

LIVING WAGE FOR THE TEA ESTATE WORKERS IN SRI LANKA

Updated Context Provided as at April 2024



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PREFACE

The concern about the Living Wage (LW) has increased worldwide to cater to new economic and social opportunities for poorly paid workers. The tea estate sector workers in Sri Lanka receive a lower daily wage, while the tea plantation industry still plays a vital role in the country's economy. Since the colonization period, paying a lower rate of daily wage, which is also less than the living wage standard, is a historical feature in the Sri Lankan plantations sector. It did not change during the nationalization period, even after the re-privatization of the plantations in 1992. Consequently, tea estate worker communities in Sri Lanka continuously live under conditions of persistent poverty and are marginalized in all aspects of socio-economic development.

In July 2018, the Institute of Social Development (ISD) and the Bread for the World (BftW) organization were jointly initiated to estimate a LW for the tea estate workers of Sri Lanka. Another study attempted to update the living wage in February 2021 and September 2022. The present study is a follow-up effort and an update of the LW estimation of plantation workers in the (above) previous years. The LW estimation process used the basic information collected in 2018 and 2022. Data on the relevant market, cost of living, and industry performance were collected from fresh field surveys and secondary sources. The present study is expected to help the wider community, including Plantation Trade Unions, Regional Plantation Companies, and Government policymakers and Wage board members, to make decisions on determining fair and just daily wages for the tea estate workers in Sri Lanka.

The successful completion of this study is the outcome of the active contributions of many activists involved in it. I sincerely thank Mr. P. Muthulingam, the Executive Director of the Institute of Social Development, for providing me with an opportunity to complete the vital task and for his valuable comments and suggestions for improving the quality of the report. I highly appreciate and acknowledge the field enumerators and data analysts and extend my gratitude to all respondents and supporters for their valuable contributions in preparing this report.

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ABBREVIATIONS

BW	- Basic Wage
CBSL	- Central Bank of Sri Lanka
CCPI	- Colombo Consumer Price Index
CEF	- Ceylon Employers Federation
COAL	- Cost of Living Allowance
COP	- Cost of Production
DCS	- Department of Census and Statistics
EPF	- Employees' Provident Fund
ETF	- Employees' Trust Fund
FAO	- Food and Agriculture Organization
GDP	- Gross Domestic Product
GDW	- Gross Daily Wage
GLWC	- Global Living Wage Collation
HIES	- Household Income and Expenditure Survey
ILO	- International Labour Organization
ISD	- Institute of Social Development
LKR	- Sri Lankan Rupees
LW	- Living wage
MW	- Minimum Wage
NCPI	- National Consumer Price Index
NFNH	- Non-Food and Non-Housing
NLW	- Net Living Wage
PTU	- Plantation Trade Union
RPC	- Regional Plantation Companies
SLSPC	- Sri Lanka State Plantation Corporation
SOA	- State Owned Agencies
US\$/USD	- United States of America's Currency – Dollar
WHO	- World Health Organization

SUMMARY HIGHLIGHTS

- *Reference Family Size of a Tea Estate Worker Family* = 4.0 Persons
- *Average Income Earners in a Tea Estate Workers Family* = 1.54 Workers
- *Total Cost for a Decent Living of an Estate Worker Family* = LKR 89,897.71
- *Prevailing Daily Cash Wage for an Estate Worker* = LKR 1,000.00
- *Prevailing Monthly Wage Earnings (for 21 Days of Work)* = LKR 24,209.43
- *Prevailing Gross Earnings of an Estate Worker/Month* = LKR 28,820.75
- *Sri Lankan Living Wage for a Standard Family* = LKR 67,714.00
- *Average Mandatory Deductions from Pay/Worker/Month* = LKR 2845.00
- *Estimated Value for In-kind Benefits from Employer/Month* = LKR 3,194.14
- *Estimated Gross Living Wage /Worker/Month* = LKR 61,220.14
- *Estimated Net Living Wage /Worker/Month* = LKR 58,026.00
- *Gross Daily Living Wage/Worker for 21 Days of Work* = LKR 2,915.20
- *Gross Daily Living Wage/Worker for 25 Days of Work* = LKR 2,448.81
- *Net Daily Living Wage/Worker for 21 Days of Work* = LKR 2,763.14
- *Net Daily Living Wage/Worker for 25 Days of Work* = LKR 2,321.04

1.0 INTRODUCTION

1.1 Background

Over the past decades, the recognition of Living Wage (LW) has been considered a key pillar in developing sustainable wage policies to ensure fair and just wages for working people to maintain decent lives in their families. It aimed to prevent income inequalities, poverty incidents, and marginalization among the poor labor segment of developing countries. Living wages matter for three critical reasons:

- (1) they play a vital role in household income, which influences people's living standards;
- (2) they lead to adequate consumption, resulting in enhancing human capital through achieving quality education and health status that promote productivity and economic growth;
- (3) they provide fairness and dignity for human beings, which ensures peace and harmony of a society.

Hence, the ILO prerequisites worldwide decent life, enhanced human capital, respected human dignity, sustainable peace, and social harmony, which are highly dependent on providing an adequate LW.

Universal Declaration of Human Rights (1948) proclaims that 'everyone who works has the right to fair and just remuneration which ensures for himself/herself and his family an existence worthy of human dignity (Anker, 2006). There is an international concern that all workers should be paid a LW appropriate to their economic context, considering it is a basic right of a human being, and it should be above the statutory minimum wages set down by the respective governments or National Wage Boards. It has to be accepted by the relevant worker communities and concerned national and international organizations. In a nutshell, the determined LW should satisfy the employees, be affordable by the employers, fulfill the national labor standards, and be comparable to wages relevant to other sectors. In the end, LW should ensure social justice. Anker (2006) points out that the LW should prevent labor exploitation, control excessive wage situations, minimize income inequalities, eradicate poverty, and protect lower-income groups from society. Hence, these are considered key elements for the sustainable development of any country.

Agro-based industries, like tea plantations worldwide, historically have an exploitative nature of work with high levels of labor exploitation and violation of labor rights, such as poor wages, long hours of work, and poor working conditions. Even though the Labor laws of Sri Lanka stipulate guidelines and legal provisions for reasonable minimum wages for plantation workers and their working conditions, the workers of the tea plantation sector experience similar types of exploitative and vulnerable working conditions, including low wages. The labor rights aspect of tea plantation workers has not been recognized fully historically or now.

British rulers introduced the plantation system in 1823. Initially, Coffee plantations were established, and Tea plantations replaced coffee cultivation in the 1840s. The British brought laborers from South India to the coffee and Tea plantations. The British owned many plantations, and the Ceylonese owned a few plantation states before the nationalization. In 1972, all plantations were nationalized, and plantation management was brought under the State-owned Corporations (SOCs) until the re-privatization of plantations in 1992. The

Government established 23 Regional Plantation Companies (RPCs) after privatization. Nearly 450 estates out of 500 plantations were brought under these RPCs and also given to private companies for management purposes, while almost 50 plantations were kept continued under the SOCs. Presently, RPCs manage about 375 estates, and the SOCs run nearly 57 estates. From that, RPCs and SOCs control the management activities of 284 and 36 tea plantations, respectively, which are primarily located in the Nuwara Eliya, Badulla, Kandy, Rathnapura, Kegalle, Kalutara, and Matara districts.

The tea industry in Sri Lanka has been playing a crucial role in the economy during the last two centuries, contributing to gross domestic product employment, export earnings, and government revenue. This sector accounted for around 2.0% of GDP and 20.1% of the total export earnings in 2020 and shares nearly 10.0% of the country's entire workforce. The tea sector also occupies almost 20% of the country's total agricultural land. By 2022, the plantation sector had employed nearly 120,000 registered workers. Under the plantation production system, estate workers were paid a lower daily wage rate compared to workers of similar categories. The tea estate workers have been paid only LKR 1000.00 as a daily wage by the estate management since March 2021. They had been continuously exploited by the plantation management denying just and fair LW wages required for them and their family members to have a decent life. As a result, the families of tea estate workers suffer from persistent poverty and under-development.

Hence, the Institute of Social Development (ISD) initiated to estimate LW for the Tea estate workers in Sri Lanka in 2018 to ensure fair and just LW by providing scientific information for Employers, Trade Unions, and Government Policymakers to use during the wage determination. The first LW study of ISD for the Sri Lankan tea estate workers was published in July 2018 with the support of the Bread for the World (BftW) Organization. This study estimated a tea estate worker's daily LW as LKR 1108.00 (Sinnathamby and Vijesandiran 2018). The plantation Trade Unions took this LW value during their wage bargaining process in 2018 and managed to increase the daily wage rate from LKR 500.00 to LKR 750.00 for a worker. However, it was 47.73% less than the expected living wage of LKR 1108.00. The ISD made another effort to estimate the updated version of LW, considering the cost of living in the context provided in February 2021. According to this estimation, a tea estate worker was expected to pay LKR 1225.81 daily (Vijesandiran, 2021). This LW estimate was taken as a base and evidenced by the PTUs' claim of a daily wage above LKR 1000.00 for a tea estate worker. A study conducted by the Thibbotuwawa, M; Jayawardena, P; Arunatilake, N and Gunasekera, N. (2017) also confirmed that the prevailing wage of the estate workers were very below than the estimated living wage.

Within a short period of time, the PTUs were called by the Ceylon Employers Federation (CEF) for wage bargaining in the latter part of the year 2000. This process continued until the first half of the year 2021. After many rounds of the wage negotiation process, the effort failed without reaching any consensus between the CEF and PTUs. Hence, the PTUs approached the Government to determine the daily wage for tea estate workers through the Wage Board of the Country with the Government's intervention. As a result, the Ministry of Labor, on behalf of the Sri Lankan Government, published the Gazette Notification determining LKR 1,000.00.00 as the daily wage for an estate worker from 5th March 2021. Accordingly, LKR 900.00/day (Basic Wage) was the basic wage, with an added LKR 100/day (Cost of Living Allowance) as budgetary allowance. According to the 2021 wage settlement, the daily wage of LKR 1000.00 per worker was also applied to rubber

estate workers. In a nutshell, overall, there was a 33.33% wage increase in March 2021. Still, this new daily wage rate was 18.42% less than the expected LW of 1225.81, a relatively slight improvement compared to 2018.

In September 2022, the ISD conducted a third study on Living Wage for Tea Estate Workers in Sri Lanka, considering the drastic increase in the country's cost of living caused by the recent economic crisis. Accordingly, the monthly cost of living for a four-member estate worker family and 1.54 working members was LKR 83,332.00. Hence, a working member has to earn LKR 54,136.00/month. To ensure this earning, a tea estate worker should pay LKR 2165.00/ day with the condition that he/she will be offered 25 days of work per month. However, until now (April 2024), the estate workers are paid only LKR 1000/day, and their monthly earning was limited to LKR 21,000.00 as they are offered only 21 days of work per month on average (Vijesandiran, 2022). Since March 2022, the country's economic downward has increased inflation at a very high rate, increasing the cost of living across the Island. This economic crisis drastically affected the family budget of tea estate workers, which the RPCs or the present Government did not address until April 2024.

Hence, tea estate workers claim a higher wage to overcome the country's economic crisis and manage monthly household/family budgets. The ISD decided to estimate a fresh living wage for tea estate workers based on the country's current economic scenario. The aim is to support their claim and understand the real terms of the current LW in April 2024.

1.2 Why this Living Wages Study?

This study is an update of three previous studies by the ISD on "LW for Tea Estate Workers in Sri Lanka" in January 2018, February 2021, and September 2022. Based on these studies, a new attempt is made to conduct another rapid estimation of a Gross Living Wage (GLW) and a Net Living Wage (NLW) for tea estate workers in Sri Lanka, as the context provided for April 2024. The study was concerned with estimating the necessary monthly income to take home by a tea estate worker (and rubber estate workers) after all compulsory deductions required to fulfill the basic needs of family members and ensure a decent standard of living coping with the cost of living increases occurred between September 2022 and April 2024. The study expected to produce a base document as scientific evidence to claim a reasonable, fair, and just daily wage for tea estate workers in Sri Lanka in the context of the cost of living as of April 2024. The new LW estimate will significantly influence the ongoing wage negotiation between the tripartite, Ceylon Employers' Federation (CEF), Plantation Trade Unions (PTUs), and the Wage Board of the Sri Lankan Government.

1.3 Wage Determination and Trends in Tea Estates

Plantation workers have been paid daily wage rates for their labor as agreed by a wage collective agreement signed by the CEF (on behalf of Regional Plantation Companies) and the PTUs (as the representatives of the tea estate workers) since 1998. Generally, the total daily wage rate for a tea estate worker consists of a Basic Wage (BW) and some other allowances (such as Attendance Incentives – AI, Price Share Supplement – PSS, Productivity Incentives – PI, and Cost of Living Allowance - COLA)—these also change from time to

time during wage negotiations. Only the basic wage, out of the total daily wage, was considered to contribute to the Employees Provident Fund (EPF) and Employees Trust Fund (ETF) by the employers.

In the Annexure, Table A-1 presents the trends of daily wages paid to tea estate workers from 1998 to August 2022. According to the Wage Collective Agreement of 29th February 2019, the Total/Gross Daily Wage rate for a tea estate worker was (TDW/GDW) LKR 750.00; it had two components: a Basic Wage of LKR 700.00 and a Price Share Supplement of LKR 50.00. The estate management practiced this wage settlement until 28th February 2021.

The last wage settlement for estate workers was held on 5th March 2021. During this wage settlement process, PTUs claimed about LKR 1000.00 as daily Basic Wage for tea and rubber estate workers without any other conditions related to this wage, and additionally, other relevant allowances given earlier. During wage negotiation, ISD published an updated version of LW for tea estate workers in Sri Lanka in February 2021. The new LW estimate for a tea estate worker was LKR 1225.00/day (Vijesandiran, 2021). Hence, the PTUs established their justification for claiming a higher wage level based on this LW value. The bargaining process went on many rounds but failed without reaching a common consensus between CEF and PTUs. Immediately, the PTUs began pressuring the Government to settle the wage issue. Finally, the Government intervened through the Wage Board to determine a minimum wage for tea and rubber estate workers as LKR1000.00/day/worker on 5th March 2021 by publishing a Government Gazette notification. This consists of two components: Basic Wage = LKR 900.00/- per day, and Cost of Living Allowance of LKR 100.00/- per working day. Tea estate workers' daily wage rate has not been revised after this settlement according to the recent increase in inflation and cost of living in the country.

2.0 LIVING WAGE CONCEPTS

2.1 What is a Living wage?

A wage is a monetary compensation paid by an employer to an employee in exchange for work performed (ILO, 2016). Workers earn this payment by providing their labor to work/services to an employer. The Oxford Dictionary defines **wage** as a fixed, regular payment typically paid on a daily or weekly basis.

The term **living wage** refers to a theoretical income level that allows individuals or families to afford adequate shelter, food, and other necessities. The goal of a living wage is to allow employees to earn adequate income for a satisfactory standard of living and prevent them from falling into poverty. A sufficient definition of living wage provided by the Global Living Wage Coalition (GLC) based on incorporating the main ideas found in over 60 living wage descriptions and definitions from human rights declarations; national constitutions; NGO, multinational, and corporate codes of conduct; International Labour Organization (ILO) documents; and statements of major historical figures (Anker, 2011).

Accordingly, a *living wage* is defined as:

“The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”

However, a living wage does not cover additional expenses such as,

- Debt repayment from credit cards, loans, or other interest payments
- Future savings for home ownership, retirement, or children’s university education
- Anything beyond minimal recreation, entertainment, and holiday costs
- Costs of caring for a disabled, seriously ill, or elderly family member

A Living wage is estimated based on the following assumptions as said by the ILO:

- “Living wages should not be a one-size-fits-all approach and should reflect local or regional differences within countries.
- A living wage also means pay for normal working hours – not including overtime.
- Living wages should be set using “robust data” and consultations with workers’ and employers’ organizations.
- Cost-of-living changes should also be reflected in regular adjustments to living wage levels.

The LW wage concept provides a decent living threshold for workers based on the economic scenario of each country. LW is a fixed, regular payment for workers, typically paid on a daily/weekly/monthly basis. The concern of LW is that the workers and their families should have a decent life without depriving their needs due to poverty, and provide opportunities for 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, and desirable social and cultural life on par with the national standards and current level of the country's socio-economic development. However, an LW must protect workers and their families from poverty and provide them opportunities to empower themselves economically and participate in social and cultural life (Richard Anker and Martha Anker, 2017). The LW enumeration of workers should be earned only from regular working hours and working conditions without working overtime or with extra work tasks.

2.2 How Does a Living Wage Differ from a Minimum Wage?

LW differs from the statutory Minimum Wage (MW); it is calculated according to workers' needs, not the labor market demands. A LW ensures enough earnings for the working population to meet their families' daily expenses and have some discretionary income left over to invest in their own or their children's future (Anker, 2006). LW agreements differ fundamentally from MW.

LW covers only a small subset of workers in a local jurisdiction, whereas MW covers almost all workers. LW is usually linked to the improvement of the socio-economic conditions of the workers' families and the human capital formation of the workers and their children, whereas MW is necessarily not. However, both can hinder firms from being efficient during economic downturns, hurt small businesses, lead to inflation, and encourage young people to enter the workforce at the expense of their education and human capital development.

Generally, the MW wage is fixed by the legal authority of the state or by legal contract. Many developing countries with legal MW do not cover LW requirements. In most cases, the legal MW is always less than the LW. Legal MW arrangements did not sufficiently protect the low-paid workers worldwide. In many countries, MWs often do not contemplate the basic needs of workers and their dependents (Rosenbaum, 1999), and the MW equals the poverty line income of less than 2 US\$ a day (Berenschot, 2012). Hence, MWs failed to support workers with adequate facilities for a decent life. MW is considered to be set at relatively low levels – a basic 'floor' providing a safety net for employees. However, generally (but not always), the LW is expected to be higher, reflecting the higher aspirations of workers associated with their decent lives. It means that LW is associated with workers' concept of dignity, enabling individuals to become more self-sufficient, providing a decent living for their family members, and playing a full part in society (LWF, 2017).

2.3 Global Concern on “Living Wage”

According to the ILO (1944 and 2014), the concept of LW is considered an essential matter for three reasons:

1. It is a vital source of household income
2. It is necessary to ensure adequate consumption levels to develop human capital
3. It is an essential element in securing fairness in working communities and human dignity

Hence, the international community is highly concerned that all workers should be paid a LW, which should be appropriate to the workers with their economic context as a fundamental right. The idea of a living wage is agreed upon worldwide, especially by 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.

3.0 METHODOLOGY OF CALCULATING THE LIVING WAGE

3.1 Concepts and Definition

This study employed the comprehensive methodology developed by Anker and Anker (2017) that builds on their experiences from earlier works on living wages worldwide and published by the ILO. The Anker and Anker Approach to LW estimation methodology is commonly adopted and shared as a standard 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).

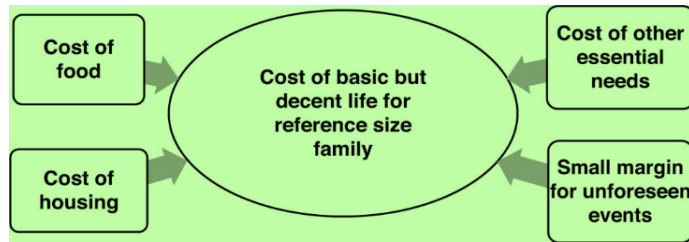
3.2 Framework to Estimate Living Wage

The Anker Methodology is a widely accepted and updated new version to estimate living wages, both internationally comparable and locally specific, and widely used in developing countries to estimate living wages (GLWC, 2013). The living wage experts Richard Anker (formerly ILO) and Martha Anker (formerly WHO) developed this and spent over 15 years testing and perfecting the various aspects of the methodology and publishing it by ILO (Anker, 2006; Anker, 2011). The methodology has catalyzed global action on living wages and has been used to estimate living wages in rural, urban, and peri-urban areas worldwide.

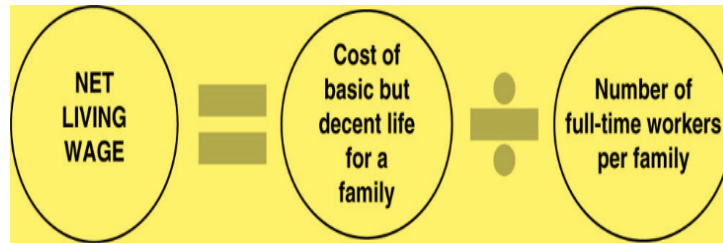
The Global Living Wage Coalition (GLWC) provides globally acceptable LW standards developed based on the Anker (2011) Methodology. Accordingly, expenditures on food, housing, education, health care, clothing, transport, energy and cultural activities, and social events are considered the essential components in estimating the living wage worldwide (Smith, 2009). Past experiences revealed that over 23 industries used the above method and standards to estimate LW by GLWC (Smith, 2009).

Hence, this study chose the formulas and procedures provided by the Anker Methodology to estimate and analyze the living wage for tea estate workers in Sri Lanka. The following four figures of this methodology illustrate how one could adopt the concepts, procedures, and formulas to estimate the LW. The Anker methodology is a common approach used to estimate the LW across the world, especially in developing countries. It basically focuses on the living cost of worker families, considering each expense incurred monthly for their family, including all family members.

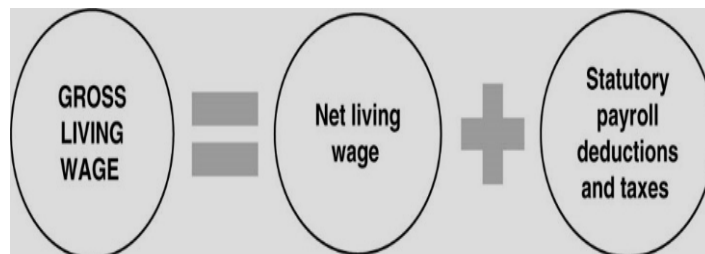
(i) Major cost components considered in LW estimation



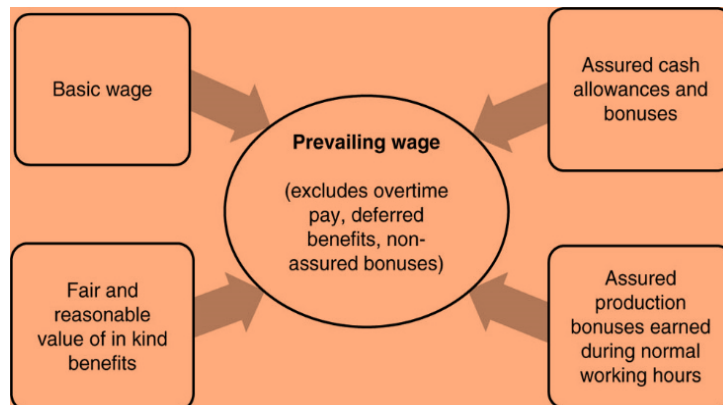
(ii) Calculating a Net Living Wage (NLW)



(iii) Calculating Gross Living Wage (GLW)



(iv) Determining Prevailing Wage (PW)



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

- i. **Cost components:** Costs of Food, Housing, Non-Food and Non-Housing items, and a 5% margin of the total cost is added for costs related to sustainability and unforeseen events. (alcohol and tobacco costs were excluded from the cost of food).
- ii. **Food Cost:** The cost of a low-cost nutritious model diet with local food preferences and local market prices was considered. Food and Agriculture Organization (FAO) and World Health Organization (WHO) nutritional guidelines determine the model diets. A new survey collected food prices at local markets where tea estate workers typically shop.
- iii. **Housing Cost:** Determining housing costs depends on three components, i.e., the cost of constructing a decent house, the utility cost (electricity and water), and the maintenance cost. The cost of constructing a decent house for an estate worker family is estimated considering the cost incurred to contract a separate house for a tea estate worker family under the Government's new estate housing program: Under the utility cost, only the cost incurred monthly to maintain lighting facility and the monthly electricity bill changes are included (maintaining cost and monthly bill changes for water facility is not included because provided by the estate management with the free of charges), and the routine repairs and maintenance cost of the house is 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, household appliances, and communication.
- v. **Post-check adjustment:** Adopted a Post Check Assessment to determine the reliable cost of education, health, and transport and adjusted accordingly. Costs on sustainability and unforeseen events include expenses related to funerals, accidents, and illness.
- vi. **Number of workers per family:** This is determined using the formula given in the Anker methodology and information from the latest reports of HIES - 2019, SLLFS-2021, and DHS, 2016 published by Department of Census and Statistics - (DCS) (2020, 2022, 2017 respectively).
- vii. **Statutory mandatory deductions from pay:** Workers' contributions to EPF, Union Dues, and Kovil (Temple) Fund are used to estimate the statutory deductions per worker per day.
- viii. **Determination of Prevailing Wage:** Current daily wage and its components, Basic Wage (BW), Cost of Living Allowances (COLA), and In-kind Benefits and payments for extra weight of plucked green leaf (Green tea leaf plucked above the norm) were considered. Overtime payments, which are not common to all estate workers, are not considered.

3.4 Data and Sources

This study estimated the LW using primary and secondary data. Primary data were collected by focusing on the locations selected for the previous three studies (in 2018, 2021, and 2022): 1) Talawakelle and Hatton/Dickoya in the Nuwara Eliya district, 2) Passara in the Badulla district, and 3) Pussellawa in the Kandy district. Primary data were collected using a pre-tested questionnaire by conducting a field survey in these

four locations, considering that the estate workers mainly do shopping to purchase groceries and other household items. The prices of the food items purchased by the estate workers were collected from marketing centers (Cargills Food City, Sathosa Retail Super Markets, other Wholesale Shops, and Retail Shops) in the above locations. Information about worker families and their monthly living costs was gathered by interviewing randomly selected estate workers living in the estates surrounded by the nominated locations. Trained enumerators were utilized with the direct supervision of the Chief Researcher to collect necessary data from the marketing centers located in the selected towns where estate workers regularly visit to purchase goods and services. Secondary information was gathered from various Reports, Statistical Abstracts, and Survey Documents published by the Department of Census and Statistics (DCS), the Central Bank of Sri Lanka (CBSL), the Ministry of Plantation Industry (MPI), the World Bank, the World Health Organization, and electronic sources.

3.5 Assumptions Adopted to this Study

- The researchers assumed that workers were offered at least 21 days of work, and they attended fully.
- Workers only engaged in estate work during their regular working hours.
- Working hours are considered 8 hours per day and equivalence to the piece or contractual work.
- A standard family size includes husband, wife, and their children. It is estimated that 4.0 people for an estate family comprised 02 adults and 02 children (based on the information from HIES, 2021).
- The number of workers considered comprises only the immediate family members (parents and their adult children) engaging in income-earning activities, estimated as 1.54 person/family according to the HIES, 2021
- Tea estate workers' families have common food habits and preferences.

3.6 Determination of a Model Diet

The model diet for a person in an estate family and the living cost for an estate family were estimated using the following general principles:

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

4.0 COST FOR THE DECENT LIFE OF A TEA ESTATE WORKER FAMILY

This study attempted to estimate a Gross Living Wage and Net Living Wage for tea estate workers in Sri Lanka using the Anker Methodology. The average family size and average number of working (income receivers) persons in a family in the tea estate sector and the living costs of a tea estate worker family were calculated using primary and secondary data.

4.1 Components of Living Cost

The Anker methodology recommends that an estate worker family's monthly living cost components include the cost of food, housing, non-food and non-housing (NFNH) items, and the cost of emergencies and unexpected events. However, the cost of consuming alcohol and tobacco was excluded from estimating the living wage because they are not vital consumption components for a decent life.

Food cost is estimated based on a sufficient model diet for a day for members of an estate worker family using general principles adopted by the Anker methodology, as described by the WHO, FAO, UNU, and NII. Accordingly, the model diet should consist of sufficient calories, acceptable quantities of proteins, fats, carbohydrates, and vegetables and fruits to ensure that workers and their families receive sufficient quantities of food and necessary nutrients to maintain a healthy life (WHO, 2003; FAO, UNU 2004; and NIN, 2011).

The cost of housing includes the monthly average cost of having a basic, acceptable, decent, and safe house by a worker's family, which accounts for the monthly expenses of having one own house provided by the Government through the New Estate Housing Program, cost of fixing lighting facilities and monthly electricity charges, and routine repairs and maintenance costs. NFNH Costs are considered essential components in living wage estimation because they support a worker's family to maintain their life decently and provide a phase for further improvement in the quality of their family. Hence, the NFNH cost includes all expenditures other than food and housing. This covers clothing and footwear, durable and non-durable household appliances and goods (including furniture), health care, education, transportation, communications, recreation and culture, social events, and eating away from home. Further, repeat-rapid-assessment post-checks were especially conducted for expenditures on education and health to correct and capture real current costs.

The living wage methodology is also applied to unforeseen/emergencies/unexpected costs that can occur quickly to workers who live a basic lifestyle, which could help them avoid falling into poverty and debt issues (Anker and Anker, 2011). In this regard, the Anker Methodology recommended adding a standard of 5% of the total cost to the living cost. This cost item broadly covers unforeseen and unexpected expenditures due to illness, accidents, funerals, unemployment, and other expenses incurred during the working period.

4.2 Estimated Living Cost for a Tea Estate Worker Family

The study initially attempted to estimate the living cost components for one month of a tea estate worker family of 04 members. The estimation proceeded with the context provided for April 2024. Accordingly, the Food cost is LKR 46,332.27, the Housing cost is LKR 10,703.98, the Non-Food and Non-Housing (NFNH) item cost is LKR 28,569.75, and the Emergencies and Unexpected Events' cost is LKR 4291.26 for one month per family. Hence, the Gross Living Cost for an estate worker family is LKR 89,897.71 (US\$ 303.05) * for one month. Table 1 compares the monthly living costs for a tea estate worker's family in August 2018, January 2021, September 2022, and April 2024 (see Table 1 for more details).

Table 1: Monthly Living Cost for a Worker Family in Tea Estates: Context Provide for August 2018, January 2021, September 2022, and April 2024 (in Sri Lankan Rupees)

Expenditure Category	Living Costs/Family/Month (LKR)				Changes between September 2022 - April 2024	Percentage - Out of Total Living Cost		
	August 2018	January 2021	September 2022	April 2024		January 2021	September 2022	April 2024
Food Cost	2,0508.00	22,968.95	42,400.68	46,332.27	4,150.81	45.78	50.88	51.54
Housing Cost	7,178.00	7,651.50	10,107.63	10,703.98	596.35	15.25	12.13	11.91
NFNH Cost	14,896.00	17,130.40	26,978.04	28,569.75	1,591.71	34.16	32.37	31.78
Emergencies Unexpected Events Cost (5% of TLC)	2,129.00	2,410.00	3,845.84	4,291.26	226.90.	4.81	4.62	4.77
Total Living Cost (TLC)	44,711.00	50,160.88	83,332.16	89,897.71	7,000.64	100.00	100.00	100.00

Note: * Exchange Rate: 1 US Dollar = LKR 296.64 as at 30 April, 2024

5.0 LIVING WAGE FOR A TEA ESTATE WORKER FAMILY

5.1 Family Size and Number of Full-Time Workers

The Adjusted Total Fertility Rate (TFR) estimated for an estate worker nuclear family (a nuclear family includes only a husband, wife, and children) is 2.0 children. Hence, the referenced average family size is estimated at 4.0 people (DCS, 2021a)

This study used the information from Sri Lanka Labour Force Survey (DCS, 2011b) to estimate the number of full-time workers in an estate worker family. Accordingly, the participation rate of the adult labor force in the estate sector is 0.571, the unemployment rate is 0.037, and the secondary (part-time) work participation rate is 0.032. Hence, the average number of full-time workers per estate family in Sri Lanka is 1.54.

5.2 Mandatory Deductions

According to the Sri Lanka Wage Board decision, the prevalence daily wage for an estate worker is LKR 1000.00, comprised of a Basic Wage of LKR 900.00 and a COLA of LKR 100.00.

The average mandatory deductions for an estate worker from his/her total monthly earnings include EPF contribution, Union Dues, and Kovil (Temple) Fund. The EPF contribution is 8% of the basic salary, and the average number of work days per worker per month expected to be offered by the estate management is 25 days. However, This was not realized in practice—on average, only 21 days of work per month is offered.

Deduction for a worker's EPF contribution is LKR 1512.00 per month, and the Union subscription is 1/3 of the total daily wage, i.e., LKR 333.00 per month, and the monthly contribution to the Kovil Fund is equal to a day's wage, which is equivalent to LKR 1000.00. Hence, LKR 2845.00 is the total mandatory deductions from the gross monthly earnings of an estate worker (Table 2).

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

Component	Amount Per Month (LKR)
Employment Provident Fund (EPF)	1512.00
Union Dues	333.00
Kovil (Temple) Fund	1000.00
Total	2845.00

5.3 Value of In-kind Benefits

Estate management provides several in-kind benefits to workers and their family members: Free health services, child care facilities, housing, and a tea ration (not all items are provided to all workers with the accepted standards). The information provided by estate workers and estate management was cross-

checked, and vice-versa. Accordingly, the average value estimated for free housing is LKR 1,145.77, health service is LKR 561.75, childcare facilities is LKR 836.67, and the tea ration is LKR 650.00 per worker family per month. Hence, the total value of the in-kind benefits the estate management provided for each tea estate worker family equals LKR 3194.19 per month.

5.4 Gross Living Wage

Gross and Net Living Wages are linked to the take-home income of an estate worker. It is considered that the Gross and Net Living Wages must support fulfilling a tea estate worker family’s basic needs, and provide a basis to ensure a decent life for them. The GLW is estimated considering the required total monthly income that could be earned by a tea estate worker from his/her regular estate works rented to the estate management and the monthly monetary value of in-kind benefits freely provided by the estate management to the estate worker and his/her family members. The GLW is estimated using the following formula.

$$\text{Gross Living Wage (GLW)} = \text{Total Income to be earned /month/workers to Contribute to Monthly Family Budget} + \text{Total Mandatory Deductions}$$

The gross household expenditure for an estate worker family (of an average family size of 4.0 persons) is equal to the family budget of LKR 89,897.71 to fulfill the monthly living expenses of his/her family in April 2024. The average income receivers of an estate worker family equal 1.54 persons; hence, a tea estate worker must earn LKR 58,375.14 monthly to contribute to the monthly family budget of LKR 89,897.71. The total Mandatory deduction from the monthly earnings of a tea estate worker is LKR 2845.00. Hence, a tea estate worker should earn a monthly GLW of LKR 61,220.14 (LKR 58,375.14+ LKR 2,845.00).

5.5 Net Living Wage (NLW)

NLW is concerned about the sufficient take-home pay/disposal monthly income required for estate workers to ensure a decent living for their families. The following formula helped estimate the monthly NLW for a tea estate worker.

$$\text{Net Living Wage (NLW)} = \text{Gross Living Wage} - \text{The Total Value of In-kind Benefits}$$

Typical tea estate worker family enjoys several in-kind benefits that are freely provided by the estate management. The value of in-kind benefits received by a worker's family for a month equals LKR 3,194.19 (see section 5.3 for details). This in-kind benefit value must be deducted from the GLW (LKR 61,220.14 – LKR 3,194.14) to estimate the NLW (the Net Take-Home Income of a tea estate worker). Hence, a tea estate worker should earn a monthly NLW (Take-Home Pay) of LKR 58,026.00 to have an adequate, decent standard of life for their family to cope with the cost of living as of April 2024.

Table 3: Summary of Living Wage Estimates for a Tea Estate Worker Family/Month

No.	Item	Amount per Month	
		(in LKR)	(in US\$)
1	Food Cost	46,332.72	156.19
2	Housing Cost	10,703.98	36.08
3	Non-Food Non-Housing Cost (NFNH)	28,569.75	96.31
4	An additional 5% for Emergencies and Unexpected Events	4,291.26	14.47
5	Total Household Costs for a Reference Family [5=1+2+3+4]	89,897.71	303.05
6	Required Total Monthly Earnings from Regular Estate Works for a Worker (6 = (5) / 1.54 Person)	58,375.14	196.79
7	Monthly Mandatory Deductions from Total Earnings of a Worker	2,845.00	9.59
8	Gross Living Wage (GLW) Required per Month per Worker (8 = 6+7)	61,220.14	206.38
9	Monitory Value of In-kind Benefits Provided per Month for a Worker	3,194.14	10.77
10	Net Living (Cash) Wage Required per Worker per Month (10=8 - 9)	58,026.00	195.61
11	Gross Daily Wage Required/Day/Worker (11=8/21 days of Work), if 21 days of Work Offered per Month for a worker	2915.25	9.83
12	Gross Daily Wage Required/Day/Worker (11=8/25 days of Work), if 25 Days of Work Offered per Month for a Worker	2448.81	8.26
13	Net Daily Wage Required / Worker/Day (13=10/21 days of Work), if 21 Days of Work Offered per Month for a Worker	2763.14	9.31
14	Net Daily Wage Required / Worker/Day (14=10/25 days of Work), if 25 Days of Work Offered per Month for a Worker	2321.04	7.82
15	Adjusted Net Daily Living Wage to the Attendance Bonus (AB) (SLR 2.84/per day) and Over Kilo Payments (OKP) (average SLR 150/per day) (11- AB/day – OKP/day) for 21 days of Work offered (15= 13 -152.84)	2630.31	8.87
16	Adjusted Net Daily Living Wage to the Attendance Bonus (AB) (SLR 2.84/per day) and Over Kilo Payments (OKP) (average SLR 150/per day) (11- AB/day – OKP/day) for 25 days of Work Offered (16 = 14 – 152.84)	2168.21	7.31

Note:

- (1) The Reference Average Estate Worker Family size is 4.0 persons
- (2) Exchange Rate:1 US Dollar = LKR 296.64 as of 30th April 2024

5.6 Daily Living Wage

This study assumed that each estate worker would receive 25 days of work per month according to the Plantation Sector Collective Agreement signed in 2003 between the CEF and PTUs. If this condition is fully satisfied, a tea estate worker needs to pay LKR 2,321.04 (LKR 58,026.00/ 25 days of work) as daily wage for performing eight hours of work or completing a given task to ensure the Take-Home Pay of LKR 58,026.00 (see Table 3). In practice, however, the RPCs offered tea estate workers an average of 21 days of work per month. If this practice is continued in the future, a tea estate worker should receive a daily wage of LKR 2,763.14 to ensure a Take-Home pay of LKR 58,026.00. This wage rate could be applied to rubber estate workers since their wage rate was brought to the same standard during the last wage agreement process.

5.7 Adjusted Daily Living Wage to Bonus and Extra Plucking Payments

The Net Daily Living Wage has to be adjusted to the daily rate of the annual attendance bonus and average extra earnings from the over-plucking of green leaves per day. Hence, the daily rate of the annual attendance bonus is LKR 2.84 with the condition that the workers are offered 25 days of work per month and LKR 150.00 (the average 3 Kg of green leaf/day x average price is LKR 50.00/Kg) is expected to earn per worker per day from over kilo plucking of green leaf. Accordingly, the Net Daily Living Wage rate for tea estate workers should be equal to LKR 2630.31 when they are offered an average of 21 days' work in the estate (see Table 3).

5.8 Prevailing Wage of Tea Estate Workers

Typically, tea estate workers' daily wage rate components are changed every two years, per the revisions made by the wage collective agreement process. The last wage revision was made in 2021 with the interference of the Sri Lankan Government. Since the wage bargaining process between CEF and the PTUs failed without reaching a joint agreement, the Sri Lankan Government intervened in the wage-setting process. Accordingly, LKR 1000.00 was decided as the daily wage rate for a tea estate worker through the decision made by the Minimum Wage Board on 5th March 2021. The price share supplement was removed from daily wage components. Instead, the Cost of Living Allowance (COLA) was introduced, and LKR 100.00/day was incorporated into the daily wage rate of tea estate workers. Totally, a tea estate worker receives LKR 1000.00 per day of work, without gender difference, as prevailing wage from March 2022 to April 2024. It indicates a 28.57% increase in Basic Daily Wage and a 35.71% increase in Total Daily Wage of tea estate workers. Accordingly, if a tea estate worker is offered 21 days of work per month, they earn only LKR 21,000.00. Still, the workers are expected to earn at least LKR 25,000.00 (US\$ 68.99) per month with 25 days of work per month offered by the management. However, the actual prevailing monthly earning is limited to less than LKR 21,000.00 when the worker cannot reach the task of plucking 20 Kg of green leaf for a day to receive full norm due to climatic and poor tea bush conditions.

As shown in Table 4, if the value of the monthly portion of AAB and the value of plucking green leaf over the norm task is added to the Total Daily Cash Wage, the expected daily earning of a worker is LKR 1152.83 (US\$ 3.18). Hence, a tea estate worker should earn a Gross Monthly Cash Wage of LKR 28,820.75 (US\$

79.54) * for 25 days of work per month. In practice, this expectation failed because the average number of days of work per month offered by the estate management is equal to or less than 21 days. Therefore, a tea estate worker could earn LKR 24,209.43 as Gross Monthly Cash Wage for 21 work days.

Table 4: Components of the Prevailing Daily Wage of Tea Estate Workers in Sri Lanka

Daily Wage Components	Daily Wage Rate/Worker (in LKR)	Monthly Earnings of an Estate Worker (in LKR)	
		Expected Earnings from 25 Days of Work/Month	Actual Earnings from 21 Days of Work/Month
(a) Basic Wage (BW)	900.00	22,500.00	18,900.00
(b) Cost Of Living Allowances (COLA)	100.00	2,500.00	2100.00
(c) Total Daily Cash Wage = (a) + (b)	1000.00	25,000.00	21,000.00
(d) Annual Attendance Bonus (AAB) (LKR 850/Year ÷ No. of Days of Work Offered Annually)	2.83	70.75	59.43
(e) Over Kilo Payments (Earned during Normal Working Hours – (3 Kg/day X LKR 50.00/Kg)	150.00	3,750	3150
(f) Gross Daily Cash Wage (excluding overtime and in-kind benefits) =(c)+(d)+(e)	1152.83	28,820.75	24,209.43

The comparison of the estimated Gross Daily Wage of LKR 2915.25 with the Prevailing Gross Daily Cash of LKR SLR 1152.83 reveals that the prevailing Gross Daily Cash Wage falls short by approximately 60.45% of the estimated Gross Daily Wage. Conversely, it is necessary to increase the Prevailing Gross Daily Cash Wage by 152.88% (LKR1,762.42) for a tea estate worker to reach the above-estimated level of Gross Monthly Living Wage.

6.0 COMPARISON OF ESTATE AND NON-ESTATE SECTORS' PREVAILING WAGES

6.1 Prevailing Monthly Cash Wage

Table A-1 in the Annexure presents the trends in the Total Daily Wage of tea estate workers in Sri Lanka and its components. Accordingly, the expected monthly total earnings were LKR 25,000.00 when the workers were offered 25 days of work per month. In practice, however, most plantation managements offered an average of 21 days of work per month in the past, which guaranteed only Rs. 21,000.00 or less for a worker per month.

6.2 Nominal Wage and Real Wage

A comparison of Nominal Wage and Real Wage (2018 = 100) in the informal agricultural private sector (Tea plantations/estates are coming under this category) in Sri Lanka demonstrates that the nominal wage index increased by 11.30% while the real wage decreased by 3.93% between September 2022 and February 2024 due to 8.4% increase in Colombo Consumer Price Index (CCPI) and 9.79% increase in food prices caused by the slowdown of economic activities of the country. As a result, the real wage in all sectors showed a slow upward increase.

In the tea estate sector, the increase in nominal wage did not change between March 2022 and April 2024 since no wage hike took place in the plantation sector after 5th March 2021. The high inflation rate and the increased cost of living caused a continuous decrease in real wages in all sectors, negatively affecting the living standards of all segments of the country's population. This has led tea estate worker families to face a prevalence of high poverty (53.7%) compared to other sectors in the country.

6.3 Comparison of Living Wages

Table 5 compares the estimated LW for tea estate workers with the prevailing wages in comparable sectors such as manual workers in the Sri Lankan Public Sector, Tea Informal Sector, Rubber Informal Sector, Coconut Informal Sector, Paddy Agricultural Sector, and the Construction Sector. The daily wage rate paid for the manual workforce of these sectors is chosen for this comparison, considering only the monetary wages paid to these workers.

In addition, Sri Lankan Living Wage, Sri Lankan Poverty Line Wage, International Poverty Line Wage, and Low Middle-Income Countries' Poverty Line Wage are considered for the comparison. As per Table 5, Sri Lankan tea estate sector workers earn daily wages at a very low level, and their monthly income is also limited to a lower level than manual workers of other comparable sectors. The Updated Daily Living Wage of LKR 2321.04 (US\$ 7.82) for tea estate workers is still lower than the comparable sectors' wages, and the average Poverty Line Living Wage for the estate sector is 2155.69 (US\$ 7.27) per worker per day. Hence, the prevailing wage of LKR 1000.00 (US\$ 3.37) is 56.92% less than the updated living wage as of April 2024.

Table 5: Comparison of Living Wage of Tea Estate Sector Workers with Daily Wages of Comparable Sectors and Poverty Level Living Wages as of April 2024

Type of Wage	LW/Month/ Worker (in LKR)	LW/Day/ Worker (in LKR)	LW/Day/ Worker (1US\$=LKR 296.64)
Prevailing Wage in the Tea Estate Sector (August 2022) for 21 days of Work	21,000.00	1000.00	3.37
Estimated Living Wage for Tea Estate Worker (updated to September 2022)	58,026.00	2321.05	7.82
Sri Lankan Living Wage for Standard Family (Size 4 and Working Population 1.5) - 2019 Figure Updated to February 2024	67,900.00	2057.57	6.94
Sri Lankan Poverty Line-based Wage for an Estate Worker Updated to February 2024	69,714.00	2155.69	7.27
International Poverty Line (based on \$2.15/day) based Wage for an Estate Worker Updated to September 2022	76,533.12	2366.51	7.98
Low Middle-Income Country's Poverty Line (based on \$3.20/Day) Wage for an Estate Worker updated to April 2022	90,513.00	2854.39	9.62
Sri Lankan Tea Estate Workers' Living Wage as of April 2024	48,742.05	2321.04	7.82
Sri Lankan Tea Estate Workers Prevailing Wage as at December 2022	21,000.00	1000.00	3.37
Sri Lankan Public Sector Wage for Unskilled Laborers as of December 2022	42,500.00	2023.81	6.82
Tea Informal Sector Workers' Average Wage as of December 2022	39,711.00	1891.00	6.37
Rubber informal sector Workers' Average Wage as of December 2022	43,008.00	2048.00	6.90
Coconut Informal Sector Workers' Average Wage as of December 2022	51,051.00	2431.00	8.20
Paddy Agriculture Sector Laborers' Average Wage as of December 2022	49,539.00	2359.00	7.95
Construction Sector Unskilled Helpers' Wage as of December 2022	45,696.00	2176.00	7.34

Sources: CBSL (2017, 2021, 2022, 2023) & Authors calculations

Note: The official poverty line at the National level for February 2024 has been increased to 16,975.00/person/month from LKR 13,138.00/person/month in July 2022. The average poverty line income of people living in the plantation-based district is 17,429 in February 2024 (DCS, 2022). The Department noted that the 29.2% increase in the official poverty line is due to the high NCPI value caused by a higher inflation rate during the referenced period.

7.0 ECONOMIC PERFORMANCE AND THE ABILITY TO PAY RPCs

7.1 Managing Agents of Tea Estates

RPCs and SOCs manage 375 estates and 57 estates, respectively. Out of these, 284 Tea estates come under the purview of 20 RPCs and 36 tea estates controlled by the 06 SOAs, i.e., Chilaw Plantations Ltd, Elkaduwa Plantations Ltd, Kurunegala Plantations Ltd, Janatha Estate Development Board (JEDB), Sri Lanka State Plantation Corporation (SLSPC), and Tea Research Institute (TRI). Altogether, 70,891 and 9,164 hectares of tea extent are controlled, employing 149,970 and 11,587 estate workers by RPCs and SOCs, respectively, in 2016 (MPI, 2017).

7.2 Tea Fields and Productivity

The percentage of maturity (bearing) extent under RPCs and SOCs were 96.67% and 84.54%, respectively, in 2018. Of the total matured tea lands belonging to RPCs and SOAs, 45.22% and 52.31% are covered by the old seedling tea bushes, respectively; they have a very low productivity level. Hence, the average tea yield in the RPCs estates was 1120 Kgs/ha and 483 Kg/ha in the SOAs estates in 2018. Out of the total tea production of Sri Lanka, RPCs and SOAs jointly share only 25%, while the tea smallholding sector contributes to the remaining 75%.

7.3 Tea Production and Export Earnings

The estate sector's tea production has declined during the last three decades. The estate tea sector produced (jointly by the RPCs and SOAs) 149.1 million Kg of tea in 2005. This amount reduced to 101.2 million Kg of tea in 2018 and again increased to 299.48 million Kg in 2021. The estate sector's contribution to the total tea production is continuously declining—it shares nearly 25% of the country's total tea production. In contrast the tea smallholding sector contributed to a larger portion. This indicates that the plantation sector is losing its role in Sri Lanka's tea industry. The primary reasons contributing to this scenario are the extent of reduction in cultivation, old-aged tea plants, poor land and bush management practices, absence of required fertilizer application, and shortage of labor force. Therefore, the optimal harvesting cycle of 7 days was extended to 14 days, thus bringing down the leaf standards (First Capital, 2022) in many plantations. Sri Lanka tea earnings posted 263.35 billion in 2021. Export earnings were boosted mainly by the price leap upon the steep depreciation in LKR against the US\$.

7.4 Land Extent

Since the re-privatization of plantation management in 1992, tea crops under cultivation and tea lands bearing tea crops have continuously declined in the RPCs and SOAs estates. The total tea land extent under cultivation in the plantation sector (RPCs and SOAs estates) was 175,013 in 2005, which increased by 3% in 2016, increasing the total extent to 180,291 hectares. However, the bearing lands in the plantations sector declined by nearly 13% between 2005 and 2018 (Ministry of Plantation Industries, 2019).

7.5 Labor Force

The total workforce in the tea estate sector has shown a substantial decline since the re-privatization of plantations. The total labor force in the estate sector was 357,254 workers during the re-privatization of plantations in 1992. However, in 2020, the permanent workforce was reduced to 135,000 in the RPC estates. There is a 62.21% reduction in the permanent workforce in the estate sector (Ministry of Plantation Industries, 2021).

7.6 Average Price of Tea

While sailing through all challenges, tea producers see a beacon of hope in the tea auctions regarding average price levels for all elevations, which are moving above the levels that prevailed in 2021 (See Table A-2 in Annexure). Accordingly, the monthly average price for September 2022 stood at LKR 1,583.78/Kg (or US\$ 4.36) from LKR 634.32 (or US\$ 3.27) during the wage increase made in March 2011. The tea average auction price increased by LKR 1,706.02 in September 2022 (CBSL, 2023).

7.7 Cost of Production

The Cost of Production (COP) of Sri Lankan tea has increased by 30 to 35 percent amid the currency crisis, and plantations are still deprived of fertilizer despite lifting the agrochemical ban. In 2019/2021, the COP of tea was LKR 543.53 /Kg and increased up to LKR 618.49/Kg in 2020/2021.

8.0 THE IMPACT OF ECONOMIC CRISIS ON ESTATE HOUSEHOLDS

In 2023, the Department of Census and Statistics (DCS) conducted a household survey to understand how the economic crisis since March 2022 affects individuals within the country and in different sectors. The recent financial crisis has directly and indirectly affected the country's economy and the daily lives of its citizens, including estate sector households. The survey findings help to understand how the economic crisis brought a downturn in the estate households' conditions and overall living standards and to find the necessary strategies to support estate worker families through better living wages to cope with the country's economic situation.

8.1 Impact of Economic Crisis on Estate Household Income

Table 6 shows that 56.3% of individual income earners in the estate sector reported a decrease in their income, while 40% reported no change since March 2022. However, their cost of living increased drastically. Only a minor 3.9% of income earners stated increases in their income since March 2022.

Table 6: Percentage Changes of Income Status of Income Earners: by Sectors between March 2022 – December 2023

Since March 2022	Decreased (%)	No change (%)	Increased (%)
Sri Lanka	60.5	36.6	3.4
Urban	54.2	42.8	3.1
Rural	62.1	35	3.5
Estate	56.3	40	3.9

Source: Department of Census & Statistics (DCS, 2023)

The economic crisis had diverse effects on estate household incomes. According to the DCS Survey 2023, the household incomes of the estate sector were more affected than the other sector households due to the present economic crises (Table 7). A majority, comprising 62.9% of estate households, have experienced a decrease in their total income, while 27.2% of estate households reported no change in their household income since March 2022. Only a small percentage (3.9%) reported increases in their income. Approximately 90.1% of the estate households suffered due to decreasing in their household income or there is no changes in their income while cost of living is increased since march 2022.

Table 7: Percentage of Household by the Status of Income Change due to the Impact of Economic Crises: by Sectors between March 2022 – December 2023

	Increase (%)	Decrease (%)	Same as before (%)
Sri Lanka	5.6	60.5	33.9
Urban	6.6	56.8	36.6
Rural	5.1	61.2	33.7
Estate	9.9	62.9	27.2

Source: Department of Census & Statistics (DCS, 2023)

8.2 Impact of Economic Crisis on Estate Household Expenditure

Household expenditure also changed due to the impact of the economic crisis. The survey findings offer a detailed overview of how the economic crisis has influenced estate household spending patterns. Table 8 shows the breakdown of household expenditure changes due to the economic crisis. Accordingly, 90.3% of estate households reported an increase in expenditures, and only 2.4% and 7.3% of households reported that the expenditures either remained the same as before or decreased, respectively. Many estate households were affected due to the increased inflation and the cost of living since March 2022, as experienced by other sectors.

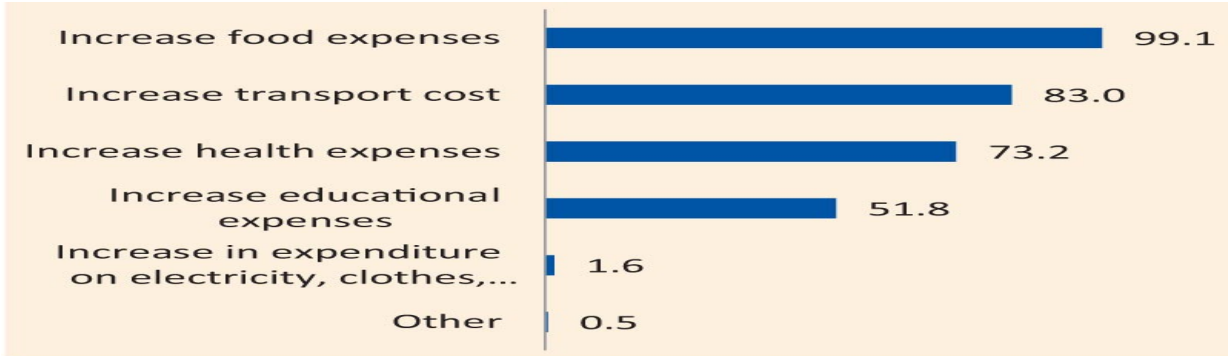
Table 8: Percentage Distribution of Households by the Status of Expenditure Change due to the Impact of Economic Crises: by Sectors between March 2022 - December 2023

	Increase	Decrease	Same as before
National	91.1	3.6	5.3
Urban	94.2	2.4	3.4
Rural	90.4	3.7	5.9
Estate	90.3	7.3	2.4

Source: Department of Census & Statistics (DCS, 2023)

Among households that reported multiple reasons for an increase in their average monthly expenditure, the most commonly reported reasons accounting for 99.1% of responses was the increase in food expenses, 83.0% was the increase in transport cost, 73.2% was the increase in health expenses, and 51.8% increase in educational expenses. This indicates that most of these households experienced a rise in spending, specifically on food items.

Table 9: Percentage Distribution of Reason to Increase the Household Average Monthly Expenditure due to the Impact of Economic Crises: by Sectors between March 2022 – December 2023



Source: Department of Census & Statistics (DCS, 2023)

8.3 Living Wage as a Coping Strategy to Eliminate Estate Poverty

The economic crisis had diverse effects on the estate sector household income and expenditure, with various impacts on living conditions and poverty. The poverty levels are higher in rural and urban areas since March 2022 and highest in estate areas. This situation is caused by the low levels of daily wage, poor levels of household monthly earnings, and the denial of reasonable, just, and fair living wages, which led to an increased poverty level of up to 53.7% in the estate sector in 2022. The poverty headcount ratio is 4.4% in urban areas, 16.6% in rural areas, and 51.3% in estate areas. The poverty intensity is also highest in estate areas (46.1%), compared to rural areas (40.9%) and urban areas (40.6%). The National Multidimensional Poverty Index (MPI) is 0.018 in urban areas, 0.068 in rural areas, and 0.236 in estate areas (DCS, 2023). This highlights estate areas as pockets of poverty that require policy attention to increase their living wage.

The Government’s poverty alleviation rarely reaches the estate household. In rural and urban areas, where poverty rates were much lower, the program covered 21% and 12% of the population, respectively. The World Bank reported that despite high poverty rates, Samurdhi covered only a small percentage of the estate population in 2016. Moreover, the average benefit received was significantly lower in the estate sector than in urban or rural areas. Previous information suggested that the likelihood of enrollment in the Samurdhi program is lower in the estate sector because Samurdhi officers rarely visit the estates and do not give due consideration to the low-income families in the estate sector (World Bank, 2017). This isolation has continued until now. Therefore, estate families highly depend on a reasonable and fair living wage (for their labor to the estate management) to maintain a reasonable life standard and overcome poverty incidents.

9.0 CONCLUSION

The LW study of April 2024 attempted to estimate the LW for tea estate workers in Sri Lanka in the context provided as of April 2024 based on a follow-up approach of the same study conducted in July 2018, February 2021, and September 2022. This study employed the Anker methodology developed by Anker and Anker (2017). It used the information from previous research and the primary data collected from a field survey and secondary sources in April 2024.

As provided by the latest available HIES - 2021, the study took 04 persons as the reference family size and 1.54 persons as the average number of full-time working members in a tea estate worker family. Food costs, Housing costs, Non-Food and Non-Housing (NFNH) costs, and Emergency and Unexpected Event costs were considered the major components of the household living expenditures of a tea estate worker family.

The study estimated that the total household expenditure for a reference tea estate worker family is LKR 86,897.71 (US\$ 303.05) to have a decent life in the context of the cost of living and inflation effect as of September 2022. The total mandatory deductions are LKR 2845.00 (US\$ 9.59)/worker/month, and the total value for the in-kind benefits provided for each tea estate worker family is equal to LKR 3,194.19 (US\$ 10.77) /month. Hence, a tea estate worker must earn a monthly GLW of LKR 61,220.30 (US\$ 206.38) and NLW (Take-Home Pay) of LKR 58,026.00 (US\$195.61)/worker/month to have an adequate, decent standard of life by their families in April 2024. Hence, the daily wage rate estimated for a tea estate worker is equivalent to LKR 2321.04 (US\$ 7.82)/worker/day, considering they get 25 days of work per month. The daily wage rate should be LKR 2763.14 (US\$ 9.31)/worker/day for they get in average of 21 days of work per month,. This estimation could be applied to rubber estate workers since the wage settlement for tea and rubber workers was recently made equal.

Since 1992, the daily wage rate of a tea estate worker is determined by signing a collective agreement between CEF and PTUs once every two years. However, the Wage Board of Sri Lanka made the last wage determination with Government interference. Accordingly, the prevailing daily wage rate for a tea estate worker is LKR 1000.00, which includes a Basic Wage of LKR 900.00 and a Cost of living Allowance equal to LKR 100.00. The Prevailing Gross Cash Wage of tea estate workers equals LKR 28,820.75 (US\$ 97.16) for a month, which is lower than 112.42% compared to the estimated gross living wage. Hence, an increase of the prevailing gross living wage by 152.88% is necessary to reach the estimated monthly LW of LKR 58,026.00 for a tea estate worker in Sri Lanka.

The economic performance of the tea estate sector is an essential element necessary to support an increase in the daily wage rate equal to the estimated Living Wage rate. Hence, tea auction prices and the COP have continuously increased from March 2022 to April 2024. With all the challenges, tea producers are hopeful in the weekly tea auctions regarding the average price levels for all elevations moving above the levels. Tea average auction price increased by 1742.05 between March 2021 and September 2022, while COP increased less than the auction prices. The higher exchange rate for Sri Lankan rupees contributed mainly to the producer's gaining extra profit margin throughout the last three years.

Despite many development efforts in the estate sector during the past decades, the Sri Lankan tea estate workers still live in poor socio-economic and welfare conditions. According to the World Bank report, the estate population was severely affected by the economic crisis in the country, resulting in an elevated poverty level of up to 53.7% of the estate households in 2022. It is vital to address the poverty incidents and improve the living standards of the tea estate workers and their families up to the national level by ensuring a decent living standard, which demands a Daily Living Wage rate of LKR 2321.04 per worker with the guarantee of 25 days of work per month. The plantation trade unions, RPCs management, and the Government should propose favorable action and joint measures to ensure the industry's economic viability and fulfill the socio-economic aspirations of the worker community to achieve this task.

The ability of RPCs to pay depends on their economic performances, determined by the extent of tea land under cultivation, total production, productivity, net sale average of tea price, and cost of production. Sri Lanka's tea export earnings posted 263.35 billion in 2021. The price leap upon the steep depreciation in LKR against the US\$ boosted the export earnings. Total tea lands under cultivation in the plantation sector increased by 3% between 2005 and 2016, reaching 180,291 hectares.

The total workforce in the tea estate sector also shows a substantial decline since the re-privatization of plantations in the RPC estates. There was a 62.21% reduction in the permanent workforce in the estate between 1992 and 2020. The average auction tea prices for all elevations are moving above the levels that prevailed in 2021 and have reached LKR 1,706.02/Kg in 2022. The cost of production (COP) of Sri Lankan tea has increased by 30 to 35 percent due to the currency crisis and increased to LKR 618.49/Kg in 2020/2021.

The recent economic crisis has directly and indirectly affected households in the estate sector. The economic crisis brought a downturn in the estate household conditions and overall living standards. The DCS (2023) study conducted in 2022 evidenced that 56.3% of individual income earners in the estate sector experienced a decrease in their income, 40% reported no changes, and only 3.9% of individuals' income had increased since March 2022. Further, 62.9% of estate households have experienced a decrease in their total income, while 27.2% of estate households reported no change in their household income.

Approximately 90.1% of the estate households suffered due to their household income decreasing or remaining the same as before. The study further revealed that changes in household expenditures had increased due to the economic crisis and the drastically increased inflation rate since 2022. The study indicated that 90.3% of estate household expenditures had increased, while only 7.3% reported decreased household expenditures since March 2022. The most commonly reported reasons for an increase in their average monthly expenditure were the increased food expenses (99.1%), transport costs (83.1%), health expenses (73.2%), and educational expenses (51.8%). The economic crisis has diverse effects on the estate sector household income and expenditure, with multiple impacts on living conditions and poverty. The estate sector's poverty level and poverty headcount index increased by 53.7% and 51.3% in 2022, respectively. Hence, a reasonable, fair, and just LW for tea estate workers is necessary to manage household expenditures and cope with the country's economic situation to overcome the high poverty intensity.

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Annexure

Table A- 1: Daily Wages for Plantation Workers: 2005 -2024

Year	Daily Wage Rates of Tea Estate Workers (in LKR)				
	Basic Daily Wage	Price Share Supplement	Incentives	Cost of Living Allowance	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
2021	900.00	-	-	100.00	1000.00
2022	900.00	-	-	100.00	1000.00
2023	900.00	-	-	100.00	1000.00
2024	900.00	-	-	100.00	1000.00

Source: Ministry of Plantation Industry, 2024

Table A- 2: Monthly Tea Auction Average Price for All Three Elevations in Sri Lanka in Sri Lankan rupees and US Dollar per Kilogram: 2016 – 2022

Months	2016		2017		2018		2019		2020		2021		2022		2023	
	Rs.	US \$	Rs.	US \$	Rs.	US \$	Rs.	US \$	Rs.	US \$	Rs.	US \$	Rs.	US \$	Rs.	US\$
Jan	410.88	2.85	596.9	3.95	637.75	4.16	587.16	3.23	588.85	3.27	645.02	3.39	704.67	3.51	1,466.76	4.05
Feb	403.84	2.83	596.85	3.97	633.73	4.10	581.96	3.27	604.46	3.35	648.34	3.32	725.63	3.61	1,454.84	4.02
Mar	412.03	2.87	638.76	4.01	613.13	3.95	585.92	3.38	595.22	3.08	654.32	3.27	848.08	3.35	1,395.56	4.24
April	429.34	2.99	648.52	4.05	609.00	3.88	578.23	3.34	696.2	3.66	627.87	3.21	1,350.25	4.09	1,367.81	4.26
May	449.15	3.08	628.74	4.02	591.24	3.76	539.55	3.09	697.57	3.76	610.35	3.08	1324.95	3.71	1,283.34	4.14
June	432.12	2.96	606.87	3.95	545.67	3.39	494.48	2.78	612.67	3.3	585.87	2.93	1,254.54	3.51	1,226.08	4.07
July	453.27	3.18	593.09	3.86	536.85	3.41	497.35	2.84	611.25	3.32	591.35	2.99	1,464.85	4.01	1,194.42	3.74
Aug	505.40	3.46	632.00	4.13	534.02	3.34	545.34	3.06	618.32	3.37	591.70	2.99	1,508.21	4.21	1,182.03	3.68
Sep	526.86	3.6	654.41	4.27	537.77	3.25	512.83	2.88	619.33	3.35	591.47	2.98	1583.78	4.36	1,180.52	3.66
Oct	577.08	3.88	647.61	4.19	586.19	3.48	527.34	2.94	643.7	3.51	607.38	3.05	1630.51	4.49	1,256.17	3.87
Nov	599.01	4.01	628.98	4.11	589.35	3.36	569.67	3.19	641.66	3.47	623.18	3.11	1679.23	4.63	1,108.69	3.38
Dec	580.46	3.91	619.11	4.11	572.64	3.18	577.29	3.21	644.07	3.41	638.23	3.19	1729.71	4.77	1,186.41	3.63

Source: Tea Exporters Association (2023); Central Bank of Sri Lanka (CBSL), 202