

Land and Labour Reforms: Efficiency Through Liberalisation

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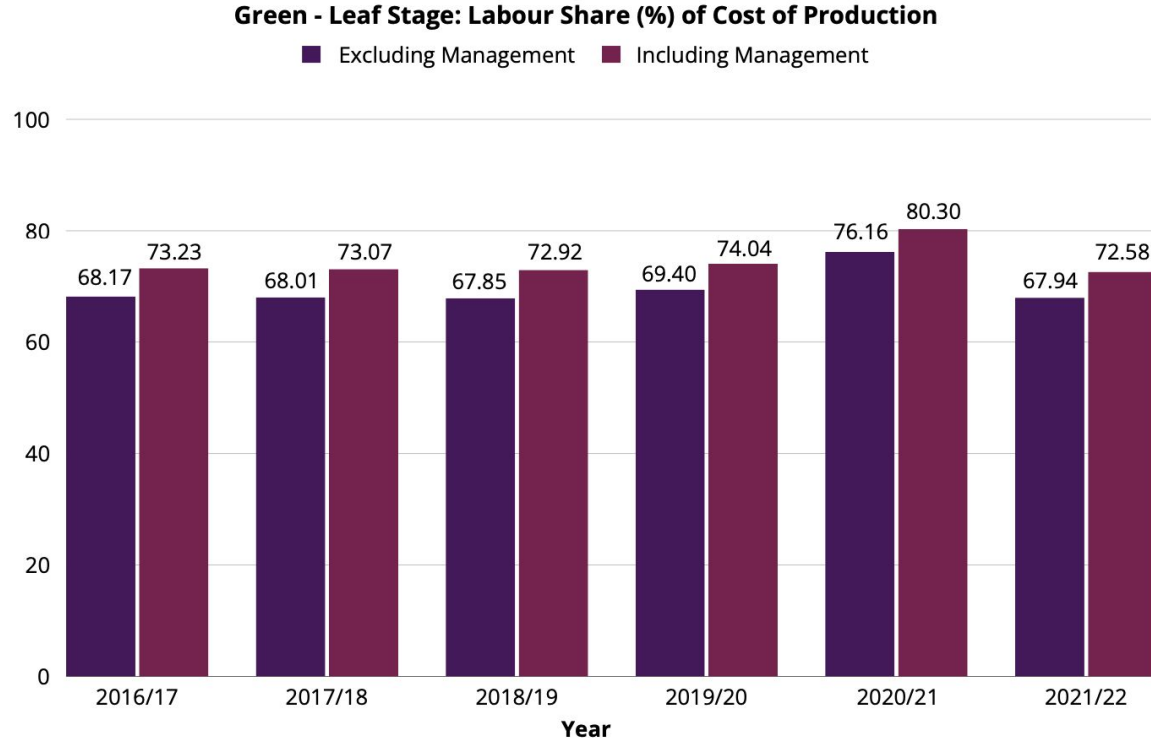


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Labour

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Highest Labour Costs in the World



Source: Department of Census and Statistics

Make-Up of the Labour Costs

Plucking: 50 to 60 percent



Field Work: 20 percent



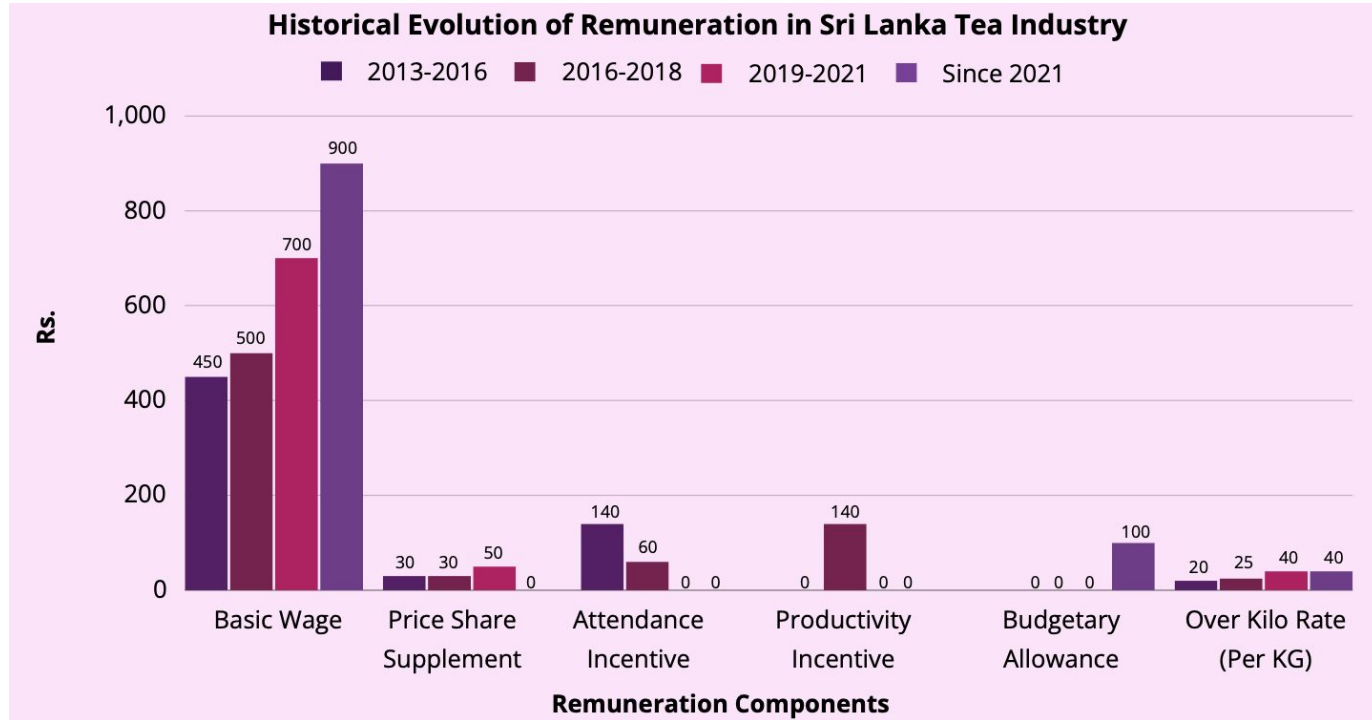
Factory Work: 15 percent



Why Are Labour Costs So High?

Country	Labour rate : Wage per kilogram of tea (As per exchange rate on July 19, 2023)
Sri Lanka	USD 0.17 - (18 kg a day / LKR 1,000 daily wage)
Kenya	USD 0.08151 - (45 kg a day / KSH 516.45 daily wage)
Assam, India	USD 0.07353 - (34 kg a day / INR 204 daily wage)

Attendance-Based Minimum Wage to Blame



Source: Global Living Wage Coalition 2019

Workers Also Receive Other Benefits

Cash benefits:

Bonuses, EPF, Leave

Non-cash benefits:

Housing, Education, Healthcare, Childcare

Total daily cost to the estate is ~ LKR 1,750

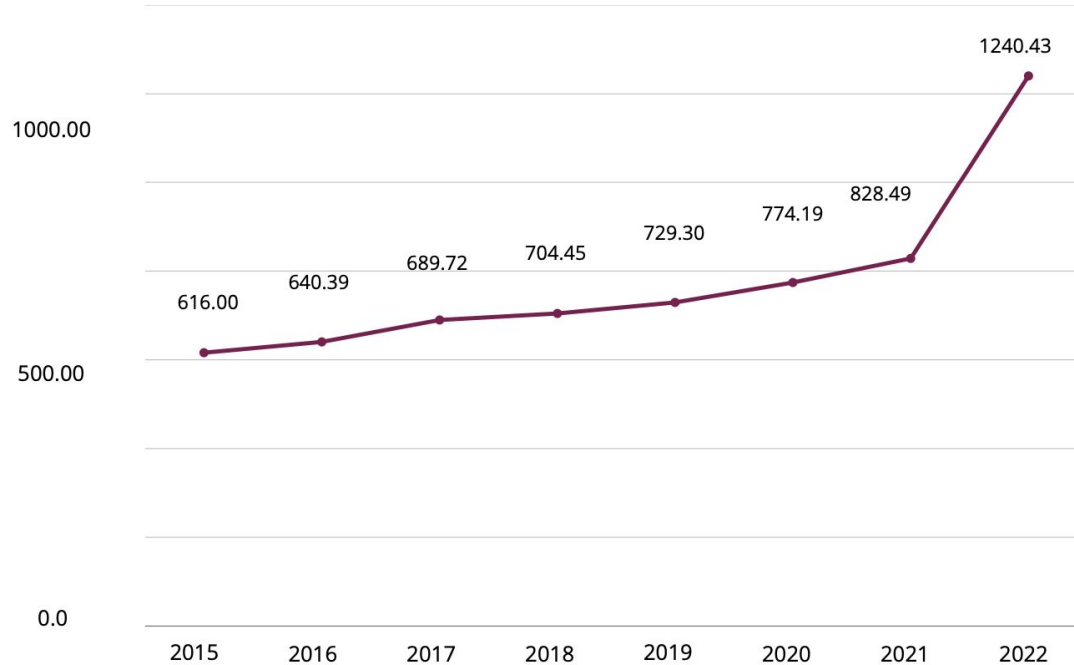
Wage Model Disincentivises Productivity

Country	Daily Plucking Average Per Worker
Kenya	45 - 60 kg
India	Assam :> 34kg, South India : 60kg
Sri Lanka	18kg

Source: KHRC 2008; Kalyanaratne 2014

Why is the Minimum Wage So Popular?

Daily living wage (Inflation Adjusted, in LKR)



Source: Global Living Wage Coalition 2019

“...a good economy,
quality housing,
education and
healthcare facilities to
lead a comfortable
life”

Or Is It Popular?



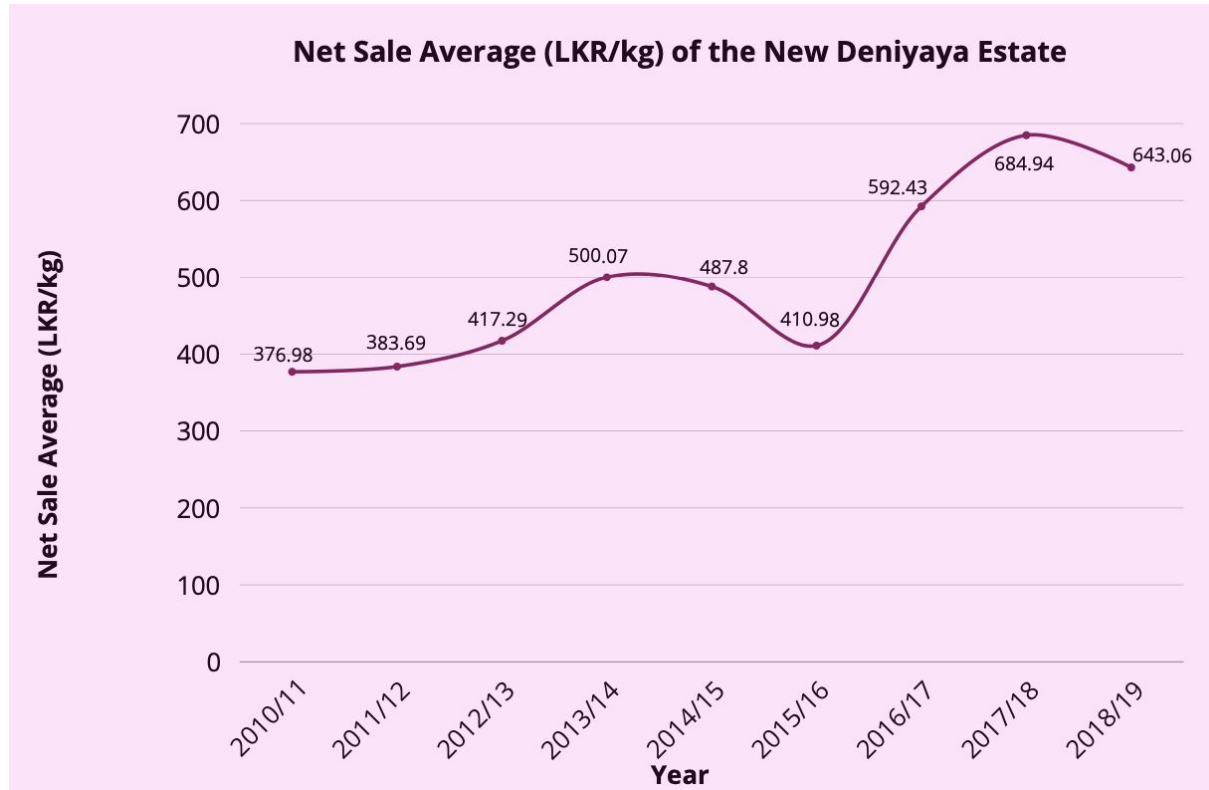
Source: MoPI; DCS

Alternative Wage Models?

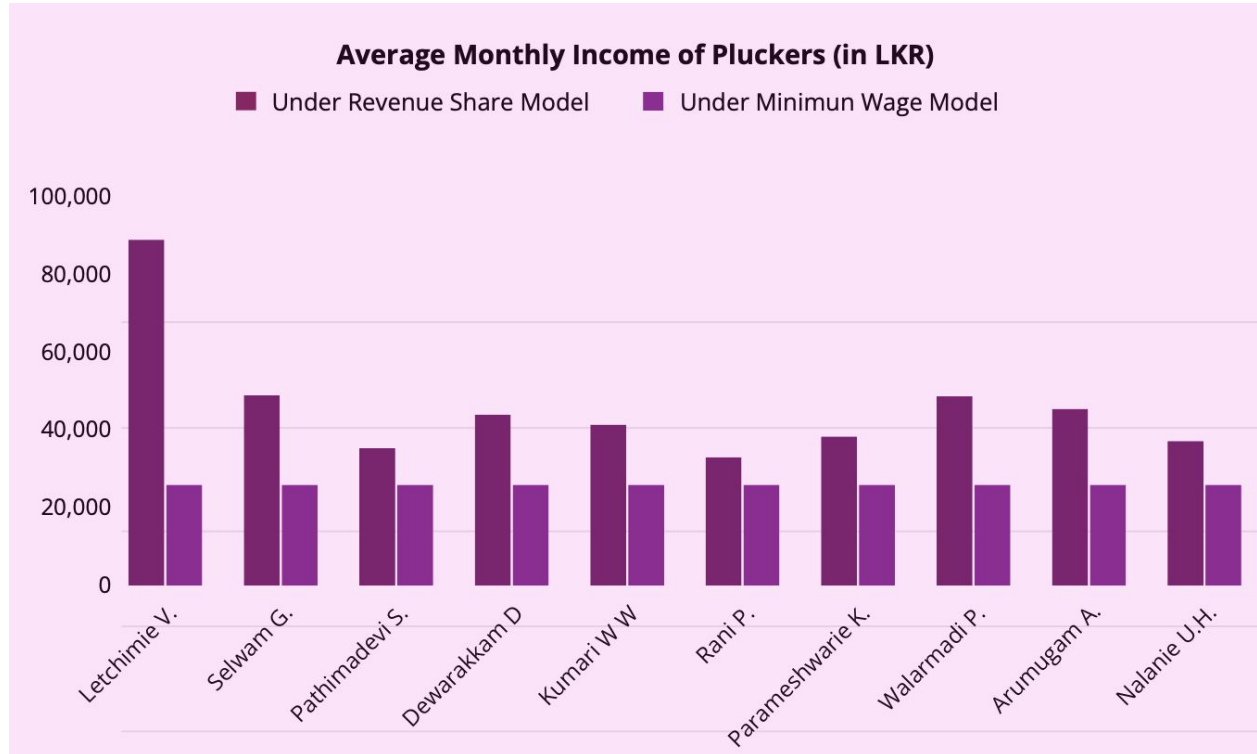
Any wage model that both:

- Increases worker productivity,
- & enhances the earning potential of workers while also gives estate work more dignity?

Revenue Share Model



Revenue Share Model at New Deniyaya Estate



Other Solutions?

Premiumisation (to shift cost burden to the consumer)

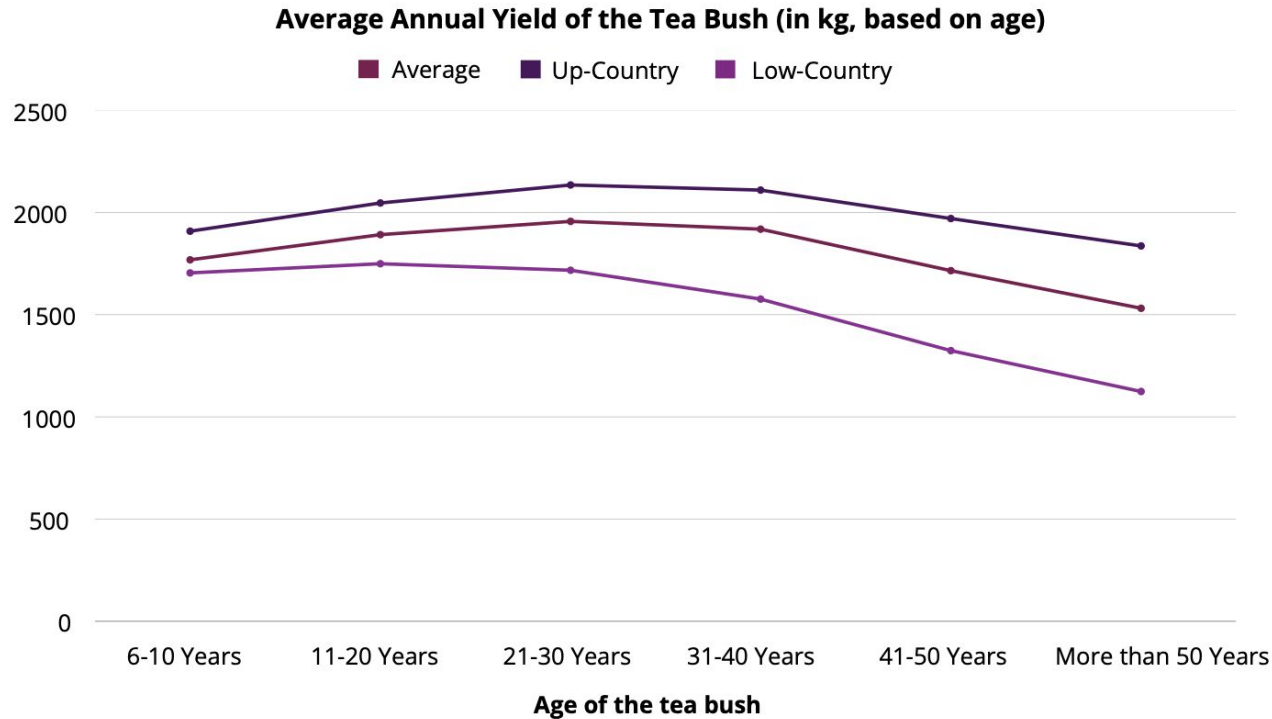
Privatisation of estate housing

Automation?

Land

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The Need to Replant



Source: Samansiri, B.A.D., J.C.K. Rajasinghe, and M.A.H. Nishanthi. "Forecasting Productivity of VP Tea Under Varying Rates of Replanting in the Corporate Sector of Sri Lanka." Sri Lanka Journal of Tea Science, 75(2), 2010.

Recommended Annual Rate of Replanting: 2.5 %

Year	Rate of Replanting (%)
2013	0.86363636
2014	0.6366322
2015	0.60453649
2016	0.52475248
2017	0.4694182
2018	0.641

Source: MoPI 2018

Sri Lanka Has One of the Lowest Yields

Country	Average Yield (Source: International Tea Committee 2022)
China	932
India	2,090
Kenya	1,938
Turkey	3,333
Sri Lanka	1,445

Why?

Low returns (partly based on lack of human capital)

Uncertainties over the appropriability of returns (Lack of property rights)

Government failure

Low savings

Should Replanting Be Subsidised?

Is replanting a **public good**?

Limited state funds are better spent on:

- Promoting the generic Ceylon tea brand
- Strengthening the regulatory framework
- Research and development

Solutions

- Alternative wage models
- Market-based funding mechanisms
- Privatisation of estate ownership (or the extension of leases)
- Better coordination/awareness

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