Privatisation and the Trade Unions

Is privatisation a viable policy option in Sri Lanka? Is it being carried out purely at the behest of the World Bank and the International Monetary. Fund, as many critics claim? Is it a hollow attempt to show that Sri Lanka is also falling in line with other countries? Has it been thought out carefully enough whether the system of state welfarism which we follow can be adequately replaced by privatisation? Is this just a mantra of the current political era, and a handy catchword for politicians, and on the other hand how long can the alternative to privatisation last?

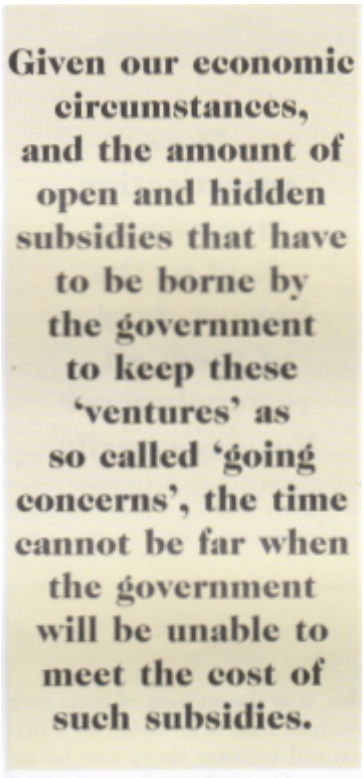
There is no doubt that privatisation is a contentious issue in Sri Lanka. On one hand there was the previous government which began the process, but handled it so badly and with obvious cronyism

in the process, that it helped give it an image of state sponsored corruption. On the other hand, there are the few attempts by the present government to carry out privatisation which have been met with open opposition by the trade unions, left-wing parties, and even from within the government, compelling it to go slower than it expected in privatising state owned ventures.

There were also the weaknesses, and to a considerable degree the lack of professionalism in the government's own instrument established to carry out privatisation, the Public Enterprise Reform Commission of Sri Lanka or PERC, which sought to go about the job of privatising structures of the State with the same attitude they adopt in carrying out the usual policies of government. That of procrastination, lack of commitment and even worse, the application of government's departmental regulations and attitudes to the process of privatisation, which sought to replace those very attitudes.

The results of last month's local government elections, with the sweeping majority that the People's Alliance led by President Chandrika Kumaratunga obtained, have given both the President and her government a good argument to show that contrary to what many people say, the people of this country, including the workers, are indeed in favour of privatisation. Because, although it was a local government election, both the Government and the Opposition made no secret of the fact that it was a mini-general election in which the government's policies and performance were being put to the test. If that be the case, the success that the People's Alliance

made in areas of the Western Province and Southern Province where most organised workers reside (aside from the plantations) is proof enough that they have not rejected the Government's economic policies, one of the key elements of which is privatisation.



With all that said one has to consider seriously why trade unions are opposed to privatisation. Is it merely because of the old Marxist beliefs of their leaders, or are there genuine concerns about privatisation being a danger both to their members in particular and the country in general? These are matters that need to be addressed seriously, and not dismissed as the opposition of rabble-rousers or the work of those who are ranged against the policies of the government, whatever they may be.

As was mentioned earlier, the record of privatisation of the previous government left much to be desired and a great deal to be feared by trade unions. Retrenchment, the slashing of benefits which had become an accepted practice, the absence of promotions based purely on seniority in years of service, the inability to use political influence to better one's conditions, were in themselves red flags of danger. On the other hand there were also many instances of the wholesale stripping of assets by the new owners, the failure to even pay the legally required

Provident Fund contributions, and in some instances the non-payment of salaries too, were all matters which gave genuine cause for fear among the trade unions. That was the seed of the confrontational attitude of the trade unions that has so far been seen with regard to privatisation.

But is there the need for such confrontation? Cannot the trade unions be made aware of the many benefits and advantages that privatisation offers to them in the short term, and to their children in the long term, in a society where the desire to ensure a secure life for one's child is one of the key values of the people?

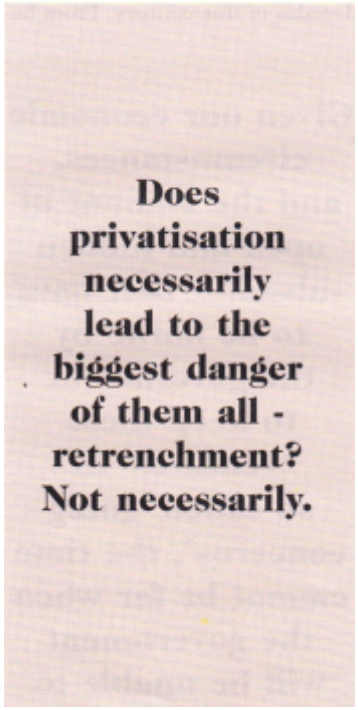
When privatisation was first spoken about, it was a revolutionary concept. Not with so much fire and zeal but still as revolutionary as the socialist promise in the first decades of this century. From being seen as a revolutionary policy just over a decade ago, privatisation today has assumed the position of near orthodoxy in economic affairs. Quite a short span for revolutionary thought to become near dogma. Yet, it has happened, and to a great extent in countries of the West which have had some of the strongest trade unions in the world. Although opposition has not been lacking, trade unions in many countries have found it possible to understand the necessity of privatisation, and the benefits which will ultimately accrue to them, both as employees and members of society.

If carefully explained there could be no trade union leader, except those who are stuck in the dogma of nearly a century past, who would not understand that the alternative of state ownership of ventures has only a limited extent of time in Sri Lanka. Given our economic circumstances, and the amount of open and hidden subsidies that have to be borne by the government to keep these 'ventures' as so called 'going concerns', the time cannot be far when the government will be unable to meet the cost of such subsidies. It is similar to the realisation which was forced on the government that a good deal of the subsidy on wheat flour and bread had to be slashed, through sheer economic necessity.

The effect of the government being compelled to withdraw its subsidies from these ventures, some of them showing profits due to hidden subsidies, could well be the very retrenchment that the trade unions fear with privatisation. So it becomes necessary that serious trade union leaders begin to look for the alternatives to the welfarism they have been nurtured on, and for this purpose look far and wide at what is taking place in other parts of the world.

Even if the vast changes that are taking place in the former Soviet Union are to be

ignored, where it is a massive overhaul of an entire social and economic system, the experiences of other countries which have social and economic systems similar to that of our own are worth considering. In this context the new policies that are being adopted by our own immediate neighbours, India, Pakistan and Bangladesh are good indicators of the need to move away from the past, even if we are not interested in looking at the examples of Malaysia, Vietnam and even China.



Does privatisation necessarily lead to the biggest danger of them all retrenchment? Not necessarily. But an over-staffed organisation cannot be expected to be successful, and once privatised there is no denying the fact that success will be measured in terms of profit. So, there could well be the need to retrench employees. But, if this were to happen, it will be of the utmost importance that the trade unions be brought into the discussions from the very outset of the issue. The problem that faces many a privatised venture is that they do not look towards trade unions as partners in a common venture. This accusation could be made against the trade unions too. But, it is of much greater importance that the employer go the extra mile to make the employees feel genuine partners, and not just nominal shareholders.

Sri Lanka being an under-developed country, the fears of massive retrenchment due to privatisation, especially in the areas of infrastructure development are wholly

unreal. Our situation cannot be compared to that of developed countries which have privatised nationalised ventures. If we take telecommunication as an example, the very development of the infrastructure to provide 1 million telephone lines by the Year 2000, will certainly need a considerable skilled workforce. The catchword here is skilled. Workers will have to be trained, and the privatised ventures would do well to train existing workers in the new skills they will need with the new technology that will be brought in.

I do not think it difficult to explain to trade unionists and employees of state owned ventures that the priorities of politicians, or politician-trade-unionists, though seemingly good for the employees in the short term, are not compatible with those of effective business management. It will certainly not be difficult for workers to understand that when commercial or business judgments are over-ridden by political necessities, it is the success of their own venture that is at stake. In a privatised venture there can be no room for such non-commercial decisions by the management, as the bottom line is profit, earned well and not through any monopolistic exploitation of the consumer.

Whatever the rhetoric of the radical or the extremist, it is not easy to believe that members of trade unions cannot understand that the government cannot raise sufficient funds for investment in the improvement of a State owned venture. The claims on the Treasury will always have to clash with those of the needs for health, education, social services, poverty alleviation etc., with little being left for investment in industry or infra- structure development. In fact this is a reality that Sri Lanka has been trying to shy away from for far too long.

While on the one hand the government has to struggle to find funds to keep ailing ventures afloat, their privatisation will immediately release considerable funds which the government will be able to use for the many other necessary and pressing areas of public expenditure, that are now channelled to keep a few sick, genuinely non-profitable or not sufficiently profitable ventures hobbling along. The immediate benefit could be in areas such as schools – how many schools in Sri Lanka have even a single science laboratory for even the simplest experiments or how many are there without even a roof?; or health how much more can the country’s health services be improved if only there were sufficient funds available to the government to obtain to build the infrastructure and acquire the necessary modern technology?

Looked at from this point of view, privatisation, carried out efficiently and

effectively, becomes an investment in the future. The future that belongs to the children of the workers and trade unionists who today oppose it with little thought given to reality. These are not arguments that trade unions can reject, if posed to them in the correct manner at the proper forum.

The other argument that trade unions seem to ignore, as if it does not bother them at all, is that of profitability. While the government can save money on subsidies to state ventures through privatisation, the exchequer, that is the tax- payer, can gain immensely through the greater taxes that privatised ventures will be paying due to the huge increase in profitability. This is money that can be used for the development of the country, particularly in areas of infrastructure, in a country where patients some- times have to be carried for miles on the shoulders of people, acroos shaky foot bridges, to reach the nearest hospital, where there may be insufficient drugs.

Privatisation into a competitive market can be the spur for some very impressive improvements in labour productivity. Even a cursory study of the levels of productivity in our State ventures, (including those that are said to be profitable) and those in the competitive private sector will amply demonstrate better productivity levels in the private sector. What most trade unions do not seem to understand is that better productivity leads to better profits, which in turn can lead to higher wages, promotions based on merit, better welfare benefits and even better retirement or termination benefits.

Another feature of privatisation which has not reached the Sri Lankan worker is that of the benefits to the worker through an expanded share market. The current problems faced by the share market, and the lack of sufficient efforts to take the stock exchange to the people, have resulted in the people at large, specially the workers, being ignorant of the real benefits of the stock market, and looking at it with considerable suspicion.

Better productivity and better profits inevitably lead to better. prices in the share market. It is not only workers who own shares that can benefit by this, but other members of the public who invest in the share market could also benefit from the growth of the share market, which can be a direct outcome of a well carried out policy of privatisation.

Britain being the country which pioneered privatisation, and introduced the revolutionary word into the vocabulary of today’s economics, has some excellent

results to show for privatisation, which have made both the trade unions and the Labour Party of the UK virtually give up their former dog matic opposition to privatisation. When the British Labour Party today attempts to be the party of the middle ground, it certainly has privatisation in its bag, and has no plans to jettison it. In Britain it has been seen that having been freed from their political constraints, privatised utilities are now investing on a huge scale to deliver benefits to their customers – the public. Here are some examples of investment by major utilities that have been privatised in Britain.

British Telecom: Over 25 billion pounds since privatisation in modernising and installing new technology;

Electricity companies: Over 1 billion pounds per year in distribution and transmission;

Water: 15 billion pounds to date. A further 24 billion ear- marked for the next ten years. British water companies are now delivering some of the cleanest water in all Europe.

The major beneficiary from the various privatisations undertaken in Britain has been the public. Many utility prices have fallen significantly due to increased productivity and the lack of an overburdened administrative structure. So is the supply of utility services.

Before the privatisation of British Telecom, there was a waiting list of a quarter of a million to have telephones installed. Now there is no waiting list.

The graphic illustrations, taken from a publication Privatisation – Setting Enterprise Free’ published by the Department of Trade and Industry of the UK, show how privatisation has paid in Britain. It is based on material presented at a conference on the same topic held on December 5, 1996, with the twin aims of evaluating the achievements of privatisation in the British context, and reinforcing the message to many delegates from other countries that attended the conference.

With such proof available, it is difficult for the trade union movement in Sri Lanka to turn away from the realities of the day. More and more under-developed countries, who in the first flush of independence, believed that the State should be the instrument of development, due to historic, ideological and sometimes pragmatic reasons, often combined with nationalist sentiment, have now realised that the path

they took was wrong. They have also to face the fact that there is no Cold War on, and no socialist camp which will help those who limit themselves blindly to centralised economies dominated by the government. It is the time for the Government to begin a new dialogue with the trade unions, and the trade unions to begin to see and hear the truth that is emerging all around them, and for entrepreneurs to look at trade unions as key prospective partners in the ventures they seek to acquire from the Government, either wholly or in part. It is the time for partnership in privatisation. Cooperation and not confrontation should be the goal to be sought by all, most of all the trade unions that are responsible to their own members.