

POLICY BRIEF | JUNE 2024

# FALLING THROUGH THE CRACKS

THE IMPACT OF SRI LANKA'S ECONOMIC CRISIS ON  
COLOMBO'S WORKING CLASS POOR



Colombo Urban Lab's fourth policy brief on the impact of Sri Lanka's economic crisis on the city's working class poor communities focusses on energy, education and health. These findings are from our ongoing qualitative research with communities in Colombo as well as a household survey conducted in April 2024 with thirty households in a settlement in North Colombo.

Our first policy brief in May 2022 at the height of the economic crisis, focussed on urgent short term recommendations for state support. We recommended a diverse array of interventions in order to account for the dynamic nature of the economic crisis permeating all aspects of life. We cautioned that a cash-handout alone would not be sufficient, given that the value of money will decrease over time and that one intervention alone will not adequately support urban households.

The April 2023 policy brief detailed various coping strategies households were employing to make ends meet, such as cutting back on the number of meals and nutrition, not sending children to school everyday, reducing electricity usage to a bare minimum, pawning jewellery and selling/mortgaging assets.

In September 2023, our policy brief focussed on household debt and social security, where families were borrowing money or taking multiple loans from informal credit markets. It included an update on the Aswesuma experience by highlighting the dangers of targeted support and asset based selection through case studies of households not selected for the new social security registry.

Looking back at the two years of analysing the impact of the economic crisis on these families who had not yet recovered from the pandemic period, it is disheartening to see a continuation of lack of commitment from not just the government and state officials but also of development agencies to address the long term impacts of the inadequate actions taken since 2022 to support Sri Lankans affected by the crisis. From Aswesuma to school meal programmes, policy efforts have prioritised piecemeal initiatives to bridge urgent social protection gaps. There is a failure to understand how the messiness of the lived realities of households has intersected with the broader impacts of the crisis. Aswesuma has not had a transformational impact as promised, as targeted social security never could; however, it has been the face of social protection efforts with little else rolled out in parallel.

Two years ago, there was greater scrutiny on the situation in Sri Lanka and the impacts on families. Since then, media attention has waned and the increased cost of living, higher utility bills and the burden of income taxes and VAT has also constrained the ability of higher income groups to provide assistance. Daily wage workers and those engaged in self employed livelihoods (like tailoring or welding work) in communities we work with say that volume of work and days of work have reduced over the past year as customers and employers do not have the same income as they did previously. Those who say that their income has not changed in the last few years do note that their expenses have significantly increased so the income mismatch makes it harder to make ends meet. Even while analysing our findings regularly, we acknowledge that our insights are not new, as we continue to caution that the situation in working class poor households continue to be precarious with generational impact and undoing decades of development gains.

While most issues cut across nutrition, livelihood, health, education in households, the severity and ability to cope differ based on a host of variables ranging from gender, time of month, regularity of income, accumulated debt or borrowings, whether or not there are school going children in the household or whether someone has diabetes. Two selected case studies below illustrate the complexity of household precarity and caution against assuming one or two interventions would lead to transformational impact. It is in understanding this that we continue to advocate for universal social protection in Sri Lanka, and moving away from targeted schemes.

## Energy poverty continues to increase

Despite a **reduction in electricity tariffs in March 2024**, utility bills continue to eat away at household incomes. For two thirds of surveyed households, **utility bills were the main monthly expense, and for a third electricity bills alone were reported the highest expense**. This remains the same in other settlements we work as well. This is a significant change from previous years, where households consistently reported that food was their main expense. In 2019, households spent an average of 5% of their income on electricity, but as of 2024 this had increased to 10%. On average, the monthly bill in surveyed households was LKR 6261.

This is significant because spending 10% of income on energy is considered the threshold of energy poverty. When considering how much households are spending on cooking fuel as well as electricity, their total expenditure on energy is likely to be even higher. **Urban working class households consume more electricity** as they may have larger families and often have more than one independent family residing in the same house and sharing an electricity meter. In addition, residencies may double as the site of livelihood generation, incurring a higher electricity bill. For example, one family reported an electricity bill of LKR 14,000 due to a tailoring business that required two sewing machines.

When looking at the differences in households receiving Aswesuma and those not (either due to not applying or not being selected despite applying) we see a higher proportion of the household budget of non-Aswesuma families going towards utility bills. Those receiving the cash transfer state they put it towards their monthly electricity bills.

### *Adopting maladaptive coping strategies*

All households reported limiting electricity consumption to reduce their bill, giving up rice cookers and refrigerators and curtailing the use of fans and lights. These coping mechanisms revealed constant adjustments, sacrifices and **trade-offs to minimise electricity consumption**.

*'Since we live close to the canal the wind blows through in the morning, so I switch off the fan at that time'*

*'The TV broke recently and I decided not to fix it because of the bill'*

*'We switched from the ceiling fan to the table fan because it uses less electricity'*

Not everyone is able to make these adjustments. For example, one family had to purchase a fridge to store insulin because a family member had diabetes.

Many of those who had borrowed money the previous month had done so to pay their electricity bill arrears, borrowing amounts ranging from LKR 10,000-30,000. These are borrowed from the informal credit market on high interest ranging from 10% - 15%, even for an amount as low as LKR 5000. Interestingly, when asked how they would allocate a cash transfer received as government welfare, most respondents said they would use it to pay their electricity bills. This indicates that welfare payments will not have a transformative effect on households as they are immediately diverted to meet monthly utility payments. Electricity is a public good that is essential for health, education, safety and affording the minimum quality of life. As such, households will prioritise staying connected at great expense, including incurring debt, pawning jewellery and diverting from other important expenses.

## Education loss continues

A majority of the households surveyed had family members between the ages of 3 and 21. Households list children's expenses (education, tuition or otherwise) as a main expense in their household expenditure. **The imposition of an 18% value added tax (VAT), which raised the price of school supplies,** made it difficult for families already struggling to educate their children. Some households mentioned that they have had to borrow money for their children's education. One household mentioned that they had to borrow LKR 8000 from a money lender, at an interest rate of 15%, to buy school books for their children as well as to pay school-related fees. Another household mentioned that they had to borrow money to admit their children to school. Many households spend more than LKR 5000 a month on transportation to and from school, with some who use private transport for schooling spending between LKR 8000 - 10,000.

COVID-19 and the economic crisis has resulted in an **increase in the number of school dropouts.** While in Sri Lanka, **a student is officially considered a school dropout if they miss two months of school consecutively,** this data may not be very useful and may **obscure the reality,** which may be that many students don't attend school regularly. Our ongoing work shows that while most children attend school regularly, there are several households where children miss school at least one week per month due to various reasons ranging from unaffordability of transport or stationary, inability to send a nutritious meal to school, and other income related reasons.

## On nutrition and health

Food plates that shrunk to a bare minimum with almost little to no intake of fresh fruit or regular proteins (as they did pre-COVID19) continues. Our research with the Institute for Development Studies, U.K since 2020 that has **looked at the infrastructure - nutrition nexus** as well as more recent research that focussed only on **the access to fresh fruit and vegetables in low income communities** saw that competing expenses at the household level - for utility bills, education and health - has resulted in families compromising on quantity, quality and diversity of meals, even while having good awareness on nutrition.

Meagre food plates are not a result of lack of nutritional awareness, but of other pressing needs that force families to prioritise hunger over nutrition. In the survey conducted in April 2024, all households cooked only once a day or combined the cooking of two meals (when previously the majority would cook all three meals regularly), and said that price is the key consideration when deciding what to cook. Households that shared that they cook only once a day, have tea for breakfast or a bun from a shop instead of a meal.

In almost all the households Colombo Urban Lab has worked with since 2020, none of the school going children received a mid day meal from their school. Instead they had to take a nutritious meal to school from home, and school regulations state that buns and biscuits are not allowed - which means that families have to send rice and curry or pulses for example - and this is yet another reason for school absenteeism. Even with the introduction of the school meals for all programme in **March of this year**, there does not appear to be a systematic meal programme in place in Colombo in either the national or private schools among communities we work with in North Colombo.

**Non-communicable diseases account for 80% of deaths in Sri Lanka.** In recent years, there has been a **rise in non-communicable diseases across Sri Lanka**. In May of this year, the Ministry of Health reported that the **number of patients with high blood pressure reported in Sri Lanka, has increased**. In the majority of the households we have worked with in the last few years, at least one individual had a non-communicable disease like diabetes or cholesterol. One of the recommendations provided by the Consultant Community Physician of the Ministry of Health (Directorate of Non-Communicable Diseases) to reduce high blood pressure is to increase physical activities to reduce mental stress. Apart from the context of high costs of living and struggles to make ends meet, there is a shortage of recreational spaces (**Colombo Settlements Survey 2023 revealed that only 4% of settlements in Colombo have access to green spaces/ recreational spaces within the settlement**). Managing mental stress as recommended is therefore easier said than done. Our findings also reveal that despite the number of households with non-communicable diseases, only a handful regularly visit clinics or interact with healthcare professionals.

Households also continue to use a combination of government medication, treatment and tests (usually free or for a small fee) and private medication, treatment and tests (comparatively more expensive) due to a shortage or unavailability of medicines as well as high prices. One respondent stated that due to high prices of arthritis medication which he has to purchase on his own, there are days where he forgoes the medication.

## Case Study 1: Kumudu

Kumudu lives in a house with two families and five family members in total. There are two family members between the ages of 3-21, one between the ages of 22-65 and two above the age of 65. At least one family member suffers from an NCD—however, despite this they don't visit medical professionals regularly. The mother and daughter in the family have a small business, where they prepare and sell *kola kenda* and breakfast to earn a living. In addition to this, they also do some tailoring during the *Avurudu* season, and receive some income from renting out a space. They earn about LKR 60,000 a month, out of which LKR 12,000 is paid for electricity— a LKR 7500 increase from 2019. The family often borrows money or pawns jewellery if they are unable to manage their expenses. They spend about LKR 5200 on public transportation to and from school on a monthly basis. They receive LKR 8500 from Aswesuma.

## Case Study 2: Roopa

Roopa lives in a house with two families and six family members in total. There are two family members between the ages of 3-21, two between the ages of 22-65 and two above the age of 65. At least one family member suffers from an NCD—however, despite this, they don't visit medical professionals regularly. Only one member of the family earns an income and they get a monthly income of LKR 60,000 which must be used for the expenses of two families living in the house. There have been instances where they have pawned jewellery for their children's education and for purchasing food. She mentioned that their electricity bill has increased by about Rs. 5,000 since 2019, and that they use electricity (devices that use electricity) sparingly. They spend about Rs.8,000 on transport to and from school and about LKR 15,000 in total for children's expenses. While the family receives a small amount as elders benefit—they were not selected for Aswesuma, despite having appealed their rejection.

## Recommendations

We continue to advocate for universal social security as a vital consideration for working class communities and the informal sector in Colombo. Discourse and policy surrounding social security must take into account the lived realities of the working class poor, and ensure that it actually offers tangible support that will better their quality of life. If not, the impact of this crisis will be generational and people will have lost the decades of investment and hard work they have put in towards creating a better life for themselves.

We reiterate that there needs to be a more **holistic approach to assessing and understanding the impact of the crisis**, particularly on working class poor and lower middle class families. The end goal of Sri Lanka's recovery process must not be to recover to a point where people can make ends meet, but one where **the recovery is just and equitable**, and people experience a better quality of life within this lifetime. While the current economic crisis is nowhere close to being over, other crises such as heat and unpredictable weather patterns due to climate change are already affecting how people in cities work and live.

Therefore the consideration of universal social security is an important one as **people can be vulnerable through various periods in their life and in different ways** - whether it is through personal health, livelihood or impact of a family member, or external like an economic crisis or pandemic. Furthermore, as we see in Colombo and have highlighted through this policy brief, poverty and vulnerability in the city presents differently and in diverse ways, and targeted welfare will not reach those who are technically not poor but are far from enjoying a decent quality of life.

### *Towards energy justice*

Ensure that public consultation processes on tariff increases feature a cross-section of Sri Lankan households and are gender sensitive.

Place working class poor households in urban settlements eg. tenement gardens, Samurdhi and Aswesuma beneficiaries, UDA high-rises and estates into a different domestic consumer category with a lower tariff rate.

Adopt a transparent disconnection policy that outlines clear thresholds, timelines and exemptions for disconnection for non-payment of electricity bills for all categories of consumers including state and religious organisations.

Moratorium on disconnecting electricity for vulnerable households including those with dependents, patients of chronic diseases eg. diabetes, and single parent families.

Provide mechanisms for working class poor households to apply for forgiveness of arrears and mechanisms to restructure payments of arrears in sustainable increments.

Conduct a public awareness campaign educating consumers on tariff calculation and realistic energy saving techniques that do not impede quality of life.

## *Towards better health and education*

Address nutrition, not hunger. Calculating food expenditure must show an appreciation for dietary diversity, cultural practices of cooking, as well the varied nutritional needs and demands of households. Households must be guaranteed a certain amount of rice, pulses, vegetables, fruit, milk, eggs every week and this would enable them to meet nutrition requirements, as well as freeing up income that can be put towards other expenses.

Nutrition levels in children can also be targeted through school meal programmes at every school. While this would ease the burden on the families who have to send food for their children everyday to school, it would also provide a daily access to nutrition the children may otherwise not receive. Furthermore, our research shows that students who receive a daily meal through their school are more likely to be regularly sent to school than those who do not receive a meal at school.

We recommend free public transportation for school going children or dedicated school transportation that is free of charge in order to ensure children go to school regularly.

## *Multi-dimensional approach to addressing non-communicable diseases*

Health campaigns that focus on improved awareness and early detection of non-communicable diseases such as diabetes, cholesterol, Chronic Kidney Disease of Unknown aetiology (CKDu) that are highly prevalent in working class communities in Colombo, which could prioritise food-based interventions to reduce severity.

Health literature to reflect the importance of periodic health check ups and testing for NCDs.

Increased focus on providing health-based interventions such as mobile clinics and testing centres at a community level to make it more accessible for communities that may not have the means to travel to government clinics.

Ensure adequate supply of medications for NCDs at clinics, so that working class poor families don't have to spend at pharmacies for medicine that is essential but not available for free at government clinics.



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Our partners include Blue Resources Trust, London School of Economics, Biodiversity Sri Lanka, Environment Foundation Ltd, Good Life X, Institute of Development Studies U.K, SEVANATHA Urban Resource Center.

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