

PROPOSALS FOR BUDGET 2026

Research Publications and Resources



Maternity Leave Benefits (MLB) dues, paid by the State

Abstract – This proposal highlights that women in the 20-40 age cohort are uniquely and severely disadvantaged in the labour market in Sri Lanka. This disadvantage is linked to the current policy of placing the full cost of MLBs on employers, which increases the cost of hiring women compared to men, incentivising discriminatory recruitment practices. This proposal is to have the state pay the cost of MLBs to improve female labour market conditions and remove the bias against hiring women.

Overview – Women in the 20-40 age group accounted for 79% of female unemployment in 2022 and were 5.7 times more likely to be unemployed than women in other age groups. Women aged 25-34, corresponding with the country's highest fertility rates, were 2.2 times more likely to be unemployed than men of the same age. This disparity is exacerbated by the private sector being mandated to fully bear MLB liabilities, making the hiring of women between the ages of 20-40 costlier than hiring men.

Shifting the funding responsibility for MLBs from private employers to the state can address this imbalance. The reasons for such a policy change are outlined below:

1. **Helps SMEs:** Lowers costs of employing women by funding the MLBs, which can be a high cost burden for smaller companies.
2. **Reduces Gender Disparities:** International research shows that this measure reduces discrimination in employment, and significantly increases female labour force participation, and drives economic growth.
3. **Cost effective:** Verité Research **estimates MLBs to cost LKR 7.5 billion annually.** In contrast, Aswesuma amounted to LKR 172 billion, while fertiliser subsidies amounted to LKR 54 billion in 2023. MLB funding equates to just 4% of Aswesuma benefits and 14% of fertiliser subsidies, offering a more targeted and impactful investment.
4. **Fulfils Global and Local commitments:**
 - In 1993, Sri Lanka ratified the ILO Maternity Protection Convention, committing to fund MLBs via social insurance or public funds, yet this obligation remains unfulfilled.
 - Globally, 129 countries fund MLBs, with 96 fully funding and 33 partially funding MLBs. Sri Lanka is notably absent from this list. The budget in 2019 announced the intention to rectify this, but didn't follow through.

Supporting reading/reference material

- State Funding for Maternity Leave in Sri Lanka – A No-Brainer- [[available here](#)]