employees, employers are hesitant to assume such types of employment arrangements. Hence, this exacerbation may incline the employers to misapplication of terms and conditions of employment signifying the possibility of fundamentals of obligatory labour being infiltrated the workplace. It is foreseen that employee providing agencies will take the excessive benefit of the growing circumstances leading to the exploitation of employees and disadvantaging them. Labour Department survey indicates layoffs have occurred more towards the below-average income generated. Also, these layoffs were more likely to arise in municipal areas and among private sector and self-employed persons. According to the report compiled by the Sri Lanka Labour department on “COVID-19 Impact on the Labour Market Sri Lanka” (Labour Department of Sri Lanka, 2020) states job losses arose less frequently than decrease in earnings. While intermediate labors are more likely to suffer deprived income.

It reported that in spite of high food inflation, feeble demand kept overall inflation in check. Annual regular inflation measured by the Colombo Consumer Price Index (CCPI, 2013 = 100) was 4.1% in February 2021 (World Bank, 2021). Food inflation has sustained continuously high at around 10% since the second half of 2020, reflecting the brunt of supply disturbances. Therefore, employees are susceptible to facing the third wave with no salary or being jobless.

As per the Labour Department survey, the percentage of sectors “not in work” category indicates 64.26% (as per the sample) in comparison to the number employed in February 2020. Whilst, Manufacturing industry indicates a percentage of 37.48% were included in the “unable to pay salaries” category. We must note that though the employers pay half, full, or basic salary throughout the lockdown, they will not be able to continue this for a long period of time Businesses is suffering. Since the second wave surged at the end of September through the textile industry resulted in closing down the entire garment manufacturers. However, the government planned a strategic lockdown around the country to mitigate the loss of economic functions but most of the lockdowns were in highly populated and commercialized western provinces. This was the second hit on the industries as they were trying to recover from the economic loss that occurred after the first wave. This adverse effect was predicted by the report (Kapilan, 2020) to have a negative shock of 50% then being optimistic. Production and consumption sectors were unviable due to lockdown rules. As a result, accommodation, food & beverages and transportations were severely affected.

Further according to the report non-essential manufacturing, construction, and financial services are expected to face a moderate negative shock of 45% in the pessimistic scenario. Sectors that were allowed to operate during the lockdown such as agriculture, and other essential manufacturing and services are estimated to face a lower negative shock of 10% in the optimistic scenario and 15% in the pessimistic scenario. Although these sectors were allowed to operate throughout the lockdown, lesser demand is expected in these sectors due to li-



mitted movement and income restraints of consumers. Sectors that are expected to have a positive shock include the manufacturing of cleaning materials.

## 6. Is Sri Lanka Ready to Face the Aftermath of “Third Wave of Covid-19”?

Several countries around the world are seen to be approaching a way out of the pandemic with the vaccine lift restriction. Sri Lanka has implemented an ad hoc plan on vaccination with vaccine distribution, securing the essential quantity of vaccines, and failed in guaranteeing the “Right to Health” of others who are not under the priority list. The actions of the government of Sri Lanka and the international community are serious at this stage, during the third wave of the virus Sri Lanka was struggling with the number of daily cases mounted to more than 2500 a day (Amensty International, 2021). Sri Lanka’s Health Promotion Bureau issued a public warning over Coronavirus after the New Year festive season in April in the respective year.

The current COVID-19 vaccination program in Sri Lanka is a failure due to a lack of strategic initiative, scarce resources, and malpractices in managing resources were reported through the media during dispatching. Currently, the country has denied the “right to health” by ensuring vaccination access to all. Hence, Sri Lanka initiated the vaccination procedure after receiving the donation of the first 500,000 doses of the AstraZeneca vaccine from India as a part of the “Neighborhood First” policy. These were first given to health sector employees, Tri forces, and Police as they were compulsory service providers. The 500,000 doses of the next batch arrived end of February 2020 which was invoiced on an agreement between the State Pharmaceuticals Corporation (SPC) of Sri Lanka and the Serum Institute. The 10 million doses of AstraZeneca were ordered by SPC from the Serum Institute of India at a cost of USD 52.5 million, due to postponements. Given the production delays with the AstraZeneca vaccines, Sri Lanka then secured the Sino pharm and Sputnik V vaccines and started their administration with limitations such as administrating only to elderly civilians (above 60).

Additionally, 264,000 doses of AstraZeneca were received as the second donation through the COVAX facility to the country. In total, COVAX’s pledge offer 8.4 million vaccine doses to cover 20% of Sri Lanka’s population at no cost to the government. WHO reports, that a total of 3,345,165 persons have been vaccinated as of now. Approximately 11.5% of Sri Lanka’s 21 million population has obtained the first jab of any of the vaccines, while another 4% have received both jabs (Amensty International, 2021).

This slow vaccination process and the results stated above would not be a deviation from the third wave that we encounter now, though the travel restriction is in force, mobility of essential services and rest of the industry in non-essential and informal sectors were closed down islandwide will not have a deviated impact comparing to the previous predictions and statistics. The aftermath effect of this would be much worse than the predictions made about the

country's growth. But seeing through the dark clouds, Honorable President Mr. Gotabaya Rajapakshe, stated during his speech addressing the nation that 13 million people are expected to be vaccinated by end of September with the arrival of ordered vaccination.

At the same time, allegations were made against the Health Promotion Bureau (HPB) for not releasing accurate information on COVID-19 was revealed. The government needs to assure the accuracy of the data and information on the current pandemic in order to make effective decisions to overcome the situation.

The Asian Development Bank's (ADB) flagship annual economic publication, the Asian Development Outlook (ADO) 2021, estimates a substantial reflection in Sri Lanka's economy as local and international economic action reinforces and vaccination campaigns drive domestically and abroad. ADB forecast Sri Lanka's economic growth to increase to 4.1% in 2021 and moderate to 3.6% in 2022 (Asian Development Bank, 2021). It is believed that growth will generate from improved private consumption reinforced by less-interest rates and as pent-up demand is released, also recovery in investment reinforced by less-interest rates, sturdier global demand, and base effect following the contraction in 2020. Hence, unfortunately, due lack of prevention measures taken by the government, the country had to go through the island-wide travel restriction with the third wave of the COVID-19 for more than one month with strategic isolations (Asian Development Bank, 2021).

The choice of COVID-19 mitigating strategies has implications on the overall well-being of communities in a country like Sri Lanka. Where a larger proportion of the community depends on the informal economy and the daily wages. As many have lost their income sources during the first wave and second wave (Gunawardane, 2020). Third-wave would bring adverse effects on their diurnal activities. The government paid an estimated 0.7% of GDP in fund transfers to displaced workers, affected senior citizens, kidney patients, and persons with a disability, some of these actions likely facilitated lessen the impact of the crisis on poverty. Numerous tax relief actions were also taken. The payment limits for the income tax, the VAT and certain other taxes were protracted, income tax arrears of SMEs were partly exempted, payment terms were lessen, and legal activities in contradiction of non-payers were frozen. The government did not pay any concessions to the public yet. This has made employees and their families more vulnerable to the consequences. Unemployment in 2020 reached an eleven-year high of 5.7% at the end of the year with the full impact of curfews set in during the first and second waves, in Sri Lanka. Based on the GDP contraction would have resulted in the unemployment levels at the end of the year. Accordingly, this would have a devastating effect on the aftermath of the third wave.

## 7. Research Approach and Implications

The paper attempts to present a literature review with an analysis of selected academic literature and statistical data shared by accountable authorities. The au-

thor's observation of the increase in unemployment rates and decrease in GDP percentages are identified as a research requirement in this discipline to identify the consequences of reflected statistical findings. There are various implications identified throughout the study. Although the COVID-19 pandemic unduly impacted the formal sector and informal sector employment. The literature provides limited statistical evidence on the informal economy in Sri Lanka, unemployment statistics, and similar prior research on similar topics conducted in Sri Lanka. This paper will provide an insight to future researchers on informal economy studies and unemployment when investigating economic uncertainties caused due to COVID-19. These results can be applied to other countries with the comparable environment. The findings suggest that government involvement in supporting the unemployment with proper mechanisms and increasing vaccination percentages among the public.

## 8. Anticipated Issues & Recommendation

- It is assumed with employment loss and earnings reductions, the “poverty gap” has increased from 17.9% in 2019 to 20% in 2020. Hence, poverty has surge significantly in 2020. Over 500,000 people are anticipated to have fallen into poverty as a result of the crisis, which led to an increase in the \$3.20 poverty rate from 9.2 percent in 2019 to 11.7 percent in 2020. Both these measurements imply that not only are there more poor people but also that the poor have fallen deeper into poverty. As per the analysis, if the Sri Lankan government allow SME and informal sector supporting loan scheme to address this issue. Extending a debt repayment halt on bank loans for garment, tourism, plantation, information technology, and SMEs until considerable time period devised in 2020, would be support to the in displaced business and workers to sustain their business.
- Alarmingly, Sri Lanka encounters substantial economic challenges curtailing from high public debt and outside financing provisions. Actions to appeal non-debt generating capital inflows, improve domestic income deployment, and expenditure management will be crucial to minimize vulnerabilities. Appropriate mechanism needs to be immediately implemented to sustain a positive GDP growth.
- High impact of curfew-type mitigation on GDP and employment, it would be prudent to assess such mitigation strategies in contradiction to other non-pharmaceutical mitigation strategies for GDP and employment impact to update the decision-making process. Such strategies could include more intensive testing, better quarantine measures, increasing healthcare capacity, and social incentives for social distancing and good hygiene within communities. Mitigation strategies can also be aimed, for instance, by aiming at contact restrictions on the most vulnerable groups. Therefore, aiming for escalated mitigation strategies for people above the age of 50 or those with respiratory illness and other pre-existing conditions would be a possible method for con-

taining the negative impact on GDP and employment, while continuing to contain the negative impact of the spread of COVID-19.

- The annual average inflation is expected to contain at 4.5% in 2021 before rising to 5% in 2022 as the base effects of high food inflation in 2020 and good agricultural growth. As Government decides to enforce a ban on chemical fertilizer and promote organic fertilizer. Now the farming community faces a new crisis with inadequate fertilizers this will have an impact on the harvest expected in the upcoming seasons.
- Sri Lanka is expected continuity in exports to meet the demands in the export market to gain and stabilize the foreign reserves of the country. Imposed import restrictions will help contain the deficit by recovering domestic demands and higher oil prices. The anticipated current account deficit is to edge decreased to 1.1% of the GDP product in 2021. Indecision of the prevailing pandemic situation, pace of vaccination, restricted fiscal space, debt vulnerabilities, mechanical issues, and extreme weather stance a risk to the strength of the recovery of Sri Lankan economy.
- Sri Lanka's Tourism act as the third-largest foreign exchange earner after worker transmittals and garment exports the tourism sector was distressed by the duple blow of the 2019 terror attacks and the triple lockdowns and new variant development surge during a pandemic. Reviving this sector demands devising a strategy to appeal the assurance of both local and international travelers.
- Considering the nature of remote working, embracing telework and digital technology is advanced for private sector institutions than for small and medium scale businesses. A great number of top private-sector employers specified that relaxed work policies were the most beneficial for managing human resources during COVID-19. However, challenges in infrastructure and acclimating jobs to a fully remote workplace continue to be uncertain. Lack of smartphone users (as only 1/3 of the population use smartphones) and lack of internet (4G) connectivity around the country were cited as the primary reason for productivity dips among employees during the pandemic.
- Sri Lanka has not devised a one national COVID-19 vaccination plan which is transparent, speedy, and accessible to everyone. Therefore, Sri Lanka needs to devise a strategy map to communicate and include the participation of civil society and marginalized groups to this plan. This information must clearly communicate to the general public so people are conscious of when they will receive the COVID-19 vaccine.
- Compared to the other countries hit by COVID-19 first wave, Sri Lanka lack appropriate strategies to avoid the second and third wave. Though the travel restrictions will be removed, Government needs to ensure health and safety measures with less impact on the economy.
- The government needs to procure quality and adequate vaccination immediately to the general public.

## 9. Discussion & Conclusion

This paper attempts to define unemployment and the economic consequences of the increase in unemployment due to the COVID-19 pandemic. As we recognize it's early to determine the long-term effect of the pandemic but as we identify unemployment and lack of vaccination might lead to multiple waves of disease. However, Sri Lanka's first and second COVID-19 mitigating strategies had significant implications for the overall well-being of the people. Especially in developing countries like Sri Lanka, where there's a great level of informal sector workers depending on daily wages and the adverse effect of lockdown strategies has resulted in unemployment, GDP, and Poverty. The benefits of employing a low-cost labor force at the cost of such things as income security, health and safety, and with no welfare are drivers of employers resulting in a 70% increase in the informal sector employment in Sri Lanka. In order to overcome this small business owners or entrepreneurs who are self-accounted are out of regulatory frameworks therefore formalizing these entities will offer limited power in setting mechanisms for labor. The decrease of jobs in 2020 due to the COVID-19, and uncertainty about the future due to the prevailing situation, have primarily changed the costs and benefits of informal employment.

As we now understand COVID-19 pandemic has affected labour market with challenges. Established countries addressed the pandemic challenges with a variety of policies to offer subsidies to affected employees and entities. It was easier for them to extend the support through social security systems. Having reliable information on how formal and informal sectors are affected by COVID-19 enabled most countries to offer attentive involvement to produce better results. As stated in this study, the pandemic-led economic downturn has affected industrial and employee groups differently focused interventions supporting the most affected sector of the labour market are indispensable for a speedy recovery of the economy. Entities that are robust can cooperate, collect information on labour market situations, and deploy these to formulate policies for labour market retrieval.

Mitigation strategy impact has been more severe on the economy than the disease. Observing the unemployment percentage, salary deductions, reduction of domestic demands, and GDP contraction can be seen with the third impact of COVID-19 on the country. The government will need to evaluate the mitigation strategies' impact before enforcing the same in the future. Though due to strict laws employers cannot terminate employees' temporary salary deductions harm the livelihood of employees and their families. Therefore, the government will need to assure the quality vaccination for the entire population in order to regularize the livelihood of people.

Further research is required in the informal economy between the impact of COVID-19 and informal sector employment. While the immediate effects of the pandemic are complicated and uncertain. It is most likely to reflect the adverse effects on the economy as a long-term effect of COVID-19. This can include

formal and informal employment and adverse economic crisis.

## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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