

# FTZ WORKERS AND POLITICS OF SOCIAL PROTECTION

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The worker struggles in the main Katunayake FTZ against the proposed pension reforms and the violent response by the state highlight the potential and necessity to develop a global sense of local labour struggles.

The spread of markets into the non-market sphere of social provisioning relates to the privatization and the financialization of social protection, which involves processes of dispossession. Linking pension struggles as politics of social protection is aimed at revealing and transforming market-driven "social protection" as well as "development" strategies that reproduce processes of dispossession within households and communities.

Partly, this relates to state attempts to assert its political sovereignty from external global pressures, particularly given the accusations of war crimes contained in the April 2011 UN report (on Accountability with Respect to Final Stages of Sri Lanka Conflict). In confronting internal pressures from below, the state presented itself as a paternalistic benevolent entity offering social protection to workers in their old age. This foregrounding of the benevolent state is central for maintaining imperial structures by concealing the vital role the World Bank plays in privatizing pension systems in the global South.

## Informal Empire, nation-state sovereignty and development

The reframing of imperialism is significant for counter hegemonic movements mobilizing against authoritarian ethno-nationalist state strategies as well as capitalist markets.

Imperialism in the present historical

context relates to a unique American informal empire, where the American state incorporates its capitalist rivals, while coordinating and policing the spread of capitalist markets globally (Panitch and Gindin, 2009). The present imperial order depends on self-governing "sovereign" states with specific forms of nationalism or national community that are committed to capitalist markets. Rather than imperialism ending with decolonization, what emerges is an informal imperial order, a structured cooperation between the global and national ruling classes, with multilateral as well as unilateral tendencies. This structured cooperation within the informal empire is a customized imperialism which caters to nationalist projects of different hues. While asserting a competitive resistance identity of the nation state, the coordination with imperial order is based on elaborating a Eurocentric monoculture of modernization and development based on opening up markets.

The Sinhala-Buddhist ethno-nationalism that emerged with the spread of markets in the post-1977 period in Sri Lanka coincided with a concerted attack on the labour movement. In collaborating with the new imperial order, the local ruling classes projected a new common sense of nationhood and citizenship that also drew from the anti-imperial discourses of cold-war politics. This new anti-imperialist nationalism reinforced by the disintegration of the Soviet Union, as well as the rise of protests against the state in China in 1989, was reconfigured into a new militarised dimension with the 2001 changes in US foreign policy.

The expression of Sri Lankan anti-imperialism within Sinhala-Buddhist ethno-nationalism articulated in terms of national self-determination is embedded in furthering existing class and ethnic privileges. The contradictions of this version of national self-determination expressed purely in terms of geo-political sovereignty is that it hides the material dimension of economic dependence on global financial markets and consumer goods markets in the US and EU. The moral community of Sinhala-Buddhist ethno-nationalism asserted by the present notion of national sovereignty is anchored in reproducing a system that commodifies people, communities, cultures and ecologies. The representation of "markets", "economic growth" and "development" as universal interests or shared human values is central to the imperial articulations of nationhood and citizenship.

This coordination with the imperial order is not without conflicts within the national ruling classes. But, these conflicts are often mediated by family, ethnic/religious community and political party dynamics. More importantly, the ruling classes are united when it comes to avoiding as well as repressing any rebellion by the dispossessed. Creating consent to this hegemonic order depends on the efforts and compromises of elected leaders and a range of civil society actors, media, religious/spiritual leaders, intelligentsia as well as trade unions. At the same time, maintaining the informal empire requires the permanent undermining of oppositional class solidarities across religious, ethnic and other cultural identities, which might spur alternative notions of anti-imperialism, “national community” or alternatives to “development”.

### **Social protection, community and the labour movement**

In Sri Lanka, as elsewhere, the realm of public social provisioning for the welfare state has been central for the creation of consent for the nationalist project promoted by the ruling classes. The public social provisioning is an outcome of social struggles instigated by workers, women and other marginalized groups. It reflects a class compromise with its own historical and spatial dynamics. Particularly during the 1956-75 period, the post-independence capitalist state extended public social provisioning which was instrumental in improving the conditions of a selected segment of the working classes in Sri Lanka. Within a spectrum of public social provisioning, pensions cover only a small segment of the labour force consisting mostly of public sector workers and those in the formal private sector. Generally these are skilled workers mainly from urban Sinhala-Buddhist backgrounds.

The public social provisioning depends on the realm of community and family for enabling workers to engage in wage labour or the sphere of production. The realm of social reproduction of households and communities is the sphere of non-markets, beyond the realm of utilitarian exchange, consisting of solidarity, cooperation and care. However, this realm of community is also shaped by dominant norms of patriarchal family, a sexual division of labour and other social hierarchies.

The assertions of nationalism that accompanied the welfare state have maintained a notion of national community that privileged the Sinhala-Buddhist identity within a multiethnic, multireligious community. Despite improving livelihoods of most women, the welfare state of the 1956-75 period supported by the labour movement as well as working class parties reproduced a notion of national community that remained grounded in patriarchy. This dynamic between public social provisioning (or social protection) and national community was reshaped by the post-1977

reintegration with the imperial order coordinated by “structural adjustment” programs of the World Bank.

### **Financialization, pensions and the World Bank**

The proposed 2011 pension reforms are directly in line with the shift in economic activity from production to finance, described as the financialization of capital accumulation. The deregulation of financial markets, enhancing the integration of domestic capital with global financial flows, maintains an uneven global accumulation process. As Patnaik (1999) argues, the ascendancy of the international finance capital “prying open third world markets to goods and services” underlies attempts to overcome metropolitan stagnation and the crisis of capitalism in general. Thus, deregulation of finance capital is particularly advantageous, for two reasons:

first, it keeps state intervention in demand management at bay, and with it any threat of political radicalism; second, by deindustrializing the third world and forcing it into greater reliance on primary production, it keeps inflationary pressures in the metropolis in check. Patnaik (1999)

In a context of financialization, the World Bank agenda of privatizing pensions represents the “fiscal crisis” of the state ameliorated by increasing “efficiency” (profitability) of public pensions (World Bank 1994). Despite numerous market failures and systemic crisis, the rhetoric that equates markets with “efficiency” has been central to restructuring pensions. The main aim, for the proponents of markets and competition, is to retract public social provisioning while coupling welfare entitlements with the participation in wage labour. Meanwhile, the privatization of public goods and services further restrains state capacities to properly resource and coordinate public social provisioning. This process of accumulation, appropriating public or common property as a private good or a commodity, is also described as “primitive accumulation” or “accumulation by dispossession” (Harvey 2003).

The “restructuring” of social protection is promoted as “modernization” and “development”, while strengthening of coordination between national and global finance institutions. This involves the collective effort of a range of actors including other multilateral agencies, the state, local elites, and global corporate and financial interests (Sumaria 2010). In terms of World Bank pension reforms, far from increasing efficiency, most have drained public resources through tax incentives and significant administrative and regulatory expenses (Sumaria 2010). In Chile, where the neo-liberal project was launched after a CIA backed military coup that established the dictatorship of Pinochet (1973-

1990), the private pensions system absorbed around a third of the overall government budget and 42 per cent of public social expenditure in 2006 (Sumaria 2010). The privatisation of pensions maintained by imperial structures not only erase the potential for a universal non-contributory pension but also restrains any democratic accountability over national and global financial institutions.

### **World Bank, global governance and imperialism**

In asserting the interests of global finance, the World Bank approach is aimed at subordinating alternative perspectives within institutions of imperial governance, such as the UN. As opposed to the World Bank's focus on social protection in terms of "individual vulnerabilities" and the capacity to manage risks in old age, the UN highlights notions of "intergenerational solidarity" (Dullemen, 2007). From the UN approach, social protection and pension policies not only marginally improve conditions of poverty and deprivation of older people, but also has "intergenerational effects as it stimulates school enrolment and continuation and improves nutrition for the younger generation" (Dullemen, 2007). Encouraging a more democratic and pluralist approach to global governance, the UN frames pension reforms in terms of broader notions of egalitarianism and human rights, while taking into account the role of the public sector. Unlike the market perspectives of the World Bank, the UN promotes a social framework that recognizes demands of trade unions and civil society social welfare networks.

The "liberalization" of pension by global finance capital and global institutions of economic governance illustrates the ways in which the informal empire operates. Particularly, with the 2001 launch of the US "war against terrorism", global institutions of economic governance, including the World Bank, were re-drawn into promoting markets as "democracy". The present head of the World Bank (since July 2007), Robert B. Zoellick was the vice chairman of the Goldman Sachs Group, as well as the deputy Secretary of the US State Department and the U.S. Trade Representative influencing WTO policy, under the Bush regime. The US appointed former head of the World Bank, Paul Wolfowitz (2005-2007), was a neo-conservative ideologue of The Project for the New American Century (PNAC), under the Bush regime, which saw the emergence of a new unilateral militarized imperialism (Panitch and Gindin 2004). For the World Bank, the logic of opening markets is inherently in the interests of the US empire, as head of World Bank, Zoellick, would candidly describe at a public gathering in 2011:

You know, at the World Bank, recall we actually got capitalized, we make revenue, we put money back into

the developing world. We borrow as a AAA borrower, I might add, and provide these benefits. So, we're in a different situation than kind of some of the foreign assistance players, but that in itself is a logic, because the money that was first invested in the World Bank is leveraged many, many, many times, pursuing U.S. interests. (Zoellick, 2011)

The ways in which global financial institutions are integrated with US informal empire necessarily involves a coercive military dimension which links markets and development with "national security". In the post 2001 geo-political-military context, the 'sovereign' right of the US to reject international rules and norms when necessary also enabled the self-governing states under the empire to promulgate existing "rule of law" in the name of "national security". The irony of asserting state sovereignty within imperial structures is that the 'internal' security of Sinhala-Buddhist nationalism is based on deepening coordination with 'imperial security'.

Despite concerns of the US State Department and the "international community" over violations of "international humanitarian law" or "crimes against humanity", the militarization of the Sri Lankan state was and remains geared to create new markets for accumulation. It illustrates how the opening of markets since 1977 has restrained democratic representative institutions and the "rule of law" while undermining citizenship and the realm of civil society. The professional diplomatic realm of the World Bank and the finance ministries, as coordinating agencies, is compromised with the extending coercive apparatus of the state – the military, police, legal system (Emergency Regulations) and prisons. The violent repression of the FTZ protests illustrates how the "sovereign" state of Sri Lanka with the assistance global financial institutions remains committed to "free" markets, in which trade unions appear only as recalcitrant troublemakers.

### **The World Bank on global unions : "nothing useful to contribute"**

The ways in which the World Bank interacts with the International Trade Union Congress (ITUC), and the ILO reveal the tensions within institutions of global governance in terms of organized labour. This can be traced back to the 1997 WTO agenda, complemented by the World Bank, which avoided the inclusion of international labour standards within international trade agreements. When a trade union delegation from the ITUC, the main international trade union body, approached the World Bank regarding their 2001 *Social Protection and Labour Strategy*, this global worker's organization was dismissed as

having “nothing useful to contribute” (ITUC 2011). Similarly, the strategy of the World Bank’s Advisory Group on Social Protection and Labour, announced in March 2011, excluded trade unions and other civil society organizations. As the ITUC claims,

Since workers will be the primary beneficiaries, or victims, of the Bank’s new social protection and labour strategy, one wonders why the Bank rejected any presence of workers’ organization experts in its Advisory Group. (ITUC 2011).

In addressing the World Bank’s concept paper on Social Protection and Labour, strategy 2012-2022, the ITUC exposes multiple contradictions and ideological biases. According to the ITUC, the World Bank:

under the pretext of assuring fiscal sustainability, often worked with the primary objective of reducing the state’s role and responsibilities in the provision of social protection. Thus in many middle income countries Latin America and Central and Eastern Europe for example, the bank advised countries to scale down comprehensive public pension schemes and create new “second and third pillar” pension programmes which shifted responsibilities for old-age income security to individual workers and the contributions and provisions of benefits to the private sector. (ITUC, 2011)

The ITUC’s analysis of pension systems restructured by the World bank in Latin America and Central and Eastern Europe, reflect the similar tendencies in Sri Lanka.

The World Bank dismissal of the ITUC, a form of class snobbery, is a core sentiment that is central to neo-liberal ideology complemented by local ruling classes and their policy technocrats. This subordination of unions to the interests of capital not only mocks liberal notions of social contract denying individual and collective freedom to voice grievances, but also the freedom to build solidarity with others. More importantly, the ITUC hardly represents a radical oppositional force (Biyawila 2010). As a bearer of European social-democratic tendencies, the ITUC is positioned to civilize capitalism, as opposed to the smaller global union federation, the WFTU (World Federation of Trade Unions), mostly consisting of working class parties from the global South, which foreground the destructive impact of capitalism and imperialism. Even within the ITUC, unions in the global South, particularly the Confederation of South African Trade Unions (COSATU) have criticized the ITUC’s compromises with the global ruling class and the capitalist system as well as the inability

to coordinate a serious challenge. Not surprisingly, only a few unions in Sri Lanka are affiliated to the ITUC, such as the CWC (Ceylon Workers Congress—plantation workers) and the NWC (National Workers Congress – private sector low wage workers), mostly for symbolic purposes avoiding any contentious politics. While the World Bank is engaging unions in “consultations” on “social protection and labour strategy” throughout 2011, the promotion of deregulated “flexible” labour markets remains central.

#### **From “excessive” job protection to “worker protection”**

The World Bank’s market driven agenda for pension reforms, articulated in *Sri Lanka Strengthening Social Protection* (2007), is firmly based on restraining social protection while deregulating the labour market and privatizing public goods. In Sri Lanka, the UNP regime (1977-94) was instrumental in accommodating the World Bank agenda on social protection by reducing public spending to so-called “targeted safety-net” while restraining unions in new industrial zones, such as the FTZs. The World Bank’s ideological shift from the “developmental state” to a market model of, “social capital”, “partnerships”, and “good governance” in the 1990s masks the contradictions in practice.

According to the World Bank 2007 report on social protection, Sri Lanka’s “labour market institutions provide excessive job protection of core labour standards – albeit to the formal sector” (World Bank 2007). From there it goes on to argue that “excessive job security leads to lower productivity and exclusion of vulnerable workers from formal sector workers”, because “Sri Lanka’s severance pay (Termination of Employment of Workman Act TEWA) system is one of the most restrictive severance pay systems in the world” (World Bank, 2007:11) and high unemployment is due to “labour market rigidities”. As a result, “Replacing ‘job’ protection with ‘worker’ social protection programs can promote market efficiency and helps allay the political costs of reform” (World Bank, 2007:11). Not only do the World Bank’s abstract self-regulating labour markets misrepresent concrete local labour market dynamics, the acknowledgement of the “political cost” also implies the willingness of the state to engage in coercion and violence.

This World Bank document (126 pages of it), prepared with the contribution of local technocrats or ‘experts’, is primarily directed at undoing and misframing policy efforts towards social protection that were built into wages and labour markets by activist workers and struggles. By positioning the World Bank and the privatization of pensions as promoting interests of the marginalized workers, the Bank undermines workers’ capacities to organize by appropriating the supposed voices of the powerless. The attack on unfair dismissal laws along with labour tribunals or institutions

of conciliation and arbitration is central to this neoliberal market ideology of self-regulation. In a footnote in the second chapter titled “Enhancing employment opportunities and employability”, the World Bank states,

Although there are few unions in this (FTZ) sector, workers in BOI (Board of Investments) firms producing for the export market usually enjoy better terms and conditions of work than informal sector workers, partially due to the concerns of international buyers and the implementation of social compliance contracts (World Bank, 2007:21).

This is instructive because in fact most “international buyers” do not implement “social compliance contracts”, a form of self-regulation, which are mostly used as marketing tools. Moreover, the firms that do have such contracts have been compelled to do so mostly by the struggles of workers’ organizations and unions in the FTZs with the help of global labour activist networks. But for the World Bank and local advocates of abstract self-regulating markets, the concrete struggles of workers’ organizations and unions are “rigidities” and “excesses”. Understandably, the World Bank (2007) document on social protection in Sri Lanka lacks any references to the UN, the ILO, or any trade union resources.

### **Politics of social protection: gendered class struggles, labour and pensions**

The struggles over pensions highlight how the workplace interacts with care labour within households, which are embedded in communities. Private pension schemes generally fail to increase coverage, since one has to have the means to pay premiums and those who are deemed as high risk individuals are excluded (Sumaria, 2010; UN 2007; ITUC 2011). Women workers in particular are affected since they make up a large proportion of low wage workers, informal workers and the poor. Not only do they receive significantly lower benefits, they are further marginalized through cuts in public expenditure on social provisioning (ITUC 2011).

The cuts in public spending on social provisioning along with their privatization impact on women engaged in the provisioning of care within and outside the market. The reorganization of the sexual division of labour within households, embedded within a stratified class formation is central for the provisioning of care. While some households are able to outsource some of this labour by employing wage workers (cooks, cleaners, child care workers, etc.), most have to depend on their own resources. With the opening of global labour markets for women’s care work, women migrant workers continue to play significant roles in the

global care market with little protection. Even within the protected public sector, women workers, such as nurses, are faced with dismal working conditions, lack of adequate resources and male dominated bureaucracies undermining their capacities to provide quality nursing care (Biyawila 2010). This intensification of women’s care labour within and outside households, along with their concentration within low wage work, illustrates how global processes of accumulation by dispossession reproduce male privilege within notions of community.

A key contradiction of dominant union struggles concerns the framing of working class politics purely in terms of the realm of production or the workplace. This framing of workplace struggles remains inadequate particularly in a context of flexible labour markets and the privatization of public goods and services. Although most women workers are located within informal labour markets, they also play a vital role in export sectors (FTZs, plantations, and as migrant workers) embedded in global networks of production. Extending workplace struggles into the realm of social reproduction involves identifying, naming and confronting the processes of privatization furthering accumulation by dispossession.

The reframing of politics of social protection in terms of accumulation by dispossession enables a repositioning of women workers’ interests within working class struggles. In ‘making a living’, the disproportionate share of household labour women already perform, which is unpaid and devalued, is central for politics of social protection. The working class demands for social protection require transforming women’s exploitation within workplaces, households, as well as communities. It demands expanding democratic control over state provisioning of essential services, such as clean water, sanitation, transport, electricity, health, education and modes of coordinating these services. The politics of social protection can draw from other struggles, particularly in Latin America, which foregrounds the devastating effects of endless accumulation on natural ecology (water, oceans, rivers, lakes, air, soil, forests), which is essential for life on planet earth.

Developing a global sense of local struggles over social protection foregrounds the processes of dispossession involving multiple dimensions. The ways in which local (ethno) nationalist projects grounded in variety of patriarchies maintained by the informal empire and coordinated by global finance institutions is at the heart of struggles against dispossession. In elaborating the labour movement, the collective action of women workers enables a reframing of working class politics to confront the class and gender dimensions of the empire, global finance institutions, and notions of social protection within a national community.

Politics of social protection :imperialism, capitalism and patriarchy  
The struggles of FTZ workers expose the contradiction of the post-war(2009)patriarchalethno-nationalistpolitics constructing a “harmonious motherland”, while simultaneously undermining worker protection through a deeper integration with global finance capital. By framing social protection purely in terms of ‘vulnerabilities’ of individuals and households, the neo-liberal market ideology is aimed at countering social protection as a collective public good. Alternatively, social protection is about intergenerational solidarities as well as citizenship. The elaboration of intergenerational solidarities as well as citizenship also relates to transforming communal social norms that reproduce multiple power hierarchies and structural violence.

Articulating a transformative politics of social protection relates to foregrounding how the realm of social reproduction is reconstituted by national as well as global financial institutions advancing a process of accumulation by dispossession. Locating the attack on the FTZ workers protests against the pension plan as a multifaceted struggle, which includes an anti-imperial dimension, opens a different local sense of the global politics of social protection. This anti-imperialism reframes working class politics within, against and beyond, not only the capitalist state (Wainwrite 2003) but also the patriarchal ethnocentric state elaborating accumulation by dispossession.

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