The cost of the war in Sri Lanka

Tens of thousands of jobs to go under IMF-World Bank restructuring plans

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The Sri Lankan government, under pressure from the World Bank and International Monetary Fund (IMF), is preparing to implement a major restructuring program that will wipe out tens of thousands of jobs at the Sri Lanka Ports Authority and in the country's financial sector. The measures will also drastically erode the working conditions of the remaining workforce.

The planned restructuring underscores the warning made by the Socialist Equality Party (SEP) during the general elections just six months ago that whichever party came to power, the next government would make working people bear the brunt of the ongoing war against the country's Tamil minority.

President Chandrika Kumaratunga and her Peoples Alliance (PA), which won a narrow victory in the poll, had already massively increased spending on military hardware following a series of defeats inflicted on the armed forces by the Liberation Tigers of Tamil Eelam (LTTE) in April and May. The military budget was lifted from 52 billion to a record 83 billion rupees ($US1 billion) to purchase new warplanes, multiple-barrel rocket launchers and other sophisticated hardware. Other government spending was cut and development projects were put on hold.

The defence spending exacerbated Sri Lanka's economic troubles. The military purchases together with higher oil prices led to spiralling trade and balance of payments deficits and created a liquidity crisis that pushed up interest rates from 13 to 24 percent. Finally, in late January, the Central Bank of Sri Lanka announced the free float of the rupee precipitating a rapid fall in the currency's value to around 85 to the US dollar.

As well as being hit by sharply rising prices on essential goods, the working class now faces huge job losses. Desperate for loans to shore up the country's precarious foreign reserves, Kumaratunga has agreed to the terms laid down by the World Bank and IMF, which include the drastic reform of the ports and financial sectors. Previously the PA government had backed away from such reforms after protests and strikes by workers.

The jobs being targetted were once considered relatively well paid and secure. State bank employees in particular received higher salaries compared to other workers and enjoyed a number of significant benefits including pensions, medical facilities and housing loan schemes. The World Bank has been critical of the large numbers of state employees in Sri Lanka—57 per thousand as compared to only 19 per thousand in India and Pakistan—and insisted that the government cut the number of jobs.

Planning is well advanced. In the last week of March, a top World Bank team headed by its country director Mariana Todorova arrived in Sri Lanka to evaluate “the timing, sequence and the extent” of the plans for the Sri Lanka Ports Authority with Ports Development Minister Ronnie de Mel and top officials. The World Bank had previously withheld a $US50 million loan allocated in 1998 for port development claiming the government had not carried out the restructuring program properly.

The extent of the program was made clear during a previous World Bank visit in January. At a press conference on February 7, De Mel said: “The World Bank team has pointed out that Colombo port has tremendous excess labour which needs to be reduced gradually by retirement, non-filling of vacancies, retraining and golden hand shakes, if feasible”.

The same minister told a trade union delegation last November that the Ports Authority had a report from an expert team from the Rotterdam Ports in the Netherlands, which cited Colombo's “excessive work force” as the “main obstacle” to its further development. The experts estimated that 14,000 workers or 78 percent of the total workforce of 18,600 were “excess”.

The job cuts along with other restructuring measures to speed up operations and cut costs are the preparation for privatisation. A part of the Colombo harbour facilities has already been sold to South Asia Gateway Terminals, which is affiliated to the shipping transnational P&O.

Bank restructuring

In the financial sector, the government has targeted the Central Bank of Sri Lanka, two state-owned commercial banks, the Bank of Ceylon and People's Bank, the Sri Lanka Insurance Corporation and the National Insurance Corporation. A few days ago another World Bank team arrived in Colombo to prepare plans for the carve-up of the Central Bank. They are working in tandem with advisers from the international auditing firm, Price Waterhouse Cooper, visiting each of the bank's departments to assess the scope of job cuts.

The Central Bank governor told the *Sunday Times* in February that the bank had hired a group of advisers to make initial restructuring recommendations. Their report proposed that the bank focus mainly on “price and financial sector stability” and end its involvement in providing rural credit and developing new rural banks. A number of departments were slated for closure and more than 1,000 out of the bank's workforce of nearly 2,500 were to be made redundant. The report also insisted that the Central Bank abandon any responsibility for maintaining the Employees' Provident Fund and the Employees Trust Fund.

Several months ago a top official told a group of new recruits that the Central Bank was “overstaffed” and that its employees were “expensive to the institution” and “therefore a burden to the country.” Now a number of proposals are under discussion to cut costs including a freeze on cost of living allowances, the abolition of meal and risk allowances and the axing of bicycle loans. New recruits will have no pension rights and management is also considering replacing existing pensions for retired employees with a one-off “compensation”.

Chief Finance Officers—Anthony Barnet, former London City bank manager, and Derek Kelly, former international manager at the Hong Kong and Shanghai Bank—have already been appointed to the Bank of Ceylon and the People's Bank, respectively, to carry out major overhauls. At the People's Bank, a “short term action plan” will reduce the number of provincial offices and abolish area manager positions. The Bank of Ceylon management has announced that 14 percent of its nearly 9,000 employees are “surplus” and will have their jobs cut through a voluntary retirement scheme. Some of the bank's work will be outsourced to private contractors.

In the insurance sector, the National Insurance Corporation is to be privatised and its shares have been on sale since February. The Sri Lanka Insurance Corporation, the major insurance firm in Sri Lanka, will implement a cost cutting program that includes the retrenchment of “surplus employees”—about 1,000 jobs or a sixth of the workforce.

Even though these measures in the ports and financial sector are well advanced, none of the trade unions involved have mounted a campaign to oppose the job cuts or defend working conditions.

The Ceylon Mercantile Industrial and General Workers Union (CMU) mounted a token campaign in 1998 against the sale of a dock to P&O's affiliate, South Asia Gateway Terminals. In 1998, the All Sri Lanka Ports Workers Union, affiliated to the Sinhala chauvinist Janatha Vimukthi Peramuna (JVP), and the United National Party-controlled National Employees Union distinguished themselves by insisting the jetty not be sold to the “multinational” P&O but rather to the Japanese International Corporation Agency. All of these unions have maintained a deafening silence on the latest plans to axe thousands of jobs.

At the Central Bank of Sri Lanka, the Central Bank Employees Union has not publicly opposed the restructuring plans. A number of smaller unions have indicated that they are prepared to sell off jobs in return for higher redundancy payouts. The president of the Ceylon Bank Employees Union, P. Bandara, sought to justify his union's stand by saying: “Yes, we agreed to these plans to prevent the collapse of banks facing losses. We cannot protect state banks in the context of present competition without working like this.”

None of the trade union leaders are prepared to challenge the dictates of the market as laid out in the plans of the World Bank and IMF, or the prerogatives of management. Moreover, all of them, in one way or another, accept the ongoing war to suppress the democratic rights of Tamils and the demands of successive governments—Peoples Alliance and United National Party—that the working class sacrifice for the war effort.

The unions connected to the PA, UNP, JVP and Mahajana Eksath Peramuna (MEP) openly defend the war and its reactionary aims. Others like the CMU and the Ceylon Bank Employees Union call for the government to negotiate with the LTTE to reach a peace settlement. None of them, however, demand an immediate end to the army's operations in the North and East and therefore they continue to insist that workers—Sinhalese and Tamil alike—bear the consequences of this brutal conflict.

The response of the unions to the government's latest restructuring plans underscores the fact that the defence of jobs and working conditions is completely bound up with the need for a broader struggle against the war and for the refashioning of society on socialist lines.