

What Remains to be Done: Minimising Inequality in Sri Lanka¹

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The year 2010 marks the 20th anniversary of the Human Development Report published by the United Nations (UN). The first *Human Development Report* in 1990 opened with the simply-stated premise that has guided all subsequent Reports: "People are the real wealth of a nation" and proposed the Human Development Index (HDI) as an alternative to Gross Domestic Product (GDP) for measuring 'development' or progress of nations. In his introduction to this latest Human Development Report, Amartya Sen says that even though the HDI was measuring different things, it turned out to be almost as crude a measure as the GDP, but it did what it was expected to do, i.e., move attention away from a singular focus on incomes.

It is encouraging to see that the HDI itself is evolving, and that as better and more data becomes available, more meaningful measures are used. Its evolution is testimony to the understanding that human development is complex and has multiple causes and effects. The latest Human Development Report reflects some of the outcomes of this evolution. For instance, the latest HDI has replaced adult literacy as a measure of development in education with mean years of schooling and expected years of schooling. This is more appropriate as a measure of education than literacy (which just records people's ability to read and write, something simple). In addition, recognising the inadequacy of a single measure to capture all dimensions of human development, three new indices have also been developed to expand our

understanding. They are; the Inequality-adjusted Human Development Index (IHDI), the Gender Inequality Index and the Multidimensional Poverty Index (MPI). They help us (as Amartya Sen also points out in the introduction) focus **on what remains to be done**, despite great strides in human development over the last decades.

The focus on what remains to be done is what is really important for Sri Lanka. The Department of Census and Statistics (DCS) using data collected from the first three months of the latest Household Income and Expenditure survey for 2009/2010 seems to suggest that the decrease in the Poverty Head Count Index recorded at the previous Household Income and Expenditure survey in 2006 has been consolidated. Our achievements in improving social conditions, health and education and the Millenium Development Goals (MDGs) are encouraging. But, it is in trying to work out **what remains to be done** that the IHDI becomes significant, because it focuses **on inequality**, and the aggregate national figures tend to hide a number of inequalities that exist in our society. Some of these inequalities are evident as we disaggregate the statistics (e.g, the poverty head count index), but others are less obvious from the numbers, and require more in-

depth investigation (e.g., gender inequalities).

The first step when thinking about what remains to be done, is to acknowledge that inequality exists and that it is increasing.

Table 1 (Marga Institute, 2009) shows clearly that the poorest people's share of the income is declining, while the richest people's share of the income is increasing. The Gini coefficient, shows that income disparities have grown significantly in the urban and estate sector and has remained relatively static in the rural sector. We also know from other studies that the overall increases in consumption accrued disproportionately to the better off, and that growth in per capita consumption was negligible for the bottom 40 percent and sizeable for the top 20 percent of both urban and rural populations (World Bank 2007a).

The second point to bear in mind in the discussion on inequality in Sri Lanka is that it is also a spatial problem. There are stark inequalities between geographical regions. There are many indicators

Table 1: Changes in Inequality Indicators from 1995/96 to 2006/07

Years	1995/96	2002	2006/7
Income share of poorest 20 percent (%)	5.4	4.8	4.6
Income share of richest 20 percent (%)	50.3	52.8	54.7
Gini Coefficient of household income	0.46	0.47	0.49
Urban	0.47	0.48	0.54
Rural	0.46	0.45	0.46
Estate	0.34	0.34	0.41

Source: DCS (2006/07), DCS (2002), DCS 1995/96)

Table 2: GDP contributions by Province

Province	Per Capita GDP US\$	% Contribution to GDP 2005	% Contribution to GDP 2009
Western	3,259	50.8	45.1
Central	1,522	8.5	9.6
Southern	1,734	8.9	10.2
Northern	1,162	3	3.3
Eastern	1,588	4.7	5.8
North Western	1,856	8.9	10.3
North Central	1,646	4.3	4.8
Uva	1,462	4.5	4.6
Sabaragamuwa	1,370	6.4	6.3
All Island	2,053	100	100

Source:DCS

of geographical inequality. For instance, as shown in Table 2, it is common knowledge that the Western Province contributes over 50% of the country's GDP. Figure 1 shows that incidence of poverty varies significantly between districts and that this has been changing over the years.

We also know that service provision, whether it is the provision of transport, electricity, education or health, is patchy and has considerable geographical variation. A particularly important geographical inequality has been created by the civil war. People living in the areas of the North and East lost not just economic infrastructure, but also their livelihoods, their human resources (through death and out-migration), investment capacity, and institutions.

There are no poverty statistics available yet for the North and East, but work done by Muthukrishna Sarvananthan (2005) suggests that indicators representing health and educational standards show the adverse impact of the conflict on human development aspects of people.

A third set of inequalities are found in the provision of services to different occupational groups and in the opportunities that are

available to them. We know, for instance, that two-thirds of Sri Lanka's workforce is in the informal sector, and that informal sector employment is more insecure, and yields fewer benefits than employment in the formal sector. The work done by the Centre for Poverty Analysis (CEPA) indicates that those who are engaged in small-holder rain-fed agriculture as a sole or major occupation, or as a wage labourer, are likely to be poor. We also know that the incidence of income poverty is high among plantation workers and that they have fewer employment options and limited access to services. But, we must also be aware, that there is inequality within this occupational group - with workers in private estates and working on small holdings without collective agreements, much worse off than those employed by the Regional Plantation Companies in terms of their entitlements and rights.

Then there are also social inequalities imposed by our social structures, and our cultural groupings. The most formidable inequalities are those that are linked with ethnicity and language. A study by Gunewardene (2006) on disparities in wages by ethnicity in Sri Lanka, focusing on the Tamils outside of the northern and eastern provinces (so includes the Tamils in the plantation sector) concludes

that Tamil men (outside the North and East) were underpaid compared to Sinhalese men in the same regions. She also showed that 'discrimination' did occur among men at the bottom of the wage distribution, and that minorities had restricted access to 'good jobs' - but this is very different when it comes to the higher levels. We can see how language (whether it be knowledge of local languages or English) also limits access to services, and also to opportunities. An 'elephant in the room' is that of caste inequalities, and another obvious, but not so well explored inequality, is that arising from political patronage.

Gender inequality is another aspect of cultural inequality, and while in Sri Lanka, gender inequalities seem to be minimal relative to education, health and employment opportunities (though there are studies that show that there are significant glass ceilings for women in employment), there are significant gender differences in terms of participation in the political space, and in the responsibilities for the care economy. We know that women are not equally represented in the legislature and in local government and that they are disproportionately involved in providing care for children, the sick and the elderly which in many instances, limits their life chances. The pressures of patriarchy on women in the different cultural milieu that makes up Sri Lankan society are documented and discussed. Pressures on men, in the context of violence and post-war have yet to be extensively explored.

There is some level of inequality also in the way children, older people and people with disabilities are excluded from the planning and the provision of services. Their voices are rarely heard, their needs are not always acknowledged and the policies that focus on them where they exist, are often not put into practice (e.g., the policy to enable disability access in all public buildings).

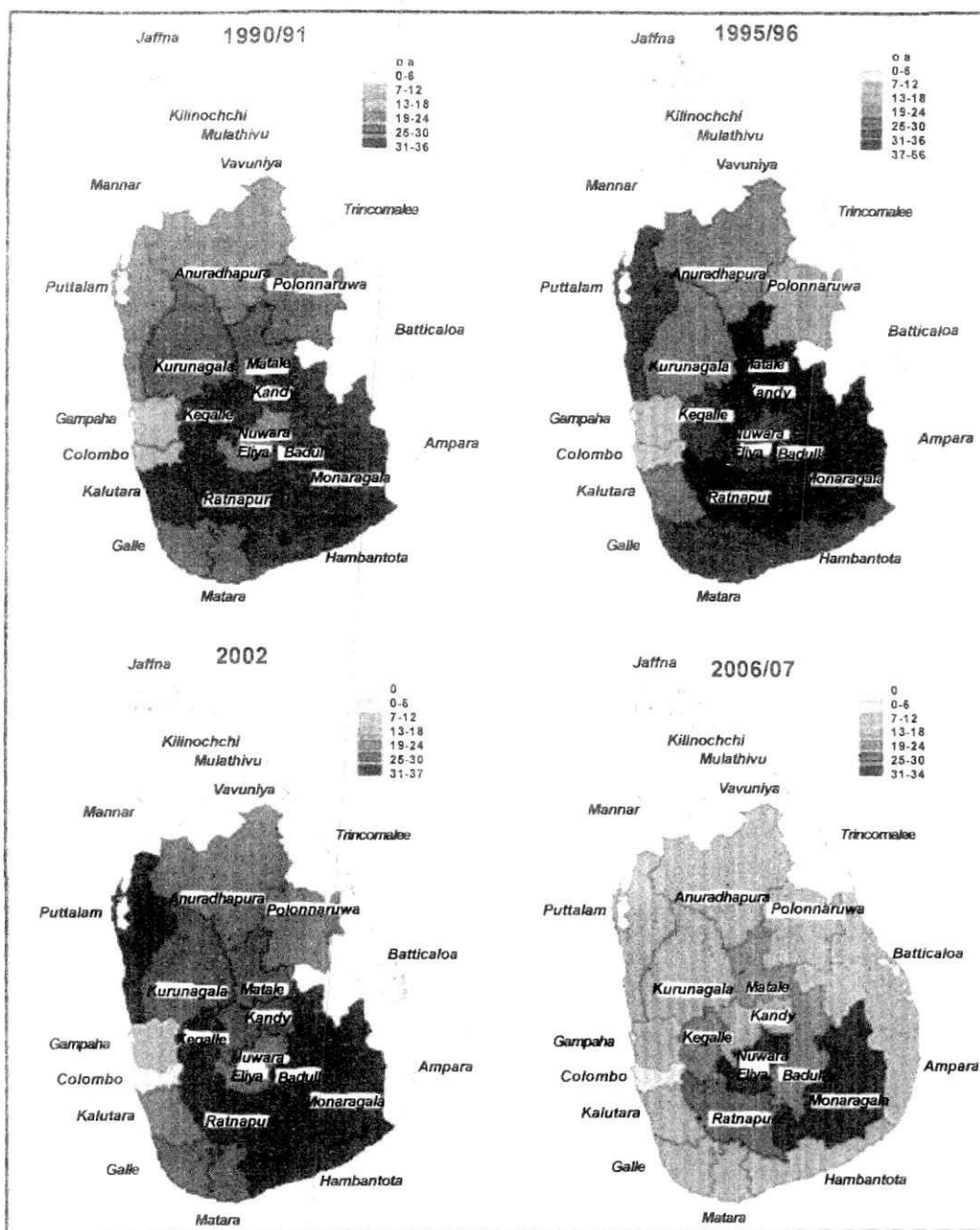


Figure 1: Incidence of poverty 1990/91 to 2006/7

Source: DCS

A different type of inequality emerges from the way development assistance is delivered – and we have seen this in post-tsunami and in the way some development agencies have dealt with internally-displaced communities or dispersed assistance in conflict-affected areas. CEPA’s work indicates that inequality also arises from the targeting of the project for assistance and creating inequalities between the targeted group and their host communities (in the case of the displaced) or between the targeted group and their neighbours.

What remains to be done— then is to construct a society that allows us to deal with these inequalities, now that we have more or less achieved our aggregate targets, and a middle income status. There is a real danger that a purely economic approach to growth is likely to exacerbate income inequality and push more people into wage labour, and into the informal sector, increase the burden of care on women, and marginalise even further the elderly and the disabled. It is important instead, to develop a growth model that also tackles the inequalities head on and targets those who are

in danger of being left behind. It is important also for development assistance to be sensitive to the existing inequalities and to ensure that they are not exacerbated.

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Footnote:

¹ This article is adapted from a speech delivered at the UNDP’s Launch of the Human Development Report, 2010, in Colombo, December 2010.