

# **Sri Lanka: Cost of living: Masses at the brink of survival**

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**With the cost of living skyrocketing in the last few weeks, a restlessness is seen growing among the masses, with a demand for a wage increase arising from some sections of society while a segment of the youth population is exploring options of migrating in search of greener pastures.**

Economic experts predicted that the cost of living would continue to increase, particularly with the anticipated increase in fuel prices, while a wage increase could result in a rise in inflation.

“As commodity prices increase, import goods have a higher chance of going up in price. But we must also keep in mind that this can affect inflation,” said Advocata Institute Chief Operating Officer (COO) Dhananath Fernando.

Speaking to *The Sunday Morning*, he said: “Inflation spirals start with the cost of living increasing, which is when people start demanding higher wages, and when wages also increase, the prices of goods increase, which ultimately leads to inflation.

“However, while the increase in the price of goods affects the cost of living, it may have a lesser bearing on inflation. When I speak of inflation, I’m not referring to the inflation indicator by the Central Bank, which is derived through a selected basket; instead, I refer to the overall cost of living - i.e. what people can afford with the money they have in hand.

“Of course, that should ideally reflect in the inflation basket. Fuel prices are set to increase, and this too will cause all products and services to increase in price. So the cost of living will go up overall.”

Fernando noted that as a result of the price hikes, consumers’ consumption patterns would change, particularly in terms of food, as some may opt to switch to more affordable alternatives in order to survive. “Generally, what happens is they adapt,” he added.

As such, he said it was difficult to determine if the conditions would be unbearable for some, especially the poorest segments of society, but added that it could be calculated to a certain degree.

“While I haven’t done the calculations, you can estimate the situation by checking the poorest section of society - they may be earning about \$ 1.25 a day - and calculate whether their income per day is adequate for at least their food expenditure. If their food expenditure is higher than what they earn daily, then I think these could be considered unlivable conditions.

“If you look at our (Advocata’s) ‘Bath Curry Indicator’ (BCI), in August, a four-member family had to spend Rs. 1,300 per week, or around Rs. 6,000 per month, to meet their basic food needs. Another way to calculate this would be to do a calorie calculation to determine the cost for their minimum calorie intake and determine the percentage from that income level who can afford that amount,” he explained.

Fernando pointed out that a safety net through the budget to provide benefits to the needy would help those finding it tough to survive, adding: "A safety net could be introduced to upskill people and give them a stipend based on the market rate and their income level, so that they can at least keep their heads above water. It will also encourage them to learn something and create more value."

He then noted that a mass exodus among youths to foreign nations was a probability as the cost of living soared. This, in turn, would deplete the valuable human capital the country needs to develop and move forward.

"Obviously, people will consider migration. When there are hard times, people will consider looking for better opportunities. It's natural economics. I think youths are considering that. I saw reports (I'm not sure how reliable it was) that there was a significant boom in the migration applications. So, there will be some brain drain," he added.

Meanwhile, the government service was adamant that the minimum wage of an employee was insufficient.

As per latest data released by the Department of Census and Statistics in August 2021, a minimum monthly expenditure of Rs. 5,353 was sufficient per person to meet their basic needs. Accordingly, the monthly minimum expenditure for a family of four totals Rs. 21,500.

### **Woes of the masses**

Speaking to *The Sunday Morning*, Joint Trade Union Alliance member and Government Nursing Officers' Association Leader Saman Ratnapriya said: "The increase in prices and cost of living, as well as the crumbling economy, have heavily impacted working-class citizens. Both government sector and private sector workers are seriously affected. It is impossible for them to bear this increase in cost of living while earning their current wages.

"These are unnatural price increases. The price of a (12.5 kg) gas cylinder increased by Rs. 1,200 - this is an 80% increment; prices of milk powder, rice, and coconut also increased. So, it is not possible to live with the current wages. The minimum wage of a state sector worker is Rs. 24,000, which they get as a basic salary. This is not enough to sustain a family - to spend on food, education for their children, and transport - and there are new costs as well. Because of the current (pandemic) situation, they have to spend on digital technology such as a smartphone, tab, or laptop for their children's education."

He said that it was vital that the salaries of government sector employees be increased and added that they would be submitting a proposal in this regard to the Government in two weeks.

"There is restlessness among government employees for a wage increase across the board. Earlier, a proposal was made for wage increments along with the Ranukge Committee report, which resulted in an increase of Rs. 3,000 in the basic salaries. But this is not enough given the current situation. We will be submitting a new proposal to the Wages Board and the Government within the next two weeks," he went on to say.

Inter Company Employees Union (ICEU) President Wasantha Samarasinghe charged that the Government was trampling the private sector workers, who he said were the economic powerhouse of the nation.

He said: "Without giving any justifiable reasons, the Government allowed the prices of essential goods to be increased, burdening the masses who were suffering in the aftermath of the Covid-19 pandemic. Those who had resorted to eating two meals a day were now finding it hard to eat even

one meal a day.

“If the Government did the calculations, they would know that an average family uses a gas cylinder a month, the cost of which has now increased by Rs. 1,200; at least three packets of milk powder are used for a month, which means another Rs. 600-700. Other essential goods such as rice and sugar have also increased. All in all, in September alone, the cost of a household’s grocery bundle increased by (approximately) Rs. 4,000.

“We ask the Government, who claimed that the private sector workers were the engine of the economy and got them to work during the lockdown: Why are you burdening the very people you claimed were so important to the country a few weeks ago? The ministers seek austerity from the workers, but they are living lavishly, as all their bills are paid by the public.”

He said the Government must increase the minimum wage and direct that private sector salaries be increased by 40% across the board as soon as possible.

“In the last year, the cost of living increased between 14% and 20%, but the wages of the private sector remained the same. The current minimum wage of a (private sector) worker is Rs. 16,000. The estate workers were not getting the promised Rs. 1,000 daily wage, and there is a court case pending in this regard. The Government accepted that the minimum wage should be Rs. 26,000,” Samarasinghe claimed, adding: “So, we ask the Government to increase the minimum wage from Rs. 16,000 to Rs. 26,000. If not, the people cannot survive.

“If they don’t increase wages, they must at least reduce the prices of goods and bring the cost of living down. If they do neither, the Government shouldn’t be surprised if the masses take to the streets.”

“The pandemic situation wouldn’t matter when people feel hunger in their stomachs. They may drink water instead of eating one or two meals, but they can’t do that for all three meals. So apart from stealing, the people will take to the streets and demand that prices be reduced.”

Meanwhile, it is learnt that plantation sector workers in tea estates were affected the worst by the current socioeconomic conditions.

Institute of Social Development Executive Director R. Muthulingam said that conditions had become almost unliveable for estate sector workers.

He explained: “It’s unbearable for them. Earlier, they used firewood (to cook), which they brought from the nearest forest. But now, the Forest Department and the estate officials do not allow them to bring any firewood from the forest. Moreover, over the last decade, they switched to using gas cylinders instead of firewood. So, at this juncture, can the workers afford to purchase a gas cylinder?

“Furthermore, their agreed upon Rs. 1,000 per day wage had turned into a scam, as the estates resorted to reducing the total number of days in order to comply with the Government’s instructions, while also reducing their expenses. While the workers are given Rs. 1,000 per day, the number of workdays were reduced to around 13-15, sometimes even 12. So, some workers get only Rs. 12,000 a month. In this backdrop, the price of flour, rice, and other essentials have gone up. So how can they survive this increased cost of living?”

National Union of Workers General Secretary Mylvaganam Thilakarajah too asserted that estate sector workers could not afford the current cost of living.

“Even though the Government took steps to increase the daily wages of estate workers and even

gazetted it, the regional plantation companies (RPCs) were not implementing it in the estates properly. To get around it, they reduced the number of workdays,” he reiterated.

### **A lackluster response**

Nevertheless, the Government’s response to the helpless masses appears lacklustre and inadequate.

Cabinet Minister Mahinda Amaraweera said that a wage increase was necessary but unlikely and that the Government could not control the prices of goods.

“I don’t think the Government can control the cost of living at this point. There is no point in trying to control the price of goods, as the Government’s interventions failed. What must be done is to look at projects that will increase the income of the people and at the same time strengthen the rupee. I think the upcoming budget will see to it,” he said.

He said that a wage increase would not help resolve the problem and that the Government would look at ways to increase the income of the people.

“It is true that wages should be increased, but it won’t solve the problem. Increased wages will not help those in the villages, such as the farmers, fishermen, and labourers, who are also suffering. It will be hard to increase government sector workers’ wages, and the Government can only make a request to the private sector to increase wages. But, like I said, this won’t solve the problem, as there are many more who are not part of either the government service or the private sector,” he noted.

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### **Skandha Gunasekara**

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