

# Study on Living Wage for the Sri Lankan Tea Estate Workers:

Updated to the Context Provided for January 2021



**Institute of Social Development**



# **Study on Living Wage for the Sri Lankan Tea Estate Workers:**

Updated to the Context Provided for January 2021

by

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## PREFACE

In many of the developing countries, workers are systematically denied their labour rights, especially respect to just and fair wages. Hence, the concerns on concept of living wage have been increased world-wide to cater new economic and social opportunities for poor workers those are paid poorly. The tea estate sector workers in Sri Lanka too paid lower daily wages while tea plantation industry is still plays a vital role in the Country's economy. Paying low wages is an historical feature in the Sri Lankan plantations since colonization period, which has not been changed during the nationalization period and even after re-privatization of the plantations in 1992. Consequently, tea estate workers community in Sri Lanka had been marginalized from all aspects of socio-economic development and the development path of national mainstream of the country.

The Institute of Social Development (ISD) and the Bread for the World (BftW) organization were jointly initiated to estimate a living wage for the tea estate workers of Sri Lanka in 2018 and again come forward to update the living wage estimates of 2018 in February 2021. The research findings of this study expected to share with wider community with the hope that it will contribute to win a fair and just wage for the tea estate workers in Sri Lanka.

The successful completion of this study is the output of active contributions of many activists involved in this study. Hence, I highly appreciate and acknowledge our thanks for the field enumerators Mr G. Sri Kandth, Mr. Sindhujan, Ms. S Priya, Ms. K. L Gayathiri for their valuable services and Dr. T Vinayagathan for his contribution in analyzing the data. I also wish to extend my gratitude to the respondents, Estate staffs, Estate Managers, RPCs officers, Trade Unionists, Parliamentarians, Social Activists, Government Officers and ISD staffs for their valuable contributions in many ways to make this effort as a successful venture.

I sincerely thanking to Mr. P. Muthulingam, the Executive Director of the Institute of Social Development for providing an opportunity to me by contracting this very important task and for his valuable comments as well as suggestions towards improving is the quality of the report.

Prof. Sangaran Vijesandiran  
Consultant.

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# 1

## INTRODUCTION

### 1.1 Background

Tea industry plays a vital role in the Sri Lankan economy and also has wider impacts on the socio-cultural, economic and political life spheres of the worker communities. Tea estates in Sri Lanka were established in the 1840s by the British during the colonial rule. The estate workers were brought by the colonial rulers from South India to work as daily wage laborers and latter permanently settled their families in the estates. During last two centuries, they have been isolated from national mainstream of the country and marginalized from development aspects of the country. This situation was continued even after independence of the country in 1948 until recent years. Under the plantation system of productions, estate workers were paid a lower rate of daily wage, provided poor level of social welfare services, exploited their labour under unsatisfactory working environment.

The tea estate workers in many countries are still being paid poorly, while increasing the concerns on concept of living wage across the world. The workers belongs to tea industry in Sri Lanka also experience similar exploitative working conditions and where they also paid low wages. Tea estate workers' wage is significantly lower than the wages paid to similar type of workers in the other industries in Sri Lanka. Historically, they were systematically deprived from paying higher wages and also denied their labour rights in respect of wages by the estate managements.

Hence, a study was initiated in 2018 by the Institute of Social Development in Kandy with the support of the Bread for the World (BftW) organization to estimate a living wage to tea estate workers in Sri Lanka. The major aim of this effort was to ensure a reasonable and just enumeration to the estate workers through empowering the trade unions' bargaining capacity with reliable information to support their wage bargaining process during signing wage collective agreement for the tea estate workers. The living wage estimates made by the study conducted in 2018 was Rs. 1108.00 per day for a tea estate workers. However, only Rs. 750.00 per day per estate worker was paid through collective agreement signed in 29<sup>th</sup> February 2019 which was 47.73% less than the expected living wage for the tea estate workers in Sri Lanka. Meanwhile, another effort was jointly made by the above both institutions to update the living wage estimated for the tea estate workers in Sri Lanka in 2018 taking into account of cost of living and changes in the living conditions based on the context provided in January 2021.

## 1.2 Why this Living Wages Study?

This study is an update of ISD's living wage study conducted by M. Sinnathamby and S Vijesandiran in 2018. The study attempt to estimate a net living wage and gross living wage for the tea estate workers in Sri Lanka according to the context provided for January 2021. Further, the study was concerned the necessary amount of take home income which needed to afford a basic but decent standard of living adjusting to the cost of living increases between 2018 and 2020 and changes in the purchasing power as well as value of real wages paid to the tea estate workers in Sri Lanka. It is expected that the outcome of this study could be influenced on the fresh wage bargaining process started between Ceylon Employers Federation and the Planation Trade Unions from December 2020.

## 1.3 Global Concern on "Living Wage"

According to the ILO (1944 and 2014), the concept of living wage is considered as an important matter for **three** reasons. The reasons are;

1. It is a vital source of household income,
2. It is necessary to ensure adequate consumption level to develop human capital, and
3. It is an essential elements to secure fairness of working communities and human dignity

Therefore, the fight for all workers to enjoy a living wage in decent terms and conditions is a central pillar for social justice. Hence, international community is highly concerned that all workers should be paid a living wage **and which should** appropriate to their economic context as a basic right.

Living wage differs from statutory minimum wages and it is calculated according to workers' needs and not the demands of the labour market. A living wage ensures enough earnings for working population that meet all daily expenses of their families and have some discretionary income left over to invest in their own or their children's future (Anker, 2006). Global Living wage Coalition (GLWC) provides globally acceptable living wage standards developed based on Anker (2011) Methodology which is widely used in developing countries to estimate living wages (GLWC, 2013). Expenditures on foods, housing, education, health care, clothing, transport, energy and cultural activities and social events are considered as the essential components in the estimation of living wage around the world (Smith, 2009).

## 1.4 Wage Trend in Tea Estates

Plantation workers have been paid daily wage rate for their labour as agreed by a wage collective agreement signed by the Ceylon Employers Federation (behalf of plantation management companies) and the Plantation Trade Unions (as the representatives to the tea estate workers) in once a two years since 1998. The daily wage rate generally consists of Basic Wage (BW), Incentive Allowances (IA) and Price Share Supplement (PSS). Out of these components, only basic wage was taken in to consideration by the estate managements to pay the Employees Provident Fund (EPF) and Employees Trust Fund (ETF).

The trend of daily wages paid to the tea estate workers from 1998 to 2019 is shown in the Table 1 in the Annexure. According to the Wage Collective Agreement of 29<sup>th</sup> February 2019, the daily wage rate for tea estate workers were determined by the provisions given in the above agreement. According to this agreement the gross wage paid to the tea estate workers was SLRs. 750.00, which had made by two components: BW and PSS; and equals to SLRs 700.00 and SLRs. 50.00 respectively. In addition, SLRs. 105/- was paid by the employers as the contribution to the EPF (10% to the Basic Wage) and ETF (3% to the Basic Wage) to the workers which is considered as retirement benefits do not support to address the current issues in increasing the cost of living among tea estate workers in Sri Lanka. According to this agreement, the Regional Plantation Companies (RPCs) and State Owned Plantations (SOPs) which both are manage the larger portion of the (428 Estates) estates in Sri Lanka are legally entitled to pay SLRs 750.00 as daily wage to the tea estate workers for period of two years since 29<sup>th</sup> February 2019 to 28<sup>th</sup> March 2021.



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## 2

## LIVING WAGE CONCEPTS

Living wage is a fixed regular payment for workers, typically paid on a daily/weekly/monthly basis. **The living wage** concept provides a decent living threshold for the workers and their families based on the economic scenario of each country. The concern of living wage is that the workers and their families should have a decent life without depriving their needs due to poverty which also provide opportunity for the workers and their families to live out of poverty and empower them economically and socially (Richard Anker and Martha Anker, 2017). It provides sufficient income to satisfy their families' basic needs including a model diet, decent housing, better education, sufficient health care, desirable social and cultural life in par with the national standards and current level of the socio-economic development of the country.

The living wage for workers should be earned only from the normal working hours and working conditions without having to work over time or extra work. The above concepts of living wage are agreed worldwide especially by the Fairtrade International, Good Weave International, Forest Stewardship Council (FSC), Rainforest Alliance, Sustainable Agricultural Network (SAN), Social Accountability International (SAI), UTZ, Global Living Wage Collation (GLWC) and ISEAL Alliance.



# 3

## METHODOLOGY OF CALCULATING LIVING WAGE

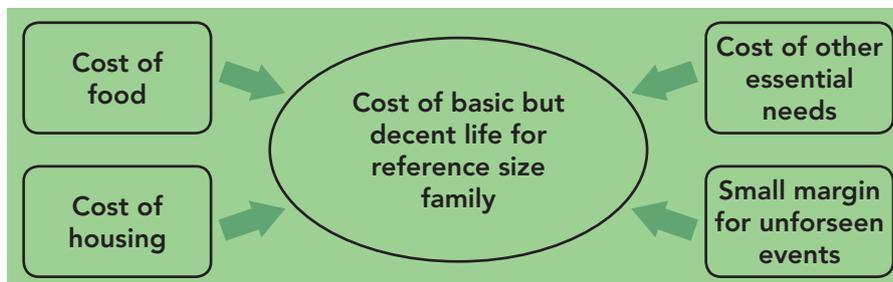
### 3.1 Concepts and Definition

This study used the comprehensive methodology developed by Anker and Anker (2017) that builds on their experiences from earlier works on living wages all over the world and published by the ILO (Anker, 2006; Anker, 2011). The Anker and Anker Approach to Living Wage estimation methodology is commonly adopted and shared as a common approach by Fairtrade International, Forest Stewardship Council, GoodWeave, Sustainable Agriculture Network/Rainforest Alliance, Social Accountability International and UTZ Certified to estimate the living wage for the global workers (GLWC, 2013).

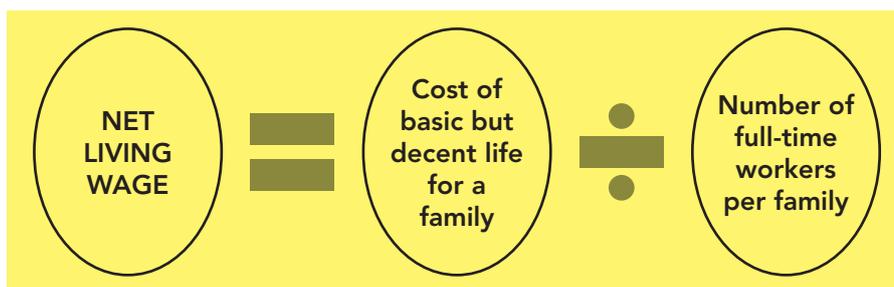
### 3.2 Formula and Procedures

Living wage estimation is generally conducted by using the formulas and procedures provided by the Anker Methodology. This study fully adopted the Anker methodology to estimate and analyze the living wage for the tea estate workers in Sri Lanka. The following four figures given by this methodology illustrate pictorially how one could adopt the concepts, procedures and formulas to estimate the living wage. The Anker methodology is used as a common approach to estimate the living wage in over the world especially in the developing countries. It is basically focus on living cost of workers' families considering each expenses incurred monthly for their family including all family members.

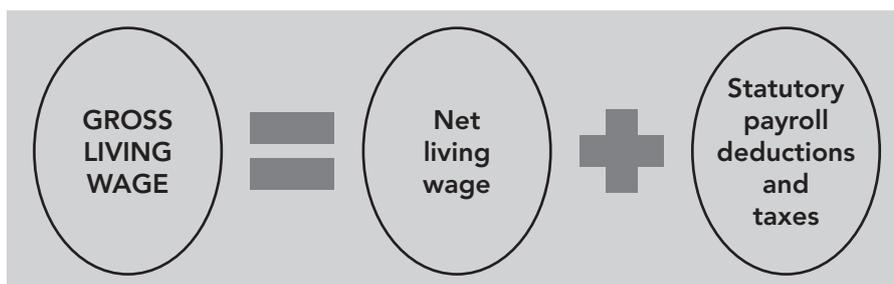
#### (i) Major cost components considered in living wage estimation



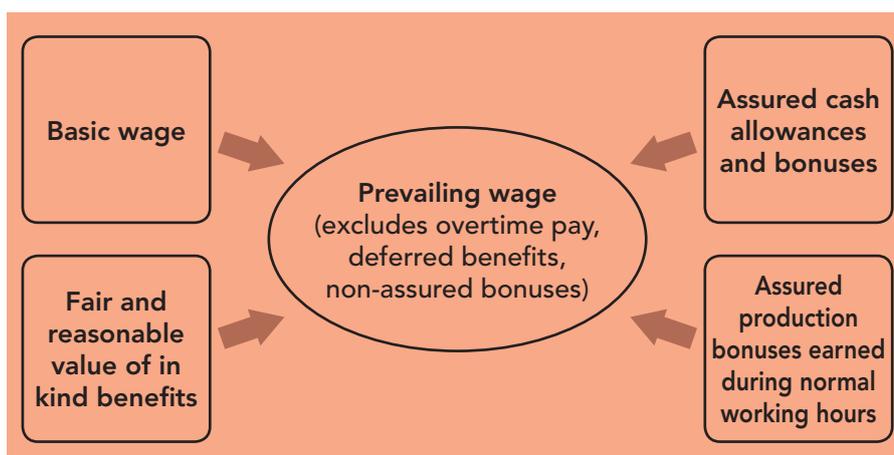
## (ii) Calculating a Net Living Wage



## (iii) Calculating Gross Living Wage



## (iv) Determining Prevailing Wages



## 3.3 Procedure to Determine the Cost for Basic and Decent Life

- i. **Cost components:** Costs of Food, Housing, Non-Food and Non-Housing items and 5% margin of total cost is added for costs related to sustainability and unforeseen events
- ii. **Food cost:** Cost of a low-cost nutritious model diet with local food preferences and local market prices are considered. Model diets are determined by using FAO and WHO nutritional guidelines and the food prices are collected by a new survey of local markets where the tea estate workers typically do their shopping.
- iii. **Housing costs:** This includes three components: i.e cost for constructing a decent house, utility cost (electricity and water) and maintenance cost. Cost for

constructing a decent house for a estate worker family is estimated considering the cost incurred to contract a separate house for tea estate worker family under the Government's new estate housing programme: Under the utility cost only the cost incurred monthly to maintain lighting faculty and the monthly electricity bill changes are included (maintaining cost and monthly bill changes for water facility is not included because which is provided by the estate management with the free of charges.) and the routine repairs and maintenance cost of the house are considered based on market rates.

- iv. **Non-Food-Non-Housing Cost (NFNH):** This cost includes the costs incurred on health care, education, transport, cultural activities, social events, household items, clothes, wearing household appliance, communication etc.
- v. **Post check adjustment:** Adopted a Post Check Assessment to determine reliable cost on education, health and transport and adjusted accordingly. **Costs on sustainability and unforeseen events:** Include cost related to funeral, accidents illness etc.
- vi. **Number of workers per family:** This is determined using formula given in Anker methodology and information from HIES - 2016, SLLFS-2015 and DHS, 2016.
- vii. **Statutory deductions from pay:** Workers contribution to ETF, EPF and Kovil Fund are considered to estimate the statutory deductions per worker per day.
- viii. **Determination of prevailing wage:** Current daily wage and its components; Basic Wage (BW), Price Share Supplement (PSS), Production Incentive (PI), Attendance Incentive (AI) and in kind benefits were considered. Overtime payments are not considered because it is not common to all estate workers.

### 3.4 Data ad Sources

In this study, primary and secondary data were used to estimate the living wage, Primary data were collected using pre-tested questionnaire by conducting a field survey in the four locations where the estate workers mainly do shopping to purchase groceries and other household items. Such locations are i.e, Talawakelle and Norwood in the Nuwraeliya district, Passara in Badulla district and Pussellawa in Kandy district. The prices of the food items purchased by the estate workers were collected from marketing centers in the above locations. Information related to workers families and monthly living costs were gathered by interviewing the randomly selected estate workers living in the estates surrounded by the selected locations. Trained enumerators were utilized with the direct supervision of the Chief Researcher to collect the necessary data from the marketing centers and from the estate workers in the selected locations. Secondary information were gathered from various Reports, Statistical Abstracts, Survey Documents published by the Department of Census and Statistics (DES), Central Bank of Sri Lanka (CBSL) the Ministry of Plantation Industry (MPI) and electronic -sources.

### 3.5 Assumptions Used for Estimating Living Wage

- Assumed that workers offered at least 25 days of work and they fully attended.
- Workers only engaged in estate work during their normal working hours
- Working hours are considered as 8 hours per day
- A standard family size considered includes husband, wife and their children. It is estimated as 4.5 person for an estate family (comprise of 2 adults and 2.5 children).
- Number of workers considered comprise only the immediate family members (Parents and their adult children) engaging in income earning activities and which is estimated as 1.66 person/family
- Tea estate workers' families have common food habits and preferences.

### 3.6 Determination of Model Diet

The following general principles were used to estimate the model diet for a person an estate family and living cost for an estate family.

- Sufficient Nutrition Intake: Taken as described by the WHO, FAO of the United Nations, United Nations University (UNU), (2004).**
- Balanced Model Diet:** WHO recommended calories per person, proteins, fats, carbohydrates are taken as the measurement. Accordingly, it is estimated average of 2480 calories per person / day in a tea estate worker family.
- Food Habits and Preferences: under the Food habit** customary food preferences, availability of local food, consumption patterns; food habits regarding local food are taken into account and considered which are common for all the estate workers.

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# 4

## COST FOR THE DECENT LIFE OF A TEA ESTATE WORKER'S FAMILY

This study has attempted to estimate a Gross Living Wage and Net Living Wage for tea estate workers in Sri Lanka using Anker Methodology. In this regard, it has been estimated, average family size, average number of working (income receivers) persons in a family in the tea estate and living cost of a tea estate worker family.

### 4.1 Component of Living Cost

As recommended by the Anker methodology, monthly living cost component of a tea estate worker family includes the costs on food, housing, non-food and non-housing (NFNH) items; as well as emergencies and unexpected events. However, the cost for consuming alcohol and tobacco was excluded from estimating the living wage since these are not a vital important item of consumption for a decent life.

### 4.2 Estimated Living Cost for a Tea Estate Worker Family

According to this study, living cost components for a tea estate worker family for a period of month have been estimated as: SLR 22,968.95 for food; SLR 7651.50 for housing; SLR 17130.40 for Nonfood and Non-Household items and LKR 2,410.0 for emergencies and unexpected events. Hence, the Gross Living Cost for a tea estate worker family which consists of 4.5 persons amounts to SLR 50,160.88 (US\$ 262.99)\* per month. The following Table 1 compares the monthly Total Living Cost for a tea estate worker family in the context of August 2008 and January 2021.

**Table 1: Monthly Total Living Cost for a Family in Tea Estates as in August 2018 and January 2021**

<b>Expenditure Category</b>	<b>Living Costs / Family/Month (SLR) in August 2018</b>	<b>Living Cost / Family/Month (SLR) in January 2021</b>	<b>Changes between August 2018 and January 2021</b>	<b>Percentage Out of Total Living Cost as in January 2021</b>
Food costs	2,0508.00	<b>22,968.95</b>	2460.95	<b>45.78</b>
Housing costs	7,178.00	<b>7651.50</b>	473.50	<b>15.25</b>
NFNH costs	14,896.00	<b>17,130.40</b>	2234.50	<b>34.16</b>
Unexpected events (5%)	2129.00	<b>2410.03</b>	281.03	<b>4.81</b>
<b>Total living cost</b>	44,711.00	<b>50,160.88</b>	5449.88	<b>100.00</b>

Note: \* Month of January 2021 average of 1 US\$ for LKR is 186.90

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# 5

## LIVING WAGE OF FOR A TEA ESTATE WORKER FAMILY

### 5.1 Family Size and Number of Full Time Workers in a Tea Estate Worker's Family

The estimated adjusted Total Fertility Rate (TFR), it is assumed that estate worker family structure has nuclear family (which include only husband, wife and children) for an estate worker family and the estimated TFR is 2.5 children. Hence, the estimated reference average family size is 4.5 person.

This study used SLLFS (2019) to estimate number of full-time workers in an estate worker family. According to our estimate the labour force participation rate is 0.724, unemployment rate is 0.031 and secondary (part-time) work rate 0.01. Hence, average number of full-time workers per estate family in Sri Lanka is 1.67 person.

### 5.2 Mandatory Deductions from Monthly Total Earnings of an Estate Worker

The average mandatory deductions for an estate worker which was deducted from the total earnings remunerated from supply of labour to the tea estate work, include 8% of basic salary to the Employers Provident Fund (EPF) which is equal to SLR 1400.00 per month, 1/3 of daily wage for union dues, it is SLR 233.33 and one day basic wage of a worker per month for Kovil (religious activity- Temple Fund) which is SLR. 700.00. Hence, the total mandatory deductions for an estate worker from his/her monthly earning is LKR.2333.33.

### 5.3 Value of in-kind Benefits

Estate management provides in-kind benefits to the workers and their family members such as health clinic, child care facilities, housing, and tea ration – although not all items provided to all the workers with the accepted standards, quality wise which are lower than the accepted standards. However, according to the information provided by the estate management and cross checked the information from estate management with the estate workers; the values estimated for free housing is SLR 816.56; medical clinics is LKR 386.63, child care facilities is SLR 494.06 and the free tea-ration is SLR 208.20 per worker family per month. Hence, the total value for the in-kind benefits provided by the estate management for each tea estate worker family per month is equal to SLR 1,905.45.

## 5.4 Required Gross and Net Living Wages

The Gross and Net Living Wages are linked to the take home income of an estate worker. It is considered that amount of Gross and Net Living Wages necessarily support to fulfil the basic needs of a tea estate worker family and also provide a basis to ensure a decent life of them. Hence, the Gross Living Wage and Net Living Wage are estimated based on the above concerns by using the following formula.

***Gross Living Wage = Total Earnings from Regular Estate Works + Monetary Value of In-kind Benefits***

The Gross Living Wage is estimated considering the required total monthly income which could be earned by an estate worker from his/her regular estate work rented to the estate management and the monthly monetary value of in-kind benefits provided by the estate management to the estate worker and his/her family members.

Hence, Net Living Wage is concerned about a sufficient take home pay/disposal income required for decent living of an estate family. Accordingly, the following formula was employed to estimate the Net Living Wage for tea estate workers

***Net Living Wage = Gross Living Wage – Mandatory Reductions from Pay***

Accordingly, the total mandatory deductions from monthly gross salary estimated was LR 2333.33 per tea estate worker per month. The gross household expenditure expected to incur for an estate worker family which has average family size of 4.5 persons is equal to SLR 50,160.88. According to this study, the average number of income receiver in an estate worker family is 1.66 person. Hence, the amount for an estate worker required to earn in a month to contribute to his/her family budget (SLR 50,160.88) per month is SLR 30,217.40. If the mandatory deduction equal to SLR 2333/33 also added to the above estimate (SLR 30,217.40.24+ SLR 2333.33), it is required to earn per month as a Gross Living Wage by a tea estate worker is SLR 32,550.73.

However, there are many in-kind benefits received by the estate worker and his/her family members from the estate management which is equaled to SLR 1905.45 worker/month. Hence, the Net Living Wage (SLR 32,550.73 – SLR 1905.45) required to earn as take home pay per month by an estate worker is SLR 30,645.28. Hence, a tea estate worker need to earn the above amount as a take home income to fulfill his/her monthly family living expenses in order to ensure a decent living standard by his/her family.

## 5.5 Required Daily Wage for a Tea Estate Worker

In this study, it is expected that each estate worker to receive 25 days of work per month as agreed by the collective agreement signed between the Ceylon Employers Federations and the Planation Trade Unions. If this condition is fully satisfied, a tea estate worker should pay SLR 1225.81 as daily wage for performing a eight hours of work/completing a given task in order to ensure a take home of pay of SLR 30,645.28 by him/her which will ensure a decent life for an estate worker family. If the Gross Daily Wage adjusted to

the daily rate of annual attendance bonus which is equal to SLR 2.84/day/worker and average daily extra earnings from over plucking of green leaf which SLR 120/day/worker (average 3 Kg of green leaf/day x SLR 40.00/Kilogram) the tea estate workers should pay a Grass Daily Wage including all the allowances equal to SLR 1179.17 per day.

**Table 2: Final Summary of the Living Wages Estimates For Reference\* Tea Estate Worker Family for a Month**

No.	Item	Amount per Month	
		in SLR	in US\$
1	Food Cost	22,968.95	123.36
2	Housing Costs	7,651.50	41.09
3	Non-food Non-Housing Costs	17,130.40	92.00
4	Additional 5% for sustainability and emergencies	2,410.03	12.94
5	<b>Total Household Costs for a Reference Family [5=1+2+3+4]</b>	50,160.88	269.39
6	Living wage Per Month / Worker - Net Take Home Pay (6 = (5) / 1.66 Person)	30,217.40	162.28
7	Mandatory Deductions from pay	2333.33	12.53
8	<b>Gross Wage Required per Month per Worker for Living Wage (8 = 6-7)</b>	<b>32,550.73</b>	174.82
9	In kind Benefits	1,905.45	10.23
10	<b>Nets Cash Living Wage Required per Worker (10=8 - 9)</b>	30,645.28	164.58
11	<b>Gross Wage required/day/worker for Living Wage (11=8/25 day of Work)</b>	<b>1302.01</b>	6.99
12	<b>Net Daily Wage Required / Worker/Day (12=10/25 days of Work)</b>	<b>1225.81</b>	6.58
13	<b>Adjusted Gross Living Wage to the Attendance Bonus (AB) (SLR 2.84/per day) and Over Kilo Payments (OKP) (average SLR 120/per day). (11- AB/day – OKP/day)</b>	<b>1179.17</b>	6.33

(\*) – Reference average Estate Worker Family size is 4.5 persons

According to the existing wage collective agreement, the prevailing cash wage earn by a tea estate worker for 25 days of work is SLR 18,750.00 (US\$ 118.12). Accordingly, the prevailing gross wage for a month is equal only to SLR 21,821.00 (US\$ 132). But, it is be noted that the estimated required monthly gross living wage for a tea estate worker to the context as in January 2021 is SLR 30,645.28 for a tea estate worker. Hence, to achieve the estimated amount of living wages, the current daily wage should be increased by SLR 429.17.

## 5.6 Prevailing Wage for Tea Estate Workers

The wage rate and wage components of tea estate workers had been changed generally every two years as per the revisions made by wage collective agreement process. The last wage revision was signed in 29<sup>th</sup> February 2019. Accordingly, tea estate workers' daily wage had two components: i.e. Basics Wage (BW) and Price Share Supplement (PSS). By this agreement, it was agreed by the Ceylon Employers Federation (CEF) and the Plantation Trade Unions for the amount; BW of SLR 700.00 and PSS of SLR 50.00 while making Gross Daily Wage as SLR 750.00.

**Table 3: Prevailing Wage and Its Components Paid to the Tea Estate Workers in Sri Lanka from February 2018 to February 2021**

Daily Wage Components	Amount / Day/Worker (SLR)	Monthly Earnings Work / Worker (SLR)
(a) Basic wage (BW)	700.00	17,500.00
(c) Price Share Supplement (PSS)	50.00	1,250.00
<b>(e) Cash Wage = (a) +(b)+(c)+(d)</b>	<b>750.00</b>	<b>18,750.00</b>
(f) Annual Attendance Bonus AAB) $\{[(\text{LKR}850/\text{Year}) \times 12 \text{ Months}] 25 \text{ Days}\}$	2.84	<b>71.00</b>
(g) Over kilo payments (earned during normal working hours (3 Kilo/day X 40.00)	120.00	3,000.00
<b>(h) Gross Cash Wage (excluding overtime and in kind benefits) = (e)+(f)+(g)</b>	<b>872.84</b>	<b>21,821.00</b>

Accordingly, a tea estate worker earn SLR 21,821 (US\$ 98.29)\* as the prevailing monthly gross cash income which is the combination of income earn for a month from Daily Basic Wage - SLR 17,500.00 (US\$ 114.39)\*, and from Price Share Supplement - SLR 1250.00; while earning extra income of SLR 3,000.00 (US\$ 15.73)\* from over kilo payments and SLR 71.00 (US\$ 0.37)\* from monthly share of Annual Attendance Bonus. Hence the, prevailing Gross Daily Wage paid for a tea estate worker is SLR 872.84

The comparison of estimated Gross Living Wage (SLR 1179.17) and the Prevailing Gross Wage (SLR 872.84) reveals that the prevailing Gross Wage in the tea estates falls short by approximately 28.8% than the estimated Gross Living Wage. On the other hand, it is necessarily need to be increased the prevailing gross wage by 35.31% in order to reach the above estimated level of monthly living wage of a tea estate worker. However, the comparison of estimated Living wage of tea estate workers (SLR 1225.81) with Prevailing Net Living Wage (SLR 750.00) reveals that it is necessary to increase the prevailing Net Living Wage by 63.44% to reach the estimated net living wage in order to ensure the decent life of estate workers family.

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# 6

## COMPARISON OF LIVING WAGE: ESTATE SECTOR AND NON-ESTATE SECTOR WAGES

### 6.1 Daily Wage

The trends in Total Daily Wage of tea estate workers in Sri Lanka and its component are shown in Table 1 in the Annexure. It reveals that the Basic Wage has been increased from LKR 500 in 2016 to LKR 700 in 2019 and the Price Share Supplement was increased from LKR 30.00 in 2016 to LKR 50.00 in 2019; hence, the Total Daily Wage was increased from LKR 730.00 to LKR 750.00 by indicating only 2.74% changes in Total Wage. The expected monthly total earning was increased from LKR 18,250 to LKR 18,750 indicating only increase of LKR 500.00 since February 2019.

### 6.2 Nominal and Real Wages

A comparison of Nominal Wage and Real Wage (2012 = 100) in the informal agricultural private sector (Tea plantations/estates are coming under this sector) in Sri Lanka shows that the nominal wage index was increased from 150.9 in 2017 to 172.6 in 2018 with a rise of 14.9% while the real wage rate index was also increased from 122.8 in 2017 to 137.4 by indicating a change of 11.9%. But in the tea estate sector wage increases have shown a larger rise in nominal wage, but the real wage increases shown only 2.74% in 2019 which is very lower than the comparable sectors. It indicates that while the nominal wage level of tea estate workers have been indicating a positive trend, the real wages increases are take place in a slower rate and sometime it is negative. This reveals that wage adjustments made for tea estate workers during last collective agreements miserably failed to improve the estate workers real wage. As a result, the monthly family earnings of tea estate workers' families were not shown an expected level of improvement and which was not adequately supported to improvement of the quality of life of the estate workers and their families. This is one of the major reason for the prevalence of high poverty incidence in the estate sector. The lower rate of daily wage, poor level of family earnings and related higher level of poverty incidences are highly influence on estate sector to urban migration among the estate youth looking for an alternative employment seeking higher, reasonable and just wages. This youth migration has resulted in high shortage of labor force in the tea estate sector in Sri Lanka.

### 6.3 Inflation and Wages

The inflation rate index (2013=100) in the country was 112.1 in October 2016 and 126.8 in February 2019 during the wage collective agreements signed in October 2016 and February 2019. It has been increased up to 138.7 in January 2021. Accordingly, there were 13.1% increase in inflation index between October 2016 and February 2019; and by 11.9% increase between February 2019 and January 2021. Inflation rate increase in a larger value have had an impact on the real wage of the tea estate workers due to failure in increase of their real wages. As a result, the rise in inflation rate in the country negatively impacted on the purchasing capacity of the tea estate worker families. This indicates that the wage adjustment during the reference period was concerned has been not much favorable for tea workers. This might be the reason that still the poverty incidence prevail in the estate sector is too high comparing to the other sectors in the country and the quality of life of estate population is still being at lower level. Due to these factors, the estate workers lacking in their family income which push them to claim higher wages in every two years in order manage their family expenses adjusting to increasing cost of living in the country.

### 6.4 Comparison of Different Types of Wages

The following Table illustrates the living wage estimated for the tea estate workers by this study and the comparable sectors in Sri Lanka as well as national and international standards. The sectors considered for this comparison are also use the employee for the manual work like in estate sector and they receive wages based on daily rates. The daily wages paid in cash without cost for the meals provided are considered for this comparison. The figures provided in the Table shows that the prevailing daily wage rate (SLR 750.00 per day) of tea estate sector workers is lower than other relevant sectors such as Sri Lankan Public Sector, Tea Informal Sector, Rubber Informal Sector, Coconut Informal Sector, Paddy Agricultural Sector and Construction Sector). It is also lower than the Sri Lankan Living Wage, Sri Lankan Poverty Line Wage, International Poverty Line Wage and Low Middle Income Countries' Poverty Line Wage.

**Table 4: Comparison of Estimated Living Wages for the tea Estate Sector Workers with Wages of Other comparable Sectors; National Standard and International Standards of Living Wages.**

Type of Wage	LW/Month/Worker (in SLR)	LW/Day/Worker (in SLR)	LW/Day/Worker (1US\$=LKR 186.2)
Estimated Living Wage for Tea Estate Worker (January 2021)	30,645.00	1226.00	6.58
Prevailing Wage in the Tea Estate Sector (December 2020)	21,750.00	750.00	4.03
Sri Lankan Living Wage	29,100.00	1164.00	6.25
Sri Lankan (Individual) Poverty Line Wage	29,000.00	1160.00	6.23
International Poverty Line Wage	28,771.00	1148.00	6.17
Low Middle Income Countries' Poverty Line Wage	48,457.00	1938.00	10.41
Sri Lankan Public Sector Wage for Unskilled Laborer	32,500.00	1625.00	8.73
Tea Informal Sector Workers' Average Wage	26,125.00	1049.00	5.63
Rubber informal sector Worker's average Wage	33,325.00	1333.00	7.16
Coconut Informal Sector workers' Average Wage	40,625.00	1615.00	8.67
Paddy Agriculture Sector Laborers' Average Wage	37,300.00	1492.00	8.01
Construction Sector Unskilled Helpers' Wage	33,825.00	1353.00	7.27

Sources CBSL, 2017 & Authors calculation



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# 7

## ECONOMIC PERFORMANCE OF THE TEA ESTATES

Tea estates coming under the purview of plantation sector manage by 20 Regional Plantation Companies (RPC) and 04 State Owned Agencies (SOAs) such are; Chilaw Plantations Ltd, Elkaduwa Plantations Ltd, Kurunegalla Plantations Ltd, Janatha Estate Development Board (JEDB), Sri Lanka State Plantation Corporation (SLSPC) Tea Research Institute (TRI) and Rubber Research Institute (RRI) . Out of these, 369 estates coming under the management of RPCs and 53 estates manage by the SOAs. At the same time, 284 estates belonging to RPCs and 36 estates belonging to SOAs are cultivate tea crops. The RPCs cultivated tea in 69,202 hectares of land and SOAs cultivated tea in 8,351 hectares of land in 2018.

### 7.1 Tea Fields and Productivity

The percentage of maturity (bearing) extent under RPCs and SPs were 96.67% and 84.54% respectively in 2018. Out of the total matured tea land belongs to RPCs and SOAs, 45.22% and 52.31% covered covered by the old seedling tea bushes respectively which have very lower level of productivity. Hence, average yield of tea in the RPCs estates was 1120 Kgs/ha and 483 Kg/ha in the SOAs estates in 2018. Out of the total made tea production of Sri Lanka, RPCs, and SOAs jointly share only 25% while the balance 75% contributed by the tea smallholding sector. This trend is continuously became favorable to the Tea Smallholding sector and estate sector lose their share in the total tea production of the country during last three decades.

### 7.2 Tea Production

During last three decades, the estate sector's tea production shown a declining trend. Estate tea sector was produced (jointly by the RPCs and SOAs) 149.1 million Kgs of tea in 2005 and it was reduced to 101.2 million Kgs of tea in 2018 which shown a reduction of 33.91% during last 15 years. Tea production of the RPCs' estates were declined by about 32.0%, but it is shown more than 45% decline in the estates manage by the SOAs (Ministry of Plantation Industries, 2019). It is clear that the contribution to the total tea production of the country by the estate sector is declining continuously which indicates that the plantation sector losing its role in the tea industry of the country.

### 7.3 Land Extent

Since the privation in 1992, tea crop under cultivation and the tea land under bearing of tea crops have been declining continuously in the RPCs' and SOAs' estates. Total tea lands under cultivation in the RPCs' and SOAs' estates were respectively 163,231 ha and 11,782 ha in 2005, which were declined to 156,822 in the RPCs estates and increased to 23,469 in SOAs in 2016. The land extent under matured tea shows a larger decline than the extent under cultivated land in both RPCs and SOAs. The bearing lands in the RPCs were declined by more than 13% between 2005 and 2018; while it was declined by nearly 8% in the SOAs (Ministry of Planation Industries, 2019).

### 7.4 Labour Force

Total workforce in the tea estate sector also shows a substantial decline since the re-privatization of plantations. The total labour force in the estate sector was 357,254 workers during re-privatization of plantations 1992. However this workforce was declined to 139,000 workers in 2018 in this sector which was represented 61.09% reduction in the estate sector labour force (except the staff category). The labour reduction was largely carried out by the RPCs continuously, but it was experienced by around 15% between 2005 and 2018 in the SOAs estates (Ministry of Planation Industries, 2017).

### 7.5 Tea Prices

The average tea prices shown continuous increase during the period of 2005 – 2017, except some years which also experienced fall in tea prices for a short period of time. The average Colombo Action tea price was increased up to SLR 628.21 in December 2018 by showing an increase more than 240% between the respective period (Ministry of Planation Industries, 2019 and Tea Board, 2018).

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# 7

## CONCLUSION

This study was attempted to estimate a living wage for tea estate workers in Sri Lanka, by employing the Anker methodology developed by Anker and Anker (2017) using the primary data collected from a field survey and secondary sources. The study was taken 4.5 person as reference family size for a tea estate worker family. It also estimated that 1.66 persons as the average number of full-time working members in a tea estate worker family in Sri Lanka. Further, Food Cost, Housing Cost, Non-Food and Non-Housing (NFNH) Cost and Emergencies and Unexpected Events Cost were considered as the major components of the household living expenditures of a tea estate worker family. The costs of alcohol and tobacco were excluded from household living expenditures because those are not important consumption items for a decent life.

The daily wage rate of a tea estate worker is determined by signing a collective agreement between Ceylon Employers Federation and Planation Trade Unions once a two years. Accordingly, prevailing daily wage rate for a tea estate worker is SLR 750.00 per day and tea estate workers entitled to get 25 days of work every month. Accordingly, tea estate workers' prevailing monthly cash wage is equal to SLR 18,750 (US\$ 100.70). In addition, tea estate workers earn in an average SLR 3000.00 as an extra earnings per month from plucking over kilo of green leaf. Hence, tea estate workers earned Prevailing Gross Cash Wage equal to LKR 21,750 (US\$ 116.81) for a month in January 2021. The estimated Living Wage for a month for a tea estate worker is LKR 30,645.28 (LKR 164.58) in the context of January 2021. Hence, the daily wage rate estimated for a tea estate worker is equivalent to LKR 1225.81 (US\$ 6.58) considering that they get 25 days of work per month. It is also reveals that prevailing gross wage in the tea estate sector is lower than by 38.81% compare to estimated gross living wage which is required for a tea estate worker to ensure maintain a decent living standard for his/her family. On the other hand, it is necessary to increase the prevailing gross living wage by 63.44% in order to reach the estimated level of monthly living wage i.e. LKR 30,645.28.

The economic performances of the tea estate sector is an important elements necessarily to support to increase the daily wage rate equal to the estimated Living Wage rate by this study. In this regard, the tea prices should be maintained at a higher level than the existing level while maintain Cost Of Production (COP) in a lower level. In the Sri Lankan estate sector, tea auction prices and the COP are continuously shown an increasing trend since 2012. Increases in the cost of production not only influence on wage issues, but also by the poor performance in the tea production, lack of reinvestment in tea land and poor crop management practices, increases in the management related costs etc. This situation further accelerated by the lower level of land productivity, reduction in bearing land, poor quality of tea products caused by blending Ceylon tea with products with poor

quality. However, the labour productivity is continuously increasing in the RPCs' estates while the number of labour employed in the tea estate sector is decaling. It indicates that task of labour force for a norm per day is increasing and it was compensated by the wage hike took place in the past.

Despite many development efforts made in the estate sector during the past decades, the tea estate workers in Sri Lanka are still live in a poor socio-economic and welfare conditions. It is an urgent concern to improve the living standards of the tea estate workers and their families up to the national level and ensure a decent living standard, which is demand a Daily Living Wage rate of SLR 1,225.81 per worker per day. Hence, a tea estate worker will earn LKR 30,645.28 per month, if they offered a 25 days of work per month. In order to achieve this task, the plantation trade unions, management of RPCs and the government together need come forward and to agree for a joint measure that also should ensure the economic viability of the industry and fulfil the socio-economic aspirations of the worker community. Achieving this task, depends on bargaining power of the plantation trade unions, willingness to pay the higher wages by the RPCs and the actual concern of the Government/State on improving the living condition of tea estate workers' community.

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## ANNEXURE

Table 1: Daily Wages for Plantation Workers: 2005 - 2017

Year	Daily Wage Rates Pertaining to Tea Estate Workers (in SLR.)			
	Basic Daily Wage	Price Share Supplement	Incentives	Total Wage/per Day
2005	135.00	20.00	25.00	180.00
2006	170.00	20.00	70.00	260.00
2007	200.00	20.00	70.00	290.00
2008	285.00	30.00	90.00	405.00
2009	285.00	30.00	90.00	405.00
2010	285.00	30.00	90.00	405.00
2011	380.00	30.00	105.00	515.00
2012	380.00	30.00	105.00	515.00
2013	450.00	30.00	140.00	620.00
2014	450.00	30.00	140.00	620.00
2015	450.00	30.00	140.00	620.00
2016	500.00	30.00	200.00	730.00
2017	500.00	30.00	200.00	730.00
2018	700.00	50.00	-	750.00
2019	700.00	50.00	-	750.00
2020	700.00	50.00	-	750.00

Source: Ministry of Plantation Industry – 2017

**Table 2: Average Mandatory Deductions from Gross Pay of Estate Worker/Month**

Component	Amount Per Month (LKR)
Employment Provident Fund (FPF)	1440.00
Union Dues	233.00
Kovil Fund	750.00
Total	2333.33

**Table 3: Tea Average Prices: 2005 – 2018**

Year	Average Colombo Auction Prices	Average FOB Prices
2005	186.20	258.82
2006	199.84	274.16
2007	279.52	360.97
2008	310.53	429.76
2009	360.67	470.24
2010	370.61	494.50
2011	359.89	500.64
2012	391.64	552.26
2013	444.42	613.23
2014	461.86	640.10
2015	402.14	583.10
2016	468.62	627.44
2017	610.16	811.50
2018	632.17	821.6.
2019	574.90	549.05

Source: Ministry of Planation Industries, 2017, and Tea Board, 2018





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