

TWENTY YEARS OF LIBERALIZATION IN SRI LANKA: IMPLICATIONS FOR WOMEN WORKERS

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Introduction

In 1977, Sri Lanka turned from an inward-oriented and closed policy regime to a more liberal, more open and outward-oriented policy regime. This change in policy regime came about as a result of pressures generated by contemporary changes in both domestic and international political economy. These policy reforms were first introduced within the framework of a stand-by arrangement with the IMF and in the gradual transformation of the package of liberalization and de-regulation, Sri Lanka moved closer towards a Structural Adjustment Policy (SAP) type of framework under the advice, guidance and monitoring of international financial institutions like the World Bank and the IMF. Over time, the reform package went through three phases of transformation; 1977-89, 1989-94 and 1994 to date.

The characteristics of the package of policy reforms and its transformation over these three phases are by now quite well known and have been examined in great depth by many researchers. The central core of these policy reforms consisted of the twin objectives of (a) de-regulation and liberalization and (b) closer integration of the domestic economy with the process of globalization, i.e. the process of global integration of production, and trade structures and consumption practices. These are in fact closely inter-related and mutually reinforcing objectives. The process of de-regulation and liberalization has covered, among others, areas like international trade, foreign exchange payments, capital flows, migration of people for employment abroad, electronic and other media and information technology. This has provided the vehicle for the domestic economy and society to integrate increasingly closely with the global economy and society.

The core of these policy package, consisting of measures undertaken to promote twin objectives, throughout the two decades of its implementation, has been combined with a set of peripheral populist policies-food stamps, poverty alleviation programmes like *janasaviya* and *samurdi*, free school uniforms, free text books and mid-day meal programmes for school children and various schemes of promoting self-employment and informal sector activities. It is worth noting that in recent years even the World Bank is seen as recommending for developing countries, "safety net" and poverty alleviation programmes in combination with the core SAP package. Whether these are World Bank conceptualizations or the Sri Lankan practice, over the last two decades, liberalization and globalization

have constituted the core and the safety net, and poverty alleviation and self-employment programmes, have been the peripheral appendages of the overall policy package.

As should be expected, different groups in a society are likely to be affected in different ways by any set of policies. Differential impacts of de-regulation and liberalization on different social groups as well as on groups in different regional locations have been examined and analyzed by a number of writers. It has been noted that while these policies favoured the more well-to-do and the urban sections, they worked against various vulnerable groups in society, particularly those in rural settlements. The peripheral appendage of safety nets and self-employment programmes in the policy package, referred to above, have indeed been introduced largely to safeguard and improve the living standards of the vulnerable social and regional groups.

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Women in society, particularly the economically under-privileged women under certain conditions - e.g. women managing single (female) parent households, those under conditions of pregnancy, rural women in agrarian households, socially uprooted women in refugee conditions, women in urban slums etc. - are

widely treated as falling into the category of vulnerable social groups. This paper attempts to examine, on the basis of existing knowledge, the implications of the combined operation of the "liberalization" core and the "safety net and self-employment" appendage of the policy framework of the past two decades for the living conditions of the vulnerable sections of women in Sri Lanka. The paper is largely speculative, asking how various elements of the policy package have impacted on women, particularly those among the more vulnerable in society. The relevant empirical information that is more widely available, as well as some of the author's own past empirical research, is used to back up this speculative exercise but the presentation of detailed statistical data in the text has been avoided.

The Sri Lankan economy has remained heavily dependent on female labour throughout its modern history. The onerous nature of women's economic role in traditional agrarian life and in cottage industry is well known. During the period when plantations of export crops provided the mainstay of the Sri Lankan economy, women occupied a crucial position as workers in these plantations. During recent structural changes in the economy, stimulated by policies of deregulation and liberalization, the degree of importance

of women as members of the labour force has continued to remain high. While some of the traditional areas of female dominance persisted, perhaps subject to some decline in relative terms, women have taken to new areas of economic activity in a big way. The point is often made that these women, playing a very vital role in the economy, do, however, get a raw deal. This paper attempts to indicate how the economic role of women changed with the structural transformation of the country's economy in response to changing economic policy. The bargaining power of women in the lower social strata, in respect of the activities they are perform in the economy is obviously weak. They therefore, are at a disadvantage in most economic activities they engage in. The paper, however, argues that in the dynamics of socio-economic change in capitalist transformation of society, particularly in the current juncture of global capitalism, these phenomena are to be expected. The solution to the question of poor working conditions for women in production activities in this phase of the country's capitalist development, must come through the very process of further and deeper socioeconomic transformation. The state can, however, take measures to alleviate these conditions without stifling this transformation process. Regulation has indeed been part of the legitimate role of the state in any process of capitalist development.

Any discussion of the implications of a particular policy regime for a section of the society like its women, needs to focus on a number of considerations such as the following:

- the impact of the policy reforms on the quantity and quality of employment opportunities available to the relevant social group;
- how the policy reforms concerned have influenced investment decisions of that group;
- change in life aspirations of the group in question, resulting from the policy changes;
- policy induced changes in consumption patterns affecting the group, including educational and health facilities at their command.

Viewed in the light of the above, it is clear that this paper does not attempt a comprehensive coverage of its subject. It has restricted its focus largely to the first consideration above. Although not dealt with in the paper, the relevance and the significance of the other considerations must be highlighted.

Women in Industry

The package of liberalization for closer integration with the processes of globalization, coupled with the populist policy appendages of safety nets, self-employment promotion schemes etc., implied the following in respect of domestic industry:

- sharp reduction in provided to domestic industry through import quotas, tariffs and industrial licensing;
- free availability of required imports for domestic industry- machinery and equipment, raw materials and intermediate inputs, elements of modern technology etc.
- strong stimulation of foreign direct investment (FDI) in domestic industry with almost no selectivity criteria.
- promotion of small and medium industry through fiscal, credit, extension and other measures.

Along with other normal objectives like GDP growth, increase in manufactured exports, development of viable balance of payments conditions, the export oriented industrialization strategy included as one of its overriding objectives the creation of employment opportunities for the country's labour force. Such industrial employment opportunities emerged from several segments of the manufacturing sector: (a) subsidiaries of multinational corporations (MNCs) and joint ventures with foreign capital participation, (b) domestic large factory industry in the private sector and (c) small and medium scale industry. Although some of the public sector manufacturing enterprises continued to operate in spite of the on-going privatization programme, their contribution to the growth of manufacturing

employment was not significant. Production of labour-intensive manufactures for export received a strong boost from the policy package. There were large inflows of FDI from multinationals from both advanced and Third World countries into export-oriented labour-intensive manufacturing activity. Given the stage of industrial development the country finds itself in, it is not sur-

prising that Sri Lanka's comparative and competitive advantage is seen, (even today after two decades of export-oriented industrialization) to be in labour-intensive types of manufacturing production. Some diversification of manufacturing industry into more capital- and technology-intensive lines of industry has been observed, however, with the passage of time.

The bulk of FDI in Sri Lanka in general, and in its three free trade zones in particular, remains in labour-intensive production plants. The manufacturing sub-sector of textiles, wearing apparel and leather products continues to be the lead sector in the portfolio of FDI. In the early post-1977 period, the garment sector dominance of FDI was overwhelming, though gradually, some diversification has taken place in the pattern of FDI attracted into the country. Compared to some East and South East Asian countries, this diversification of industrial investments into capital- and technology-intensive areas was relatively slow in Sri Lanka largely because of relatively slow domestic accumulation, itself a reflection of relatively slow inflow of FDI. Absorption of labour into modern industry thus took place slowly. With the labour force growing annually at around 2 per cent, the surplus labour conditions remained relatively stagnant,

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with the rate of unemployment around 11-12 per cent. The type of gradual increase in wages which took place under export-oriented industrialization strategies in East and South East Asian countries could not be witnessed in Sri Lanka to any significant extent, even after two decades of FDI-dependent export-oriented industrialization.

Thus the labour demand from industrialists in the bulk of manufacturing activities which expanded under these conditions continues to be mostly for cheap, trainable, dependable and disciplined labour. This meant that the bulk of employment opportunities created in export-oriented industry financed by both FDI and domestic capital, in the country's three free trade zones as well as outside these zones, has gone to young women. These large industrialists have been able to draw their women workers from among the urban and the rural poor at relatively low wages, as their supply remained high.

A point worth noting on the subject of industrial sector employment for women is the loss of certain industrial jobs previously held by women as a result of sharp policy changes of the late 1970s. Particularly noteworthy here is the collapse of industry following liberalization. This was responsible for throwing large numbers of women in hand-loom weaving out of work. Modern factory industry in free trade zones and elsewhere created more jobs than were lost in the aftermath of the collapse of hand-loom and other cottage/small industries. But the groups of women who lost and gained jobs in the two processes did not fully correspond to one another. Unless those who lost jobs as a result of the collapse of their traditional industry could secure self-employment later, thanks to the peripheral elements of the policy package, it would have rendered the bulk of these women permanently unemployed.

The dynamics of population and labour force growth, structural transformation in industry, processes of modernization of society, sluggishness in overall industrial accumulation and competitive world conditions under which FDI flows into developing countries are determined, together, have ensured that the women workers in modern industry are paid low wages and are made to serve under exacting working conditions. The labour process in these export-oriented factories is naturally guided by the industrialists' desire to maintain high conditions of productivity. Furthermore, in the policy of stimulating the flow of FDI into industry, there has been some relaxation of the country's protective rules and regulations governing employment of women in factory industry. The country's labour authorities argue that free trade zones are not exempt from the application of the existing labour laws. It is however, known that no serious attempt is being made to rigorously implement these laws within the zones, as it is feared that such action would lead to discouragement of FDI inflows. Furthermore, the organization of trade unions among zone workers is discouraged.

All this contributed to the maintenance of low wages and difficult working conditions for the bulk of female industrial workers. Policies of liberalization have indeed produced a quantitative expansion of industrial employment in the country, particularly among women, but questions are being asked about the *quality* of employment opportunities so created. Proper regulation of the processes should be able to produce some improvement in the quality of factory jobs but the real effective long-term improvement here appears to depend on the speed of accumulation itself and institutional development on the labour front. It is difficult to believe that these industrialists operate under such small profit margins that no improvement in labour conditions offered was possible at all.

Labour Migration for Employment Abroad

Migration of labour for employment abroad in the recent past has gradually become a major factor in Sri Lanka's social and economic scene. As a process affecting ordinary members of the society on a large scale, labour migration for employment abroad commenced in the aftermath of the first oil shocks of the early 1970s. The package of liberalization for global integration, launched in 1977, has supported and encouraged this process of migration extensively. In fact, it has sometimes been argued that, given the

large trade deficits of the liberal and open trade regime, remittances by migrant workers have provided a significant balance of payments support, thereby preventing any major reversals in the liberal policy stance.

Some of the salient characteristics of the pattern of out-migration from Sri Lanka in the recent past are listed below:

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- a strong concentration in the Middle East in terms of destination, although in more recent times some diversification in this respect has been observed;
- the high proportion of females in the total;
- an occupational distribution dominated by unskilled workers among whom women constituted the majority;
- a high level of educational attainment with the majority of Sri Lankan migrants having had several years of schooling at the secondary level; and concentration in the age group of 25-39 years; and
- the large bulk of the migrant workers being from families at the lower end of the income scale.

In general, the bulk of employment opportunities for migrant workers from Sri Lanka have come from within the unskilled category. The strongest demand appears to have been for housemaids. This produced the female dominant structure of the stock of Sri Lankan labour abroad and also its annual outflow. Compared to

some of its neighbouring countries, Sri Lanka has had no official restrictions on the employment of its nationals in household work abroad. On the contrary, there was explicit or implicit encouragement of migration of women for the purpose. This enabled Sri Lanka to capture a large share of the expanding market for this category of workers, particularly in the newly affluent Middle East.

The dominance of the housemaid component in the stock of Sri Lankan labour abroad as well as in annual flows of such labour has had certain important implications. This particular niche that Sri Lanka has established in the West Asian job markets has remained relatively stable through the vicissitudes in the economies of labour importing countries. Sri Lanka did not experience, for example, like other neighbouring South Asian countries in the 1980s, large return flows of workers in response to the conclusion of major construction programmes in some of the Middle Eastern countries. The outflow of migrant labour from Sri Lanka reached a peak in the mid-1980s and continued to remain around that peak in subsequent years. Another implication of the dominant position held by women in the pattern of labour migration from Sri Lanka—an implication favorable from the point of view of Sri Lanka as well as that of migrating individuals—is that the resulting inward remittances remained at a high level. It was mostly the relatively poor women who have so migrated for employment. They normally leave behind their dependants and therefore, are compelled to send money home regularly for the maintenance of kith and kin. These remittances have continued to help the country to maintain a reasonable degree of stability in its balance of payments. At the individual family level, they produce a positive impact on family consumption, contributing to a visible improvement in the quality of life of recipient families. The second and third round effects of remittances also need to be given recognition. The investment component of worker remittances has been estimated to be significant. Such investment shows a concentration in sectors such as real estate, commerce, and transport. The use of remitted funds for investment (and also for consumption) clearly adds to national output and employment at the macro level through the normal multiplier mechanism.

The female dominance of migrant labour, on the other hand, has had certain disadvantages, arising out of the very vulnerability of such a structure. The Gulf crisis clearly brought out this vulnerability when a very large number of housemaids had their contracts prematurely terminated in the wake of the Iraqi invasion of Kuwait. In addition, many are the reports of maltreatment of these women at the hands of their employers abroad. The impact of this absence from home for long periods at the individual family level also is known to have been disruptive of family life. The disruptive influence on children and educational and other aspects of their development is known to be quite high.

In addition, it has also been pointed out that the women who joined this process of migration as housemaids abroad have done so for relatively small wages by international standards. There is also the complaint that they secure such overseas employment by paying exorbitant fees and other dues to domestic employment agencies. Those who argue the case for non-intervention by the state make the following points in this regard:

- Most women offering their services to households overseas come from poor families and the wages offered by foreign employers are quite attractive to them in relation to the living conditions they are used to. In addition, the very prospect of working abroad, is attractive to them.
- Since a large reserve army of such women workers is available at the wage rates offered, (as alternative employment opportunities at home are not available) they virtually have no bargaining power with either the foreign employer or the local employment agency.
- The decision to migrate at low wages and low (and perhaps unknown) working conditions is normally a voluntary decision and the decision-maker ought to know what is best for her.

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These are perhaps valid up to a point and those who make them would argue that markets should be allowed to gradually produce the kind of labour market conditions within the country which will eventually eliminate the “exploitative” conditions operating in the market for migrant women workers for household work abroad.

The weakness in this argument, however, is that individual decisions made in this regard, though seemingly voluntary and free, are made without the benefit of adequate information. Even if nothing else is done, the state has a role here to collect and disseminate information so that individual decision making becomes informed and therefore really free. In conditions prevailing in a country like Sri Lanka, the state cannot restrict itself to this minimalist role. Whatever the arguments of free market libertarians are, efficiency in market mechanism requires regulation—in this particular case, regulations to govern private employment agencies. In this respect, the operation of the Foreign Employment Bureau under the Ministry of Labour in competition with private agencies, and other state sponsored schemes to assist the migrant women workers can be considered progressive steps. The gradual diversification of destinations for women workers – the slow but gradual move away from Middle Eastern countries – has been observed as a clear tendency over the recent past. This could, along with action taken by the state, indeed produce better opportunities for women who continue to look for overseas employment opportunities.

International Tourism and Employment

International tourism in Sri Lanka did not emanate from the process of liberalization. But policy measures implemented since the late-1970s have boosted tourist arrivals and tourist earnings tremendously. The behavior of these since the late-1970s have undergone significant fluctuations arising from political upheavals in the country, tourism being very sensitive to changes in the political climate. In a country where unemployment is high and is a politically explosive issue, the contribution from tourism to alleviate that problem is widely recognized by the authorities. Tourism is estimated to provide employment, directly and indirectly, to over 80,000 persons.

A fair proportion of the above number comprises women through firm data are not available. A substantial part of those employed in the hotel and restaurant sector consists of women. Indirect female employment promoted by tourism, for example in hand-loom and *batik* industries and in other types of cottage industry as well as in informal hospitality activities is extensive. The greater the rate of liberalization and global integration, the more rapid will be the growth of tourism, leading to greater employment opportunities for women in the sector.

Again, as in the activity areas discussed in the two preceding sections, the women who secure employment in the tourism sector are likely to suffer from the inherent instability of this sector and its extreme susceptibility to political upheavals in the country. There are also the familiar vulnerability of women entering the informal hospitality trade, lured by higher earning possibilities. The state's regulatory and educative role is to be stressed here even more than in the other sectors that have been discussed.

Self-employment programmes

Open and liberal political have contributed to the creation of new employment opportunities in manufacturing and services sector, in addition to their contribution to promoting the search for jobs abroad. As noted, jobs created through these processes were available to women to a large extent. While having the positive impact of opening up more employment opportunities for women, these very processes have also increased the labour force participation rates among the country's female population. The process of job creation for women was also highly biased towards the urban sector, although no doubt, rural women benefited, and as a result the increase in the labour force participation among rural women was perhaps higher than in the case of urban women. This explains to some extent the decision taken in 1992, to set the so-called 200 district garment factories in rural areas within the BOI framework. These produced a large number of factory jobs in semi-urban and rural settings, here also mostly for women, but the job opportunities opened up were inadequate to meet the full demand.

The backlog of the unemployed in the country, along with new entrants to the labour force was too large to be completely absorbed by formal sector enterprises in manufacturing industry, agriculture and services. Hence the policy emphasis was placed on facilitating the expansion of the informal sector and self-employment. Several schemes to encourage self-employment have been started, some with foreign assistance. Along with this strategy, schemes have been initiated to promote small and medium scale industries. Because of the adverse political implications of an urban biased growth path, some of these programmes of informal sector development and self-employment promotion have been designed with a rural focus. Various credit schemes were used among others, to encourage small informal sector businesses and small and medium-scale enterprises. The public and private sector financial institutions and NGOs such as the National Youth Service and Credit Organization (NYSCO), SARVODAYA, SANASA, the Ministry of Policy and Planning within its Integrated Rural Development Projects (IRDP) have been active in this field. Though accurate data are difficult to come by at the national level, a large part of the employment opportunities created during this period has been generated through informal sector promotion and self-employment schemes. The overall share of self-employment remains high at the national level according to information available from labour market surveys.

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A strategy widely used to promote self-employment under various programmes, sponsored by either the government or various NGOs, with or without foreign funding support is to organize people into small groups under the guidance of an outside agent and to promote self-employment, group self-reliance, the

savings habit and credit discipline among the people so organized. The "participatory" model of development provides the necessary conceptualization of these group exercises. While these exercises are carried out in both urban and rural settlements, it appears that their incidence is felt mostly in rural areas. The available evidence shows that the bulk of the persons who organize themselves into groups and commence self-employment activities are women, mostly married women with children, with some free time on their hands after household chores. They find it inconvenient or impossible to leave home for a job, even if such jobs are available.

Often two objectives have been identified in rural participatory development programmes of group formatting and self-employment promotion: (i) consumption enhancement or poverty alleviation of the group members and their families and (ii) development of rural entrepreneurship and promotion of a process of rural accumulation. Although there is evidence of some achievement of the first objective, it is doubtful whether these programmes have had the necessary ingredients to become a mechanism for the promotion of rural entrepreneurship and accumulation. There are certain general characteristics of the self-employment ventures promoted under these programmes:

- the operators are poor and their funds are limited;
- there is a non-entrepreneurial housewife bias in the groups formed; the self-employment projects started are under-capitalised and are in technologically weak conditions;
- these self-employment ventures are commenced without an adequately forceful business orientation;
- they are operating under severe market limitations and so on

These characteristics show that these are merely domestic household activities carried out on their own account, basically for a little extra family income. Except for a handful of units run by a few relatively more enterprising persons, these self-employment activities would remain a stop gap mechanism until the operators are absorbed into the market economy in some other more remunerative capacity. The second objective listed above, which has been highlighted in many self-employment programmes, commenced within participatory development models. It appears, however that this has been mere wishful thinking on the part of promoters of these programmes. No practicable action plan has been worked out to achieve this objective. Most women who have gone into self-employment projects under numerous programmes sponsored and launched as part of the peripheral appendage to the policy package, in fact, would continue in poverty, though the depth of that poverty may have been somewhat alleviated due to the little extra earning their self-employment activities have permitted. A common experience with own account workers, particularly those of a relatively young age with a few years of schooling, whether men or women, has been that no sooner they receive a formal sector job they would abandon their self-employment.

Conclusions

The process of economic liberalization of the Sri Lankan economy and its closer integration with the global economy started as early as 1977, and received added impetus after 1989 when the government entered into an agreement with the IMF for a three-year structural adjustment facility. To the trade and exchange liberalization and other measures taken earlier in the first phase of liberalization, this second phase added financial sector reforms, fiscal reforms, and public sector reforms (including privatization). While the present government which came to power towards the end of 1994 is known for a greater commitment to promoting social justice than its predecessor, the process of reform towards further integration with the global economy is retained as the core of its economic policy as well.

Although Sri Lanka continues to face high rates of unemployment, the labour market conditions have improved after the introduction of economic reforms. High growth of the economy facilitated by

structural adjustment policies did help the economy create employment opportunities at rates higher than the rate of growth of the labour force, albeit subject to fluctuations. The following factors have played an important role in this regard: (i) increased FDI, especially in labour-intensive export-oriented manufacturing, (ii) increased availability of concessionary foreign funds to expand public sector investment for construction activity in infrastructure build-up, (iii) increased opportunities of employment abroad, and (iv) increased opportunities of 'exporting' services abroad (e.g., through tourism, information technology related services, banking and finance, etc.) The positive implication of these policy reforms for women is that, because of the very nature of economic activities stimulated and of the prevailing labour market conditions, a very large share of the employment opportunities created under the liberal policy regime has continued to be captured by them.

While the more rapid employment creation has been a positive impact of the economic reforms, questions are being raised about the forces contributing towards increased inequality in society and also about the inherent instabilities built into economic aggregates by increased exposure to globalization. The 'quality' of the jobs that are being created is a related question that is being raised. This issue is being widely discussed in particular relation to conditions under which large numbers of women have secured employment. There has been a shift in the structure of employment towards informal sectors and self-employment. In quantitative terms, again, women have managed to secure a significant share in the self-employment opportunities opened up through various intervention programmes. The question of the quality of employment so secured comes up even in respect of these self-employment and informal sector jobs. This is found to be a legitimate question in the minds particularly of the young and educated job-seekers.

This analysis would be incomplete without at least a brief comment about certain important socio-cultural changes sponsored by liberalization and globalization with important socio-economic and labour market implications. The spread of factory employment to outlying areas has changed the rural labour market scene substantially. The availability of better formal sector employment opportunities for women workers has increased the rate of labour force participation by women. The spread of overseas employment among women workers has created enormous changes in family life patterns. The spread of mass media, particularly television, provided a strong boost to the on-going processes of social and cultural change. The impact of these changes on job aspirations of the workers looking for jobs, particularly the young and the relatively educated, has been far-reaching. To meet these aspirations fully the country has no option but to promote globalization further, as the demand for traditional jobs in agriculture, cottage industry, and the not-so-remunerative self-employment work in services is seen to be on the decline; unless, of course, these activities are adequately capitalised and modernized.

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