

# Call to action on Sri Lanka's economic crisis

Sri Lanka is currently facing its worst economic crisis in more than 70 years. Further intensified by the war in Ukraine, the current crisis is a culmination of several issues that have plagued the Sri Lankan economy since 2019.

Today, the people of Sri Lanka are experiencing daily power outages, and are unable to buy essentials such as food, fuel, or medical supplies, when these are available. Severe shortages have stoked inflation as high as 70%, with political instability and wide social unrest also impacting the economy. While a new president has now taken office, economic volatility and public protests remain ongoing.

In recent months, a set of special measures have been taken by government to secure industry operations it deems essential. These have included provisions by the Central Bank to ensure smooth cash flow and permissions to directly procure raw materials such as diesel from offshore; to address power outages and arrange alternative services for logistics, such as the transportation of workers to and from the workplace.

## Over 50%

of Sri Lanka's total exports are produced by the apparel industry, which directly employs approximately 350,000 people. A further million, rely on the industry for indirect employment.

Source: JAFF Advisory Update, 14 July 2022

**As the situation worsens, public concerns around employment and economic security increase, with many fearing job losses as the need for greater income grows with soaring prices and an overall hike in cost of living.**

### A collective response

The Ethical Trading Initiative (ETI) has been engaging with economists, industry associations, worker representatives and member companies operating in Sri Lanka, to better understand implications on workers and the industry at large. These meetings have helped to present a clearer picture of the current crisis and steps stakeholders are taking to alleviate risks to workers and suppliers. Some of these include the distribution of dry rations, medicines, groceries, and cooked food.

To facilitate a collective response, ETI convened a meeting for all companies sourcing from Sri Lanka to engage with the Joint Apparel Association Forum (JAAF). ETI, Fair Wear Foundation, Fair Labor Association and British Retail Consortium reached out to their own members and partners with supply chains in the country. JAAF officials were able to present attendees with the latest information from Sri Lanka's Prime Ministerial Office, including special provisions being made to ensure the apparel industry achieves exports of 6 billion dollars for the year. Businesses are said to be operating with minimal disruption, with factories maintaining buffer stocks of raw materials to ensure smooth production and small and medium factories continuing to work with their vendors.

## Call to action

Sri Lanka is a key sourcing destination for many global apparel brands and retailers, who are accountable to investors and consumers worldwide, and therefore have a responsibility to support workers through business continuity. We are encouraged by the number of businesses who have already made this commitment. We join other calls, in urging the international community to aid Sri Lanka, where possible, with much needed financial and technical support, to prevent the current economic crisis from deteriorating into a humanitarian one. We call upon business specifically, to support the Sri Lankan apparel industry and keep workers and their families afloat during this time of crisis.

We, the undersigned, encourage companies sourcing from Sri Lanka take the following actions:

- Ensure that there is a clear understanding of the risk to workers in the current situation.
- Maintain regular communications with your suppliers to understand their current situation and ensure timely payment of orders.
- Avoid cancellation of orders and assure suppliers of business continuity for the time being.
- Ensure all pending wages and severance payments are paid to all employees and workers.
- Review negotiated prices and ensure future price negotiations include the increase in costs for energy, other raw materials and labour exposed to inflation.
- Engage with unions and suppliers to explore innovative remedial solutions to support workers.
- Work collaboratively to consider other actions to improve respect for human rights in the context of Sri Lanka's economic crisis.

**“The BRC stands firmly behind protecting workers' rights in Sri Lanka and throughout retail supply chains. We believe that the most effective approach to ensure these protections is through collaboration between government, industry, civil society groups and representatives of workers. We will continue to advocate for a collective approach to assessing the situation, increasing transparency, and protecting both the rights of workers and the integrity of global supply chains.”**

Leah Riley Brown, Sustainability Policy Advisor at British Retail Consortium.

**“Sri Lanka plays an important role supplying global apparel brands and retailers. It is crucial businesses support the country’s apparel industry during this difficult time, to keep workers and their families afloat and the Sri Lankan economy in motion, amid the current crisis.”**

Peter McAllister, Executive Director at Ethical Trading Initiative.

**“Sri Lanka is facing challenging times. We expect our member brands to not disengage abruptly, but rather stay in communication with their Sri Lankan suppliers, have dialogue on challenges faced and see how they can contribute to more predictable planning and finances with their purchasing practices.”**

Margreet Vrieling, Associate Director at Fair Wear.

**“As workers in Sri Lanka seek to ensure their livelihoods during this economic crisis, brands must take additional due diligence steps. Companies sourcing from Sri Lanka should work even more closely with their suppliers to ensure stability and safety for the people who work in their supply chain.”**

Sharon Waxman, President and CEO of Fair Labor Association.

