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ECONOMIC LIBERALIZATION AND THE EMERGING PATTERNS OF SOCIAL INEQUALITY IN SRI LANKA[1]

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Introduction

The purpose of the present paper is not to discuss the merits or the demerits of the economic liberalization programme launched in 1977 or arguments for and against it. Instead it seeks to address two important questions. They are: (a) to what extent and (b) in what ways the post-1977 liberal economic policies seem to have altered the country's pre-existing patterns of social stratification. Following a brief, initial discussion on social structural change in the recent past, an attempt is made to indicate the outcome of the policy in terms of its impact on patterns of employment, income distribution, changing wage structures, etc. with a view to identifying its implications for the distribution of life chances in the country. And later in the paper, an attempt is made to discuss how the above changes appear to alter the existing patterns of social inequality in the country.

As is well known, social inequality is a complex phenomenon which has many different dimensions, i.e. class, caste, ethnicity, power, status and rank. Morover, it can be investigated at different levels in terms of the unit of observation, i.e. a village community, a large city, a whole country, etc. It is also possible to adopt different methodological approaches, i.e. ethnographic, social surveys, statistical, etc.

This paper confined to a preliminary investigation into the impact of economic liberalization on the distribution of life chances in Sri Lankan society in very general terms. The main question it addresses is whether the transition from a state-dominated economy to one guided by market forces has radically altered the pre-existing distribution of life chances. In other words, whether the pre-existing social class formation has been significantly altered as a consequence of the above transition.

There can be little dispute about the fact that what we witness today in countries like Sri Lanka is a further stage of capitalist development, no matter what terminology we tend to use to refer to the process of change. What can, however be a subject for debate is whether the process of development that is taking place would eventually lead to greater social inequality or greater social equality. Though some have argued (Berger, 1988) that the tendency to assume

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that capitalist development in the Third World inevitably leads to greater inequality has been ideologically motivated rather than empirically grounded, there is considerable evidence to suggest that economic liberalization, at least in its initial stages, leads to greater income inequality. The purpose of the paper, therefore is not to provide fresh evidence either for or against the above argument. It is simply to look at how the process of economic liberalization appears to influence the distribution of life chances in the country and suggest what possible social and political implications it seems to entail.

British Colonial Rule and Social Structural Change

As is well known, it was during the period of British colonial rule that Sri Lankan society was irreversibly transformed due to both direct state intervention and the working of the market forces that were unleashed. The colonial export-import economy based mostly on an elaborate plantation system facilitated the emergence of an indigenous business elite and a hierarchy of professionals and officials ranging from higher government officials to petty state functionaries. Given the structure of the colonial economy and the marginal position that the mass of mostly rural, indigenous people occupied within it, the professional and bureaucratic elite became the pre-eminent reference group for the upwardly mobile youthful population in the country. It is against this background that social mobility became almost synonymous with moving into the state bureaucracy at least as petty functionaries.

In the early decades of the British colonial rule, higher positions in the state bureaucracy were monopolized by Euopeans relegating those of the indigenous communities to lower rung positions. The subsequent agitations by the indigenous elite led to what has been termed the Ceylonisation of the Civil Service which allowed the thoroughly Westernized, English-educated members of the native communities to move up the bureaucratic ladder. So, by the time of political independence, both the state bureaucracy and modern professions like Law and Medicine were controlled by a Westernized native elite. This situation did not automatically change with the granting of political independence as English continued to be the official language.

The introduction of universal free education in the early 1940's soon resulted in the swelling of the ranks of vernacular-educated, rural youths who were aspiring to move up the social ladder, largely to escape from rural poverty and social marginality. These youths mostly belonged to humble, rural peasant families and viewed the Westernized, urban elite as the main obstacle to their upward mobility. The change of the official language was thus viewed as the most effective way to remove the monopoly of the Westernized elite over positions of power and privilege and open up the bureaucracy. The replacement of English by Sinhalese as the official language in 1956 eventually opened the bureaucracy

for many Swabasha-educated Sinhalese youths but at the same time led to the alienation of Swabasha-educated Tamil youths who were equally interested in positions of influence within the state bureaucracy.

In spite of the opening up of the state bureaucracy and the expansion of the state sector in general, the provision of opportunities for social mobility for aspiring, underprivileged youths could not keep pace with the rapidity with which the demand was growing. This naturally led to the swelling of the ranks of those who failed to achieve much desired social mobility. And those frustrated youths became increasingly receptive to calls for direct action by anti-systemic movements, both in the south as well as in the north of the country.

The country's economy which was characterized by an export-oriented, plantation sector and a largely subsistence-oriented peasant sector at the time of independence did not undergo major structural change until recently. The pressures emanating from a democratic polity that evolved towards the end of the colonial rule, under the influence of egalitarian and anti-imperialist ideologies continued to put pressure on post-independence regimes to deliver goods which could not be produced within the structure of the country's economy which continued to occupy a disadvantaged position within a hostile global economic environment which did not favour resource-poor countries producing primary goods for export. Moreover, given the prevailing ideological environment at the time which emphasized equity and social justice and the popular pressures emanating from a largely rural yet highly politicized electorate, the successive, post-independence regimes, in spite of their different ideological and policy orientations, were compelled to take measures which by and large reinforced the existing structure of the economy. While no regime was able to substantially deviate from redistributive policies and investments in social infrastructure, much of the productive investments were in the agricultural sector, i.e. irrigation facilities, agricultural credit, rural infrastructure, etc.

The prevailing hostile attitudes towards foreign economic interests persuaded certain post-independence regimes to nationalize foreign business ventures and disuade new foriegn investments in the country. Similarly, the private sector was often portrayed in a negative light and the concentration of capital in private hands was considered detrimental to the common good of the masses. The result often was a tendency to bring various aspects of the economy under state control through state monopolies, public enterprises, strict rules and regulations and licensing of various kinds.

Meanwhile, the stagnation or even decline in the prices of the few primary export commodities and the rising import bill led to a continually worsening balance of payments situation forcing further cuts in imports. This naturally led to shortages not only of consumer goods but also of investment goods needed by

the few import-substitution industries that were established in the 1960s and the early 1970s. Moreover, the extremely limited local market and the low incomes of the vast majority of the local population did not provide a conducive environment for rapid industrialization. The result was that, outside agriculture, there existed few opportunities for material advancement. This naturally compelled the upwardly mobile sections of the lower social strata to turn to the state for redress. The state's capacity to create opportunities was limited and this created more and more disillusionment among those whose aspirations could not be fulfilled.

Against a background of worsening balance of payments situation in the 1960s and the 1970s, (Bruton, 1992: 46) the governments in power were compelled to seek foreign aid from the West, largely to finance the widening trade gap. At the beginning, the inflow of aid was negligible, but by 1970, more aid was forthcoming aid donors were more willing to help more market-oriented UNP regimes than the overtly state-oriented SLFP -led regimes. So, whenever a UNP regime was in power, foreign aid was flowing into the country in larger amounts. When the Marxist partners of the 1970-77 SLFP regime left the government in the mid-1970's, and the government became more liberal in policy orientation, the inflow of aid increased substantially. When the SLFP was decisively defeated by the UNP in 1977, the situation changed dramatically (see Table 1).

Table 1: Foreign Aid to Sri Lanka 1960-1992 (Selected Years).

Year	1960	1965	1969	1975	1981	1992
Amount (US$)	15	29	130	250	865.9	871.9

Sources: Bruton, 1992. p. 35. Kowiconsult (1994:12)

The inflow of foreign aid reached unprecedented levels after 1977 when the newly elected government expressed its committment to an open, liberal economic policy in clear and unambiguous terms. Naturally the year also marked the beginning of a rapid increase in foreign debts which until then was an insignificant phenomenon. However, the growing foreign debts has not resulted in a major crisis as the continuing inflow of external assistance and the increasing exchange earnings have helped finance the country's persisting trade gap.

UNP = United National Party
SLFP = Sri Lanka Freedom Party

As is well known, the main objective of the package of liberal economic policies implemented since the late 1970s has been to encourage the active participation of local and foreign capital in the country's economy. Such participation was expected to promote economic activities outside the traditional peasant and plantation sectors, in particular manufacturing. The programme of privatization of state enterprises implemented after 1977, largely under pressure from the multilateral lending agencies, was also intended to allow the private sector to play a leading role in promoting economic growth. This is in sharp contrast to the period preceeding the 1977 economic reforms when the state's involvement in, and control over, the country's economy was all pervasive.

The limited role that the private sector played in the country in the sixties and the seventies meant that only a few opportunities for economic and social advancement then existed outside the state sector. For instance, by 1977, when over one million people were employed in the state sector, only about 283,000 persons were reportedly employed in the private ector(see Table 5). Moreover, job security, social influence and prestige associated with state sector employment made the latter far more attractive to the upwardly mobile members of the lower social strata, in particular those living in rural areas. Modern private sector establishments were few and far between and were located in the cities and towns. They mostly recruited workers from urban areas and their managerial and clerical positions were almost always filled by the members of the urban middle and lower middle classes. With the nationalization of many hitherto privately owned enterprises in the sixties and the seventies, the state sector became further enlarged reinforcing the position of the state as the predominant source of white collar jobs for an increasing number of educated youths. Unlike in the urban-based private sector establishments, the lack of a good command of the English language did not prevent youths from taking up white collar jobs in the state sector.

In the absence of a rapid structural transformation of the predominantly agrarian economy of the country, the younger population increasingly exposed to modern education had few avenues for social and material advancement besides seeking white collar jobs in the public sector. Given the growing population pressure on the limited agricultural resources in the countryside, peasant agriculture could not provide an acceptable level of living to younger people who were looking for more lucrative and prestigious employment outside agriculture. So, many of them wished to obtain educational qualifications and secure white collar jobs in keeping with the long-established hierarchical values which became firmly established during the colonial period and afterwards. So much so, in the average village setting in Sri Lanka, securing a white collar job by an educated youth symbolized success leading to an enhancement of the social standing not only of the individual concerned but also of his or her family. On the other hand, those who failed to secure such jobs.become 'ordinary villagers'

taking up whatever work that was available in the village. They naturally have much lower social esteem than those who moved up the social ladder.

So the new social hierarchy that came into being during the colonial period following the introduction of modern school education, the establishment of an elaborate state bureaucracy and the rise of modern professions was reinforced further after independence when modern education became far more widespread and the state bureaucracy considerably more elaborate.

As is already well documented by many researchers (Obeyesekere, 1974, Hettige, 1992), Sri Lanka was already engulfed in a serious political crisis in the early 1970's owing to a significant anti-systemic threat posed by a political movement mostly involving educated, yet mostly unemployed or underemployed rural Sinhalese youths. The latter were people who were either unable to enter the social hierarchy focused on the state or could not climb high enough along the ladder. The despair and the hopelessness of the disgruntled youths were reinforced by the fact that there were not many opportunities for social mobility outside the state sector. So their anger was directed almost exclusively at the political establishment.

By the mid 1970's, Sri Lanka's state sector had reached its peak in terms of the extent of its control over the country's economy. Many virtual state monopolies operating in diverse fields had resulted in an unprecedented concentration of power and privileges in the hands of public officials at various levels. This situation facilitated corruption at various levels. For example, the importation and distribution of consumer goods were controlled almost entirely by state institutions and this gave rise to a thriving black market. Since supplies were limited, traders often bribed currupt officials to obtain their supplies. Similarly, small peasant producers were dependent entirely on state institutions for the purchase of agricultural inputs as well as for the disposal of their produce. Once again, this gave corrupt officials an opportunity to exploit the situation for personal gain.

It is ironical that the often well-meaning measures that the state adopted to safeguard the legitimate interests of the consumers and producers often produced the opposite results at the hands of a self-seeking bureaucracy which often did not share the same ideological and moral commitments that some political leaders and activists had. The measures taken to counter the above trends, i.e. further controls and restrictions, made matters worse creating widespread resentment among both producers and consumers who were adversely affected. Government's inability to import consumer goods freely due to serious balance of payments problems prevailing in the country in the mid 1970's resulted in shortages of consumer goods giving the then political opposition opportunities to score points against the regime in power.

It is against the above background that the UNP which was then in the opposition launched its campaign on a liberal platform to mobilize the electorate against the government. It sought to end the overwhelming state control over the economy and encourage private investment in order to create employment and income opportunities for unemployed youths. It also sought to liberalize foreign trade and relax exchange control regulations so that consumer goods can freely flow into the country.

As was already discussed, the private sector expanded after 1977 reforms at least partly at the expense of the state sector. With the privatization of many state enterprises in the early 1990's, state ceased to have any direct involvement in many activities that came under the purview of the private sector. Once privatized, the state could no longer interfere in the running of these establishments. For instance recruitment and retrenchment of workers, working conditions, etc. became matters of internal policy of the firm concerned and the state could not interfere in such matters directly. Owners of the private enterprises could now adopt a pragmatic approach with respect to above matters without being influenced by political and social considerations which state institutions could rarely ignore. So, the expansion of the private sector after 1977 created employment opportunities outside the state sector, but their allocation was not done in keeping with the long established social and political criteria which the state sector was by and large commited to abide by. For instance, graduate unemployment had long been a sensitive political issue in the country and successive governments have taken steps to prevent the accumulation of unemployed university graduates. So, in the 1970's and the 1980's, they were absorbed into the public sector on placement schemes designed specifically for the purpose. On the other hand, private sector establishments often recruit much younger people with lower educational qualifications and provide on-the-job training to equip them with the required skills.

The expansion of the private sector after 1977 did not result in a substantial reduction in unemployment among the educated rural youths. This is due to a number of reasons. Firstly, most of the opportunities that became available were for unskilled or semi-skilled types which the educated youths were not particularly interested in. Secondly, as noted earlier, more lucrative, white collar jobs that became available in the private ector went to either those with work experience or those from urban middle class backgrounds. Thirdly, since private sector establishments were guided primarily by the profit motive, they tended to recruit fewer people for white collar positions and offer higher salaries rather than recruit many poorly paid, inefficient workers.

It is noteworthy that, even after 15 years since the launching of the package of liberal economic policies, only a handful of graduates passing out from the local universities are absorbed into the private sector. So, most of them are still

absorbed into various government departments as teachers, management trainees and various other white collar workers irrespective of the courses of study they have completed. In spite of the fact that many others with lower educational qualifications have either joined the security forces or died due to political violence, the level of unemployment among rural educated youths continues to be high. This seems to be due to at least three reasons. Firstly, rural educated youths continue to prefer public sector employment, mostly as white collar workers. Secondly, the kind of work that may be available to them in the private sector is mostly of the blue collar type which most of them do not seem to be willing to accept. Finally, most private sector firms that have been established over the last decade or so recruit mostly female workers and, therefore only a small proportion of unemployed rural males are absorbed into such establishments.

Economic Liberalization and its Impact

Though the leftist and nationalist critics of the liberal, open economic policy have condemned the latter as a sure way to ensure the exploitation of the country by the capitalist West, for its proponents and apologists, it appeared as the only way out of economic stagnation that is at the root of widespread unemployment and almost generalized poverty in the country. As is well known, this is also in line with the currently dominant neo-liberal development dogma which has already had a decisive influence on much of the non-Western world. So, liberal economic policies were expected to encourage private investment, both local and foreign, facilitate the rationalization of public enterprises, and promote economic growth which would eventually lead to higher levels of employment and a substantial reduction of poverty. In other words, economic liberalization was perceived as the means by which key economic and social goals were to be achieved.

There has already been a number of attempts by economists to examine the outcomes of the liberal economic strategies pursued after 1977(Kelegama & Tiruchelvam, (1995), Lakshman, (1986), Herring, Shastri, 1994, Vidanapathirana,1986) While no attempt is made here to look at these studies in detail, a brief overview of the impact of the above economic policies can nevertheless be a useful starting point. It is to be noted at the outset that the persisting ethnic and political conflicts, particularly after 1977, no doubt had a significant bearing on the economic outcomes though it is not possible to determine their impact in exact terms.

Unemployment

As mentioned before, one of the main problems that economic liberalization expected to help solve was widespread unemployment which had peaked at about 24% of the labour force in 1973. Though the rate of unemployment declined to a considerable extent in the first five to six years, it was not solely due

to the increase in the demand for labour in the newly established private enterprises, either local or foreign. In fact, immediately after economic liberalization, thousands of female workers engaged in the rural handloom industry were displaced as imported textiles were of a " higher quality" than handloom textiles.[2] The number of jobs created by the newly established urban industries in the Free Trade Zones and outside them was not adequate to compensate for the loss of jobs involved.

As analysts have already pointed out (Kelegama & Tiruchelvam, 1995), a multitude of factors that have been responsible for the reduction in unemployment recorded after 1977. They were: (a) expansion of public investment, in particular the implementation of the Mahaweli Project, (b) expansion of the urban informal sector into such areas as retail trade and passenger transport, the latter following the privatization of public transport (bus) services, (c) migration of labour to the Middle East (d) growth of the tourist industry (e) the establishment of Export Processing Zones and (f) the rapid increase in the number of personnel in the security forces, particualarly in the 1980's.

Much of the employment created by the newly established industries did not necessarily amount to a net addition to the ranks of the employed as many people who were already employed were retrenched or lost their jobs during the same period. Mass dismissal of public sector workers who went on strike in 1980[3] and the displacement of handloom workers mentioned above are cases in point. The result is that the unemployment rate continues to remain high, around 15% of the labour force, in spite of the expansion of work opportunities in a number of areas like overseas employment, tourism, construction industry and the urban informal sector. This was largely due to the fact that the rate of net growth of employment did not match the rate of growth of labour force.

The new employment opportunities do not seem to have benefited all unemployed groups in the country evenly. On one hand, there have been significant urban-rural differences in the distribution of work opportunities. For instance, 70% of the newly established industries are located in and around Colombo. Even though these industries attracted workers from rural areas, they benefited people living in the Colombo metropolitan area more than those living outside it, both directly and indirectly. A good case in point is the resultant expansion of the urban informal sector involving retail trade, catering, passenger transport, provision of residential accommodation to workers, etc.

[2] It has been estimated that about 120,000 handloom workers had lost their jobs by 1985 (Kelegama & Tiruchlvam, 1995).

[3] An estimated 60,000 public sector workers were dismissed following a general strike in 1980. Due to the politically sensitive nature of the issue, many of them were subsequently absorbed into various state enterprises leading to overstaffing (Kelegama and Tiruchelvam, 1995).

Some of the new work opportunities that became available did absorb those who were already employed as those experienced, public sector workers who were retrenched in the early 1980's took up many such positions. It is well known that many public sector employees who resorted to early retirement to benefit from the 'golden hand-shake' offered to them were absorbed into the private sector or took to informal sector activities such as retail trade or passenger transport. No statistical data is available on the actual numbers involved. Similarly, many rural handloom workers who lost their jobs could not necessarily join the new industrial workforce in the FTZ's as they were not young enough and unmarried. So, the new industrial firms attracted younger female workers, both urban and rural. On the other hand, many women who migrate to the Middle East on contract employment are married and often older than FTZ workers.

Even though the rate of unemployment declined in the years following economic liberalization, (see Table 2) the composition of the unemployed did not show a major change. The rate of unemployment among educated rural youths continued to be very high indicating that the new jobs created did not necessarily cater to their demand. This appears to be due to several reasons. Firstly, two of the main areas of employment that expanded after 1977, namely the export processing sector and Middle East employment, absorbed mostly female workers. Secondly, new economic activities that expanded were mostly urban based and provided more income opportunities to people living in and around major urban centres. Thirdly, the types of jobs that became available were by and large not the kind the educated youths were looking for, i.e. white collar employment. Finally, even for those white collar jobs that became available within the expanding private sector, the employers ususally recruited either youths from urban middle class backgrounds who possess the required communication and other skills or experienced workers leaving the public sector.

Table 2 : Unemployment in Sri Lanka for SelectedYears.(as a % of the Labour Force)

Sector	1978/79	1981/82	1985/86	1990/91
Urban	20.7	14.2	19.5	18.4
Rural	20.5	12.3	13.2	15.9
Estates	8.6	5.0	7.8	-

Source: Department of Census and Statistics and Consumer Finance Survey of the Central Bank as quoted in Kelegama & Tiruchelvam(1995).

So the beneficial effects of the significant reduction in unemployment after 1977 were unevenly distributed across regional and social class boundaries. It appears that backward rural areas did not benefit as much as more developed

areas. Though it is not possible to provide a statistical breakdown, it seems reasonable to assume that the educated, yet marginalized rural youths gained much less than the more privileged urban youths and rural youths with little education. It is also noteworthy that economic liberalization allowed more and more women to enter the labour market, particularly due to the opening up of the Middle East labour market for them. Yet, the expansion of employment opportunities for them has not been adequate to absorb all those who enter the labour market, in particular those with higher educational qualifications (Satharasinghe, 1995).

Income Distribution

An important issue which has received considerable attention from researchers is the impact of economic liberalization on social equity. Some writers (Bruton, *et. al.* 1992) have looked at time series data on income distribution and have observed that income distribution has become more unequal after 1977. No doubt the situation was further aggravated due to budgetary cuts on subsidies and other social expenditure, all of which often benefit the lower income groups most.

Table 3 : Income Distribution in Sri Lanka (Decile Distribution) %.

Decile	1953	1963	1973	1979/80	1981/82
Lowest	1.90	1.50	2.79	2.12	2.18
Second	3.30	3.95	4.38	3.61	3.55
Third	4.10	4.00	5.60	4.65	4.35
Fourth	5.20	5.21	6.52	5.68	5.24
Fifth	6.40	6.27	7.45	6.59	6.35
Sixth	6.90	7.54	8.75	7.69	7.02
Seventh	8.30	9.00	9.91	8.57	8.69
Eighth	10.10	11.22	11.65	11.22	10.71
Ninth	13.20	15.54	14.92	14.03	14.52
Highest	40.60	36.77	28.03	35.84	37.29

Source: Bruton, (1992:161)

The growing inequalities in income distribution since the late 1970's also became evident in the data on malnutrition in the country. Since malnutrition is largely a reflection of food availability to poorer sections of the population, increasing levels of malnutrition recorded in the late 1980's, particularly in the rural areas, seemed to indicate that absolute poverty was on the increase. An important contributory factor appeared to be the replacement of the rice ration by the food stamps scheme. Unlike the former, the latter was a monetary payment the value of which continued to decline with rising inflation. With the

declining purchasing power, the poor who were dependent on it for much of their food needs were no doubt adversely affected.

Consumption Patterns

Perhaps the most significant changes occurred after 1977 in the sphere of private consumption when import liberalization coupled with growing income inequalities gave rise to marked disparities between the rich and the poor in terms of ownership of assets and consumer durables like motor cars and household goods. The stagnation of public institutions in the fields of health and education has also been accompanied by the establishment of private schools, colleges, hospitals and health centres all of which by and large cater to more affluent sections of the population. The result is that the social and material inequalities in the country became more obvious and tangible. As more lucrative income sources and new consumer goods became freely available, the well-to-do could indulge in types of consumption and acquire new status symbols which clearly set them apart from the rest of the population as never before, particularly in the urban areas.

How do we make sense of these emerging patterns of inequalities? As indicated earlier, in this paper, the approach adopted is to look at how the distribution of life chances in the country was mediated by the political process, particularly after independence. It is argued that the dominance of the state-centred economy from the late 1950's to the mid 1970's and its gradual decline thereafter have substantially altered the modes and mechanisms of the distribution of the life chances of a large part of the country's population.

Changing Contours of the Social Class Structure

In the context of Sri Lanka, 'private sector' refers to those business enterprises, large and small, which are formally registered as such under the Companies Act. Such businesses contribute to the Employees Provident Fund in respect of their employees. In other words, the whole of the unregulated, informal sector which provides income and work opportunities to a large mass of people in both urban and rural areas is not counted as part of the private sector for official and statistical purposes. Moreover, those engaged in farming and fishing in the rural and coastal areas of the country (outside the estate sector) who perhaps constitute nearly one half of the labour force also fall outside the private sector. However, with increasing industrialization, more and more people are being absorbed into the formally organised, private sector enterprises leading to a rapid expansion of the private sector. Though lower level employees in the private sector may not necessarily earn more than many active in the informal sector, they nevertheless enjoy other benefits such as regularity of income, retirement gratuity, etc. and therefore, often enjoy more prestige than casual workers in the informal sector.

Economic liberalization has not been accompanied by a major reduction in public sector employment in Sri Lanka. What is however noteworthy is the rapidly changing composition of the state sector. With the privatization of state enterprises, public sector employment has become more and more confined to basic government functions and provision of services such as health, education, public administration, internal security, etc. Production of goods and the provision of many services have become almost exclusive domains of the private sector firms. With the current tendency towards the privatization of service industries over which the state still has either partial or total control, the capacity of the state to absorb labour is likely to be further restricted, at least in the near future.

What does the above trend mean in term of equity? As it has already become clear, private sector firms, in particular those controlled by foreign capital are not constrained by equity considerations in formulating their wage and incentive structures. These firms tend to be guided by the need to maximize productivity and profits. This typically means a highly unequal wage and salary structure within the firm. While the mass of unskilled and semi-skilled workers are paid subsistence-level (even below subsistence level) wages, the employees with specialized skills and managerial responsibilities are offered highly competitive salaries and other incentives. Given the high rate of unemployment in the country, recruitment of unskilled workers at low wage levels is easy. On the other hand, people with specialized skills and relevant work experience are not as common and, therefore, to attract and retain them, much higher salaries have to be offered. The result is that the gap between the lower and higher level workers in terms of wages and other rewards becomes enormous. This is evident in the following figures which show the relative wages paid to different categories of employees in a typical foreign-owned textile manufacturing firm in the Colombo metropolitan area.

Table 4: Salary and Wage Differentials in a Foreign-owned Textile Factory in Sri Lanka(in Sri Lanka Rupees per Month).

Rank/ Position	Salary Range
Managing Director*	150,000
Director/General Manager*	100,000
Manager#	15,000-25,000
Assistant Manager#	10,000-12,000
Management Trainee#	3,200
Mill Workers#	2,500

* Expatriate staff # Local staff

Note: Salaries do not include other benefits which also vary depending on rank and whether the person is expatriate or local. The table is based on the data provided by one of the mangers of the firm based in the main office in Colombo.

The above pattern is by and large replicated in the private sector in general, and, in the firms owned or managed by foreign capital in particular. The result has been the recent emergence of what I have called elsewhere (Hettige, 1994) a New Urban Middle Class (NUMC) which enjoys an extremely high level of private consumption compared with that of the mass of low income-earning wage workers in both the private and the public sectors. The NUMC comprises mainly of higher level employees and the self-employed, newly emerging small-scale business elite engaged in new service industries, concentrated mostly in the Colombo metropolitan region.

Economic Liberalization and Social Structural Change

As mentioned before, liberal economic policies were expected, on one hand, to facilitate the transition from a state centred-economy to one guided by market forces and, on the other, to promote industrial growth so that the country will no longer be heavily dependent on the production of primary, agricultural commodities for both export earnings and employment. As the available data show, except in the area of foreign exchange earnings, changes in other areas have not been dramatic. The private sector has expanded substantially, partly at the expense of the state sector, yet, in terms of employment creation, its impact has been limited. It is also noteworthy that the expansion of the private sector has not resulted in a sharp rise in industrial production.

The relative significance of the state sector in terms of employment has not recorded a rapid decline though many state enterprises have already been privatized. On the other hand, it has not expanded to keep pace with the rate of growth of the labour force. It is noteworthy that nearly half of the employment in the semi-government sector is accounted for by tea and other plantations which have a large manual labour force. On the other hand, central government departments and the newly established Provincial Councils have maintained their share of employment without a major change over the years. This has been largely due to (a) the continuation of the large, government-funded education and healthcare programmes employing a large workforce and (b) the expansion of public administration owing to the establishment of Provincial Councils.

There are several significant changes that are relevant for an understanding of the extent and the nature of social structural change that has been brought about by economic liberalization. They are: (a) reduction, though marginal, in agricultural employment, (b) the growth of the labour force in both relative and absolute terms, (c) increase in non-traditional sources of income and employment and (d) the expansion of employment opportunities for women.

Agricultural employment which constituted about 50% of those who were employed in 1971 decreased to about 47% by 1991. Though the change has not

been dramatic, it is significant in view of the fact that, during the same period, the resettlement of a large number of peasant families in the newly developed Mahaweli Project areas would have made a substantial contribution to the sustenance of the population dependent on peasant agriculture. While some of them came from non-agricultural backgrounds, many others would have gone into non-agricultural employment if this opportunity did not exist. As is well known, most new settlers are selected from among landless or near landless families. The continuing high proportion of agricultural employment might also be due to the fact that those who are marginally employed in agriculture often tend to classify themselves under agriculture due to relatively greater prestige associated with rice cultivation in comparision to casual, non-agricultural work available in rural areas.

The share of the country's population entering the labour force has shown a significant increase from the early 1970's to the early 1990's: from 33% in 1971, it increased to 41% by 1990. This is at least partly due to the increased participation of women in the labour force. Many rural women who were classified as housewives in the past, today offer their labour in the market either as migrant workers in the Middle East or as garment factory workers.

Post-1977 economic reforms have facilitated the expansion of non-traditional sources of income and employment in the country. These include employment in the Middle East, tourist industry and various kinds of self-employment, particularly in retail trade in urban areas. Since Middle East migration is a cyclical process, those who have returned to the country after a spell of employment abroad, irrespective of whether they plan to return to the Middle East or not, classify themselves as unemployed. There is evidence to suggest that about a third of them, particularly of younger age, return to overseas employment as and when they run out of their savings or cannot find comparable sources of income back home.

Another area of employment that has expanded after 1977 is the tourist industry. In 1978, there were about 15,000 persons employed in the industry. By 1993, the figure had increased to about 75,000. Though, as a proportion of the employed population, the number is not staggering, it nevertheless indicates the extent to which the industry has expanded providing income opportunities to a much larger number indirectly.

As mentioned above, relaxation of restrictions on imports and the removal of state controls over wholesale and retail trade in the country after 1977 resulted in an enormous expansion of the urban informal sector leading to a proliferation of retail outlets selling a whole range of imported and locally produced goods. This, on one hand, created income opportunities for many families living in urban areas and, on the other, contributed to a substantial change in the local consumer culture.

The expansion of the private sector and the growth of non-traditional sources of income in the country no doubt did away with the dependence of many people on the state for employment. The above expansion has also prepared the basis for the expansion of the sub-system of social stratification focused on the private, corporate sector which exists side by side with the one linked to the state sector. The two sub-systems have to be conceptually distinguished from one another as they display distinctive organisational and sociological characteristics. They are necessarily sub-systems because they do not encompass the entirety of Sri Lankan society as many people are not yet directly connected to them. Yet, it should be noted at the outset that, they together provide the material and ideological basis of social relations in much of Sri Lankan society today.

As mentioned before, Sri Lanka's organized private sector continued to be small in the 1960's and the 1970's and remained largely confined to the urban areas of the country, in particular, the Colombo metropolitan region. It had very few direct rural links and very few rural inhabitants were directly encapsulated by it. By contrast, the state sector was pervasive and brought a large part of the rural population into its fold both directly and indirectly. Though the vast majority of rural inhabitants were not state sector employees, they perceived state sector employment as far more desirable than whatever other sources of income available in the country. The reasons for this perception were obvious: regularity of income, stability of employment, social influence and prestige and other tangible and intangible benefits associated with government jobs. Even uneducated villagers who could not aspire for white collar jobs preferred to become manual labourers in government institutions rather than engage in such work outside them. Here it is noteworthy that even a relatively minor state employee was bestowed a measure of social honour even by not so humble villagers. This is clearly evident in the use of honorifics like 'mahattaya' to refer to government servants in general. It is not uncommon that humble villagers use this honorific to address even hospital ward labourers who naturally wear cleaner, white clothes, particularly when they return home from work. It is not necessary to mention that one's social standing enhances as one moves up the occupational ladder.

The higher social status of government employees is not rooted entirely in their working conditions. It can no doubt be traced back to pre-colonial and colonial times. The honorifics like 'hamuduruvo' and 'mahattaya' had been used by villagers to refer to feudal/state functionaries, i.e. rate mahattaya, korale mahattaya, vidane mahattaya, DRO mahattaya (Divisional Revenue Officer), nadukara hamudurovo, ejantha hamuduruvo (Government Agent), clerk mahattaya, iskole mahattaya (school teacher), kankanam mahattaya (labour supervisor), etc. Among the most distinctive status markers to which all state officials were entitled were the abstinance from manual labour and the particular dress. Till recently, village youths who could not pass GCE examinations and/

or did not secure white collar employment discontinued to wear the 'Western dress' as that would have invited ridicule from the status-conscious villagers. So, those who continued to wear it would never be addressed as 'mahattaya', unless they hail from families with some kind of professional background, i.e. school teachers. School drop-outs even address their former class mates as 'mahattaya' if the latter succeeded in securing white collar employment, often much to the embarrasment of the person on whom such honour is bestowed. Those who fail to jump over the hurdle gradually merge with the social world of the ordinary villagers.

With the proliferation of educational certificates and the relative deterioration of working conditions in recent years of lower level government servants like clerks and minor employees, the social distance between the former and the ordinary villagers has become somewhat narrower. This does not, however mean that government servants do not enjoy greater social prestige and privileges than most rural inhabitants. On the other hand, those who manage to secure higher government positions have no difficulty in asserting their unsurpassed social superiority in the village setting as they are also able to adopt an exclusive life-style and a consumption pattern in terms of place of residence, housing and other expensive status symbols.

Given the pervasive influence of the state sector throughout the country, the organized private sector remained much less significant as a source of employment and social advancement. The situation, however has been changing after 1977. Today, private sector is a highly significant source of income and employment for an ever increasing proportion of rural inhabitants. Yet, the impact of the expanding private sector on rural society is still radically different from the way the state sector has affected the latter over the last several decades. This is due to several reasons.

Firstly, the private sector which mostly comprises of a multitude of relatively smaller firms looked to the rural areas for unskilled and semi-skilled wokers to perform mostly manual work in factories and work sites. As mentioned before, they tend to recruit their skilled and white collar employees from urban areas as it has been the practice for many decades. So, the rural youths who look for white collar jobs cannot usually find them in the private sector. Secondly, many of the private sector firms that have been established after 1977, being garment and other labour intensive industries requiring mostly female labour, have absorbed many rural women but very few rural men. Since many of these young women wish to work for several years in such factories before they 'retire to settle down', they have often willingly accepted such work. On the other hand, educated rural youths who are looking for status-enhancing, life-long careers, continue to be reluctant to accept manual work available in the country. They continue to look for at least low-paying, white collar jobs in the state sector which do not become

available in large numbers at a time when even many of the remaining state enterprises are under constant threat of privatization. Finally, young rural women and men who have found private sector jobs are mostly manual workers enjoying relatively poorer working conditions such as shift-work, low wages, job insecurity and few paid holidays. Such working conditions compare much less favourably with those of even lower level government employees who enjoy such privileges as many paid holidays, pensions, concessionary credit, job security, promotions and transferability. These naturally enhance the latter's social prestige. Moreover, government servants usually identify with their respective departments or institutions and have access to a network of official and informal contacts which they can often use to mobilize favours for themselves and their families. Such opportunities rarely exist for private sector workers whose contacts do not usually extend beyond the individual firm or factory to which they belong.

So, the two sectors correspond to two sub-systems of social stratification. These two sub-systems can be distinguished from one another in terms of their specific characteristics, i.e. organizational features, incentive structures, recruitment patterns, etc.

The term state sector refers to a broad array of institutions coming under the three branches of the state, namely legislative, executive and judiciary as well as many semi-government agencies engaged in diverse functions ranging from direct productive activities to various services such banking and retail and wholesale trade. There are also the newly established Provincial Councils and other local government agencies. In spite of the recent nationalization of many state enterprises engaged in production and service activities, the above elaborate state apparatus remains virtually intact providing employment to a large number of people throughout the country. Moreover, certain state or semi-government institutions continue to remain within the state sector as they have not yet been absorbed into the private sector due to political and other considerations.

As the table below shows, state sector employment has not recorded a significant decline in the recent past. In spite of the pressure from the multilateral lending agencies, no regime after 1977 has made any concerted effort to reduce the workforce of state sector institutions as such a step is bound to be politically unpopular and certain to be resisted by the trade unions. On the other hand, the general tendency on the part of any democratically-oriented ruling party is to provide employment to as many unemployed people as feasible rather than to drive away even those who are already in employment. This often leads to over-staffing contributing to the stagnation of working conditions, inefficiency and corruption.

Table 5: Employment in Sri Lanka by Sector (number of persons).

Year	Government	Semi-Government	Private
1977	422,647	617,033	283,427
1978	446,085	652,472	321,951
1979	470,118	749,034	315,972
1982	484,802	784,370	345,679
1987	513,300*	752,700	-
1989	588,500*	749,700	425,744
1991	652,600*	654,000#	687,086
1992	653,959*	637,271#	-
1993	676,403*	618,793#	-

Source: Central Bank of Sri Lanka, Review of the Economy, various years.
* The increase after 1987 is largely due to the establishment of Provincial Councils and the recruitment of new staff that followed. # The declined recorded after 1990 is due to the launching of the programme of privatization of state enterprises towards the end of 1989.

Stagnation or even deterioration of working conditions do not necessarily persuade employees to leave the public sector due to certain advantage associated with such employment mentioned earlier. Since there is often poor discipline at the workplace, many workers can have access to extra sources of income. This is particularly so at lower levels where the workers often take paid leave to engage in private work contracts. Those who are in a position to demand bribes from the members of the public do so to supplement their incomes. If the public servants leave their jobs to take up more lucrative and challenging jobs where efficiency and performance often matter, they are usually people with superior skills and greater motivation to work. This is what appears to have happened when the government in the late 1980's offered incentives for those who were willing to leave. So, the reduction in staff through such measures make matters worse as many of those who are left behind tend to be 'dead wood'.

As is well known, the state bureaucracy is broadly based on Weberian principles evolved in the country in the later years of the British period. Initially, it was, not open to everybody based on universalistic principles as the natives with the required credentials were not admitted to higher positions within the state bureaucracy. But, with what has been referred to as the Ceylonisation of the Civil Service that followed after agitation by the native elites, the Westernized elements of the native population became eligible for higher bureaucratic positions. So, by the time of political independence, members of the native elites occupied key positions in state institutions.

Even after the Ceylonisation of the Civil Service, it was not open to all natives with aspirations as only those with an English education could get into higher bureaucratic positions. It is this anomaly which led to the change of the official language in 1956 from English to Sinhalese, the language of the majority ethnic community. This was a barrier to those who were not proficient in that language, most notably, those members of the Tamil-speaking minorities who were monolingual, i.e. Tamils, Muslims and Malays.

Recruitment to public sector institutions was also influenced by patron-client politics which flourished at least from the 1960's onwards. Since the demand for public sector jobs was much greater than the number of positions available, the parties which came to power at successive elections were obliged to favour their supporters, usually at the expense of their opponents. The practice became particularly notorious in the late 1970's and the early 1980's when the list of candidates selected for certain positions on the basis of objective selection tests were sent to ruling party politicians to do the final screening.

Given the high demand for public sector jobs in a situation where alternative employment opportunities were scarce, it was no doubt tempting for a ruling party to take advantage of the situation and distribute the available positions to party loyalists. On the other hand, such a practice also tended to prevent the authorities from recruiting personnel purely on merit as many people with required qualifications were excluded from the competition.

The politicisation of the state bureaucracy and the involvement of politicians in the recruitment process had another important effect. Since politicians come from different parts of the country, the allocation of positions on the basis of political loyalty, provided it involves no bribery, ensured that those who are recruited came from diverse areas. On the other hand, if the recruits are selected by higher officials merely on merit, candidates from certain disadvantaged backgrounds with much less opportunities to accumulate credentials might be left out. It is to be noted, however, that the recruitment of certain categories of public servants on such fairly objective criteria as recruitment tests, formal qualifications, etc. gave opportunities to candidates from diverse social backgrounds not only to get into public service but also to secure promotions to reach higher levels within their respective institutions. So, in spite of various distortions and shortcomings mentioned above, the public sector nevertheless constituted a sub-system of social stratification characterised by a considerable degree of openness facilitating social mobility in the country. By the mid-1970's, it had in fact become the most significant source of social and material advancement to a large part of the population.

As mentioned before, the situation began to change after 1977 when state policies were drastically altered to facilitate the expansion of the private sector.

Ever since, private sector employment has continued to expand, attracting people from both urban and rural areas. Many people who were looking for government jobs have joined private sector firms. Many employees of recently privatized state enterprises have also become private sector employees, either voluntarily or involuntarily. While the private sector continues to expand, it has already become a highly significant source of employment for a large and growing number of people throughout the country. What is important for our discussion, however, is not so much the size of the private sector as the structural and organizational features of the emerging private sector firms.

Prior to 1977 reforms, there existed very few private sector firms either wholly or partly controlled by foreign capital. Many other private sector business firms, like many state-owned ones, were import substitution industries catering to domestic consumers. The situation changed substantially after 1977. Not only new export-oriented industries were established by foreign and local investors, either jointly or independently, most existing industries also underwent considerable change as they were either taken over by foreign investors or became joint ventures with foreign participation. Some import substitution industries in the process became either partly or wholly export-oriented. Some private enterprises which were hitherto managed by their owners as family businesses were forced to adapt to the new competitive environment by absorbing new technology and modern organisational patterns.

Prior to economic liberalization, the few city-based private sector firms employed a relatively small number of people who were absorbed almost totally from urban areas. While the technical and managerial staff were drawn from urban middle and lower middle class backgrounds, the manual workers were drawn mostly from urban slums and shanties (Hettige, 1990). However, with the proliferation and expansion of private sector firms, labour had to be mobilized from a much wider area.

The change of the official language from English to Sinhalese in 1956 did not affect the private sector firms and the latter continued to conduct business in the English language as before. As a consequence, managerial and technical staff of the private sector firms continued to be drawn from urban, English-speaking families belonging to all ethnic communities. This pattern became further reinforced after 1977 when most private sector firms came into contact with foreign firms and individuals, either directly or indirectly. For instance, hundreds of garment factories that sprang up over the last ten to fifteen years are almost exclusively export-oriented and therefore, are in constant touch with foreign firms. This is also true for many other firms in the service sector such as banks, shipping and forwarding agencies and importers, not to mention foreign-owned businesses which naturally conduct their transactions in the most-widely spoken foreign language in the country, namely, English.

It is largely against the above background that the demand for English education increased rapidly after economic liberalization. As is well known, many international schools, private colleges and English language classes sprang up in Colombo and its environs in the 1980's. Their primary attraction to many local parents is their medium of instruction. School leavers and university graduates with a good command of the English language have been able to find lucrative positions in the private sector as the demand for such people increased in recent years. Many who left the country for higher education in the West have also been returning in significant numbers to take advantage of the situation and have found attractive placements in private firms and foreign-funded government and non-government agencies. As mentioned earlier, some government employees who possessed valuable experience and good communication skills resigned from the public sector and found lucrative jobs in the private sector.

So it was not difficult to find people with desired qualities to fill relatively more lucrative white-collar jobs that became available in the expanding private sector. In any case, such positions are relatively fewer compared to the vast manual labour force required to fill lower rung positions of the newly established private firms. It is for such recruits, the private sector turned to rural areas of the country where the largest number of the unemployed was concentrated. So, naturally, most private sector jobs that became available to the rural unemployed were unskilled or semi-skilled positions with low wages. Though many of the takers of these jobs from rural areas have sufficient educational qualifications to aspire for white collar jobs, their social backgrounds have prevented them from acquiring the other attributes which are valued or required in the context of a city-based private firm.

So, what we observe today are certain general yet clear patterns in the process of allocation of positions within the expanding private sector. It is important to note here that this pattern is clearly different from the one generally prevailing in the public sector. In other words, public sector institutions are by and large open to people belonging to almost all social strata, rural and urban and displayed no clear urban bias in recruiting their white collar staff. On the other hand, the private sector, as it has always been so in Sri Lanka, continues to be by and large closed to people belonging to rural social strata as regards the recruitment of management and white collar staff. It is perhaps this reality which is captured by the popular slogan, ' kellanta garment, kollanta-pavement' (garment factories for girls, pavement jobs for boys) often echoed by political groups representing the aspirations of the educated Sinhalese youths in southern Sri Lanka.

As well known, public sector institutions not only absorbed people from diverse social strata but also placed them at different levels within the organizational hierarchy depending on their formal educational qualifications.

For instance, university graduates were often recruited for executive positions, irrespective of their social background, often without little attention being paid to their areas of specialization, i.e. graduates with qualifications in languages, history, geography, being absorbed into state banks as managers and assistant managers. While some placements are based on the performance at selection tests conducted by the Examinations Department, others are based on interviews which might or might not be manipulated by politicians.

As mentioned earlier, such generalised procedures are rarely followed in the private sector. It appears that, except where highly specialized personnel have to be recruited, i.e. engineers, architects, medical doctors, etc. paper qualifications alone never seem to guide the selection process. This naturally shuts the door to candidates from disadvantaged rural backgrounds who often have nothing more than their paper qualifications such as GCE or university degrees to impress the private sector recruiters. The result is that the jobs available to them in the private sector are often of semi-skilled and unskilled type which, in the public sector are meant for people with little education.

The emergence of the private sector as a leading agent of social and economic change thus appears to signal a major shift with respect to the twin-process of social mobility and elite formation in the country. And the shift itself seems to be multifarious in the sense that it denotes a number of important changes in the pre-exisitng patterns of social inequality. Firstly, there appears to be a gradual but clear transition from social position to life-style as the basis of individual and collective identity. Secondly, the gap that hitherto existed between the private and the public sectors has increasingly been filled by the rise of the non-governmental sector which, while occupying the gray zone between the two sectors, forges links with both and provide an ideologically ambivalent space and income opportunities to a whole array of groups ranging from development workers to intellectuals. Thirdly, the emergence of a large, city-based New Urban Middle Class whose members are drawn mostly from the transnationally-oriented private sector and the foreign -funded NGO sector has facilitated the formation of a cosmopolitan political and intellectual elite cutting across pre-existing, primordial divisions such as ethnicity. This emerging elite has been to challenge the hegemony of the nationalist ideologies emanating from the conventional middle class and the rural petty bourgeoisie both of which have largely been the products of the statist project that flourished after political independence. And finally, with the market-led private sector aided by the transnational forces including the dominant Western media playing an increasingly significant role in the distribution of life chances as well as setting standards of social evaluation in the country, it seems reasonable to conclude that what we witness today is an irreversable process of social structural change.

For want of space, no attempt is made here to elaborate each and every statement made above. So, in this concluding section, what shall be presented is a brief discussion of the first point made, namely, the transition from social position to life-style as a basis for individual identity.

The discussion so far in the paper has shown that there has been a considerable expansion of income opportunities outside the state sector. Yet, only part of these income opportunities has been directly linked to the organized, firm-centred private sector, at least until recently. Hundreds of thousands of migrant workers going to the Middle East and the large mass of persons active in the urban informal sector and self-employed service workers, in fact do not directly belong to the private sector. These workers, together with those who occupy lower-rung positions within the latter constitute the lower social stratum of the increasingly transnationally-oriented sectors of the national economy. It appears that many of them, in particular the rural educated, are not in their present positions by choice. As is well known, Middle East migrants and garment factory workers do not enjoy much social esteem in their communities, particularly in traditonal rural areas. It is the fact that these positions do not bestow much social esteem on those who occupy these positions and their families that has persuaded them to turn to consumption as a basis of social identity. It is important to note that, at the upper end of the social hierarchy within which these groups are embedded, diverse forms of modern consumption and acquisition of status symbols already constitute the primary basis of individual identity for the members of the NUMC and other affluent urban strata.

It appears that many people, particularly the groups mentioned above do not take the conventional status hierarchies for granted. A growing tendency among them seems to be to believe that, by changing life-style through personal and family consumption, i.e. moving into a new home, possession of modern household appliances, adoption of new forms of dress, habits and practices, etc, one could define one's relative social position. No doubt, the pervasive influence of the modern electronic media and the exposure to the outside world through overseas travel and contacts with tourists have played a crucial part in the process of change. It is noteworthy that the number of TV sets in the country has gone up from about 336,000 in 1984 to about 1.4 million in 1994. There is no doubt that many of these sets were purchased by migrant workers returning from the Middle East.

The apparent shift of emphasis from social position to consumption-based life-style is also evident from another significant phenomenon. That is the remarkable change that has taken place in the way the seats are occupied in local cinema halls. About two decades back, anybody who moved into a cinema hall would have immediately noticed how viewers coming from different social strata

unhesitantly occupied seats in their 'appropriate' classes with remarkable regularity. The poor would almost invariably sit in the 'gallery' which comprises of the front rows, followed by the lower middle class people in the second class which is immediately behind the gallery and so on. If one walks into a cinema hall today, one would find that the gallery and even second class seats are virtually empty. This is because, unlike in the past, cinema halls today start filling from the most expensive, upper end. This does not mean that people from lower social strata do not go for movies. It is just that they also tend to buy more expensive tickets, along with the well to do. The owners of the cinemas have responded accordingly by cutting down the number of seats in the lower categories. In fact, the number of seats in the gallery in Sri Lankan cinemas has gone down from 42,261 in 1980 to 8,500 in 1991(CBSL, 1992:126). While there has been some decline in ticket sales after the introduction of TV in 1980, such a rapid decline is not recorded in more expensive seat categories, except the second class which has also recorded a substantial reduction.

The above behaviour on the part of the cinema audiences seems to point to a widely-held conviction that one could alter one's identity by adopting a particular life-style based on consumption. This is in sharp contrast to the long established tradition according to which one's identity is by and large a reflection of the social position one occupies either in terms of birth status or chosen occupation or both. As mentioned before, such a tradition was reinforced by both colonial and post-colonial practices. It is only recently that it has been challenged in the context of an expanding sub-system of social stratification focused on the expanding private sector. What is important to note here is that, along with the tradition, the associated social and moral order has also been challenged. With the back-tracking of the state which helped sustain this social and moral order for several decades, allowing market forces to operate freely, more and more people are forced to sell whatever skills they have in the open market in order to secure their needs and wants. In the emergent competitive market, those who adapt fast thrive while those who are not as agile or willing tend to get relegated to the lower rungs of the social hierarchy. Those whose hopes are so shattered and become disillusioned may not necessarily get converted to the emergent dominant ideology and are likely to resist the process of social transformation by keeping old traditions alive, at times backed by violence.

Conclusion

The transition from a state-dominated economy to one guided by market forces has not yet resulted in a dramatic down-sizing of the state bureaucracy in Sri Lanka. The state sector continues to provide both income opportunities as well as opportunities for upward social mobility to a significant segment of the population. However, with the recent expansion of the increasingly export-oriented private sector, today the sub-system of social stratification focused on

it provides a highly significant, alternative normative and ideological framework, already guiding the lives of hundreds of thousands of people throughout the country. With the ascendency of what has been referred to as the NUMC and its dominant presence in the urban landscape, the social and ideological superiority of the (state) bureaucratic elite is no longer taken for granted. Modern, high-rise business houses, mobile telephone networks, air-conditioned shopping malls, etc. which the NUMC is integrally associated with have already humbled many a state bureaucrat. By contrast, many state institutions, particularly those which do not generate revenue, are housed in old or poorly constructed buildings most of which are in a state of neglect.

The gap between government bureaucrats in general and private sector executives in terms of income is substantial. Though the two groups operate within two different ideological and moral frameworks, the pervasive influence of consumerism makes the lines separating the two increasingly tenuous. In other words, consumption-based life-styles threaten to become far more generalised as bases for the formation of individual and collective identities. It appears that the increasing ideological marginalisation of the nationally or parochially-oriented political groups in the country is a reflection of the growin g assertiveness of the transnationally-oriented strata, in particular the NUMC and its prodigies. The process has also been aided by the fact that the number of people who are convinced that the conventional statist project cannot be revived has been increasing in recent years.

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