Sri Lankan government to reintroduce amended pension bill

W.A. Sunil
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Confronted with mass opposition from free trade zone workers, the Sri Lankan government was compelled last week to "suspend" the passage of the Private Sector Pension Bill (PSPB). On Sunday, however, Labour Minister Gamini Lokuge told the media that the legislation would be reintroduced "with amendments and consultation with trade unions" after the "restoration of normalcy" in the free trade zones (FTZs).

Protests by tens of thousands of workers from the Katunayake FTZ that began on May 24, outside the control of the unions, have clearly sent a shudder through ruling circles. On May 30, the entire FTZ came to standstill when 40,000 workers stopped work after police deployed by the government violently attacked protesting workers, killing one and wounding many others.

The purpose of the legislation is not to provide decent pensions for private sector workers, but to introduce a form of compulsory saving, designed to inject money into the stock market and other forms of private investment. The bill is part of a package of pro-market reforms dictated by the International Monetary Fund (IMF).

The IMF and the World Bank first called for major changes to public and private sector pension schemes in Sri Lanka and other countries in 2002. The Sri Lankan government had to end its funding for what was regarded as a far too generous public sector pension scheme. It also had to refashion the Employees Provident Fund (EPF) for employees in the private sector and state corporations.

In 2007, the IMF criticised the government for not implementing pension reforms. To avert an acute balance-of-payments crisis, the government was compelled to accept a $2.6 billion IMF loan in 2009 that intensified the pressure to cut public spending and impose economic restructuring. President Mahinda Rajapakse's government pledged to introduce a "regulatory framework for private sector superannuation funds" by the end of last year.

For 6.5 million employees in the private sector and state corporations, the planned pension scheme amounts to a wage cut and a significant reduction in benefits. They will be compelled to contribute 2 percent of their salary to the pension fund as well as a portion of their termination payments: 2 percent of the EPF, 10 percent of the gratuity and 10 percent of Employees Trust Fund (ETF).

For state bank employees, the contributions will be even higher. New recruits to state banks lost their pension rights in 1996. Now the government is proposing that these employees pay 5 percent of their monthly salary into the pension fund as well as 5 percent of their EPF. Under the bill, these workers will also lose the gratuity payments paid on retirement.

The anger among FTZ workers is understandable. Most are young women who come from rural towns and villages to toil for five to seven years to accumulate some savings with which to return and marry. As employees must contribute to the proposed pension scheme for at least 10 years, they will receive no long-term benefits. In the short term, their already inadequate wages will be lower and the lump sum from the EPF when they stop work will also be less.

Even if workers are eligible for a pension on retirement, they will receive a maximum of 60 percent of their gross salary at the age of 55 and in many cases considerably less. The pension will be available only once they reach the age of 60.

The pension fund will be administered by the Central Bank, which will determine where it is invested. Under President Rajapakse, the government via the Central Bank had already begun investing EPF funds in the stock market, contributing to rampant speculation and highly inflated share prices.

The decision to withdraw the legislation, and involve the trade unions and opposition parties in drawing up an amended version, will not result in any fundamental alterations. Business groups have urged the involvement of the unions, knowing full well that they can be counted on to protect the interests of the corporate elite. Commercial Bank chairman Mahendra Amarasuriya told the *Daily News* yesterday that “the pension bill should have had the consensus of the trade unions and the other stakeholders to make it a success.”

The unions are more than willing to play the role of industrial policeman. Before the eruption of FTZ workers, the unions had demanded that the government convene the National Labour Advisory Council (NLAC), a corporatist body of government officials, employer groups and trade unions.

The Joint Trade Union Alliance (JTUA) and the Inter Company Employees Union (ICEU) controlled by opposition Janatha Vimukthi Peramuna (JVP) are now insisting that this body be convened to discuss their pension proposals. The opposition United National Party (UNP) has also expressed its willingness to cooperate with the government, provided that it considers “suggestions of trade unions and other relevant forces.”

At a press conference yesterday, Anton Marcus, the leader of the JTUA-affiliated Free Trade Zone and General Services Union (FTZGSU), insisted the government had to consider his union’s views and also international regulations. The JTUA has formed a three-man committee to formulate proposals.

Workers should be under no illusion that these negotiations will benefit them. The government and the opposition parties, as well as the unions, are committed to enforcing the IMF’s dictates in one form or another. The unions, which are falsely claiming that the FTZ workers have achieved a victory, have been brought in to play the vital role of imposing the amended legislation on the working class.

Employers have already raised “concerns” over being compelled to contribute 2 percent to pension fund. An editorial in the *Island* on June 4 called for a broader reconsideration of public sector pensions and the age of retirement, as well as consultations with employers and unions over the present private sector pension scheme.

The newspaper insisted that any new private sector bill had to be actuarially vetted, adding: “It must be impressed on the beneficiaries that there’s no such thing called a free lunch... Where the private sector is concerned, both the government as well as the unions will be look at heaping the burden on the back of employers. This is unrealistic.”

In reality, these talks will inevitably become the means for placing new burdens on the working class. To deal with any opposition by workers, the government is undoubtedly preparing for state repression on a broad scale. In concluding its editorial, the *Island* commented on the FTZ protests as follows: “If anyone interprets that it is now open season for any and all protests, they will be grievously wrong. An iron fist may well be discovered in the velvet glove.”