Abstract

Fighting Poverty in Low Income Countries: The Case of Sri Lanka*

S.T. Hettige
Professor in Sociology
Director / SPARC
University of Colombo

Poverty is a major socio-political issue in Sri Lanka. It was recognized as a critical issue in the late 1980's and a limited programme of income support was introduced in 1989. Today nearly 50% of the country's population is covered by the National Poverty Alleviation Programme that has been implemented since 1995. There is a general feeling that some of the beneficiaries of income support have been included in the programme due to political and other connections. Recent survey reports suggest that about 26% of the households fall below poverty line. This calculation is based on a poverty line defined entirely on household income, without taking into account other important aspects of poverty. On the other hand, growing economic pressures encourage many low-income persons to look for alternative sources of livelihood in other countries. It is evident that about 20% of the country's labour force is employed outside the country, mostly in the Middle East and also in European countries like Italy.

The above trends cannot be discussed or understood in isolation of the economic and social policy environment in the country. In this regard, the adoption of neo-liberal policies by successive governments since 1977 under the guidance of the World Bank and some of the Western donor countries has been a critical factor. The consequent restructuring of the economy has created new employment opportunities but some traditional sources of income and subsistence have been destroyed or marginalized by cheaper imports. Agricultural and cottage industries in particular have been adversely affected by new economic policies.

* The proposed paper will be based on both primary and secondary data collected by the author over the last five years. Some of the studies are household surveys dealing with poverty, health, education and social and economic security.

Even though there is no evidence indicating an increase in absolute poverty, relative poverty has been on the rise over the last two decades. This is partly a reflexion of growing income and other disparities in the country and partly a result of the deterioration of publicly provided services such as health, education, environmental sanitation and transport. Increasing private investments in some of these areas have been accompanied by a decline or at least a stagnation of public investment. The result is that higher income groups have access to high quality services in the private sector while low income people who constitute the vast majority of the population are compelled to rely on deteriorating health, education and transport services. Moreover, even the poor cannot rely entirely on publicly provided services as they are forced to pay for some of the services such as prescription drugs, medical tests, private tuition, school transport, etc. For all these, they have to use their meager earnings. This situation makes it virtually impossible for the poor to satisfy the basic needs of their household members, forcing them deeper into poverty and indebtedness. This largely explains the continuing exodus of low-income persons from rural and plantation areas. Consequently, population pressure is increasing in cities and towns throughout the country leading to urban social problems.

Poor relief by way of cash transfers hardly provides an adequate cover against income and consumption poverty. The amounts involved are insignificant. For instance, most poor families receive the equivalent of anything between two to five US dollars a month barely enough to buy a kilogram of imported powdered milk. Increasing costs of food, health care, education, housing and transportation compel people to look for higher incomes outside the country. Though overseas employment provides higher incomes, it does not ensure long-term social security. As is well known, people employed abroad on short-term contracts are not covered by social security systems like pensions and retirement gratuities, either at home or abroad. Unless they invest part of their income in long term savings bonds, etc, their future is likely to be as uncertain and instable as their present situation. As is evident from research, most short-term migrants use up their earnings for day-to-day requirements at home and often have no savings or investments to fall back on when they can no longer work due to age or other constraints.

So, poverty in low-income countries like Sri Lanka today is very much connected with the changing global and domestic policies. Poorly funded safety net programs do not provide an adequate cover against poverty and increasing cost of social sector services. On the other hand, substantial investments in health, education, transport, environmental services and low income housing and the introduction of social and health insurance can not only cushion low income groups against adverse market conditions but also raise their living and working condition to a much higher level. Moreover, it is also necessary to adjust global policies to suit local conditions in the developing world, in particular to safeguard food security and stable livelihoods rather than undermine them.