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Unions, governments blamed for not restructuring failed state ventures

By Subash Wickramasinghe

The previous UNF government as well as the present UPFA government is embroiled in restructuring processes and face innumerable problems in implementing themwhich are said to be for the betterment of the country.

During the previous regime the then opposition which is in power now, opposed the restructuring of state ventures calling it a privatizing process.

However, the same opposition now in government is determined to carry forward the very same restructuring process which they identified previously as privatization.

However, this time the restructuring process is being opposed by the junior partner of the government claiming it amounts to privatization of state ventures. The irony of the whole process is that when both the opposition and the government have taken up the restructuring process then and now, a partner in government opposes it while still being in the government.

It seems nobody had analyzed the problem but simply opposed and supported restructuring for their political gains.

It is an open secret that any government in power has to depend on foreign aid for the development work of the country.

Whatever they preach while they were in the opposition, once in power they will have to dance to the tune of the foreign lenders if they were to seek foreign aid. Hence, restructuring or privatizing has become an effective politically advantageous hot topic for any opposition. While it is nothing but a life line for survival for a party in power, it turns out to be a life line for power for the opposition.

All these infighting and trade union threats are a direct result of foreign aid which has become the life blood for Sri Lanka.

It is pointless arguing whether Sri Lanka needs foreign aid or not. However it is worth discussing whether foreign aid should be the criteria for restructuring. Do these state ventures really need restructuring? If so why have they not been restructured earlier? Why do the unions oppose restructuring?

Under the existing political culture it is an acceptable fact that any governing party makes it a practice to utilize state ventures as employment agencies.

It is really tragic that most of the state ventures have become white elephants as a result of having too many employees.

First thing these employees do once they get appointed is to become a member of the union of his choice. They consider union membership as the "carte blanche" for them to "do as they please".

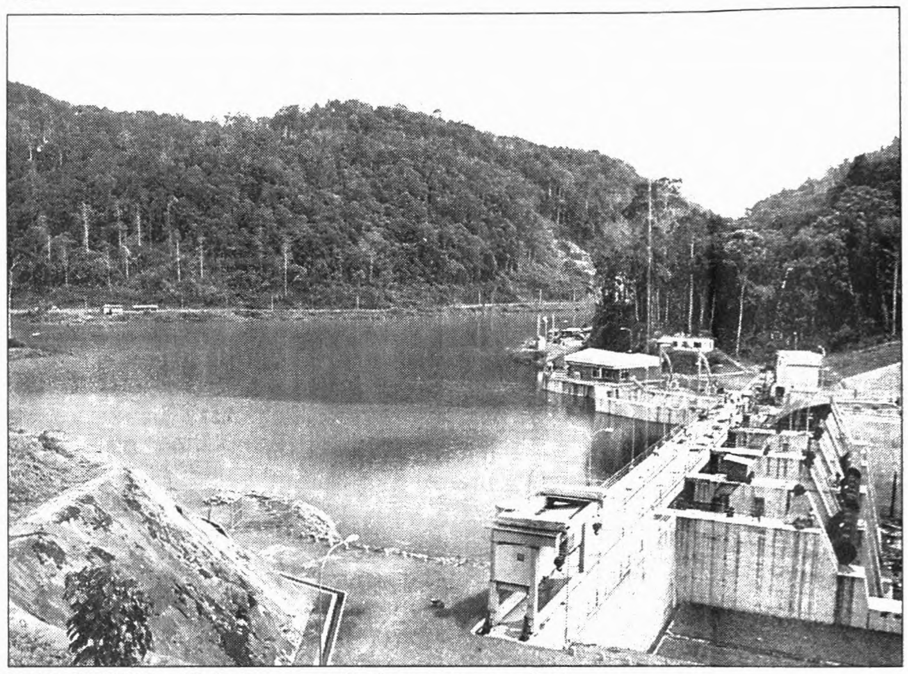
A vociferous membership is always more powerful than a government in power. Actually the malaise thus created and nurtured by the so-called people friendly politicians, has now become a cancer and the very same people-friendly politicians are being made powerless by the people they brought there.

Not only have the politicians become powerless in the face of unions but become the laughing stock in the face of the general public. This is just one side of the whole unionized politics or the politicized unions.

Whether the decisions are right or wrong unions should not be allowed to meddle with policy decisions. On the other hand governments also must not introduce bills to placate the international lenders behind the back of the people they elected to serve.

Is there any truth in what the unions say? Yes, there is some truth in what they say. But there is a hidden and unseen side to this truth. The unions never open up the hidden side of their grievances. Before coming to the hidden side, the side the unions show off is the privatization of state ventures to get foreign aid.

They say national assets should not be sold to multi-nationals or to friends and relatives of the politicians. True. National assets should not be sold out. But are these so-called national assets any longer assets ? No. They are no longer assets.



FILE PHOTO - Kukuleganga Hydro-power project.

They have become national liabilities. Who have made these national assets liabilities? The politicization of assets has made them liabilities. If an organization is burdened with an unbearable weight of redundant cadre such organizations will crumble.

When burdened with excess cadre the first casualty is the productivity. Once the productivity is low, such an organization gradually becomes a white elephant. In order to bring them back to productivity the organization must shed excess weight. In other words the non productive work force should be axed.

Can a government do that? To do that in a more decent way the Voluntary Retirement Schemes (VRS) are being implemented. To introduce a VRS, a massive sum has to be utilized to pay for the employees leaving.

How can an ailing organization dole out big sums of money to implement a VRS? On the other hand even if the VRS is implemented a further sum of billions is required to bail out the ailing organization.

In other words further billions are required to settle the debts. So it is now clear that it would be a Herculean task to bail out an organization that has become a white elephant.

It is at this stage only the international lenders come into the scene with billions of dollars.

Point of View

They diagnose and issue a prescription of bitter medicines.

It is this medicine that is not palatable to the unions. According to lenders the way out is to rid the excess work force under a VRS and bring the organization under a private sector management as a state owned company or 49% of assets be sold to the private with 100% private sector management in order to streamline the management and earn profits.

This is where the unions get activated. They get activated to prevent the organization being managed by the private sector. Even if the assets are not sold the unions would not agree to private sector management.

That is the hidden reason for agitation. Under a private sector management the unions would not be able to play the games they play under a state sector management.

Now let's see whether the state sector organizations should wait till the lenders propose rescue methods or restructuring.

The international lenders always come with billions of dollars hanging at the end of the carrot. But it is not easy to reach the carrot. Hence foreign loans should be sought for infrastructure development and other development work only but not for restructuring for privatization purposes. It is obvious that the state sector experts are capable of handling the local organizations profitably. But the current problem is the political interference.

Even the local private sector is admirably managed by the local experts. They prosper in the absence of the political interference. In the absence of political interference the company could be run with only the required number of employees.

Hence, it is clear that if an organization under state control is over staffed, it is the duty of the government to shed excess weight before the redundant work force eats in to the very fabric of the organization.

If allowed to fester the State is compelled to seek aid from the international lenders to revamp the state organizations.

If donor funds or loans or any type of aid with massive interests, is utilized to revamp and repay the sins of the politicization of state ventures this country would wallow in the mud for another 50 years.

It amounts to robbing Peter to pay Paul. It is not a solution to the problem. Aid or donor assistance should be utilized for constructive purposes only.

If, under restructuring, state ventures are to be handed over to friends and relatives after wiping out the debt component that would be nothing but selling national assets.

If international lender funds utilized to wipe off the debt component or for VRS and the State absorbs the debt component, the ailing organization once again becomes vibrant.

At that stage there does not arise a requirement to create separate organizations. The problem here is the debt component and the excess staff.

If the lender funds could be utilized to wipe off the debt at least to a certain extent and cover VRS partly, the State should be able to run the once-ailing organization profitably.

If an organization is to be divided in to separate bodies after freeing it of its debt burden, that amounts to privatization. The problem had not been the structure of the organization but the overwhelming debt burden (due to technical reasons) and the excess/redundant staff that had been the root cause of the problem. The CEB is a good case study.

Restructuring the CEB should be based on the root cause of its problems. The CEB problem had been the redundant staff and the billions of rupees spent on thermal power generation during the drought season.

As a result the cost of power generation had exceeded the price at which a unit was sold. As for CEB the problem lies with finding alternative power generation systems such as coal power and the excess work force.

Dividing the existing organization after ridding itself of its debt burden would amount to a sell out.

Creating separate companies and freeing the debt burden would not solve the CEB power generation problem. Hence as far as CEB is concerned restructuring should mean applying remedial measures to the place where it needs.