



International
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Organization

► Actuarial analysis of a maternity benefit scheme in Sri Lanka

July 2025





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► Acknowledgements

The primary objective of this study is to assess the cost of implementing a maternity benefit scheme in Sri Lanka under various design options and to provide key considerations and recommendations for an effective implementation.

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► Executive summary

The primary objective of this study is to assess the cost of implementing a maternity benefit scheme in Sri Lanka under various design options and to provide key considerations and recommendations for its effective implementation.

A maternity benefit scheme serves multiple objectives essential to supporting women, families, and society at large and has wider economic and labour market benefits. By providing income security, maternal healthcare, maternity leave, and employment protection, such schemes aim to prevent and reduce poverty and vulnerability, promote the health, nutrition and well-being of mothers and their children, achieve gender equality and advance decent work. By facilitating mothers' participation in the workforce, maternity benefit schemes further contribute to broader economic growth. The provision of paid parental leave based on ILO Recommendation No. 191 (Maternity Protection Recommendation) also promotes shared family responsibilities, advancing gender equality and supporting the welfare of families.

In Sri Lanka, current legislation requires employers to offer maternity protection for private sector and government employees. However, a maternity benefit scheme funded by contributions from both employees and employers would provide a more effective alternative to the current employer-liability provisions, while reducing the financial burden of maternity benefits on individual employers and addressing the low compliance that leaves many eligible women without support¹.

Table E1 presents an overview of the parameters for the two key design options discussed in Chapter 2 (design options A and B). These design options are derived from findings and observations made by the ILO, as well as discussions held with stakeholders throughout the project.

► **Table E1. Key parameters of two design options for Sri Lanka**

Parameter	Option A	Option B
Coverage	Mandatory coverage for all formal employees	
Contributory earnings	Monthly salary	
Maternity leave and cash benefit	<ul style="list-style-type: none"> The maternity cash benefit is calculated as 6/7th (85.7%) of the contributory earnings prior to birth The maternity cash benefit is paid for a maximum duration of 14 weeks 	<ul style="list-style-type: none"> The maternity cash benefit is calculated as 100% of the contributory earnings prior to birth The maternity cash benefit is paid for a maximum duration of 18 weeks
Paternity leave and cash benefit	<ul style="list-style-type: none"> The paternity cash benefit is calculated as 6/7th (85.7%) of the contributory earnings prior to birth The paternity cash benefit is paid for a maximum duration of 3 days 	<ul style="list-style-type: none"> The paternity cash benefit is calculated as 100% of the contributory earnings prior to birth The paternity cash benefit is paid for a maximum duration of 3 days

Source: Authors' proposals based on findings, observations and recommendations from Chapter 1.

¹ See ILO Policy Note (2024) on Maternity Benefits.

Design options A and B align with the core principles of maternity protection established by Convention Nos. 102, 103 and 183.² Design option B also aligns with Recommendation No. 191, which sets higher standards in terms of maternity leave and benefits. The current benefit levels under legislation (6/7th of earnings or 85.7%) are maintained under Option A. The core principles of Conventions and Recommendations pertaining to maternity protection include:

- The right to maternity leave;
- The provision of health care during maternity³;
- The right to cash benefits during maternity leave;
- The right to job security during pregnancy and maternity leave;
- The right to nursing breaks during working hours; and
- That employers should not be individually liable for the costs of maternity benefits.

Table E2 presents the recommended contribution rate for design options A and B. The detailed demographic and financial projections are presented in Chapter 4 and are based on key demographic and economic projection assumptions outlined in Chapter 3. Section 4.3 presents the recommended contribution rate for alternative design options proposed by stakeholders or derived from design options A and B.

► **Table E2. Recommended contribution rate, design options A and B (in %)**

	Option A	Option B
Maternity cash benefit expenditure	0.62	0.93
Paternity cash benefit expenditure	0.04	0.05
Administrative expenditure	0.10	0.10
Minimum contribution rate to ensure the scheme's sustainability over the projection period¹	0.76	1.08
Additional contribution rate to accumulate a stabilization reserve	0.09	0.12
Recommended contribution rate²	0.85	1.20

Source: ILO calculations.

Notes: (1) Assumes no stabilization reserve at the end of the projection period. (2) Refers to the contribution rate that would be required to allow the scheme to accumulate a stabilization reserve equivalent to the total annual projected expenditures (benefits and administrative expenditures) for the last year of the projection period of ten years.

The key findings of the financial projections are presented below:

- **Option A:** A contribution rate of 0.76 per cent of earnings (0.66 per cent for the benefit expenditure and 0.10 per cent for the administrative expenditure) would be sufficient to pay all the expenditures of the scheme over the projection period (no accumulation of a stabilization reserve at the end of the projection period). An additional contribution rate of 0.09 per cent is necessary to accumulate a stabilization reserve equivalent to the total projected expenditures (benefits and administrative expenditures) for the last year of the projection period. The recommended contribution rate is therefore **0.85 per cent** of earnings.
- **Option B:** A contribution rate of 1.08 per cent of earnings (0.98 per cent for the benefit expenditure and 0.10 per cent for the administrative expenditure) would be sufficient to pay all the expenditures of the scheme over the projection period (no accumulation of a stabilization reserve at the end of the projection period). An additional contribution rate of 0.12 per cent is necessary to accumulate a stabilization reserve equivalent to the total projected expenditures (benefits and administrative expenditures) for the last year of the projection period. The recommended contribution rate is therefore **1.20 per cent** of earnings.

² Here, paternity leave is explicitly suggested to harmonize the existing paternity leave system extended only to all male public servants which do not cover private sector employees under the present legislative framework.

³ This study assumes that prenatal and postnatal care, including institutional delivery, will remain available to all women in Sri Lanka, whether employed or not, and financed by public funds as per current practice. Therefore, since maternal healthcare is already universally accessible, no additional provisions for maternity care are included or costed under design options A and B.

It is important to note that the recommended contribution rates of 0.85 per cent for design option A and 1.20 per cent for design option B would not necessarily translate to an increase in the overall financial burden on employers. Currently, employers are solely responsible for providing maternity benefits as per the Maternity Benefits Ordinance, the Shop and Office Employees Act and the Establishment Code. Under these legislations, employers directly bear the full cost of maternity benefits—and, under the Establishment Code, the full cost of paternity benefits as well. By introducing a maternity benefit scheme provided on a social insurance basis, these costs would be redistributed across employers, reducing the direct financial obligation for each. Additionally, if stakeholders decide to share the contribution rate between employees and employers⁴, this would further reduce the financial responsibility borne by employers. Furthermore, a broader assessment of Sri Lanka's existing social security framework could help determine whether a portion of current contributions—by both employers and employees—to other schemes could be reallocated to finance maternity benefits, thereby avoiding any net increase in overall contribution levels.

This study cannot, of course, pretend to project the future with perfect accuracy, first due to the inherent uncertainty of demographic and economic forecasts, and second, because costing a new scheme is particularly challenging given the limited historical data and actual experience. To illustrate the potential variability in results, various sensitivity tests have been produced on assumptions that either have a substantial impact on future costs or are less credible due to limited data (see Section 4.2). The results confirmed the robustness of the recommended contribution rates. The assumptions and methodology applied represent a reasonable and balanced approach to estimating future costs ensuring that the recommended contribution rates remain robust across a range of plausible scenarios.

Additional considerations and recommendations of this report include:

- **Extension of coverage to informal sector workers:** Maternity benefit schemes mainly target women in formal employment, leaving a significant gap in coverage for those in informal work, such as self-employed, domestic, and agricultural workers as well as for workers in the formal sector whose employers do not affiliate them for social insurance. It is estimated that approximately 60 per cent of women in Sri Lanka work in the informal sector and would therefore lack coverage under design options A and B. Covering such workers under a contributory social security scheme is challenging for a variety of reasons – there may be an absence of legal framework allowing affiliation, for self-employed or agricultural workers there may not be a stable income necessary for regular contributions and certain employers may not comply with legislation. Indeed, contributory social insurance schemes suffer from a general weakness that they cannot provide cash benefits to workers in informal sector employment or mothers who are not in paid employment. To address the specific needs of informal workers, innovative measures may need to be developed. Social protection mechanisms, such as non-contributory schemes and tax-financed programmes, could provide a safety net by ensuring minimum income security for women working in the informal sector. Pilot programs targeting high-need regions and integrating maternity cash benefits with existing health care services could provide immediate relief to mothers in the informal sector. A phased approach, with initial focus on areas with high informal employment, could progressively build a sustainable support system, paving the way for comprehensive, inclusive maternity coverage.
- **Parental and adoption leave:** Parental leave encourages a more balanced distribution of caregiving responsibilities, supporting families by giving them the flexibility to decide which parent will take leave based on their unique circumstances. Adoption leave, while similar in purpose, specifically addresses the unique needs of adoptive families, enabling parents to spend time bonding with their newly adopted child. Consideration should be given to including provisions for parental and adoption leave within the maternity benefit scheme; this could be implemented at a relatively low cost (see Section 5.2).
- **Maternity leave in case of stillbirths:** Many countries provide special periods of leave for miscarriage, stillbirth, death, or other complications arising from childbirth. These provisions align with the general intent of Convention No. 183 and its associated Recommendation No. 191, which advocate for the

⁴ Stakeholders should reach a consensus on how the contribution rate is shared between employers and employees. This allocation must also comply with ILO Conventions, which stipulate that the total contributions borne by employees shall not exceed 50 per cent of the total contributions.

extension of maternity leave in cases of complications related to pregnancy or childbirth. Offering special periods of paid leave through the maternity benefit scheme could be done at a minimal cost. Indeed, with an estimated stillbirth rate of 6.5 per 1,000 live births in Sri Lanka, such a measure would result into an increase of less than 0.01 per cent in the cost of the scheme, thereby not impacting the recommended contribution rates for design options A and B presented in Chapter 4.

- **Administration of the maternity benefit scheme:** The administration of maternity benefit schemes shares many of the general characteristics of other social security branches. To deliver benefits effectively and in accordance with legislation, the institution administering the maternity benefit scheme must adhere to principles of good governance. Core principles such as accountability, transparency, predictability, participation, and dynamism are essential to the successful management of maternity benefit schemes. Given Sri Lanka's need for an efficient institution to administer the maternity benefit scheme, the Employees' Trust Fund emerges as a viable option to undertake this role. Established in March 1981 under the provisions of ETF Act No. 46 of 1980, the Employees' Trust Fund operates under the Ministry of Finance and Planning and has a proven track record in managing contributions and providing welfare benefits to a large membership base. The Employees' Trust Fund's established infrastructure and robust administrative capabilities make it well-suited to handle the complexities of administering a contributory maternity benefit scheme.
- **Social dialogue for effective implementation:** The principles of tripartism and social dialogue are key for social protection development, reforms and governance. Social dialogue is a mechanism for participation and consensus building in the world of work and it is key for designing and implementing social protection policies, including in contexts of crisis. Integrating social partners in the process of formulating policies for maternity benefits and other social protections will contribute to more equitable and inclusive societies. Where social dialogue structures are limited, governments have an opportunity to establish, strengthen, or revitalize these channels by providing the enabling conditions and environment for open and constructive engagement. This includes reinforcing the capacities of workers' and employers' organizations and consulting other representative organizations relevant to maternity protection and family welfare.

The ILO remains available to provide support to stakeholders, assess additional design options, and provide further assistance to the Government in the development of a maternity benefit scheme in Sri Lanka.

► Introduction

This report presents the results of the actuarial analysis of a maternity benefit scheme in Sri Lanka. It includes projections, policy and financing implications. The actuarial analysis is mainly based on the data obtained from the Employees' Trust Fund as well as on the statistics obtained from the Department of Census and Statistics of Sri Lanka.

The report is structured as follows:

- Chapter 1 presents the rationale for the implementation of a maternity benefit scheme in Sri Lanka, including references to International Labour Standards. It also discusses Sri Lanka's legal framework governing maternity benefits, with a specific focus on its alignment with ILO Conventions.
- Chapter 2 describes the characteristics of the key design options assessed in this report.
- Chapter 3 presents the main economic, demographic and scheme-specific assumptions used to assess the cost of the maternity benefit scheme.
- Chapter 4 presents the cost assessment of the two design options described in Chapter 2. It also discusses the cost assessment of alternative design options derived from stakeholders' inputs.
- Chapter 5 presents additional considerations, not elsewhere specified in this report, for the implementation of the maternity benefit scheme.

The Report includes additional information in the annexes as follows:

- Annex 1 presents the general methodology used to assess the cost of the design options.
- Annex 2 presents the ILO social security standards on maternity protection.

▶ 1. Context

This chapter presents the rationale for the implementation of a maternity benefit scheme in Sri Lanka, including references to International Labour Standards. It also discusses Sri Lanka's current legal framework governing the provision and financing of maternity benefits, with a specific focus on its alignment with ILO Conventions.

1.1. Introduction to maternity benefit schemes

Maternity protection is essential to prevent and reduce poverty and vulnerability, promote the health, nutrition and well-being of mothers and their children, achieve gender equality and advance decent work. By facilitating mothers' participation in the workforce, maternity benefit schemes further contribute to broader economic growth, particularly important in ageing populations where an increase in female labour force participation rates is important. Maternity benefits comprise income security, maternal healthcare, maternity leave, breastfeeding arrangements, employment protection and childcare solutions after return to work. While significant progress has been made globally, it is estimated that far too many women still face impoverishment or suffer from preventable consequences of complications during pregnancy or childbirth due at least partly to a lack of benefit coverage. From a social protection perspective, ensuring effective access to maternal and child healthcare and income security in the critical period before and after childbirth is essential.

As a fundamental element of maternity protection and social health protection, good maternal healthcare provides for effective access to adequate healthcare and services – including reproductive health services – during pregnancy and childbirth and beyond, to ensure the health of both mothers and children. As with social health protection in general, a lack of coverage puts the health of women and children at risk and exposes families to significantly increased risk of poverty. In turn, this makes populations less robust to external shocks and crises thereby reducing potential economic growth nationwide.

In addition to providing good-quality maternal healthcare, maternity cash benefits are of critical importance for the well-being of pregnant women, new mothers and their families, not least in order to enable and support adequate nutrition during pregnancy and breastfeeding. The absence of income security forces many women to keep working into the very late stages of pregnancy and/or to return to work prematurely after the birth, thereby exposing themselves and their children to significant health risks.

According to international labour standards (see section 1.1.1.), maternity protection includes not only income security and access to healthcare, but also the right to interrupt work activities, to rest and to recover around childbirth. It ensures the protection of women's right to work and rights at work during maternity and beyond, through measures that prevent risks, protect women from unhealthy and unsafe working conditions and environments, safeguard their employment, protect them against discrimination and dismissal, and allow them to return to their jobs after maternity leave under conditions that take into account their specific circumstances, including the need for breastfeeding. From the perspective of equality of opportunity for and treatment of women and men, maternity protection takes into account the particular circumstances and needs of women, enabling them to enjoy their economic rights while raising their families. Adequate provision for paid paternity leave and parental leave is an important corollary to maternity protection policies, and contributes to a more equal sharing of family responsibilities.

1.1.1. International standards relevant to maternity protection

Women's right to maternity protection is enshrined in the Universal Declaration of Human Rights of 1948, which sets out the right to social security and special care and assistance for motherhood and childhood. The International Covenant on Economic, Social and Cultural Rights (1966) establishes the right of mothers to special protection during a reasonable period before and after childbirth, including prenatal and postnatal healthcare and paid leave or leave with adequate social security benefits. The Convention on the Elimination of All Forms of Discrimination against Women (1979) recommends that special measures be taken to ensure maternity protection, proclaimed as an essential right permeating all areas of the Convention.

Since the adoption by the ILO of the Maternity Protection Convention, 1919 (No. 3), in the very year of its foundation, a number of more progressive instruments have been adopted, in line with the steady increase in women's participation in the labour market in most countries worldwide. The Social Security (Minimum Standards) Convention, 1952 (No. 102), the flagship of international labour conventions related to social security, sets minimum standards as to the population coverage of maternity protection schemes, as well as the level and duration of maternity cash benefits, to address the temporary suspension or lack of earnings during this period. The Convention also defines the medical care that must be provided free of charge at all stages of maternity, to maintain, restore or improve women's health and their ability to work. Further, it provides that free maternal healthcare must be available to women and the spouses of men covered by maternity protection schemes.

The Maternity Protection Convention (Revised), 1952 (No.103), which has since been replaced by the Maternity Protection Convention, 2000 (No. 183), recommends that countries introduce collectively financed maternity benefits (social insurance or tax-financed) rather than relying on employer's liability provisions. This improves equality of treatment for men and women in the labour market because it shifts the burden of bearing the costs of maternity benefits from the individual employer to the collective, reducing discrimination against women of childbearing age in hiring and in employment, and the risk of nonpayment of due compensation by the employer. Such reforms can also facilitate the coverage of women with low contributory capacities and interrupted employment histories, including those in part-time or temporary employment, and those in self-employment. The Maternity Protection Convention, 2000 (No. 183), and its accompanying Recommendation (No. 191), provide detailed guidance for national policymaking and action aiming to ensure that women:

- are granted at least 14 weeks of maternity leave paid at a rate of at least two thirds of previous earnings (Convention No. 183) or up to 18 weeks at 100 per cent (Recommendation No. 191);
- have employment protection during pregnancy, maternity leave and the right to return to the same or an equivalent position;
- enjoy the right to one or more daily nursing breaks or a daily reduction of hours of work to breastfeed their children; and
- are not required to perform work prejudicial to their health or that of their children.

Recommendation No. 202 calls for access to essential healthcare, including maternity care and basic income security, for people of working age who are unable to earn sufficient income owing to (among other factors) maternity. Cash benefits should be sufficient to allow women a life in dignity and without poverty. Maternity medical care should meet the criteria of availability, accessibility, acceptability and quality; it should be free for the most vulnerable; and it should not create hardship or increase the risk of poverty for people in need of healthcare. Maternity benefits should be granted to all residents of a country. Reinforcing the objective of achieving universal protection, the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), calls for the extension of maternity protection to all workers in the informal economy.

1.2. Sri Lanka's legal framework

On 1st April 1993, Sri Lanka ratified the Convention No. 103, so this is the Convention that is currently relevant for assessing the situation in Sri Lanka. It is noted that Convention No. 183, which provides for a wider range of protections, has since superseded Convention No. 103. However, Sri Lanka has not ratified this more recent convention.

The main pieces of legislation that provide maternity protection to private sector employees are the Maternity Benefits Ordinance of 1939 and the Shop and Office Employees Act of 1954, which impose a liability on employers to provide paid maternity leave to their employees. Government employees are provided similar or better benefits under government regulations.

Globally, the majority of countries have integrated periodic maternity cash benefits into national legislation, underscoring the importance of social security in maternity protection. Out of 217 countries and territories, 157 have periodic maternity cash benefits anchored in national legislation, of which 142 have social

insurance and 11 have tax-financed, employment-related schemes. Among these, 119 countries rely solely on social insurance, while 7 combine social insurance with means-tested benefits, and 16 use a combination of social insurance and employer liability benefits. Four countries and territories have universal tax-financed maternity benefits, one of them in combination with employer liability. A total of 49 countries, including Sri Lanka, still rely exclusively on employer liability mechanisms.⁵ This employer-only model poses challenges for access and adequacy, highlighting the potential for Sri Lanka to consider alternative structures in line with international trends toward more inclusive social protection mechanisms.

1.2.1. Coverage and source of financing

Table 1.1 shows the coverage of employees under relevant legislations.

► **Table 1.1. Coverage of employees under relevant current legislation**

Legislation	Coverage
Shop and Office Employees' Act (or Remuneration Act)	All females employed in or related to the business of a shop or office.
Maternity Benefits Ordinance	All females employed on a wage in any trade, industry, business undertaking, occupation, profession, or calling except females covered by the Shop and Office Employees' Act or whose employment is of casual nature, home workers and domestic workers in private households.
Establishment Code	All females employed in the public sector or in Statutory Boards or covered by provisions of the Establishment Code (Chapter XII) or Administrative Circular (No. 4/22005, February 2005).

Source: Government of Sri Lanka.

From worldwide experience, provision of maternity benefits on an employer-liability basis works against female workers' interest as employers will not want to hire pregnant women, women susceptible of having children or may seek to find reasons to dismiss pregnant employees in order to avoid paying the costs of wage replacement during the maternity leave period. Research further indicates that the responsibility placed on employers to fund maternity leave benefits might contribute to higher unemployment rates among women in this age group, as it becomes costlier for private sector employers to hire women who might avail of these benefits. Thus, measures safeguarding the employment of pregnant working women and combating discrimination based on maternity are an integral part of maternity protection. Furthermore, compliance with individual employer liability schemes is often problematic, particularly in developing countries, where employers often do not pay the benefit and legislation is not enforced. In Sri Lanka, it is estimated that only 30 percent of women who are eligible for the benefit actually receive it. Thus, a shift of maternity protection from employer liability to schemes relying on social insurance or public funds improves social protection for pregnant women employed in the formal sector and mitigates against discrimination in the labour market.

Convention No. 103 emphasizes that employers should not be individually liable for the cost of maternity benefits payable to women employed by them and that should be paid through compulsory social insurance or public funds⁶. In Sri Lanka, maternity benefit payments are financed through employer liability for those covered, which is not compliant with Convention No. 103.

Given the Government's limited fiscal capacity, providing maternity benefits for formal sector employees through contributory social insurance is the most viable and suitable option. This, however, leaves unaddressed the issue of non-coverage of self-employed and other informal sector workers, including domestic workers and agricultural workers. These workers cannot be adequately covered via voluntary

⁵ These statistics are sourced from the ILO's World Social Protection Report 2024-26, which includes additional details on maternity benefits across countries.

⁶ Convention No. 183 on the other hand authorizes employers to bear the cost of maternity benefits, where this was determined at the national level before the adoption of the Convention in 2000, or where it is agreed upon at the national level by the government and the social partners. However, since Sri Lanka has only ratified Convention 103, the relevant reference for determining obligations for compliance is Convention 103 until Convention 183 is also ratified.

contributions due to their low contributory capacity, nor is compulsory coverage feasible. In any case, voluntary coverage should be avoided, as it is highly susceptible to anti-selection; typically, only women planning to have children are likely to contribute. It is therefore very challenging for contributory social insurance schemes to provide cash benefits to workers in informal sector or mothers who are not in paid employment. The only realistic option to extend coverage to these workers would be to use public funds.

In some countries, universal coverage and adequate benefit levels for maternity protection are achieved by combining contributory and non-contributory mechanisms.⁷ The effective coordination of these mechanisms within the social protection system is essential to guarantee at least a basic level, or floor, of income security for women workers who become pregnant. In line with this approach, Convention No. 103 specifies that women who fail to qualify for maternity benefits should be entitled, subject to the means test required for social assistance, to adequate benefits out of social assistance funds.

It is recommended that maternity cash benefits for formal sector employees be provided through contributory social insurance, with regular contributions paid from employees and employers. This is the most viable and suitable option, particularly given the Government's limited fiscal capacity. For self-employed and other informal sector workers, including domestic and agricultural workers, maternity benefits should be provided through public funds (see Chapter 5 for further details).

1.2.2. Maternity, paternity and parental leave

Table 1.2 presents the rights to maternity leave under relevant current legislation.

► **Table 1.2. Rights to maternity leave under relevant current legislation**

Legislation	Maternity leave	Paternity leave
Shop and Office Employees' Act (or Remuneration Act)	84 working days (which can be taken as a maximum of 14 days prenatal and at least 70 days postnatal).	None provided.
Maternity Benefits Ordinance	84 calendar days (which can be taken as a maximum of 14 days prenatal and at least 70 days postnatal).	None provided.
Establishment Code	84 working days (which could be taken as a maximum of 14 days prenatal and at least 70 days postnatal) plus 84 calendar days on half pay and another 84 calendar days unpaid.	3 working days, to be used within a period of 3 months from the date of birth of the child.

Source: Government of Sri Lanka.

The duration of paid maternity leave mandated under Conventions No. 102 and No. 103 is twelve weeks. In this regard, Sri Lanka's provisions comply with Conventions No. 102 and No. 103. ILO Convention No. 183, which Sri Lanka has not ratified, mandates a minimum of 14 weeks and its accompanying Recommendation No. 191 goes further and suggests member States to increase the duration of paid maternity leave to at least 18 weeks.

It is also worth noting that there is a long-standing inequity between workers in that female workers under the Maternity Benefits Ordinance are entitled to 84 calendar days while those under the Shop and Office Employees' Act and female public servants are entitled to 84 working days.

In addition to maternity leave, ILO also recommends paternity, parental and adoption leave, as they are important to enhance family life (see section 1.1.). While paternity leave is related to male workers, parental and adoption leave applies to both male and female employees. The length of paternity leave varies from country to country. Paternity leave provisions are becoming increasingly common indicating the growing importance attached to the father at the time of birth of his child. Parental leave refers to a relatively long-term leave available to either parent to take care of their newly born child over a period of time usually

⁷ In Portugal, for example, women who are not entitled to paid maternity leave from social insurance receive a tax-financed maternity benefit.

following the maternity and paternity leave period.

In 2006, the Government introduced paternity leave of three days to all male public servants to be taken within three months of the birth of their child. Paternity leave is not provided for private sector employees under the Shop and Office Employees' Act nor under the Maternity Benefits Ordinance.

To address the inequity in maternity leave provisions between employees covered under the Maternity Benefits Ordinance and those covered under the Shop and Office Employees' Act and the Establishment Code, a harmonization of the maternity leave should be made. In addition, the Government should consider providing paternity, parental and adoption leave.

1.2.3. Health care

Health care during maternity is an important component of Conventions No. 103 and No. 183. In Sri Lanka, public health care including maternity care is provided free of charge to the entire population, and financed from public funds. Thus, prenatal and postnatal care including institutional delivery is available to all women whether employed or not, and financed by public funds. In addition, mothers may make use of private health care institutions for maternity care, if they so wish. This is consistent with the minimum requirements of Convention No. 103.

1.2.4. Cash benefits

Table 1.3 presents the maternity cash benefit levels under relevant current legislation.

► **Table 1.3. Maternity cash benefits under relevant current legislation**

Legislation	Maternity cash benefit
Shop and Office Employees' Act (or Remuneration Act)	Full pay.
Maternity Benefits Ordinance	Six-seventh (85.7%) of weekly wage.
Establishment Code	Full pay.

Source: Government of Sri Lanka.

According to Conventions No. 103 and No. 183, the cash benefits paid during maternity leave should be at least two-thirds of women's previous earnings and should be paid throughout the entire duration of maternity leave. In Sri Lanka, 100 per cent of the woman's salary at the time of taking maternity leave is paid during the entire duration of maternity leave for those covered under the Shop and Office Employees' Act and the Establishment Code. The benefit rate is lower, at six-seventh of the weekly wage, for those covered under the Maternity Benefits Ordinance. All relevant legislation therefore complies with Convention No. 103.

1.2.5. Job security

The ILO standards on maternity protection provides for protection during maternity leave and during a given period following return to work and measures to ensure that maternity is not a source of discrimination in employment. According to Convention No. 183 dismissal is permitted for reasons not linked to maternity, while Convention No. 103 calls for an absolute prohibition of maternity related dismissal. In Sri Lanka, the Maternity Benefits Ordinance and the Shop and Office Employees' Act protects employees in the private sector from dismissal due to maternity reasons. However, female employees in the public sector do not have such protection, although no cases of dismissal on these grounds have been reported.⁸

⁸ This information is drawn from *Study on Maternity Protection Insurance in Sri Lanka*, ILO, Country Office for Sri Lanka and the Maldives, Colombo, 2016. As this report was published in 2016, it may not fully reflect the current situation, and further investigation may be necessary.

The Shop and Office Employees' Act and the Maternity Benefit Ordinance conforms to the Convention of No. 103 in that no employee can be terminated from employment only on the basis of pregnancy, childbirth or consequent illness. In theory, however, public service workers do not enjoy this protection against dismissal. It is therefore recommended that public sector workers be legally protected against dismissal during maternity leave or for reason of pregnancy.

1.2.6. Nursing breaks

Nursing breaks are designated periods during the workday that allow a mother to breastfeed her child or express breast milk. These breaks are intended to support the health and well-being of both mother and child, enabling working mothers to continue breastfeeding for as long as needed. Nursing breaks are typically provided as one or more short intervals during the workday and may vary in length and frequency depending on national legislation. Table 1.4 presents the provisions related to nursing intervals under relevant legislations in Sri Lanka.

► **Table 1.4. Nursing intervals under relevant legislations**

Legislation	Nursing intervals
Shop and Office Employees' (or Remuneration Act)	None provided.
Maternity Benefits Ordinance	Two 30-minute intervals if no creche; otherwise, two 60-minute intervals.
Establishment Code	60-minute breaks until infant is 6 months old.

Source: Government of Sri Lanka.

Conventions No. 103 and No. 183 leave it to national laws and regulations to decide the number and duration of nursing breaks, provided that at least one break is provided. The Shop and Office Employees' Act does not stipulate nursing intervals for female workers who are covered, although in practice such provisions are made. It is recommended that nursing intervals be explicitly stipulated under the Shop and Office Employees' Act.

▶ 2. Description of design options for Sri Lanka

This chapter discusses two design options for a maternity benefit scheme in Sri Lanka, in the light of findings, observations and recommendations from Chapter 1.

The two design options outlined in this chapter are closely modelled on Sri Lanka's current maternity benefit framework while ensuring full compliance with ILO Conventions and recommendations from Section 1.2. It is worth noting that the two design options discussed in this chapter address the coverage of formal sector employees exclusively⁹. The coverage of self-employed and other informal sector workers, including domestic workers and agricultural workers, are discussed in Chapter 5. The two design options for a maternity benefit scheme in Sri Lanka consider the following:

- ▶ Maternity cash benefits for formal sector employees are provided through contributory social insurance, with regular contributions paid from employees and employers;
- ▶ The maternity leave and cash benefit are harmonized for all formal employees; and
- ▶ The provision of three days of paternity leave is extended to all formal employees.

The two design options discussed in this chapter assume that the prenatal and postnatal care, including institutional delivery, remain available to all women, whether employed or not, and financed by public funds. They also accommodate the further recommendations regarding job security and nursing breaks as detailed in Section 1.2. These elements have no direct impact on the cost of the maternity benefit scheme.

Overall, design options A and B described in this chapter follow the basic principles of maternity protection according to ILO Convention No. 103 (and updated under the Convention No. 183). These principles include:

- ▶ The right to maternity leave;
- ▶ The provision of health care during maternity;
- ▶ The right to cash benefits during maternity leave;
- ▶ The right to job security during pregnancy and maternity leave;
- ▶ The right to nursing breaks during working hours; and
- ▶ That employers should not be individually liable for the costs of maternity benefits.

Table 2.1 presents an overview of the key parameters of two design options for a maternity benefit scheme in Sri Lanka.

⁹ The primary basis for affiliation should be the existence of an employee-employer relationship, regardless of whether the employer operates in the formal sector. Compliance efforts are therefore essential to ensure that employees are covered under the scheme.

► **Table 2.1 Key parameters of two design options for Sri Lanka**

Parameter	Option A	Option B
Coverage	Mandatory coverage for all formal employees	
Contributory earnings	Monthly salary	
Maternity leave and cash benefit	<ul style="list-style-type: none"> - The maternity cash benefit is calculated as 6/7th of the contributory earnings prior to birth - The maternity cash benefit is paid for a maximum duration of 14 weeks 	<ul style="list-style-type: none"> - The maternity cash benefit is calculated as 100% of the contributory earnings prior to birth - The maternity cash benefit is paid for a maximum duration of 18 weeks
Paternity leave and cash benefit	<ul style="list-style-type: none"> - The paternity cash benefit is calculated as 6/7th of the contributory earnings prior to birth - The paternity cash benefit is paid for a maximum duration of 3 days 	<ul style="list-style-type: none"> - The paternity cash benefit is calculated as 100% of the contributory earnings prior to birth - The paternity cash benefit is paid for a maximum duration of 3 days

Source: Authors' proposals based on findings, observations and recommendations from Chapter 1.

Both design options are aligned with Conventions No. 102, No. 103 and No. 183. Here, paternity leave is explicitly suggested to align the paternity system already introduced to all male public servants in 2006 but not yet extended to private sector employees.

Design option B is also aligned with Recommendation No. 191, which sets higher standards in terms of maternity leave.

Sections 2.1 to 2.4 discuss each of the key parameters of the two design options presented above. Detailed financing modalities related to these two design options are discussed in Chapter 4 of this report. Alternative design options are presented in Section 4.3.

2.1. Coverage

In Sri Lanka, maternity benefit payments are financed through employer liability for those covered, which is not compliant with Convention No. 103. More specifically, maternity cash benefits are provided to formal sector employees through the Maternity Benefits Ordinance and the Shop and Office Employees Act in the private sector and through the Establishment Code in the public sector. As mentioned earlier, providing maternity benefits for formal sector employees through contributory social insurance is the most viable and suitable option that complies with Convention No. 103. Design options A and B provide mandatory coverage to all formal employees from both the private and the public sectors through a maternity benefit scheme, with regular contributions paid from employees and employers.

Design options A and B, however, leaves unaddressed the issue of non-coverage of self-employed and other informal sector workers, including domestic workers and agricultural workers. These workers cannot be adequately covered via voluntary contributions due to their low contributory capacity, nor is compulsory coverage feasible without putting in place a number of financial, administrative and compliance measures. Therefore, voluntary coverage should be avoided, as it is highly susceptible to anti-selection; typically, only women planning to have children are likely to contribute¹⁰. It is therefore very challenging for contributory social insurance schemes to provide cash benefits to informal sector workers or mothers who are not in paid employment. The only realistic option to extend coverage to these workers would be to use public funds.

In some countries, universal coverage and adequate benefit levels for maternity protection are achieved by combining contributory and non-contributory mechanisms. The effective coordination of these mechanisms within the social protection system is essential to guarantee at least a basic level, or floor, of income security for women workers who become pregnant. In line with this approach, Convention No. 103 specifies that

¹⁰ Voluntary basis for a limited period before affiliation is made mandatory may be an option in certain circumstances. However, voluntary coverage is not recommended in the specific context of Sri Lanka.

women who fail to qualify for maternity benefits should be entitled, subject to the means test required for social assistance, to adequate benefits out of social assistance funds.

Even though the coverage of self-employed and other informal sector workers is not specifically addressed in design options A and B, due consideration should nonetheless be given to improving compliance for those with an employee-employer relationship and, for others, ensuring coverage through public funds. This is discussed further in Chapter 5.

2.2. Contributory earnings

In order to ensure coherence and consistency between the maternity benefit scheme and other social insurance schemes provided in Sri Lanka, design options A and B reflect the exact same definition of insurable earnings as the one already considered under the EPF and the ETF. This will also simplify the administrative processes of employers who will pay the total required contribution rate for all benefits on the same definition of contributory earnings.

2.3. Maternity leave and cash benefit

The adequacy of cash benefits provided during maternity leave can be assessed in terms of their duration and benefit amount.

A key objective and purpose of maternity leave is to support rehabilitation; therefore, the maternity leave needs to be sufficiently long for women to rest and recover. The protection of the employment of pregnant women on maternity leave has been addressed in all ILO maternity protection standards to ensure the health of mother and child and increase productivity of women workers. The minimum standards set out in ILO Conventions are 12 weeks (Conventions Nos. 102 and 103), 14 weeks (Convention No. 183) and 18 weeks (Recommendations No. 191).

In design option A, the maternity cash benefit is paid for a maximum duration of 14 weeks. This period falls between that provided for under the Maternity Benefits Ordinance (84 calendar days, or 12 weeks) and that provided for under the Shop and Office Employees' Act and the Establishment Code (84 working days, or just over 16 weeks). In addition to addressing the inequality of maternity leave provisions between employees covered under the Maternity Benefits Ordinance and those covered under the Shop and Office Employees' Act and the Establishment Code, such harmonization of maternity leave conforms to Conventions No. 102, No. 103 and No. 183. In design option B, the maternity cash benefit is paid for a maximum duration of 18 weeks. This is slightly more generous than design option A and aligns with Recommendation No. 191.

According to Convention No. 102, the cash benefits paid during maternity leave should be at least 45 per cent of women's previous earnings and should be paid throughout the entire duration of maternity leave. Since Sri Lanka ratified the Convention No. 103, this is the Convention that is currently relevant for assessing the situation in Sri Lanka. Under both Convention No. 103 and Convention No. 183, the cash benefits paid during maternity leave should be at least two-thirds of women's previous earnings and should be paid throughout the entire duration of maternity leave.

In terms of benefit level, design option A is aligned with what is currently paid under the Maternity Benefits Ordinance (six-seventh of women's previous earnings). This complies with Conventions No. 103 and No. 183. Design option B is more generous, and broadly aligns with what is currently provided to employees covered under the Shop and Office Employees' Act and the Establishment Code (100 per cent of women's previous earnings).

2.4. Paternity leave and cash benefit

Forty years ago, the ILO Workers with Family Responsibilities Convention, 1981 (No. 156), and its accompanying Recommendation, No. 165, opened the door to paternity and parental leave entitlements; since then, some countries have reformed their leave policies to facilitate greater involvement of fathers in childcare by introducing or extending paternity leave, as well as designing parental leave in a way that

encourages the participation of fathers. Indeed, caring and parenting are not uniquely female and should be shared between the parents. Paid paternity and parental leave recognize that both mothers and fathers have responsibilities as caregivers and contributors to household income, and facilitate a more equitable sharing of care responsibilities. It is worth noting, however, that the ILO has not yet established standards for paternity and parental leave.

While paternity leave is related to male workers, parental and adoption leave applies to both male and female employees. The length of paternity leave varies from country to country. Paternity leave provisions are becoming increasingly common indicating the growing importance attached to the father at the time of birth of his child. Parental leave refers to a relatively long-term leave (in some countries more than one year) available to either parent to take care of their newly born child over a period of time usually following the maternity and paternity leave period.

Design options A and B address paternity leave as an initial step. Both design options provide a paternity cash benefit for a duration of 3 days. Such paternity leave is consistent with that provided to public servants under the Establishment Code. In terms of benefit level, design option A is aligned with what is currently paid to women under the Maternity Benefits Ordinance (six-seventh of previous earnings). Design option B is more generous, and aligns with what is currently provided to women covered under the Shop and Office Employees' Act and the Establishment Code (100 per cent of previous earnings). Naturally, paternity benefits are based on men's previous earnings, rather than women's previous earnings.

Even though parental and adoption leave are not addressed in design options A and B, the government should nonetheless consider the broader scope of family responsibilities and ensure that comprehensive policies for parental and adoption leave are implemented. These policies are crucial for providing all parents, regardless of gender, the opportunity to participate fully in early child-rearing, while also managing their professional obligations. This holistic approach supports not only the welfare of children but also promotes equal opportunities for men and women in the workplace. Parental and adoption leave are further discussed in Chapter 5.

▶ 3. Key assumptions of the cost assessment

Sections 3.1 and 3.2 present respectively key demographic and economic assumptions of the cost assessment, which were mainly derived from the data obtained from the Department of Census and Statistics of Sri Lanka. Section 3.3 presents the key scheme-specific data and assumptions, which were also primarily derived from the data obtained from the Department of Census and Statistics of Sri Lanka.

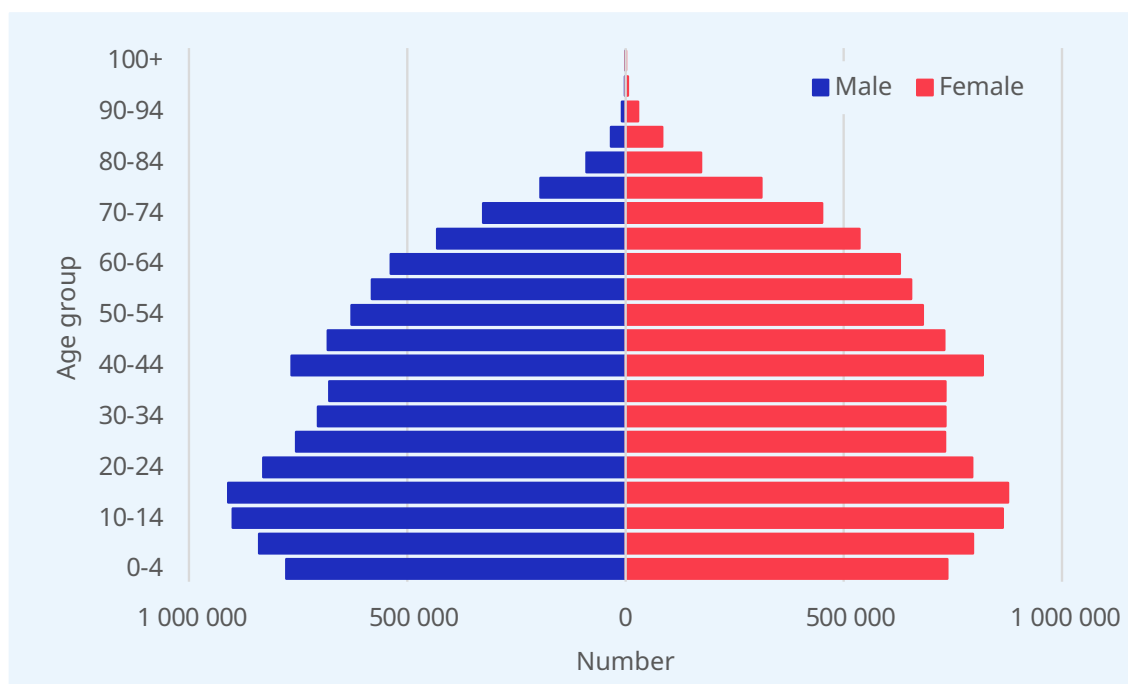
The demographic and economic assumptions, along with most of the scheme-specific assumptions used in this report, are sourced directly from the actuarial analysis of the unemployment insurance scheme in Sri Lanka (2024). Although this report incorporates the latest official demographic and economic statistics for 2022, it may not include the very latest provisional figures for 2023 or 2024. This approach was retained to ensure that both studies are based on consistent assumptions, which enhances the comparability of their findings and conclusions. This consistency was preferred over using slightly updated provisional figures for this report, which would compromise the comparability of both studies. Section 4.2 presents sensitivity tests that explore the potential effects of varying demographic and economic assumptions.

3.1. General population assumptions

A projection of the general population is used for the purposes of determining the evolution of the scheme's members and developing the general macroeconomic framework. Population projections require specific assumptions on mortality, fertility and migration.

Although the last population and housing census produced in Sri Lanka dates from 2012 (the next population and housing census is planned to be conducted in 2024), the Department of Census and Statistics of Sri Lanka estimates every year the country's population on the basis of administrative data on births, deaths and migration. The general population of Sri Lanka was estimated at 22,037,000 persons in 2023. The structure of the population of Sri Lanka has been assessed based on the statistics made available by the Department of Census and Statistics of Sri Lanka and the United Nations (UN) World Population Prospects (WPP)¹¹. Figure 3.1 presents the estimated distribution of the general population of Sri Lanka as of 2023, by age and sex.

¹¹ The 2023 mid-year population estimates, as published by the Department of Census and Statistics, mirror the exact same age distribution from the 2012 Census of Population and Housing. The choice to utilize UN WPP, 2022-Revision, estimates was made with the aim of ensuring that the initial population structure reflects the most plausible and up-to-date representation of the evolving demographic landscape in Sri Lanka.

► **Figure 3.1 Estimated Population structure in 2023**

Source: Authors' estimates based on data provided by the Department of Census and Statistics of Sri Lanka and the UN WPP, 2022-Revision.

The latest statistics on mortality published by the Department of Census and Statistics of Sri Lanka cover the period 2011-2013. At that time, life expectancy at birth was estimated at 72.0 years for men and 78.6 years for women. In the absence of more recent national statistics on mortality, estimated and projected mortality rates of the general population of Sri Lanka have been determined using the UN WPP, 2022 Revision. The future mortality improvement pattern has been determined so that it matches as closely as possible the UN medium projection over the projection period. The life expectancy at birth is assumed to increase from 73.1 years in 2023 to 75.2 years in 2033 for males and from 80.4 years in 2023 to 81.9 years in 2033 for females. Table 3.1 presents life expectancies at different ages for selected years. Sample mortality rates are presented in table 3.2.

► **Table 3.1 Estimated and projected life expectancy of the general population of Sri Lanka, at ages 0, 20 and 65, 2023-2033**

Age	Males			Females		
	At 0	At 20	At 65	At 0	At 20	At 65
2023	73.1	53.8	14.5	80.4	61.1	19.0
2024	73.3	54.0	14.6	80.6	61.2	19.1
2025	73.5	54.2	14.7	80.7	61.3	19.2
2026	73.7	54.4	14.9	80.9	61.5	19.3
2027	73.9	54.6	15.0	81.0	61.6	19.4
2028	73.8	54.5	14.9	81.2	61.8	19.5
2029	74.3	54.9	15.2	81.3	61.9	19.7
2030	74.5	55.1	15.4	81.5	62.0	19.7
2031	74.7	55.3	15.5	81.6	62.2	19.9
2032	75.0	55.5	15.6	81.8	62.3	20.0
2033	75.2	55.7	15.7	81.9	62.5	20.1

Source: Authors' estimates and assumptions based on UN WPP, 2022-Revision.

► **Table 3.2 Sample mortality rates of the general population of Sri Lanka, 2023 and 2033 (percentages)**

Age	Males		Females	
	2021	2033	2021	2033
0	0.57	0.43	0.49	0.37
10	0.02	0.01	0.01	0.01
20	0.08	0.06	0.05	0.04
30	0.11	0.09	0.06	0.05
40	0.27	0.22	0.11	0.09
50	0.64	0.52	0.25	0.21
60	1.36	1.12	0.57	0.48
70	3.77	3.11	1.75	1.47
80	9.43	8.09	5.28	4.60
90	22.55	20.57	16.35	14.88
100	41.82	40.46	36.03	34.63

Source: Authors' estimates and assumptions based on UN WPP, 2022 Revision.

According to the Department of Census and Statistics, the total fertility rate in Sri Lanka decreased significantly between 2012 and 2016, from 2.4 children per woman in 2012 to 2.2 children per woman in 2016.¹² Although the Department of Census and Statistics publishes regularly statistics on births, it does not regularly publish estimates of the total fertility rate. This is probably due to the fact that the Department of Census and Statistics does not have a clear picture of the age structure of the population of Sri Lanka for the years following the last census. In the absence of more recent national statistics on fertility, estimated and projected total fertility rates have been determined using the UN WPP, 2022 Revision. It is assumed that the total fertility rate will continue to decrease throughout the projection period, from 2.00 children per woman in 2023 to 1.91 children per woman in 2033.¹³ This decrease in fertility rates mirrors those observed in other countries in South Asia and Southeast Asia. The ratio of male births to female births was assumed constant at 1.044 over the projection period. Sample age-specific fertility rates for the general population are presented in table 3.3.

► **Table 3.3 Age-specific fertility rates, selected years**

Age of the woman	Fertility rate		
	2023	2028	2033
15-19	0.0157	0.0146	0.0139
20-24	0.0776	0.0758	0.0747
25-29	0.1243	0.1184	0.1142
30-34	0.1141	0.1141	0.1151
35-39	0.0536	0.0522	0.0514
40-44	0.0133	0.0124	0.0118
45-49	0.0015	0.0014	0.0013
Total fertility rate	2.00	1.94	1.91

Source: Authors' estimates and assumptions based on the UN WPP, 2022 Revision.

According to the Department of Census and Statistics, the net migration rate in Sri Lanka varied annually between -10.1 and 3.5 migrants per 1,000 persons during the period 2013 to 2023. Over the period 2013-2023, the net migration rate averaged at -1.4 migrants per 1,000 persons.¹⁴ For the cost assessment, the net migration rate is assumed unchanged over the projection period, at -3.5 migrants per 1,000 persons. This

¹² These figures were derived from the Census of Population and Housing of 2012 and the Demographic and Health Survey Report of 2016.

¹³ It is worth noting that the total fertility rate assumption used to project the general population of Sri Lanka may differ from that related to the active insured members covered under the maternity benefit scheme. This is discussed in detail in Section 3.3.

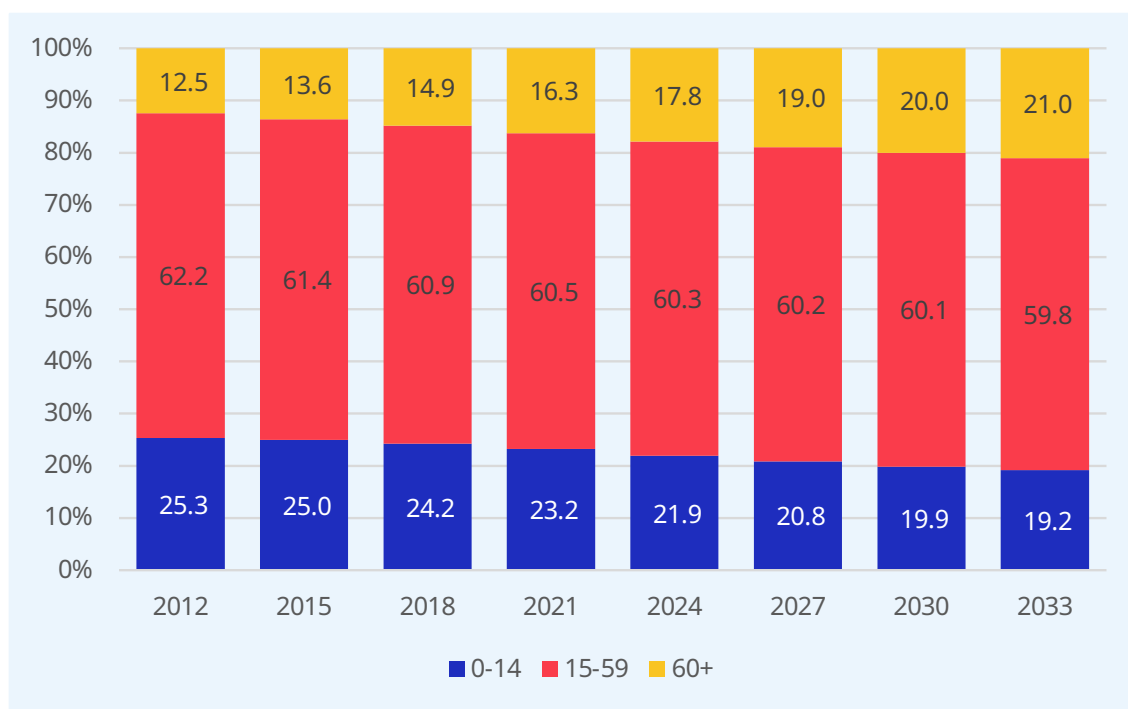
¹⁴ Authors' estimates based on the Mid-Year Population release of September 2023 published by the Department of Census and Statistics.

assumption is consistent with that of the UN WPP, 2022 Revision, and reflects the recent trends observed by the Department of Census and Statistics.

The population is projected to increase from 22,037,000 persons to approximately 22,320,000 persons between years 2023 and 2033, resulting in an average annual growth rate of about 0.1 per cent over the projection period of 10 years. This is lower than the average growth experienced in the period 2018-2023 (0.3 per cent).

The evolution of the structure of the population over the period 2012-2033 is illustrated in figure 3.2. The working-age population (those aged 15 and over) increased as a percentage of the total population between 2012 and 2023, from 74.7 per cent in 2012 to 77.7 per cent in 2023. This ratio is projected to continue to increase in the future: the working-age population is projected to represent 80.8 per cent of the total population by 2033. Examining the evolution of the population aged 15 to 59 is also valuable (those above age 15 but below retirement age), as this group comprises the vast majority of formal employees in Sri Lanka who would be covered by the maternity benefit scheme. The population aged 15 to 59 has decreased as a percentage of the total population, from 62.2 percent in 2012 to 60.3 percent in 2023. This ratio is projected to continue to decrease in the future, reaching 59.8 percent of the total population by 2033.

► **Figure 3.2 Structure of the population, estimates (2012-2023) and projections (2024-2033)**



Source: Authors' estimates based on data provided by the Department of Census and Statistics of Sri Lanka and the UN WPP, 2022-Revision, for years 2012-2023 and authors' projections for years 2024 to 2033.

Table 3.4 presents the estimated evolution of Sri Lanka's population aged 15+ (the working-age population) between 2023 and 2033. The working-age population is projected to increase from about 17.1 million to approximately 18.0 million between 2023 and 2033, resulting in an average annual growth rate of about 0.5 per cent over the projection period of 10 years. The population aged 15 to 59 is also projected to increase, though at a much slower pace, approaching zero growth. On average, over the projection period, the population aged 15 to 59 is projected to remain relatively stable at around 13.3 million.

► **Table 3.4 Estimated and projected working-age population of Sri Lanka, by age-group, selected years**

Age	2023	2025	2027	2029	2031	2033
15-19	1,786,239	1,779,101	1,751,967	1,720,666	1,673,688	1,603,082
20-24	1,623,677	1,669,774	1,710,321	1,726,903	1,706,947	1,680,721
25-29	1,486,238	1,489,497	1,525,543	1,575,140	1,622,316	1,656,291
30-34	1,437,096	1,446,637	1,432,168	1,424,058	1,447,244	1,494,220
35-39	1,411,423	1,368,869	1,380,342	1,397,704	1,397,809	1,382,395
40-44	1,583,820	1,508,996	1,409,056	1,347,412	1,334,366	1,355,576
45-49	1,411,547	1,504,241	1,554,317	1,516,392	1,421,370	1,340,530
50-54	1,308,946	1,313,262	1,336,511	1,416,689	1,499,758	1,505,497
55-59	1,235,097	1,241,956	1,261,849	1,264,951	1,275,189	1,327,922
60-64	1,166,533	1,171,409	1,170,515	1,177,159	1,195,554	1,206,438
65-69	967,251	1,020,325	1,062,979	1,081,534	1,083,628	1,091,326
70-74	776,588	800,934	832,109	872,204	921,826	954,406
75-79	506,212	567,200	613,163	642,412	668,807	699,846
80-84	262,642	296,855	336,138	383,835	426,270	457,346
85+	161,164	172,137	191,653	216,319	244,996	284,592
Total 15-59	13,284,084	13,322,335	13,362,073	13,389,916	13,378,687	13,346,234
Total 15+	17,124,474	17,351,195	17,568,630	17,763,380	17,919,767	18,040,188

Source: Authors' estimates based on data provided by the Department of Census and Statistics of Sri Lanka and the UN WPP, 2022-Revision, for year 2023 and authors' projections for years 2025 to 2033.

3.2. Macro-economic assumptions

The base scenario incorporates economic indicators published by the Department of Census and Statistics of Sri Lanka. The latest economic forecasts published by the Economist Intelligence Unit have been used as the starting point for the base economic scenario.¹⁵ The views of the ILO on the future development of the economy in the short, medium, and long terms have also been reflected in the base scenario.

The economic landscape of Sri Lanka has faced significant challenges in recent years. The country is going through its worst economic crisis since its independence in 1948. The Sri Lankan economic crisis has led to unprecedented levels of inflation, which reached 45.2 per cent in year 2022. Data from the Department of Census and Statistics, however, suggest that inflation started to decelerate in the first three quarters of 2023 and the annual inflation rate is estimated at 18.3 per cent in 2023. The annual inflation rate is projected to gradually reduce to 5.0 per cent from year 2026, a level similar to that observed prior to the economic crisis.

According to the Department of Census and Statistics of Sri Lanka, the national economy shrank by 7.8 per cent in 2022. Real GDP is estimated to have contracted again by 4.8 per cent in year 2023. The economy is projected to recover slowly from year 2024. The real GDP is not expected to return to pre-debt default levels until after 2026, highlighting the long-lasting effects of the crisis.

The official unemployment rate was estimated to increase from 4.7 per cent in 2022 to 6.4 per cent in 2023. As the economy slowly recovers, the unemployment rate is projected to decrease gradually over the projection period, reaching 6.0 per cent in 2024, 5.7 per cent in 2025, 5.3 per cent in 2026 and 5.1 per cent in 2027. The unemployment rate is then assumed unchanged at 5.0 per cent from 2028 onwards.

The productivity growth rates are based on the assumed real GDP and employment growth rates over the projection period.

¹⁵ Economist Intelligence Unit, October 2024. The October 2024 edition of the International Monetary Fund's World Economic Outlook contains no estimates or forecasts for Sri Lanka for the years 2023 and onwards.

Table 3.5 presents the main economic indicators pertaining to the base scenario.

► **Table 3.5 Main economic indicators, 2023–2033, base scenario (in %)**

Year	Real GDP growth rate	Employment growth rate	Productivity growth rate	Annual inflation rate	Unemployment rate
2023	-4.8	-1.3	-3.6	18.3	6.4
2024	5.0	1.6	3.3	6.0	6.0
2025	4.2	1.5	2.7	5.5	5.7
2026	3.6	0.8	2.8	5.0	5.3
2027	3.5	0.6	2.9	5.0	5.1
2028	3.4	0.5	2.9	5.0	5.0
2029	3.3	0.3	3.0	5.0	5.0
2030	3.3	0.3	3.0	5.0	5.0
2031	3.3	0.3	3.0	5.0	5.0
2032	3.2	0.2	3.0	5.0	5.0
2033	3.2	0.2	3.0	5.0	5.0

Source: Authors' estimates and projections.

In this valuation, it is assumed that labour force participation rates, by age and sex, will return to their pre-COVID-19 levels by 2025 and remain unchanged thereafter over the projection period. Table 3.6 presents a sample of the working-age population, labour force and employed population assumed in this valuation. This table focuses on persons aged 15 to 59, and therefore allows for the drawing of parallels between the labour force and employed population projections assumed in this valuation and the projected evolution of the active insured members below retirement age in Sri Lanka.

► **Table 3.6 Working-age population, labour force and employed population (ages 15-59), selected years, base scenario**

	2023	2025	2027	2029	2031	2033
Working-age population	13,284,084	13,322,335	13,362,073	13,389,916	13,378,687	13,346,234
Male	6,532,544	6,562,666	6,594,506	6,622,165	6,630,019	6,628,088
Female	6,751,540	6,759,669	6,767,567	6,767,751	6,748,667	6,718,146
Labour force participation rate (%)	59.4	60.5	60.7	60.8	61.1	61.4
Male	79.9	80.7	80.8	81.0	81.3	81.7
Female	39.5	41.0	41.1	41.2	41.3	41.4
Labour force population	7,892,934	8,066,137	8,107,101	8,146,297	8,174,900	8,194,613
Male	5,222,739	5,293,603	5,327,067	5,360,784	5,389,113	5,413,117
Female	2,670,195	2,772,534	2,780,034	2,785,514	2,785,787	2,781,497
Employed population	7,326,659	7,550,116	7,642,049	7,687,375	7,713,449	7,731,362
Male	4,949,323	5,053,305	5,110,122	5,146,488	5,173,367	5,196,197
Female	2,377,335	2,496,812	2,531,927	2,540,886	2,540,082	2,535,165
Unemployed population	566,275	516,021	465,053	458,923	461,451	463,251
Male	273,416	240,298	216,945	214,295	215,746	216,920
Female	292,859	275,723	248,107	244,628	245,705	246,332
Unemployment rate (%)	7.2	6.4	5.7	5.6	5.6	5.7
Male	5.2	4.5	4.1	4.0	4.0	4.0
Female	11.0	9.9	8.9	8.8	8.8	8.9

Source: Authors' estimates and projections.

3.3. Scheme-specific assumptions

Sections 3.3.1 to 3.3.8 discuss the scheme-specific assumptions used to assess the cost of a maternity benefit scheme in Sri Lanka.

3.3.1. Active insured members

The distribution of the active insured members of the maternity benefit scheme, disaggregated by age and sex, has been estimated based on the ETF data obtained for year 2022 as well as on the labour statistics data obtained from the Department of Census and Statistics of Sri Lanka. This was the most up to date information available. The ETF covers all employees in public and private sectors, including those employed on a casual, temporary, contract or piece-rate basis and any apprentice or learner who is paid a remuneration, irrespective of age. The coverage rate of the maternity benefit scheme, by age and sex, is projected to remain unchanged throughout the projection period. In other words, the number of active insured members is projected to increase in line with the employed population aged 15 to 59 over the projection period.

Table 3.7 presents the estimated and projected number of active insured members in 2023, 2028 and 2033, by age and sex.

► **Table 3.7. Estimated and projected number of active insured members, by age and sex, 2023, 2028 and 2033**

Age	Males			Females		
	2023	2028	2033	2023	2028	2033
15–19	18,452	22,216	21,062	23,703	29,900	27,878
20–24	169,427	195,950	191,495	140,697	180,080	175,839
25–29	261,396	283,897	302,717	199,145	220,579	235,936
30–34	223,397	230,931	244,164	169,364	169,911	176,776
35–39	177,374	179,321	184,541	130,093	132,519	126,954
40–44	175,788	151,359	152,459	124,643	116,048	112,644
45–49	139,602	152,608	131,032	97,896	111,833	97,862
50–54	121,062	126,658	137,796	74,995	81,538	89,556
55–59	82,764	85,582	90,122	48,106	50,170	53,169
Total	1,369,262	1,428,523	1,455,387	1,008,642	1,092,580	1,096,614

Source: ILO estimates derived from ETF data as well as data obtained from the Department of Census and Statistics of Sri Lanka.

3.3.2. Density of contribution

The density of contribution refers to the number of months during which active insured members contribute to the scheme in a year. The densities of contribution are used to project the contribution income of the scheme, as well as to assess the ratio of members who would meet the contribution requirement for benefit eligibility. The densities of contribution, by age and sex, have been estimated based on the ETF data obtained for year 2022 as well as on the labour statistics data obtained from the Department of Census and Statistics of Sri Lanka. This is a reasonable basis for the assumption which in future actuarial valuations would be assessed based on experience of the scheme.

An increase or decrease in the density of contribution of members may impact the cost of the scheme. As an example, an increase in the density of contribution will normally result in an increase in the scheme's contribution income but may also result in an increase in the number of eligible claimants (and therefore, in the scheme's benefit expenditure), depending on the scheme's contribution requirement for benefit eligibility.

Table 3.8 presents the estimated densities of contribution, by age and sex. These values are assumed

unchanged throughout the projection period.

► **Table 3.8. Sample of assumed average density of contribution, by age and sex (in months)**

Age	Males	Females	Total
20	4.1	3.9	4.0
25	5.2	4.9	5.1
30	7.7	7.3	7.5
35	10.0	9.3	9.7
40	10.4	9.7	10.1
45	10.6	9.9	10.3
50	10.8	10.0	10.5
55	10.6	9.8	10.3

Source: ILO estimates derived from ETF data as well as data obtained from the Department of Census and Statistics of Sri Lanka.

3.3.3. Contributory earnings and salary growth rate

The average contributory earnings, by age and sex, have been estimated based on the data obtained by the ETF for year 2022 as well as on the labour statistics data obtained from the Department of Census and Statistics of Sri Lanka. contributory earnings have been projected to 2023, the initial projection year, using the inflation and productivity growth rates presented in section 3.1.

Table 3.9 presents the estimated average monthly contributory earnings of the maternity benefit scheme's members, by age and sex, for financial year 2023.

► **Table 3.9. Average monthly contributory earnings, by age and sex, 2023 (in rupees)**

Age	Males	Females	General
15-19	38,777	32,918	35,483
20-24	46,839	37,476	42,591
25-29	59,373	49,551	55,125
30-34	65,296	52,839	59,925
35-39	65,815	50,546	59,355
40-44	66,915	50,090	59,934
45-49	67,762	51,480	61,051
50-54	69,264	56,106	64,231
55-59	73,596	64,139	70,120
Average	62,903	49,593	57,257

Source: ILO estimates derived from ETF data as well as data obtained from the Department of Census and Statistics of Sri Lanka.

The annual increase in the remuneration of an insured person normally consists of three components: changes in the cost of living (e.g. the consumer price index); the productivity increase; and the increase in personal productivity for work experience and seniority (i.e. as someone progresses through a company). Under normal circumstances, real wages tend to grow at a rate similar to that of productivity growth. In this study, annual real wage growth was assumed consistent with the productivity growth rates assumed over the projection period. The salary scale has been assumed unchanged over the projection period.

Table 3.10 presents the assumed nominal salary growth rate over the projection period.

► **Table 3.10. Assumed nominal salary growth rate, 2023–2033, base scenario (in %)**

Year	Salary growth rate
2023	15.0
2024	9.5
2025	8.3
2026	7.9
2027	8.0
2028	8.1
2029	8.1
2030	8.1
2031	8.2
2032	8.2
2033	8.2

Source: Authors' estimates and projections.

3.3.4. Fertility rates

Typically, formal employees have different socio-economic characteristics than the general population, such as higher education levels, better access to health services, and different working conditions, which can influence fertility patterns.

Findings from the labour force surveys produced in years 2016 to 2020 suggest that the age-specific fertility rates of formal employees are about 34 percent lower than those of the general population. However, observations derived from labour force surveys should be taken with caution. Indeed, the employment situation of a woman may change after the birth of a child, and while labour force surveys provide data on the employment situation of mothers, they do not include information on their employment situation prior to motherhood.

The latest demographic and health survey produced by the Department of Census and Statistics¹⁶ indicates, on the other hand, that the total fertility rate is generally consistent across socio-economic groups, with the lowest wealth quintile having a total fertility rate of 2.2 and the highest quintile having a total fertility rate of 2.3. Although the sector of employment might not be a perfect indicator of a person's socio-economic situation, it is generally closely connected.

In this analysis, a middle-ground assumption was adopted, which integrates insights from both labour force surveys 2016 to 2020 and the latest demographic and health survey produced by the Department of Census and Statistics. This nuanced approach reflects the complex connections between employment and socio-economic situation, on the one hand, and fertility patterns, on the other, aiming to provide a balanced foundation for the projection of fertility trends among formal sector employees.

Table 3.11 presents the age-specific adjustment factors that was retained to assess the fertility patterns among the formal employees in Sri Lanka. These age-specific adjustment factors are multiplied by the general age-specific fertility rates (see section 3.1) to reflect the assumed fertility patterns specific to formal employees. Sample age-specific fertility rates for formal employees for years 2023, 2028 and 2033 are also presented in the table.

¹⁶ Demographic and Health Survey of 2016, Department of Census and Statistics, Ministry of National Policies and Economic Affairs and Ministry of Health, Nutrition and Indigenous Medicine.

► **Table 3.11 Age-specific fertility rates for active insured members, selected years**

Age of the woman	Adjustment factor on general age-specific fertility rates	Fertility rate		
		2023	2028	2033
15-19	1.101	0.0173	0.0161	0.0152
20-24	0.830	0.0644	0.0631	0.0623
25-29	0.781	0.0971	0.0925	0.0893
30-34	0.839	0.0957	0.0958	0.0967
35-39	0.893	0.0479	0.0466	0.0459
40-44	0.915	0.0121	0.0114	0.0108
45-49	0.900	0.0013	0.0013	0.0012
Total fertility rate		1.6794	1.6330	1.6065

Source: Authors' assumptions derived from labour force surveys 2016 to 2020 and the latest demographic and health survey produced by the Department of Census and Statistics.

Note: The age-specific adjustment factors are multiplied by the general age-specific fertility rates (see section 3.1) to reflect the assumed fertility patterns specific to formal employees.

Finally, data from the labour force surveys 2016 to 2020 suggest that the age distribution of new fathers is similar between employees in the formal sector and the general population. Therefore, in this study, the distribution of new fathers was projected using the age-specific fertility rates from the general population and reflects the difference in age between spouses (as presented in Section 3.3.5) and the proportion of male employees in the formal sector.

3.3.5. Family statistics

The age difference between spouses, by age and sex, was derived from the data obtained on the labour force surveys produced in years 2016 to 2020. It is worth noting that the age difference between spouses is similar across all sectors of employment, whether formal or informal. Table 3.12 presents the family assumptions used in this actuarial analysis.

► **Table 3.12. Family assumptions, selected ages, base scenario**

Age of female	Age of spouse
20	26.2
25	30.3
30	34.7
35	39.3
40	44.2
45	49.3
50	54.2
55	59.0
60	63.8

Source: ILO assumptions derived from labour force surveys 2016 to 2020.

3.3.6. Stillbirths

In year 2023, the Ministry of Health of Sri Lanka estimated the stillbirth rate from 28 weeks of gestation at 6.5 per 1,000 live births. This rate has remained relatively stable year over year, varying between 5.9 and 6.6 from 2017 to 2023. In this valuation, a stillbirth rate assumption of 6.5 per 1,000 live births has been adopted.

3.3.7. Administrative expenses

Since no precise budget exists yet for the new scheme, it was necessary to make an assumption regarding administrative expenses. The administrative expenses of maternity benefit schemes are generally less than 5 per cent of benefit payment amounts. For this valuation, it is preferable to express the administrative

expenses as a percentage of the total insurable earnings, which are projected to be more stable over time, in particular for new schemes. In the base scenario, it was assumed that administrative expenses would be equal to 0.10 per cent of the total insurable earnings of the contributors. Such a level of expense would be comparable to other maternity benefit schemes managed by social security organizations in other countries.

It is important to note that initial expenses in setting up the mechanisms of a new scheme may be significant. However, part or all of these initial expenses may be met from other financing sources, and further clarification would be needed for a more detailed analysis of scheme costs.

3.3.8. Rate of return of the fund

Short-term benefits schemes, such as maternity benefit schemes, require higher levels of liquidity than long-term ones. As a consequence, such funds tend to focus on short-term investments as compared to pension schemes and therefore tend to experience lower investment returns. As a base scenario, it was simply assumed that the fund would generate a real return of zero per cent per year over the projection period. This means that the reserve will just maintain its real value against inflation.

It is worth stating that the cost of the scheme is not very sensitive to this assumption since the scheme has no accumulated reserve at the start of the projection period and the reserve of the fund is projected to remain relatively low over the projection period (this is normally the case for schemes providing short-term benefits).

► 4. Cost assessment of various design options

Section 4.1 of this chapter presents the demographic and financial projections of the maternity benefit scheme under the two design options described in Chapter 2 while considering the key projection assumptions presented in Chapter 3. Section 4.2 presents the recommended contribution rates related to design options A and B under various sensitivity tests. Finally, Section 4.3 discusses alternative design options proposed by stakeholders or derived from design options A and B. The general methodology of the actuarial analysis is described in Annex 1.

In this report, it is assumed that the maternity benefit scheme was implemented on 1 January 2024 to ensure consistency with data and approaches in other actuarial work undertaken by the ILO. The implementation date of 1 January 2024 has been adopted for illustration purposes only and the actual date of implementation wont materially impact the costings and recommendations. For example, if the Government decides to implement the scheme in 2025 or 2026, and the country's demographic and economic context remain relatively similar to that observed and projected in this report, then the findings and conclusions from this section will remain appropriate. As mentioned in Chapter 3, a projection period of 10 years has been retained in this cost assessment. This projection period is appropriate for assessing the cost of a maternity benefit scheme, as it not only enables conclusions on the scheme's sustainability but also provides a clear picture of its sensitivity to various assumptions or changes in benefits. The assumed implementation date of the scheme being on 1 January 2024, the fund was projected until 31 December 2033.

It is worth noting that the main purpose of this actuarial analysis is to determine the most likely range of contribution rates that will be sufficient to finance a maternity benefit scheme under different design options over the selected projection period, and not to forecast exact numerical values. When the scheme is implemented, it will be important to conduct actuarial valuations on a regular basis. Such actuarial valuations will help determine the cost of the scheme based on its actual experience.

4.1. Base design options

This section presents the demographic and financial projections of the maternity benefit scheme under the two design options described in Chapter 2 while considering the key projection assumptions presented in Chapter 3. Section 4.2 also presents the recommended contribution rates related to design options A and B under various sensitivity tests.

Table 4.1 presents the average number of monthly contributors and the average annual insurable earnings over the projection period (2024 to 2033) for design options A and B.¹⁷ The average number of monthly contributors refers to the total number of contributors of the scheme, adjusted to reflect the density of contribution of the members during each year. The total number of contributors of the maternity benefit scheme is projected to increase from approximately 2.4 to 2.6 million between 2024 and 2033; the average number of monthly contributors is projected to increase from about 1.6 to 1.7 million over the projection period.

¹⁷ Design options A and B consider the exact same definition of coverage and insurable earnings.

► **Table 4.1. Projected number of contributors and contributory earnings, 2024-2033**

Year	Total number of contributors (A)	Average density of contribution (in months) (B)	Average number of monthly contributors (C = A x B / 12)	Average monthly contributory earnings (in rupees) (D)	Total annual contributory earnings (in millions of rupees) (C x D)
2024	2 420 687	8.18	1 650 985	64 856	1 284 915
2025	2 465 851	8.14	1 673 617	70 080	1 407 436
2026	2 490 865	8.11	1 684 129	75 549	1 526 808
2027	2 507 963	8.09	1 691 165	81 586	1 655 707
2028	2 521 103	8.08	1 696 672	88 156	1 794 853
2029	2 529 755	8.07	1 700 503	95 327	1 945 248
2030	2 537 653	8.06	1 704 318	103 110	2 108 784
2031	2 543 921	8.06	1 707 609	111 581	2 286 431
2032	2 548 765	8.05	1 710 705	120 768	2 479 186
2033	2 552 001	8.06	1 713 644	130 738	2 688 462

Source: ILO calculations.

Table 4.2 presents the projected maternity cash benefits for design options A and B. Table 4.3 presents the projected paternity cash benefits for design options A and B.

The number of eligible mothers is projected at around 56,700 per year on average over the projection period, while the number of eligible fathers is projected at approximately 88,100 per year. This higher number of eligible fathers is explained by the scheme's coverage and the fertility rates of covered members and their spouses. First, the fact that covered males are up to 36 percent more numerous than covered females partly explains the higher number of eligible fathers (see section 3.3.1). Second, covered males are assumed to be more likely to become fathers than covered females are to become mothers; this is supported by the demographic profile of covered members and the fertility rates observed in Sri Lanka.

It is also noted that the average reference salary of eligible mothers is lower than that of eligible fathers. This is primarily because covered females earn less on average than covered males (see section 3.3.3). The higher average reference salary of eligible fathers can also be partly attributed to the salary scale: since the average age of eligible fathers is higher than that of eligible mothers (and salaries tend to increase with age), the reference salary used to calculate paternity benefits is higher than that used to calculate maternity cash benefits.

Overall, expenditures related to maternity cash benefits are significantly higher than those for paternity cash benefits. This is explained by the maternity benefit duration, which is approximately 32 times longer for eligible mothers than for eligible fathers in design option A and 42 times longer in design option B. Maternity cash benefits account for roughly 94 per cent of all benefits payable under design option A and approximately 95 per cent under design option B.

► **Table 4.2. Projected expenditure related to maternity cash benefits, 2024-2033**

Year	Number of eligible mothers (A)	Average reference salary of eligible mothers (B)	Option A			Option B		
			Average monthly benefit of eligible mothers (C = 6/7 x B)	Maternity benefit duration ¹ (in month) (D)	Total maternity cash benefits (in millions of rupees) (A x C x D)	Average monthly benefit of eligible mothers (E = B)	Maternity benefit duration ² (in months) (F)	Total maternity cash benefits (in millions of rupees) (A x E x F)
2024	54 612	52 863	45 311	3.23	7 994.6	52 863	4.15	11 991.9
2025	56 037	57 077	48 923	3.23	8 857.2	57 077	4.15	13 285.7
2026	56 506	61 467	52 686	3.23	9 618.1	61 467	4.15	14 427.2
2027	56 812	66 319	56 845	3.23	10 433.8	66 319	4.15	15 650.6
2028	56 978	71 624	61 392	3.23	11 301.3	71 624	4.15	16 951.9
2029	57 215	77 442	66 379	3.23	12 270.1	77 442	4.15	18 405.1
2030	57 200	83 784	71 815	3.23	13 271.5	83 784	4.15	19 907.3
2031	57 245	90 712	77 753	3.23	14 380.0	90 712	4.15	21 570.0
2032	57 333	98 240	84 206	3.23	15 597.4	98 240	4.15	23 396.1
2033	57 529	106 414	91 212	3.23	16 953.0	106 414	4.15	25 429.5

Source: ILO calculations.

Notes: (1) In design option A, the maternity benefit duration is set at 14 weeks, which is equivalent to 3.23 months (14 weeks / 52 weeks x 12 months = 3.23 months). (2) In design option B, the maternity benefit duration is set at 18 weeks, which is equivalent to 4.15 months (18 weeks / 52 weeks x 12 months = 4.15 months).

► **Table 4.3. Projected expenditure related to paternity cash benefits, 2024-2033**

Year	Number of eligible fathers (A)	Average reference salary of eligible fathers (B)	Option A			Option B		
			Average monthly benefit of eligible fathers (C = 6/7 x B)	Paternity benefit duration ¹ (in month) (D)	Total paternity cash benefits (in millions of rupees) (A x C x D)	Average monthly benefit of eligible fathers (E = B)	Paternity benefit duration ¹ (in months) (F)	Total paternity cash benefits (in millions of rupees) (A x E x F)
2024	88 406	70 001	60 000	0.10	524.6	70 001	0.10	612.0
2025	88 613	75 817	64 986	0.10	569.5	75 817	0.10	664.4
2026	88 213	81 814	70 127	0.10	611.8	81 814	0.10	713.8
2027	88 078	88 392	75 765	0.10	660.0	88 392	0.10	770.0
2028	87 955	95 539	81 891	0.10	712.4	95 539	0.10	831.1
2029	88 171	103 315	88 556	0.10	772.2	103 315	0.10	900.9
2030	87 964	111 746	95 782	0.10	833.3	111 746	0.10	972.2
2031	87 820	120 909	103 637	0.10	900.1	120 909	0.10	1 050.2
2032	87 727	130 830	112 140	0.10	973.0	130 830	0.10	1 135.1
2033	87 799	141 569	121 345	0.10	1 053.7	141 569	0.10	1 229.3

Source: ILO calculations.

Notes: (1) In design options A and B, the paternity benefit duration is set at 3 days, which is equivalent to 0.10 months (3 days / 365 days x 12 months = 0.10 months).

Contrary to a pension scheme, which provides for long term benefits accruing over 20 to 30 years and thereafter payable for 20 to 30 years, a maternity benefit scheme provides for short-term benefits paid over a period of generally less than one year. Pension schemes require a funding policy, either formal or informal, to determine the level of pre-funding of their long-term liabilities, from pay-as-you-go to full funding. By nature, short-term benefits are financed on a pay-as-you-go basis, and normally keep a contingency reserve to absorb unexpected increases in benefits and/or decreases in contributions in the future.

The pay-as-you-go cost of a maternity benefit scheme is relatively stable compared to that of other short-term benefit schemes, such as unemployment benefit schemes. Nonetheless, due to the short-term nature of maternity benefits, maternity benefit schemes should conduct an actuarial review every three to five years

to reassess their financial sustainability and the adequacy of their contribution rate. Conducting regular actuarial reviews is especially important for newer schemes, which often rely on limited experience data in their initial assessments.

To determine the required contribution rate for design options A and B, the following approach is used:

- The recommended contribution rate is set based on a ten-year projection of income and expenditure, with the objective to accumulate a stabilization reserve equivalent to the total annual projected expenditures (benefits and administrative expenditures) for the last year of the projection period. This approach also ensures that, throughout the ten-year projection period, the reserve-to-expenditure ratio remains positive. In other words, the reserve will not fall below zero at any point during the projection.

Table 4.4 presents the recommended contribution rates for design options A and B. The key findings of the financial projections are presented below:

- **Option A:** A contribution rate of 0.76 per cent of earnings (0.66 per cent for the benefit expenditure and 0.10 per cent for the administrative expenditure) would be sufficient to pay all the expenditures of the scheme over the projection period (no accumulation of a stabilization reserve at the end of the projection period). An additional contribution rate of 0.09 per cent is necessary to accumulate a stabilization reserve equivalent to the total projected expenditures (benefits and administrative expenditures) for the last year of the projection period. The recommended contribution rate is therefore **0.85 per cent** of earnings.
- **Option B:** A contribution rate of 1.08 per cent of earnings (0.98 per cent for the benefit expenditure and 0.10 per cent for the administrative expenditure) would be sufficient to pay all the expenditures of the scheme over the projection period (no accumulation of a stabilization reserve at the end of the projection period). An additional contribution rate of 0.12 per cent is necessary to accumulate a stabilization reserve equivalent to the total projected expenditures (benefits and administrative expenditures) for the last year of the projection period. The recommended contribution rate is therefore **1.20 per cent** of earnings.

It is important to note that the recommended contribution rates of 0.85 per cent for design option A and 1.20 per cent for design option B would not necessarily translate in an increase in the overall financial burden on employers. Currently, employers are solely responsible for providing maternity benefits as per the Maternity Benefits Ordinance, the Shop and Office Employees Act and the Establishment Code. Under this legislation, employers directly bear the full cost of maternity benefits—and, under the Establishment Code, the full cost of paternity benefits as well. By introducing a maternity benefit scheme, these costs would be redistributed across employers, reducing the direct financial obligation for each. Additionally, if stakeholders decide to share the contribution rate between employees and employers¹⁸, this would further reduce the financial responsibility borne by employers.

¹⁸ Stakeholders should reach a consensus on how the contribution rate is shared between employers and employees. This allocation must also comply with ILO Conventions, which stipulate that the total contributions borne by employees shall not exceed 50 per cent of the total contributions.

► **Table 4.4 Recommended contribution rate, design options A and B (in %)**

	Option A	Option B
Maternity cash benefit expenditure	0.62	0.93
Paternity cash benefit expenditure	0.04	0.05
Administrative expenditure	0.10	0.10
Minimum contribution rate to ensure the scheme's sustainability over the projection period¹	0.76	1.08
Additional contribution rate to accumulate a stabilization reserve	0.09	0.12
Recommended contribution rate²	0.85	1.20

Source: ILO calculations.

Notes: (1) Assumes no stabilization reserve at the end of the projection period. (2) Refers to the contribution rate that would be required to allow the scheme to accumulate a stabilization reserve equivalent to the total annual projected expenditures (benefits and administrative expenditures) for the last year of the projection period of ten years.

Finally, it is worth noting that recommended contribution rates mentioned above exclude any cost related to maternity care. In Sri Lanka, public health care, including maternity care, is provided free of charge to the entire population and is financed through public funds. As a result, prenatal and postnatal care, including institutional delivery, is already available to all women whether employed or not, and therefore no provision for maternity care is included in the recommended contribution rates.

4.2. Sensitivity tests

This study cannot pretend to project the future with perfect accuracy, first due to the inherent uncertainty of demographic and economic forecasts, and second, because costing a new scheme is particularly challenging given the limited historical data and actual experience.

Projections are based on actuarial models and assumptions, and the results are sensitive to the assumptions used. In a deterministic model, sensitivity analysis is the primary method for illustrating the potential variability in results. Sensitivity tests are particularly useful for examining assumptions that either have a substantial impact on future costs or are less credible due to limited data.

In this study, the following sensitivity tests have been performed to better understand the risks related to the maternity benefit scheme, under design options A and B:

- **Active insured members:** the age and sex distribution of active insured members affects the cost of the scheme. Indeed, since maternity cash benefits are more generous than paternity cash benefits, the cost of a maternity benefit scheme increases with the proportion of young females covered under the scheme. In the base scenario, the proportion of females insured under the scheme is projected to remain generally constant throughout the projection period, at 43 percent of all active insured members. This sensitivity test examines two alternative scenarios: one in which the proportion of female members gradually decreases to 40 per cent of all active insured members by 2033, and another in which the proportion of female members gradually increases to 50 per cent of all active insured members by 2033. It is important to note, when interpreting the results of this sensitivity test, that the maternity benefit scheme will only fulfil its objectives if it covers as many eligible women as possible.
- **Density of contribution:** given that there is no strict contribution requirement for eligibility under the maternity benefit scheme, the sustainability of the scheme can be significantly affected by the density of contribution. Indeed, the density of contribution impacts the scheme's contribution income but has a minimal impact on the accessibility to benefits. This sensitivity test examines the impact of a 10 per cent increase (and decrease) in the density of contribution throughout the projection period.
- **Contributory earnings:** Since maternity cash benefits are based on the last contributory earnings—and represent roughly 95 percent of all benefits paid by the maternity benefit scheme under design options A and B—the contributory earnings of female members can significantly impact the scheme's cost. In the base scenario, female contributory earnings are, on average, about 21 per cent lower than those of males. This sensitivity tests examines two alternative scenarios: one in which female contributory

earnings are, on average, 10 per cent lower than those of males, and another in which female contributory earnings are equal to those of males.

- ▶ **Real salary growth rate:** the sustainability of a short-term benefit scheme is largely unaffected by real wage growth, as both benefits and contributions are influenced by this factor. This sensitivity test presents the impact of an increase in the real salary growth rate by 1.0 per cent throughout the projection period as well as the impact of a decrease in the real salary growth rate by 1.0 per cent throughout the projection period.
- ▶ **Fertility rates:** the assumption on fertility rates is sensitive. This sensitivity tests present the impact of assuming fertility rates that are 10 per cent higher (or lower) than that assumed in the base scenario, for both the general population and formal sector employees in Sri Lanka.
- ▶ **Family statistics:** the assumption on family statistics is sensitive. In the base scenario, the age difference between spouses was derived from the data obtained on the labour force surveys produced in years 2016 to 2020. In the base scenario, the age-difference between spouses at younger ages is around 6 years on average. This sensitivity tests examines two alternative scenarios: one in which the age difference between spouses increases by 2 years, and another in which the age difference between spouses decreases by 2 years.
- ▶ **Administrative expenses:** this sensitivity test presents the impact of an increase in the administrative expenses by 0.05 per cent of the total insurable earnings to 0.15 per cent as well as decrease in the administrative expenses by 0.05 per cent of the total insurable earnings to 0.05 per cent.
- ▶ **Real rate of return of the fund:** this assumption is not very sensitive since the scheme has no accumulated reserve at the start of the projection period and the reserve of the fund is projected to remain relatively low over the projection period (this is normally the case for short-term benefit schemes). This sensitivity test presents the impact of an increase in the real rate of return of the fund by 1.0 per cent throughout the projection period and a decrease in the real rate of return of the fund by 1.0 per cent throughout the projection period.

Table 4.5 presents the results of the above-mentioned sensitivity tests. The sensitivity tests illustrate that a change in one assumption does not undermine the scheme's sustainability when the recommended contribution rate is applied. This confirms the robustness of the recommended contribution rates.

► **Table 4.5 Sensitivity tests, design options A and B**

Sensitivity test	Option A		Option B	
	Recommended contribution rate ¹ (in %)	Reserve ratio at the end of the projection period assuming a contribution rate of 0.85% ²	Recommended contribution rate ¹ (in %)	Reserve ratio at the end of the projection period assuming a contribution rate of 1.20% ²
Base scenario	0.85	1.0	1.20	1.0
Active insured members				
- Proportion of female insured members at 40%	0.82	1.4	1.15	1.4
- Proportion of female insured members at 50%	0.93	0.3	1.32	0.2
Density of contribution				
- Density of contribution + 10%	0.78	1.9	1.10	1.9
- Density of contribution - 10%	0.93	0.1	1.32	0.1
Contributory earnings				
- Female contributory earnings 10% lower than males	0.89	0.5	1.26	0.5
- Female contributory earnings same as males	0.93	0.1	1.33	0.1
Real salary growth rate				
- Real salary growth rate + 1.0%	0.85	1.0	1.20	1.0
- Real salary growth rate - 1.0%	0.85	1.0	1.20	1.0
Fertility rates				
- Fertility rate + 10%	0.92	0.2	1.31	0.2
- Fertility rates - 10%	0.77	2.0	1.09	2.0
Family statistics				
- Age difference between spouses + 2 years	0.85	1.0	1.20	1.0
- Age difference between spouses - 2 years	0.85	1.0	1.20	1.0
Administrative expenses				
- Administrative expenses + 0.05%	0.90	0.4	1.25	0.6
- Administrative expenses - 0.05%	0.79	1.7	1.14	1.5
Real rate of return of the fund				
- Real rate of return of the Fund + 1.0%	0.84	1.1	1.19	1.1
- Real rate of return of the Fund - 1.0%	0.85	1.0	1.20	1.0

Source: ILO calculations.

Notes: (1) Refers to the contribution rate that would be required to allow the scheme to accumulate a stabilization reserve equivalent to the total projected expenditures (benefits and administrative expenditures) for the last year of the projection period of ten years. (2) Refers to the reserve ratio at the end of the projection period when the recommended contribution rate for the specified design option is applied.

▶ 5. Additional considerations and recommendations

This section presents additional considerations and recommendations, not elsewhere specified in this report, for the implementation of a maternity benefit scheme in Sri Lanka.

5.1. Extension of coverage to informal sector workers

Maternity benefit schemes mainly target women in formal employment, leaving a significant gap in coverage for those in informal work, such as self-employed, domestic, and agricultural workers as well as for workers in the formal sector whose employers do not affiliate them for social insurance. As of 2023, it is estimated that approximately 60 per cent of women in Sri Lanka work in the informal sector and would therefore lack coverage under the design options discussed in Chapter 2.

Covering these workers under a contributory social security scheme is challenging for a variety of reasons – there may be an absence of legal framework allowing affiliation, for self-employed or agricultural workers there may not be a stable income necessary for regular contributions and certain employers may not comply with legislation. Indeed, contributory social insurance schemes suffer from a key challenge in that they cannot provide cash benefits to workers in informal sector employment or mothers who are not in paid employment.

To address the specific needs of workers not covered under a contributory scheme, innovative measures may need to be developed. Social protection mechanisms, such as non-contributory schemes and tax-financed programmes, could provide a safety net by ensuring minimum income security for women working in the informal sector. This approach can help close coverage gaps and support the gradual implementation of social protection floors, in alignment with the United Nations Sustainable Development Goals. It is aligned with the ILO approach of multi-tier provision which includes a Social Protection Floor of universal provision and supplementary social insurance based provision.

Several countries in Asia have developed innovative, tax-financed programs to extend maternity support to informal sector workers. In India, *Tamil Nadu's Dr. Muthulakshmi Reddy Maternity Benefit Scheme* provides maternity cash grants to women in the informal sector, helping them cover essential costs during maternity. Funded through state taxes, the program has reached many women outside formal employment. Although challenges remain in achieving full coverage, particularly in rural areas, this example shows how targeted, region-specific programs can effectively support informal workers.

Similarly, Bangladesh has introduced non-contributory cash transfer programs, such as the *Maternal Health Voucher Scheme*, aimed at low-income, rural women. This program provides cash support for maternity care, covering antenatal, delivery, and postnatal services for informal sector workers. Although challenges persist in sustaining funding and expanding coverage, this program demonstrates the benefits of linking cash support with health services to improve maternal and child health outcomes.

These examples offer important lessons for Sri Lanka: pilot programs targeting high-need regions and integrating maternity cash benefits within existing health care services could provide immediate relief to mothers in the informal sector. A phased approach, with initial focus on areas with high informal employment and an important agricultural sector, could progressively build a sustainable support system, paving the way for comprehensive, inclusive maternity coverage. Whilst an in-depth assessment of the cost of such a scheme should be determined, it is estimated that providing a maternity cash benefit equivalent to the poverty line, payable for 12 weeks to all women who are not covered under design options A and B, is estimated to cost approximately 0.03 percent of GDP.¹⁹ This should be seen as an important investment in

¹⁹ This assumes a monthly benefit of 16,000 rupees in 2024 (adjusted annually for inflation), payable for 12 weeks, to approximately 240,000 women each year. The estimated poverty line for 2024 has been derived from poverty line statistics published by the Department of Census and Statistics of Sri Lanka.

not only women and child health and well-being but also as supporting the foundations for robust economic growth, reducing inequality and improving social cohesion.

5.2. Parental and adoption leave

Parental leave is designed to support both parents in caring for a child, providing a gender-neutral period that either parent can use. This approach recognizes that both parents play crucial roles in early child development and caregiving. Parental leave encourages a more balanced distribution of caregiving responsibilities, supporting families by giving them the flexibility to decide which parent will take leave based on their unique circumstances. By offering gender-neutral leave options, parental leave policies promote gender equality in both family roles and workplace expectations, helping to normalize shared caregiving responsibilities.

Adoption leave, while similar in purpose, specifically addresses the unique needs of adoptive families, enabling parents to spend time bonding with their newly adopted child. This period is essential for establishing a secure family connection, especially for children who may have experienced transitional or challenging circumstances before adoption.

Globally, several countries include parental and adoption leave within their maternity benefit schemes. In Asia, Japan and South Korea, for example, offer progressive parental leave policies, providing up to 12 months of parental leave to each parent. In South Korea, the government has actively promoted parental leave to address gender disparities, with incentives such as increased allowances for fathers who take leave consecutively with the mother. This approach encourages both parents to participate in early childcare, although cultural norms still result in higher uptake by mothers than fathers.

Parental and adoption leave benefits could be included in the maternity benefit scheme, under either design options A or B (or in other variations of these design options). For example, the following could be considered:

- In addition to the 14-week maternity cash benefit in design option A (or 18 weeks in design option B) and the 3-day paternity cash benefit, an additional 4 weeks could be offered as parental leave to be taken by either the mother or the father within one year of the child's birth.
- The maternity and paternity cash benefits provided under design options A and B could be extended to adoptive parents. In fact, in many countries, adoption leave is provided on the same or similar basis as for maternity and paternity leave.

As adoption is significantly less common than childbirth, introducing adoption leave benefits should have only a minimal impact on the cost of the scheme. The introduction of a parental leave could, however, be slightly more costly. For example, the measure outlined above (an additional 4 weeks offered as parental leave) could translate into an increase in the recommended contribution rate from 0.85 to 1.04–1.26 percent under design option A and from 1.20 to 1.43–1.68 percent under design option B.²⁰

5.3. Maternity leave in case of stillbirths

Many countries provide special periods of leave for miscarriage, stillbirth, death, or other complications arising from childbirth. These provisions align with the general intent of Convention No. 183 and its associated Recommendation No. 191, which advocate for the extension of maternity leave in cases of complications related to pregnancy or childbirth.

Many countries offer full or partial maternity leave benefits in cases of miscarriage, stillbirth, death, or other complications to ensure that affected mothers receive the necessary time to recover. For example, in Singapore, female workers are entitled to full maternity leave benefits in cases of stillbirth. Similarly, in the

²⁰ The lower value in each range assumes that mothers use the full parental leave, while the higher value assumes that fathers use the full parental leave. The actual cost of the scheme will depend on the proportion of mothers and fathers taking parental leave benefits, and is likely to fall within these ranges for design options A and B.

Philippines, female workers can qualify for 60 days of paid leave in cases of miscarriage or emergency termination of pregnancy, including stillbirths. These provisions recognize that the physical recovery and emotional needs are similar regardless of the pregnancy outcome, ensuring affected women have adequate time to recover.

Offering special periods of paid leave through the maternity benefit scheme could be done at a minimal cost. Indeed, with an estimated stillbirth rate of 6.5 per 1,000 live births in Sri Lanka, such a measure would result into an increase of less than 0.01 per cent in the cost of the scheme, thereby not impacting the recommended contribution rates for design options A and B presented in Chapter 4.

5.4. Benefit in case of a parent's death

In this study, no maternal deaths were assumed, as such events are extremely rare and have a marginal impact on the overall cost of a maternity benefit scheme. Consequently, the birth of a child to a covered female member implicitly entitles the family to the maternity cash benefit, and the birth of a child for which a covered male member is the father implicitly entitles the family to the paternity cash benefit, regardless of the survival status of the mother or father after the child's birth. Design options A and B therefore implicitly include provisions for the death of a parent: the surviving parent is entitled to receive the value of the cash benefit owed to the deceased parent as of the date of their death. Similar provisions are in place in most countries.

5.5. Administration of the maternity benefit scheme

The administration of maternity benefit schemes shares many of the general characteristics of other social security branches. To deliver benefits effectively and in accordance with legislation, the institution administering the maternity benefit scheme must adhere to principles of good governance. Core principles such as accountability, transparency, predictability, participation, and dynamism are essential to the successful management of maternity benefit schemes.²¹

International labour standards on social protection set out common rules of collective organization, financing and management of social security, as well as principles for the good governance of national systems. These include:

- the general responsibility of the State for the due provision of benefits and proper administration of social security systems;
- solidarity, collective financing and risk-pooling;
- participatory management of social security schemes;
- guarantee of defined benefits;
- adjustment of pensions in payment to maintain the purchasing power of beneficiaries; and
- the right to complain and appeal.

Convention No. 102 also stipulates that if the administration of a social security scheme is not assigned to a government-regulated institution or a government department responsible for enforcing the legislation, representatives of those covered by the scheme must participate in management or be involved in a consultative role under prescribed conditions. National laws or regulations may also determine the participation of representatives of employers and public authorities.

Worldwide, maternity benefit schemes are administered by various organizations, depending on historical developments and national contexts. In most countries, maternity benefit schemes are administered by government-regulated social security organizations or by departments within the ministry in charge of labour and employment, or finance.

²¹ See ISSA guidelines on good governance of social security institutions.

Given Sri Lanka's need for an efficient institution to administer the maternity benefit scheme, the Employees' Trust Fund emerges as a viable option. Established in March 1981 under the provisions of ETF Act No. 46 of 1980, the Employees' Trust Fund operates under the Ministry of Finance and Planning and has a proven track record in managing contributions and providing welfare benefits to a large membership base. The Employees' Trust Fund's established infrastructure and robust administrative capabilities make it well-suited to handle the complexities of administering a contributory maternity benefit scheme.

5.6. Social dialogue for effective implementation

The principles of tripartism and social dialogue are key for social protection development, reforms and governance. Social dialogue is a mechanism for participation and consensus building in the world of work and it is key for designing and implementing social protection policies, including in contexts of crisis. Countries that have well-established social dialogue structures are better equipped to integrate the voices of workers' and employers' organizations in their response efforts. It is important to ensure that the concerns of all types of enterprises and businesses, all categories of workers, including those (economic units and workers) in the informal economy, and representative of beneficiaries are represented in order to build more balanced responses, including better-adapted social protection measures.

Convention No. 102 addresses social dialogue and tripartite participation in the policy design and implementation phases, as follows:

- Social partners should be enabled and empowered to participate effectively in national social protection policymaking and implementation of social protection systems.
- Representatives of workers and employers should participate in the tripartite boards of social security schemes.
- Policy development and reforms should be based on a transparent, inclusive and open process.
- Broader social dialogue and partnerships with representatives of specific groups of the population and other relevant stakeholders should be promoted.
- In the interests of accountability and transparency, particular attention should be paid to monitoring the implementation and impact of social protection measures in order to ensure the effective delivery of benefits. This will contribute to the formulation of appropriate, adequate and relevant policies, and will enable potential shortcomings and gaps to be addressed.

Governments, together with social partners and other stakeholders, where appropriate, should strive to strengthen social protection systems, including floors, as a cornerstone of national policy architecture that is essential during and outside moments of crises. A policy approach based on national dialogue and consensus-building fosters a more human-centered system by incorporating the perspectives of various stakeholders. Integrating social partners in the process of formulating policies for maternity benefits and other social protections will contribute to more equitable and inclusive societies.

Social dialogue is key not only for building robust social protection systems that respond to the evolving needs of individuals but also for continuously adapting these systems to changing social and demographic realities. Where social dialogue structures are limited, governments have an opportunity to establish, strengthen, or revitalize these channels by providing the enabling conditions and environment for open and constructive engagement. This includes reinforcing the capacities of workers' and employers' organizations and consulting other representative organizations relevant to maternity protection and family welfare.

▶ Annex 1. General methodology of the actuarial analysis

This study makes use of a comprehensive methodology for projecting the income and expenditure of maternity benefit schemes.

The methodology used incorporates demographic and macro-economic assumptions, as well as scheme-specific assumptions, which are based on a wide range of data and assumptions. Demographic, economic and scheme-specific assumptions for this study are primarily based on ETF data obtained for year 2022, as well as on data obtained from the Department of Census and Statistics of Sri Lanka.

Projections are made following a year-by-year methodology and on a cash-basis, unlike financial statements, which are typically presented on an accrual basis. A projection period of 10 years has been retained in this study; this projection period is appropriate for assessing the cost of a maternity benefit scheme, as it not only enables conclusions on the scheme's sustainability but also provides a clear picture of its sensitivity to various assumptions or changes in benefits.

The projection of the active insured members of the scheme, which serves as the basis for projecting income and expenditures in this study, is derived from a general demographic and economic framework as follows:

- ▶ **Projection of the general population:** The projection of the general population is based on the age and sex distribution of the country's population for 2023 (the most recent data available for this study) and reflects relevant assumptions related to mortality, fertility, and migration. These assumptions are presented in Section 3.1.
- ▶ **Projection of the employed population:** The projection of the employed population, by age and sex, is derived from key labour force statistics and reflects assumptions on labour force participation rates and unemployment rates. Additional macro-economic assumptions, such as real GDP growth rates and productivity growth rates, are used to project unemployment levels over the projection period. General consistency is maintained when projecting demographic, economic, and labour force indicators.
- ▶ **Projection of the active insured members:** The number and distribution of active insured members is derived from the projected employed population, and incorporate ETF data obtained for year 2022 and labour force statistics pertaining to formal employees obtained from the Department of Census and Statistics of Sri Lanka. Assumptions are made with regards to the evolution of the coverage rate of the scheme, by age and sex.
- ▶ **Projection of the characteristics of the active insured members:** The characteristics of the active insured members are based on the data obtained on the ETF members for year 2022, particularly on information collected on contributory earnings and density of contribution. Fertility rates for female active insured members are assumed to differ from the general population (see Section 3.3.4), as formal employees generally have distinct socio-economic characteristics, including higher education levels, improved access to health services, and varying working conditions, all of which can impact fertility patterns. Additional assumptions are made with regards to salary growth rate, family statistics, and stillbirth rates.

The annual income is projected as the sum of the two following components:

- ▶ **Contribution income:** Each year, the contribution income is calculated as the product of the number of active insured members, their density of contribution (in months), and their monthly contributory earnings.
- ▶ **Investment income:** Each year, the investment income is calculated as the investment return obtained on the scheme's reverse and cash-flow (income minus expenditure). An assumption is made regarding the rate of return of the fund over the projection period.

The annual expenditure is projected as the sum of the three following components:

- ▶ **Maternity cash benefits expenditure:** The number of mothers eligible for a maternity cash benefit each year is projected based on the scheme-specific fertility rates, and the number and distribution of female active insured members and their density of contribution. The maternity cash benefit paid to each mother reflects their contributory earnings and considers all parameters of the benefit formula (the benefit rate and duration).
- ▶ **Paternity cash benefits expenditure:** To project the expenditure related to paternity cash benefits, the total number of births in the country is first estimated from the age distribution of the general female population of Sri Lanka, and the assumed general age-specific fertility rates (see Section 3.1). This approach is used to reflect that paternity cash benefits can be paid to male active insured members (fathers) whose spouses (mothers) are not covered by the scheme. The assumed age difference between spouses (see Section 3.3.5) is then used to estimate the age distribution of fathers. The number of fathers eligible for a paternity cash benefit each year is estimated based on the scheme's coverage rate and the density of contribution. The paternity cash benefit paid to each father reflects their contributory earnings and considers all parameters of the benefit formula (the benefit rate and duration).
- ▶ **Administrative Expenditure:** The administrative expenditure is calculated as a percentage of insurable earnings.

It is worth noting that these projections are not intended to forecast the scheme's exact income and expenditure, but rather to assess its financial sustainability within a specified context.

▶ Annex 2. ILO social security standards on maternity protection

ILO social security standards have come to be recognised globally as key references for the design of rights-based, sound and sustainable social protection schemes and systems. They also give meaning and definition to the content of the right to social security as laid down in international human rights instruments (notably the Universal Declaration of Human Rights, 1948, and the International Covenant on Economic, Social and Cultural Rights, 1966), thereby constituting essential tools for the realization of this right and the effective implementation of a rights-based approach to social protection.

Guiding ILO policy and technical advice in the field of social protection, ILO social security standards are primarily tools for governments which, in consultation with employers and workers, are seeking to draft and implement social security law, establish administrative and financial governance frameworks, and develop social protection policies. More specifically, these standards serve as key references for:

- ▶ the elaboration of national social security extension strategies;
- ▶ the development and maintenance of comprehensive national social security systems;
- ▶ the design and parametric adjustments of social security schemes;
- ▶ the establishment and implementation of effective recourse, enforcement and compliance mechanisms;
- ▶ the good governance of social security and improvement of administrative and financial structures;
- ▶ the realization of international and regional obligations, and the operationalization of national social protection strategies and action plans; and
- ▶ working towards the achievement of Sustainable Development Goals, particularly goals 1, 3, 5, 8, 10 and 16.

The ILO's normative social security framework consists of eight up-to-date Conventions and nine Recommendations. The most prominent of these are the Social Security (Minimum Standards) Convention, 1952 (No. 102), and the Social Protection Floors Recommendation, 2012 (No. 202). Other Conventions and Recommendations set higher standards in respect of the different social security branches, or spell out the social security rights of migrant workers.

ILO standards establish qualitative and quantitative benchmarks which together determine the minimum standards of social security protection to be provided by social security schemes when life risks or circumstances occur, with regard to:

- ▶ definition of the contingency (what risk or life circumstance must be covered?);
- ▶ persons protected (who must be covered?);
- ▶ type and level of benefits (what should be provided?);
- ▶ entitlement conditions, including qualifying period (what should a person do to get the right to a benefit?);
- ▶ duration of benefit and waiting period (how long must the benefit be paid/provided for?).

In addition, they set out common rules of collective organization, financing and management of social security, as well as principles for the good governance of national systems. These include:

- the general responsibility of the State for the due provision of benefits and proper administration of social security systems;
- solidarity, collective financing and risk-pooling;
- participatory management of social security schemes;
- guarantee of defined benefits;
- adjustment of pensions in payment to maintain the purchasing power of beneficiaries; and
- the right to complain and appeal.

Table A2.1 presents a summary overview of the key requirements set out the in Convention No. 103, the Convention that is currently relevant for assessing the situation in Sri Lanka. Table A2.2 provide a summary overview of the key requirements set out in current ILO standards on maternity protection.

► **Table A2.1 Main requirements: Convention No. 103, Maternity Protection Convention, 1952**

Convention No. 103	
What should be covered?	Medical care required by pregnancy, childbirth and their consequences; resulting lost wages.
Who should be protected?	All employed women including those in atypical forms of dependent work.
What should the benefit be?	Medical benefits: – At least prenatal, childbirth and post-natal care by qualified practitioners, and hospitalization if necessary. – Daily remunerated breaks or reduced hours for breastfeeding. Cash benefits: – Periodic payments of at least 66.67% of previous earnings; should maintain mother and child in proper conditions of health and a suitable standard of living.
What should the benefit duration be?	At least 12 weeks for cash benefits, including 6 weeks' compulsory leave after childbirth; additional leave before or after maternity leave in case of illness, complications or risk of complications arising from pregnancy or childbirth
What conditions can be prescribed for entitlement to a benefit?	Conditions must be met by a large majority of women; those who fail to qualify for maternity benefits should be entitled, subject to the means test required for social assistance, to adequate benefits out of social assistance funds.

► Table A2.2 Main requirements: ILO social security standards on maternity protection

	Convention No. 102 <i>Minimum standards</i>	Convention No. 183 ¹ and Recommendation No. 191 ² <i>Higher standards</i>	Recommendation No. 202 <i>Basic protection</i>
What should be covered?	Medical care required by pregnancy, confinement and their consequences; resulting lost wages.	Medical care required by pregnancy, childbirth and their consequences; resulting lost wages.	Goods and services constituting essential maternity health care, and basic income security for those who are unable to earn a sufficient income due to maternity.
Who should be protected?	At least: – 50% of all women employees; or – All women in categories of the active population (forming not less than 20% of all residents); or – All women with means under prescribed threshold.	All employed women including those in atypical forms of dependent work.	At least all women who are residents of active age, subject to international obligations.
What should the benefit be?	Medical benefits: – At least prenatal, confinement and post-natal care by qualified practitioners, and hospitalization if necessary. Cash benefits: – Periodic payments of at least 45% of reference wage.	<u>C.183:</u> Medical benefits: – At least prenatal, childbirth and post-natal care by qualified practitioners, and hospitalization if necessary. – Daily remunerated breaks or reduced hours for breastfeeding. Cash benefits: – Periodic payments of at least 66.67% of previous earnings; should maintain mother and child in proper conditions of health and a suitable standard of living. <u>R.191:</u> Cash benefits should be raised to the full amount of the woman's previous earnings.	Medical benefits: – Should meet criteria of availability, accessibility, acceptability and quality; free prenatal and postnatal medical care should be considered for the most vulnerable. Benefits in cash or in kind: – Should ensure basic income security, so as to secure effective access to necessary goods and services, and be at a level that prevents or alleviates poverty, vulnerability and social exclusion and allows life in dignity; levels should be regularly reviewed.
What should the benefit duration be?	At least 12 weeks for cash benefits.	<u>C.183:</u> 14 weeks' maternity leave, including 6 weeks' compulsory leave after childbirth; additional leave before or after maternity leave in case of illness, complications or risk of complications arising from pregnancy or childbirth. <u>R.191:</u> 18 weeks' maternity leave; extension of the maternity leave in the event of multiple births	As long as the incapacity to earn a sufficient income remains.
What conditions can be prescribed for entitlement to a benefit?	Qualifying period may be prescribed as necessary to prevent abuse.	Conditions must be met by a large majority of women; those who do not meet conditions are entitled to social assistance.	Should be defined at national level, and prescribed by law, applying principles of non-discrimination, responsiveness to special needs and social inclusion, and ensuring the rights and dignity of women.

Notes: 1 Maternity Protection Convention, 2000. 2 Maternity Protection Recommendation, 2000.



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