UN report finds Sri Lanka’s social inequality among the worst in Asia

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The recently issued United Nations Development Program (UNDP) report—*Making Our Future: New Directions for Human Development in Asia and the Pacific*—has revealed the depth of social inequality in Sri Lanka.

Presenting the report on December 14, the UNDP’s Sri Lankan economist, Dr. Vagisha Gunasekara, explained that Sri Lanka was one of the top five countries in the Asia-Pacific region in terms of wealth inequality. Other countries exhibiting the highest wealth inequality in the region include Thailand, China, Myanmar, India.

She added: “Sri Lanka is a country with fairly high income inequality; we are in the top one third of the highest unequal countries in the world, and wealth inequality is also very high.”

The economist continued: “The top one percent of Sri Lankans own 31 percent of the total personal wealth, while the bottom 50 percent only owns less than 4 percent of the overall wealth in the country. This provides us with a snapshot of how unequal our country is.”

The UNDP report noted: “South Asia saw its wealth Gini index rise from 0.71 to 0.77.” (The Gini coefficient is a measure of the distribution of income or wealth among people in a country. A Gini coefficient of 0 means perfect equality, while 1 means total inequality—that is, all wealth is held by one person.])

Report explained that it is a “serious concern” that the share of the bottom 50 percent of the population in many countries in the region does not even exceed 6 percent of the total wealth. The richest 10 percent of society continues to enjoy more than 50 percent of total wealth.

The UNDP report noted that the COVID-19 pandemic and ensuing shutdowns affected around half the region’s informal workforce. Many countries suffered serious losses in income from tourism, remittances and manufacturing which employ a large number of informal workers. “In South Asia and South-East Asia in particular, the shocks exposed the weaknesses of healthcare systems.”

“Then came the war in Ukraine and the ensuing cost-of-living crisis.” The war in Ukraine, combined with the pandemic “led to a broad decline in the human development index in all sub-regions except for East Asia.”

According to the UNDP report, the indebtedness in the country is disastrously deepening; 31 percent of Sri Lankan households depended on loans; 24 percent are dependent on money lenders and 23 percent on bank loans. As of June, the country’s staggering household debt reached more than 7 percent of the GDP.

When Sri Lanka’s economic crisis was exacerbated by the COVID-19 pandemic, layoffs and wage cuts were legalised as necessary to maintain big business profits. Accordingly, more than half a million jobs were lost.

The Sri Lankan situation is part of global developments. Wealth inequality in South and South-East Asia is chronic and human development is also at an extremely unequal level.

Commenting on India, the most populous country in the world, the UNDP report stated that income distribution has become more skewed: “The top 10 percent of the population get 57 percent of national income and the top 1 percent get 22 percent—one of the most unequal income distributions.”

The top 10 percent controls 65 percent of the nation’s total wealth in India. In the post-2000 period, there was growing evidence of a strong rise in wealth inequality in that country.

In Sri Lanka, when President Gotabhaya Rajapakse imposed the burden of the country’s unprecedented economic crisis on the masses, a popular uprising erupted last year involving millions of workers and rural poor. Although Rajapakse was forced to flee the country and resign, the capitalist class was able to temporarily stabilise its rule as a result of the betrayals by the trade unions and pseudo-left groups.

Ranil Wickremesinghe was elevated into the presidency, with the backing of the Rajapakse's discredited Sri Lanka Podujana Peramuna party. His government has imposed the harsh austerity measures dictated by the International Monetary Fund (IMF), leading to worsening living conditions and social inequality.

By the end of 2022, food inflation reached 90 percent and general inflation reached 70 percent. Prices have not gone down, but have continued to rise. The IMF-dictated program for the sale, privatisation or closure of 430 public sector institutions will destroy another half a million jobs.

Corporate taxes are kept low while exorbitant taxes are levied on working people. Chief among these are a higher income tax, value added tax (VAT) and various import duties. From the beginning of 2024, VAT will be increased from 15 to 18 percent and will be applied to 97 essential goods, including fuel, cooking gas and fertiliser.

The IMF staff report released this month, after completing the first review on the bailout program of $US3 billion to Sri Lanka, admitted indirectly that the country's growing social crisis was partly the result of the IMF's policies.

"Social unrest could re-emerge, fuelled by falling real incomes, including from tax rate hikes and cost-recovery pricing in the energy sector, insufficient anti-corruption efforts, and delayed local elections," it warned.

The staff report repeatedly expressed this concern and pointed to the impact of the worsening global situation: "External risks arise in part from intensified regional conflicts, including Russia's prolonged war in Ukraine and the conflict in the Middle East, resulting in commodity price volatility, and a sharp global slowdown, which could reduce capital flows and reserve accumulation and lead to sharp exchange rate depreciation."

Whatever the catastrophic situation facing workers and the poor, the IMF insists that its program has to be implemented to the letter. Its concern is to ensure the repayment of Sri Lanka's foreign debts and the boosting of the profits of investors.

Speaking in the parliament on December 13, President Wickremesinghe repeated his mantra: "There is no alternative other than implementing IMF policies."

All the opposition parties, including the Samagi Jana Balawegaya (SJB) and National People's Power (NPP), led by the Janatha Vimukthi Peramuna (JVP), are committed to the IMF policies.

Replying to a question from the state minister for finance, SJB leader Sajith Premadasa told the parliament: "We are going to renegotiate the IMF deal." The simple truth is, however, that the IMF will not renegotiate its austerity agenda.

The NPP/JVP leader keeps repeating that people are hostile to Wickremesinghe implementing the IMF program. In the same breath, however, he insists "people will allow a new government [under the NPP] two years to implement the rigorous program to come out of the crisis."

The trade unions aligned with the SJB and the JVP are now campaigning for a new government led by the opposition parties, as a means of undermining workers' struggles to defend their jobs, wages and pensions and to oppose privatisation.

The worsening social inequality and IMF-dictated attacks can only be stopped by organising the working class to take political power with the support of the rural masses, in unity with the international working class.

This struggle necessitates workers forming independent action committees in their workplaces and neighbourhoods to fight for their class interests against the betrayals of the union leaders. The rural poor should take up this struggle and form action committees in their areas.

The Socialist Equality Party (SEP) calls on workers and the poor to build a Democratic and Socialist Congress based on democratically elected delegates from these action committees. Such a congress would pave the way to bring down the Wickremesinghe regime and establish a workers' and peasants' government to implement socialist policies. This includes repudiating all foreign debt, expropriating the obscene wealth of the billionaires and placing the banks and big corporations under the democratic control of the working class.