Sri Lankan think tank warns about growing levels of social inequality

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Sri Lanka: State of the Economy 2018, the latest annual report from the Institute of Policy Studies (IPS), reveals that income inequality has been an ongoing and rising problem across the country over the past quarter century.

The government and international NGO-funded think tank nervously notes that "persistent income inequality in Sri Lanka is major issue which needs urgent attention of the policy makers."

The report, which is based on figures from Sri Lanka's department of statistics and census, compares household income and expenditure (HIES) data in 1990–91 with a 2016 survey. While official surveys in Sri Lanka are notoriously limited and do not give a real picture of the depth of poverty, the report does provide some glimpses.

The survey claims that the number of people suffering income poverty has reduced from 26.1 percent of the population in 1990–91 to 4.1 percent in 2016, which it claims is a "notable achievement."

The poverty line, however, is just $US1.90 or 290 rupees per day per person, an extremely low amount. The World Bank's 2016 global poverty line is $3.20 income per day, almost double, the Sri Lankan figure.

The geographical spread of poverty is revealing: 1.9 percent of those living in urban areas are poor compared to 4.3 and 8.8 percent in the rural and estate sectors, respectively. In other words, the most poverty-stricken sectors of the population are located in the tea and other estates where plantation workers walked out on strike late last year to demand a 100 percent increase in their 500-rupee basic daily wage. Rural farmers have been constantly agitating against the government over cuts to agricultural subsidies and for reasonable prices for their produce and debt relief.

The report indicates that the richest sections of society dramatically boosted their wealth compared to the poor during the past 25 years.

The average household monthly income of the bottom 10 percent increased from 1,661 rupees or $40 in 1990–91 (the exchange rate then was $1=41 rupees) to 10,419 rupees in 2016 or $71 (exchange rate was $1=146 rupees), less than double compared to the US dollar.

By contrast, the average monthly income of the richest 10 percent climbed from 12,963 rupees or $316 in 1990–91 to 162,460 rupees or $1,144 in 2016, more than trebling compared to the US dollar. For the top 1 percent and 0.1 percent, the growth was undoubtedly far greater.

In 2016, the richest 10 percent, or the top decile, earned the equivalent of the total amount earned by 70 percent of all households in 2016. The share of the bottom decile stood at just 1.6 percent of total household income.

Sri Lanka: State of the Economy 2018 indicates how poverty drastically impacts on the education of Sri Lankan children. According to HIES data for 2012–13 (no data was given for 2016), 23.8 percent of the poor children aged 15–16 years and 64.7 percent of poor children aged 17–18 are unable to complete their formal education due to lack of finance.

The report notes that these figures point to the failure of the Samurdhi (Prosperity) program and other limited social welfare measures, which consecutive Sri Lankan governments have claimed will reduce poverty and improve the living conditions of the poor.

In the face of widespread discontent, the United National Party-led government's recent budget, as a cosmetic measure, increased the number of people receiving Samurdhi by 600,000. Currently, there are 3.5 million people in Sri Lanka receiving Samurdhi payments of between 1,500 and 3,500 rupees per month.

The IPS report provides some sense of the devastating impact of the bloody 30-year war against the separatist Liberation Tigers of Tamil Eelam in the north and east of the country. The highest percentage of Sri Lankan households falling into the "poorest group"—i.e., with a monthly income of less than 30,000 rupees—are in the northern districts of Mullaithivu (71 percent of the population) and Kilinochchi (66 percent) and in Batticalao (65.2 percent) in the east.

In 2016, 50 percent of Sri Lankan households earned less than 39,855 rupees per month. With the average household consisting 3.8 people, this is not enough to sustain this size family. The average price of goods and services measured by the Colombo Consumer Price Index have increased by nearly six times over the same 1990–91 to 2016 period.

Social inequality in Sri Lanka is an expression of the growth of inequality globally. In 2018, the UK-based charity Oxfam revealed that the wealth of the world's billionaires increased by $900 billion, or 12 percent, while 3.8 billion people, half the world's population, saw their wealth decline by 11 percent.

The *World Socialist Web Site* commented on January 22 this year: "In the decade since the global financial crisis erupted in 2008, governments and financial authorities have imposed its full impact on the backs of the world working class, in the form of stagnant and lower wages and austerity programs that have gutted health and other social services, to name just some of its effects."

In line with this agenda, consecutive Sri Lankan governments have imposed the austerity demands of the International Monetary Fund by increasing taxes on essentials, privatising state-owned enterprises, freezing wages and gutting social services.

As the same time large corporations and investors have been given tax cuts and various incentive packages to boost their profits. In 2012, Colombo reduced company tax rates from 35 percent to 28 percent. The maximum personal income rate, which was 35 percent before 2010, was reduced to 24 percent in 2011 and further cut last year to 16 percent.

Sri Lanka: State of the Economy 2018 laments that "in-depth analysis is needed to understand the root causes of persistent income inequity." The root cause of "persistent income inequity" is no secret: it is the inevitable product of capitalism and the drive for profit, the system that the government and think tanks such as the IPS defend.