Sri Lankan reports reveal widening social inequality

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Two official reports recently published in Sri Lanka provide a devastating glimpse into the country's deepening social inequality and the continuing deterioration of living standards for the majority of the population.

The first is a study by the Central Bank of Sri Lanka entitled *Consumer Finance and Socio-Economic Survey for 2003/ 2004*. Its preliminary report was released on December 9 by the director of the Central Bank's statistics department, Anila Dais Bandaranaike. The second—the World Bank's *Sri Lanka Development Policy Review*—was issued last week.

The Central Bank survey, the first of its kind in six years, revealed a staggering gulf between rich and poor. In 2003/2004, the poorest 20 percent of the population received just 3.8 of the national income as compared to 55 percent for the richest 20 percent.

The social chasm is also widening. The share of national income of the poorest 10 percent of the population fell from 1.27 percent in 1996/97 to just 1.1 percent in 2003/2004. For the richest 10 percent, their share has risen from 37.28 to 39.4 percent over the same period.

The survey did not cover the main districts under the control of the Liberation Tigers of Tamil Eelam (LTTE) in the North and East of the island. The war zones have been devastated by more than two decades of bitter civil war that has cost the lives of more than 60,000 people and led to widespread destruction. If included, the statistics would have revealed an even greater social polarisation.

The statistics are nevertheless revealing. Some 12.5 percent of the population still lives in houses made of wattle and daub—that is, huts with few, if any, facilities. Sanitary conditions are poor. Just over 60 percent of people have no access to piped water. Nearly 23 percent do not have sanitary toilet facilities and about 6 percent have no toilet facilities at all.

In presenting the report, Central Bank official Bandaranaike noted that, even though there had been some improvement since 1996, "housing conditions were poorest in the estate sector". The survey confirms that Tamil-speaking estate workers—the descendents of indentured labourers from southern India—remain among the most oppressed layers of the population.

The country's overall jobless rate dropped marginally from 10.4 percent in 1996/97 to 9 percent in 2003/2004, but youth unemployment remains very high. For the 15-18 year-old age group, unemployment is 36 percent and for the 19-24 year-old bracket, it is 30 percent.

Referring to the plight of old people, Bandaranaike explained: "The population is aging, without commensurate increase in formal retirement benefits. Meanwhile education levels are rising, without commensurate match between employment expectations and opportunities." About 70 percent of those with jobs are in the "informal sector" and will not receive any social security benefits on retirement.

Bandaranaike also reported a "waning confidence in the formal education system." The reason is not difficult to find. Successive governments in Sri Lanka have undermined the public education system by slashing funding and, at the same time, encouraged the expansion of private schools. The survey found that the number of students taking some form of private tuition had jumped by 50 percent since 1996/97.

The World Bank's review paints a similar picture. In releasing the report, Peter Harrold, the World Bank country director in Sri Lanka, admitted that, while the average growth rate over the last two decades had been 4-5 percent, "poverty reduction has been slow" and "inequality has risen in recent years."

The review reported a "modest decline" in the national poverty figure from 26 percent in 1996 to 23 percent in 2002. However, as Harrold acknowledged, the overall figures "mask sharply contrasting poverty trends across sectors and regions."

Poverty in many rural areas is acute. In Sabaragamuwa province, the poverty rate is 33 percent and in Uva, in the central hills, the figure is 37 percent. Other rural areas are just a few percentage points lower.

Among estate workers, the poverty rate has significantly worsened—jumping from 20.5 percent in 1990/91 to 30 percent in 2002. Over that period, many of the tea and rubber plantations have been privatised and there has been a sustained attack on the wages and conditions of estate workers.

In the war-ravaged North and East, social conditions are appalling. Child malnutrition was 46.2 percent in 2001, 17 percent higher than the national average of 29.4 percent. Infant mortality was 30 per thousand and maternal mortality 81 per ten thousand. The literacy rate in the Batticaloa district has fallen 68 percent reflecting the tendency throughout the region. The school dropout rate has increased to 15 percent.

Moreover, the official poverty line itself underestimates the extent of the problem. It is set at a monthly income of 1,423 rupees ($US15)—a figure that is inadequate to meet basic needs.

Neither report offers any remedies. After presenting the figures, Central Bank official Bandaranaike simply declared: "[A]ll stakeholders will make use of these data... to find ways to address them." But the so-called stakeholders—the political establishment in Colombo as well as the IMF, the World Bank and various donor countries—have created the social crisis through the policies of market restructuring that have been imposed since the late 1970s.

The World Bank prescribed more of the same medicine. It concluded that "there is enough evidence in Sri Lanka to show that there is no trade-off between market driven growth and poverty reduction." In other words, according to the World Bank, there is no link between market restructuring and poverty. All the evidence, however, points in the opposite direction: that economic reform has benefitted a small layer of the rich at the expense of the majority of the population.

The World Bank review blames the "relatively high expectations of Sri Lankan population" on the country's "deeply rooted socialist tradition". The reference is to the mass movements of the working class in the 1950s and 1960s under the leadership of the Lanka Sama Samaja Party (LSSP) that compelled the ruling class to grant a series of concessions that produced one of the most advanced welfare states in Asia.

The LSSP's betrayal of its international socialist principles in 1964 along with the Sri Lankan bourgeoisie's abandonment of national economic regulation have led to a protracted undermining of the country's public health, education and welfare systems. The World Bank insists the market reforms have to go further. Its review calls for "an end the resistance to privatisation" and questions the opposition to private education. It brands previous rural policies as a "paternalistic approach towards farmers" and demands an end to rural subsidies.

The ruling elites in Colombo are nevertheless nervous at the political implications of growing social polarisation. "These anomalies are expected to continue and could possibly worsen as the economy grows unless the government and the private sector take urgent measures to address these issues and arrest such dangerous trends," wrote an economic commentator in the *Sunday Times* on December 12.

Already rising prices and the failure of the United People's Freedom Alliance government, elected in April, to keep their election promises are creating discontent and protests. Neither the government nor the opposition United National Front, which carried on similar economic policies before losing the election, has any answers to the pressing social problems facing working people. These potentially explosive social tensions will only intensify as the economy is hit by high oil prices, growing debt and global trade deregulation, particularly in textiles and clothing.