"Hire-and fire," longer hours and more handouts

Big business sets out its agenda in Sri Lanka's elections

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In the lead-up to the October 10 general election in Sri Lanka, big business groups have laid out their economic agenda for the next government in a letter to President Chandrika Kumaratunga. They call for longer working hours and the removal of restrictions on the ability of employers to hire and fire workers, as well as a raft of financial concessions to boost investment and profits. Business representatives met with the opposition United National Party (UNP) on Tuesday, and are due to talk with the president today.

Those represented include key employer bodies in Sri Lanka: the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, the Ceylon National Chamber of Industries, the Federation of Chambers and Industries in Sri Lanka and the National Chamber of Exporters.

These groups are demanding that the next government establish “a free labour market regime” by amending the country's Termination of Employment Act (1971), which provides some limited legal protection for workers against arbitrary sackings. At present an employer has to obtain the consent of the Labour Department before making retrenchments and to pay compensation to the sacked workers. The amount is determined by the Labour Commissioner.

In the past there have been a number of cases in which employers openly flouted the labour regulations and failed to observe even this minimal protocol when sacking workers. Now, however, business groups are insisting they be given the right to retrench workers at will. They also want the abolition of the wages board system, which has involved a degree of state intervention in setting wage levels in a number of industries and trades.

Behind these proposals are big business concerns about falling profits and competitiveness. According to the 1999 Central Bank report, labour costs rose by 11.8 percent over the last year. The report advocates the elimination of “excess labour” as one of the main means for cutting costs and increasing productivity and profits.

Employers have also been bitterly complaining that the number of holidays each year—42 days—is far too high and have conducted a protracted campaign to slash the figure by 14 days. Business groups are now insisting that the working day be lengthened by half an hour until the number of holidays is cut.

The letter also calls for lower interest rates and the speeding up of privatisation and other “public sector structural reforms”. Kumaratunga and her Peoples Alliance came to power in 1994 promising to put “a human face” on the capitalist market but then pressed ahead with privatisations. Big business wants the “restructuring” program to be pushed through in the Ceylon Electricity Board, the Postal Department and the Petroleum Corporation, where workers have vigorously opposed the changes.

The business groups are seeking low interest loans for the crisis ridden rubber and textile industries and changes to the Provident Fund and Employees Trust Funds. Employers, who at present are compelled to deposit money for these trust funds at the Sri Lankan Central Bank, want access to these funds for their own investments.

As well as their own business interests the employers are hoping to boost foreign investment. The Sri Lankan economy has been battered by the 1997-98 Asian financial crisis and political instability caused by the country's protracted civil war. Desperate to shore up the military following the fall of the key Elephant Pass army base in April, the Kumaratunga government has spent billions of rupees on new arms and ammunition in recent months.

Former Exporters Association president Lyn Fernando pointed out recently that the rate of profit in the export sector was falling mainly as a result of tough competition from low priced goods from South East Asia where the value of local currencies plummeted in 1997-98. According to the 1999 Central Bank report, total exports rose by six percent last year, but the unit value dropped by 10 percent.

In the last six months the Colombo stock market has stagnated with money flowing out of the country. In the week ending September 1, there was an inflow of 22 million rupees in stock transactions compared to an outflow of 45 million rupees. For the first six months of the year, foreign investors have sold stocks worth 3.1 billion rupees but only bought shares worth 823 million rupees.

The war against the separatist Liberation Tigers of Tamil Eelam (LTTE) and the high level of government military spending have compounded all of these economic problems. Sections of big business that supported the war in the 1980s, and profited from it, have become increasingly concerned about its impact on the economy, particularly on the ability of Sri Lanka to be “competitive” and attract foreign investment.

In October 1998, major business groups invited government and opposition parties to a conference to establish a “consensus” on an approach for a negotiated end to the war. While the latest letter makes no direct reference to the war, it is certain to be high on the list of items in the discussions this week.