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SOUTH ASIA REPORT

PLIGHT OF TEA PLANTATION WORKERS AND SMALLHOLDER FARMERS



South Asia Report

Plight of Tea Plantation Workers and Smallholder Farmers



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Regional Report

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FOREWORD

South Asia is a major hub of tea production with India and Sri Lanka leading the production along with a significant contribution from Nepal, followed by Bangladesh. The sales of tea produced in South Asia extend as far as North America, Europe and the Middle East. This report is an attempt to analyse the fairness of tea value chain in four South Asian countries, namely Bangladesh, India, Nepal, and Sri Lanka, which are the major tea producers in the region. This study finds that while sales and exports of these commodities fetch considerably high prices, little is being paid to workers and smallholder farmers, who are the most important contributors to the production process. Even when we compare them to all other sectors in the economy, the wages they receive are inadequate to sustain their basic needs. In addition, the social security benefits are not paid timely, and most labour forces are deprived of these provisions due to the increasing informalisation of labour in the sector. Women share a large proportion of the labour force in the plantation sector in South Asia. While women workers are already burdened with 'double work', there is a prevalence of gendered division of labour in the industry with women being limited to selected jobs in the fields and processing facilities.

This report calls on governments, business enterprises, factories and other stakeholders to ensure fair compensation to workers and smallholder farmers, seemingly stuck at the bottom of the value chain. Conventional business models, that disproportionately profit the stakeholders who contribute little to value chains in the region, need to be eventually replaced with alternative business models, which essentially keep the interests of peasants' and workers' welfare at the forefront. Such changes warrant transparency in the value chain through which workers and peasants get to know where the end products they produce land up, the markup on sales, and the total profit booked from such sales.

We hope that the documentation of maltreatment of workers and peasants in this report would pressurise the private sector in tea-producing states to become more responsible and thus, ensure fair compensation and provide better working condition and social protection to workers and smallholder farmers, with particular consideration for women and indigenous communities. Furthermore, we expect that the governments of respective countries take strong steps to bring into effect the worker-friendly legislations on minimum wage, minimum support pricing, and social security provisions to ensure the welfare of small-scale producers and workers.

Netra Prasad Timsina,
Regional Coordinator, SAAPE Secretariat
September 2022

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This regional study on the plight of plantation workers and smallholder farmers in tea sector in South Asia is a collective effort of various individuals and organisations in the region. The study report is a part of the “Fair for All – South Asia” campaign. The “Fair for All – South Asia” campaign consolidates into the global “Power of Voices Partnership (PVP) – Fair for All Programme” campaign, which advocates for a just world without poverty and socio-economic inequality. We appreciate Sudhir Shrestha, who is also the country author for Nepal, for writing this regional report consolidating the findings obtained from the primary and secondary research conducted at country level. We would like to express our special gratitude to Oxfam Regional Platform Asia for supporting the study and the campaign. We would like to thank Mustafa Talpur, Amna Khan and Rapatsa Trirath from Oxfam Regional Platform Asia for their generous support. The country authors – Sushovan Dhar (India) and Sivagnanam Prabakaran (Sri Lanka) – deserve special mention for writing the country reports, from which the findings on tea sector in India and Sri Lanka have been taken for use in this report. We thank Jacques-Chai Chomthongdi for reviewing and commenting on the draft report. We are grateful to the interviewees from national tea boards, trade unions, farmers’ cooperatives, private sector, academic institutions and civil society organisations for agreeing to participate in this study. The information and own experiences shared by them have provided much insight into the issues of tea plantation workers and smallholder farmers. We thank Praman Adhikari, Reshma Shakya, Anup Chaudhary and Sugat Bhattarai at SAAPE Secretariat in Kathmandu, Nepal for the research, management and administrative support while conducting the study.

SAAPE Secretariat

September 2022

ABBREVIATION

BDT	Bangladeshi Taka
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CSO	Civil Society Organisation
CSV	Creating Shared Value
CTC	Crush, Tear, Curl
CTCF	Central Tea Cooperative Federation
EPF	Employees' Provident Fund
ETF	Employees' Trust Fund
FAO	Food and Agricultural Organisation
FGD	Focus Group Discussion
FOB	Free on Board
ILO	International Labour Organisation
INR	Indian Rupee
ITC	International Trade Centre
KII	Key Informant Interview
LKR	Sri Lankan Rupee

MNC	Multinational Corporation
MNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
NA	Not Available
NPR	Nepali Rupee
NTCDB	National Tea and Coffee Development Board
OEC	Observatory of Economic Complexity
PVP	Power of Voices – Partnership
RPC	Regional Plantation Company
SAAPE	South Asia Alliance for Poverty Eradication
SDG	Sustainable Development Goal
SME	Small and Medium Enterprises
USD	US Dollar
WEP	Women’s Empowerment Principles

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EXECUTIVE SUMMARY

Four countries in South Asia – India, Sri Lanka, Nepal, and Bangladesh – are among the top tea producers in the world and have strong growth prospects. The tea sector has provided direct and indirect employment to millions of workers and farmers in the South Asian region. Demand for made tea has also been increasing with the annual increase in consumption by 2.5% over the last decade, with the increment mainly observed in the producing countries. Tea from South Asia is being sold to domestic consumers and exported to as far as North America, Europe and the Middle East. With branding and marketing, the value of the end product, especially in the foreign market, is high and has been rising – for instance, Dilmah, a local value-added brand in Sri Lanka, sells in the United States at USD 13.63 per 200 gram (equivalently, USD 68.15 a kilogram). However, compensation to workers and farmers, who lie at the bottom of the value chain, has been meagre. The minimum daily wage of tea plantation workers is as low as USD 1.77 (in Tripura State) in India, USD 1.87 in Bangladesh, USD 2.78 in Sri Lanka, and USD 3.5 in Nepal, and the increment, which often takes place biannually, is too minimal to compensate for even the inflation in the economy. The minimum wages in the tea

sector are lower than the minimum wages declared by the governments in other sectors in India, Nepal and Bangladesh – the minimum wage for other sectors is USD 4.67 in Nepal, USD 7.11 in Bangladesh, USD 3.88 in Assam, USD 4.45 in West Bengal, and USD 4.46 in Tripura. Such meagre minimum wage in the tea sector is inadequate to provide for a decent living in terms of nutrition, clothing, health, and education.

The social security provisions of provident fund and gratuity cover only the permanent workers; however, permanent workers occupy limited share of the workforce with the increasing informalisation of work in the sector. For instance, it is estimated that only 30% of the tea plantation workers in Nepal are regular workers. Likewise, the regular workforce employed in tea sector in Sri Lanka declined by around 72% between 1981 and 2018. In this way, tea estates are avoiding their responsibilities of providing social security to their workers by hiring seasonal or irregular workers, thus, replacing the permanent workers and changing their terms of employment. Meanwhile, both the temporary and the permanent workers are not provided with any medical and accidental insurance. Moreover, the accommodation

facilities (linen rooms) provided to workers are dilapidated and have to be maintained by the workers themselves at their own expense.

Women workers occupy at least half of the tea plantation workforce in South Asia but the plantation fields, where most women work, are not women-friendly. Female workers struggle with hygiene-related issues during menstruation, maternity and child care. Nutrition during pregnancy and post-maternity is inadequate due to which the children borne suffer from malnutrition and stunting. Women are bound to carry heavy loads of tea leaves even during the periods of pregnancy and post-maternity. There are no provisions of proper toilets and washrooms in the plantation fields due to which many women workers have to take days off from work during menstruation, causing income loss. There is also an issue of the gendered division of labour with women restricted to plantation fields with little possibility of advancement towards the managerial level.

Likewise, smallholder tea farmers are not paid a fair price for green leaves. One of the local governments in Nepal has attempted to set the minimum support price for green leaves, but its implementation is challenging as farmers complain that they did not get the fixed minimum price from buyers. In order to fight unjust practice, many farmers in Nepal have formed cooperatives to bargain for a better price and a few have even established factories that process green leaves and produce 'made tea'. However, they are legally restricted by the state from branding their products and obtaining quality certification,

preventing them from competing with the private sector.

In this way, the conventional business model has failed to fairly distribute the returns received from the sale of end products among workers and farmers. For instance, a kilogram of Dilmah sells for USD 65 in the US while workers in Sri Lanka get the wage of USD 2.67 a day. While the increase in valuation of the product by the consumer is undoubtedly good news for the industry, it is to be ensured that such returns are fairly shared with workers and peasants. Smallholder farmers and plantation labourers perform a significant function in the tea value chain by growing green leaves and processing them while traders, exporters, packagers and wholesalers disproportionately get the most out of the end consumer price in the name of branding, marketing and distribution, although these functions are equally crucial in landing the products to the end consumers. Thus, the tea industry in South Asia has high sales with good prospects, as observed in terms of the rising demand for tea. Yet, the tea estates, manufacturing and packaging companies, traders and exporters in the region tend to make extra profit by pressing on the wages of workers and on the price of green leaves deserved by peasants. This calls for alternative business models which fairly compensate workers and peasants in the value chain.

Taking note that plantation labourers and small-scale tea growers are at the bottom of the receiving end of the tea value chain and are most discriminated against and marginalised, this research report, based on

its findings, recommends the governments of tea – growing countries, private and state-owned tea estates, and tea trading companies in South Asia to implement the following courses of action for ensuring fairness in the tea value chain in the region:

Recommendations for the governments of tea-growing countries in South Asia

1. The governments should ensure the implementation of the declared national minimum wage for all workers, of both formal and informal nature, in all tea gardens, be it large tea estates or small tea gardens, of South Asian countries and efforts should be made towards ensuring a living wage for workers.
2. Wages are to be determined and reviewed periodically based on scientific evidence (such as the inflation rate in the economy and the increase in the price of the end product) through the process of collective bargaining, which refers to the process of negotiating terms of employment, including wages, social security and working condition, between the employers and the labourers with facilitation from the government authority such as national or state tea board.
3. The tea boards and labour-related authorities in respective countries must monitor the effective implementation of social protection measures, such as provident funds and gratuity, which are to be deposited in the workers' bank account or paid in cash with payments made on time.
4. The provisions that discriminate against women and men must be ended by ensuring that laws designed to protect women workers, such as the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Acts, are implemented. The specific health needs of women during menstruation, pregnancy, and maternity must be met indiscriminately. The governments should develop a mechanism to ensure the implementation of gender-friendly policies in tea estates. All nation-states should sign up for the United Nations Women's Empowerment Principles (WEP). As parties to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the South Asian governments should end the gendered division of labour and ensure the implementation of women's right to equal work and equal pay.
5. The governments of tea-producing countries should pressurise tea estates and tea manufacturers to ensure a transparent value chain, mainly in terms of timely release of information on the level of production of tea leaves/made tea and share of the distribution of returns obtained from sales to workers (in the form of wages and bonus from profit) and smallholder farmers (in the form of the price paid for green tea leaves).
6. The government should strictly enforce the implementation of the provisions contained in national labour laws and tea plantation-related laws, especially related to minimum wage, social protection

and working condition, which have been brought into effect through hard-fought workers' struggle. Appropriate standards and monitoring mechanisms are to be strengthened so as to ensure that labourers can report any labour rights violations regularly without fear. Such legal provisions, as mentioned in labour laws and tea plantation-related laws, should also be extended and implemented in the case of casual labourers, including those hired by smallholder farmers in small tea gardens. Also, there should be no discrepancy between the national labour and tea-plantation laws. The tea plantation workers are to be equally treated as the workers in other sectors, mainly in terms of wage and social protection. Producers are to be incentivised to abide by worker-friendly legal provisions and guarantee the best practices of providing a fair living wage, social security and decent working condition to workers.

7. Provisions of adequate maternity leaves, low work burden during the post-maternity period and the menstruation cycle, clean toilets in the fields, crèche facility or child care centre, and nutritious food for mother and children must be arranged for, first, through the drafting of women-friendly legislations and second, through proper implementation of the existing labour legislation by private and state-owned tea estates as well as smallholder plantations and cooperative-run tea gardens and factories. While many progressive women-friendly

legislations have been in existence which were passed in response to workers' struggles, their implementation is lacking and the states must ensure that they are implemented effectively.

8. Rather than being heavily skewed towards prominent industrialists, investment and incentive mechanisms (such as subsidies in loans and chemical fertilisers) should be directed towards smallholder farmers to make tea farming sustainable and help them upgrade it towards an organic model and, at the same time, cope with the problems of declining productivity. Likewise, the state should declare appropriate minimum support pricing for green leaves to stop the exploitation of smallholder farmers by tea processing factories. The state should initiate a procurement system so that farmers are provided with a minimum support price. In addition, a crop insurance system is to be introduced in tea farming to prevent farmers from climate-related and other shocks.
9. There are many instances of plantation workers working in the same tea field for decades with even their sons/daughters working as replacements when their parents retire. However, even after working for generations in the same tea plantation field, they are not provided with any ownership over the land they have cultivated for a long time. At the same time, state plantation areas in South Asia are increasingly being privatised and sold to the private sector and Multinational Corporations (MNCs)

and even being used to establish hotels in the name of tea tourism while workers are deprived of land rights. Amidst this harsh reality, the government should ensure that land right is guaranteed to workers under certain provisions, which is a crucial step to uplift the workers from the ongoing exploitation. Furthermore, allotting public tea estate land to the private sector and MNCs for a purpose other than tea plantation must be stopped as it threatens the livelihood of millions of workers who depend on tea plantations.

Recommendations for the private actors in the tea sector in South Asia

1. Tea estates must provide a basic social protection scheme in addition to the minimum living wage determined as per the country's situation. Tea producers, including tea estates, manufacturers, and packagers, must attend the collective bargaining process (among the workers' union, producers' association and government) and abide by the decisions made in such tripartite negotiations. It is to be ensured that workers' needs for a living wage and social security are genuinely represented and addressed in such tripartite negotiations. Further, urgent efforts are to be directed towards promoting transparency in the tea value chain so that workers understand the contribution of their labour hours in producing end products and how such contribution is valued.
2. Tea estates and manufacturers are to arrange for a decent working environment in tea gardens, including shelter, health, hygiene and education facilities to the level of the governments' standard.
3. The health and hygiene needs of women, especially those related to the reproductive health of women workers, are to be compulsorily addressed in the workplace. Tea estates must arrange provisions of adequate maternity leaves, low work burden post-maternity and during the menstruation cycle, clean toilets in the fields, crèche facility or child care centre, and nutritious food for mother and children. At the same time, tea estates, both private and State-owned, must adhere to women's rights to equal work and equal pay, and ensure their career path towards supervisory roles in the tea estates. A proper grievance-handling mechanism for addressing the possible cases of sexual harassment in the workplace must be arranged.
4. Tea estates and manufacturers must provide fair prices to smallholder farmers for green tea leaves so that tea farming is commercially viable. There can be partnerships with farmers to maintain quality, especially concerning organic production and plucking of quality leaves, so that overall value creation can be increased.

Recommendations for tea buyers and consumers in South Asia and beyond

1. Tea trading companies and buyers must ensure that the workers in tea estates and processing factories, from where the traders and the buyers purchase tea, are fairly compensated with living wage and are provided with proper social protection and decent working condition for men and women workers.

Therefore, pressure from tea trading companies and buyers to the extent that they would refrain from buying the products tainted with human rights violations would, at least, make the producers abide by the provisions of legal minimum wage, timely payment of provident fund and gratuity to workers, and gender-friendly working condition.

Recommendations for the workers' and peasants' union in the tea sector in South Asia

1. With the increasing informalisation of work in the plantation sector, it is vital for workers' unions to prepare strategies to expand their membership to irregular and seasonal workers in the industry. It is also equally beneficial for smallholder farmers to join plantation unions to have a collective voice in pricing green leaves and plantation unions are to take the lead in organising them. The plantation and workers' unions should also capacitate themselves on the knowledge of the distribution of values across the value chain so that they can effectively participate in the collective bargaining process. Meanwhile, an ideal condition would be for workers' unions and plantation unions to identify commonalities in their struggle and launch mobilisation campaigns demanding fair compensation, decent working condition, social security, and dignified life.

BACKGROUND

Tea as a beverage obtains the second position in the list of most widely consumed and popular beverages worldwide after water. The tea plant originated in Yunnan Province in South China. It can be categorised into two varieties: *camellia sinensis* var. *sinensis* with a mild and mellow flavour and *camellia sinensis* var. *assamica* enriched with stiff and robust character. The former generally grows in China and Eastern Asian regions, whereas the latter grows mainly in the Indian subcontinent. Depending on fermentation, tea can be categorised into three types: green tea, which is raw or non-fermented, semi-fermented oolong tea, and fully fermented black tea.¹ Non-fermented teas generally retain their original flavour as they undergo a very light fermentation process during withering.² Semi-fermented tea undergoes a fermentation of 10% to 80%, which gives them a yellowish tint and different aroma. Finally, the fully fermented tea is the strongest, with a dark red hue.³

More than 35 countries in the world are recognised as top tea producers, and four countries from South Asia, namely India, Sri Lanka, Bangladesh, and Nepal, are among the top 20 countries.⁴ This indicates the great potential of South Asia as a key player in the international tea industry.⁵ The tea industry has provided employment directly and indirectly to millions of people, supporting the livelihoods of poor communities in tea estates and remote rural areas of the country. At the farm level, tea is a cash crop that

generates income for both the farmers and the workers, paying for food, schooling, and health care.

More than 35 countries in the world are recognised as top tea producers, and four countries from South Asia, namely India, Sri Lanka, Bangladesh, and Nepal, are among the top 20 countries.

As of 2019, India was the second largest tea producer in the world, with a production of 1,340 million kilograms. Around 80% of the total tea produced in India is consumed domestically.⁶ Meanwhile, Sri Lanka is the fourth largest tea producer in the world and contributes 6.5% of global production, after the People's Republic of China (40.5%), India (23.3%), and Kenya (8.6%).⁷ India stands fourth in tea export after Kenya (including neighbouring African countries), China and Sri Lanka. Thus, the tea industry generates a significant amount of valuable foreign exchange for countries in South Asia. For example, in Sri Lanka, tea was the highest foreign exchange earner until about the 1980s, when it was later overtaken by foreign employment, garments, and tourism.⁸ Currently, Sri Lanka's annual export earnings through tea are over one billion US dollars (see Tables 1 and 2 for the detailed export trend and destination countries of the tea exported from Sri Lanka, India, Nepal and Bangladesh).⁹

Likewise, tea consumption is also increasing, indicating a good prospect for product

demand in the coming years. According to Food and Agriculture Organisation (FAO), tea consumption increased to 5.5 million tonnes with an increase in the annual growth rate from 4.5% to 5.5%.¹⁰ The tea consumption trend is led by India, followed by China, England and Japan. In terms of per capita tea consumption, England stands first followed by Morocco, Turkey, and Qatar.¹¹

Table 1 Export of tea from four countries in South Asia

Country	Total export in each year (amount in USD million) (The figures in parentheses represent the export of the product as a percentage of total export)					Rank among exported products in 2020
	2016	2017	2018	2019	2020	
India	661.64 (0.25)	768.41 (0.26)	767.71 (0.24)	813.75 (0.25)	692.07 (0.25)	51
Nepal	25.91 (3.56)	27.59 (3.74)	31.43 (4.02)	23.63 (2.46)	33.35 (3.76)	7
Sri Lanka	1251.73 (11.87)	1513.21 (12.89)	NA	1322.58 (11.05)	1329.51 (12.42)	3
Bangladesh	1.79 (0.01)	4.64 (0.01)	2.43 (0.01)	2.29 (0.01)	4.33 (0.01)	133

Source: Export data and export ratios for India, Nepal and Sri Lanka are extracted using the Trade Map of the International Trade Centre (ITC); Export data for Bangladesh is sourced from The Business Standard and the Observatory of Economic Complexity (OEC) website.¹² The export ratio for Bangladesh is calculated using the export data obtained from the Export Promotion Bureau of Bangladesh as the base.

Table 2 Top five export destinations of tea from countries in South Asia

India	Nepal	Sri Lanka	Bangladesh
Iran	India	Turkey	Pakistan
Russia	Russia	Russia	United Arab Emirates
United States	Germany	Iraq	United States
United Kingdom	Czech Republic	Iran	Kuwait
United Arab Emirates	United States	China	Canada

Source for India, Nepal and Sri Lanka: International Trade Centre (ITC); Source for Bangladesh: The Observatory of Economic Complexity (OEC) Website¹³

METHODOLOGY

This regional report is an amalgamation of the findings from the country-level research studies conducted on the condition of tea plantation workers and smallholder farmers in Nepal, India, Sri Lanka, and Bangladesh. The country-level studies were conducted between February 2022 and May 2022. The methodology employed differs according to the country and mainly consists of primary data collection in the form of In-Depth Interviews (IDIs), Key Informant Interviews (KIIs), Focus Group Discussions (FGDs), and a review of existing publications on the value chain, including academic journals, reports published by the government and non-governmental organisations, and legal and policy documents. For example, in Nepal and Sri Lanka, primary data collection is the major source of information, while the secondary literature review was used to triangulate the findings obtained from the primary data. On the other hand, in India and Bangladesh, a review of publications is the dominant source of information, while multi-stakeholder dialogue and KIIs were conducted to corroborate the findings obtained from the review.

In Nepal, field visits were conducted in eastern Nepal – Jhapa and Ilam districts – for primary data collection. The two districts were chosen since 99.33% of tea production in Nepal takes place in these two districts.¹⁴ Several approaches were used for data collection that included separate FGDs with smallholder tea farmers and workers; a multistakeholder dialogue with tea plantation workers,

smallholder tea farmers, and representatives from government, workers' unions and Civil Society Organisations (CSOs); and KIIs with industry expert and representatives from National Tea and Coffee Development Board (NTCDB), General Federation of Nepalese Trade Union (GEFONT), Central Tea Cooperative Federation (CTCF), International Trade Centre (ITC), and academic institutions.

Specifically, an FGD in Nepal was held with farmers in Aarubote village in Fikkal (Ilam district), which 11 farmers, including five women, attended. Three more FGDs were conducted with workers from Barne Tea Garden in Budhabare (Jhapa district), Giribandhu Tea Garden in Birtamod (Jhapa district) and Kanyam Tea Producer Cooperative Society Limited in Kanyam (Ilam district). The three FGDs had participation from 26 workers (14 male and 12 female) workers. In addition, a tea industrialist, a tea estate manager, a small-medium enterprise (SME) owner, a shareholder from a tea cooperative, and representatives from the management team of two tea cooperatives (one each located in Jhapa and Ilam collecting and processing CTC tea leaves and orthodox tea leaves respectively) were interviewed for the purpose. In addition, related secondary literature was referred to support the findings obtained through the analysis of primary data obtained from the field visits in eastern Nepal.

The study on India is mainly based on secondary literature consisting of a review of existing publications on the tea value chain and legal and policy documents, the findings from which are corroborated and

further supported by the discussion held during a multistakeholder dialogue held in Siliguri (West Bengal) in April 2022. The multi-stakeholder dialogue was attended by 25 participants – 18 workers from various tea estates and seven from different workers' union organisations in West Bengal and Assam. Likewise, the findings presented in Bangladesh are also based on the secondary literature review, which has been further validated through personal communication with the leader of a plantation workers' union organisation.

Lastly, IDIs were conducted with four tea plantation workers in Sri Lanka, followed by KIs with three industry experts and two representatives from grassroots organisations, including trade union leaders. Further, two FGDs were held with tea plantation workers, one in a company-managed estate in the hill country and another in a tea smallholding in the Southern Matara district, to understand the value chain of tea and identify the points of abuse of labour rights, gender discrimination and unfair distribution of return. Twenty-four workers participated in the two FGDs, of which 18 were women.

TEA VALUE CHAIN: FROM TEA GARDENS TO TEA CUPS

Tea estates, smallholder farmers, brokers, bidders, blenders, wholesalers, and retailers are the major participants in the tea production process (see Figure 1). Tea production by

tea estates is generally a large commercial operation. Tea leaves grown in tea estates or smallholdings are generally handpicked. The plucking process in a season gets completed in different rounds, each round taking place in around seven days. Also, the quality and tenderness of the leaves depend on the harvesting season, commonly referred to as first flush, second flush, monsoon flush and autumn flush. Since plucking is mostly done manually, a large amount of labour force is required in the field.

The tea leaves produced by smallholder farmers reach processing factories either directly or through collector or cooperative groups. In general, for one kilogram of made tea, four kilograms of green leaf are used. The made tea produced by the factories is then sent to the auction market, where the exporters and intermediary companies bid and buy the tea in bulk. Alternatively, they are directly sent to the intermediary companies that do blending and sales by themselves. An auction market is present in India, Sri Lanka and Bangladesh but absent in Nepal. The next process involved is the export process, in which blending, flavouring and tea packaging activities are done to add value to tea. Finally, branding is vital for the exporter to succeed in the international market and gain a competitive edge. The price of the end product increases by multiple folds with branding. Some of the major brands (both domestic and international) in the tea sector in South Asian countries are provided in Table 3.

Table 3 Top tea brands in South Asia

India	Sri Lanka	Nepal	Bangladesh
Tata Tea	Twinings	Tokla	Twinings
Tetley	Tazo	Rakura	The Republic of Tea
Goodricke Chai	The Republic of Tea	Shoktim	Lipton
Premium Darjeeling	Lipton	Muna	Yorkshire
Castleton Premium	Yorkshire Tea	Century	Kazi & Kazi
Good Earth Tea	Celestial Seasoning	Sai Kripa	Ispahani Mirzapore
Assam 1860	Harney & Sons		National Tea
Taazagi	Dilmah		
	Bigelow and Tetley		

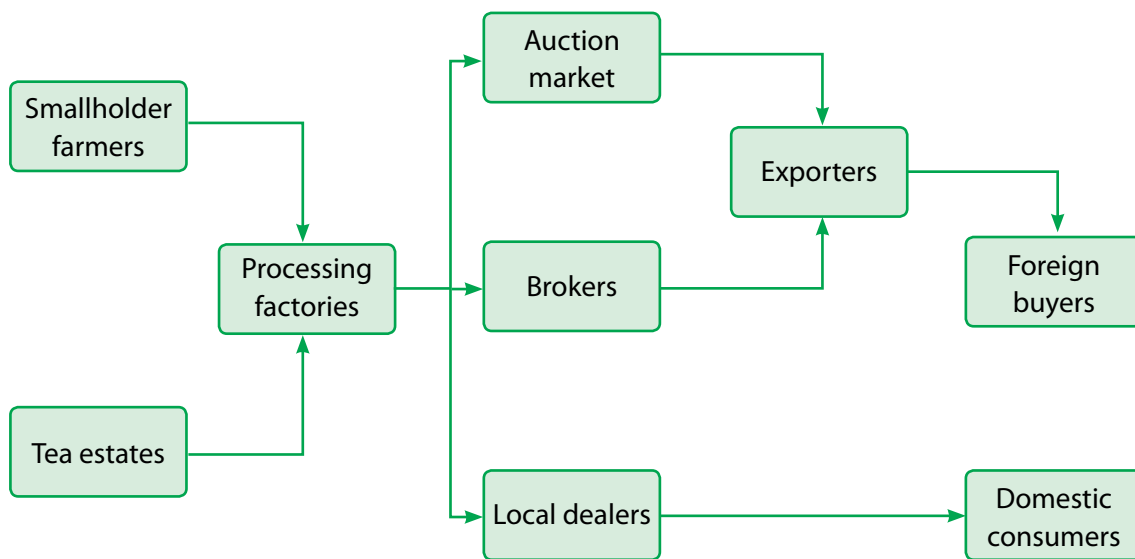
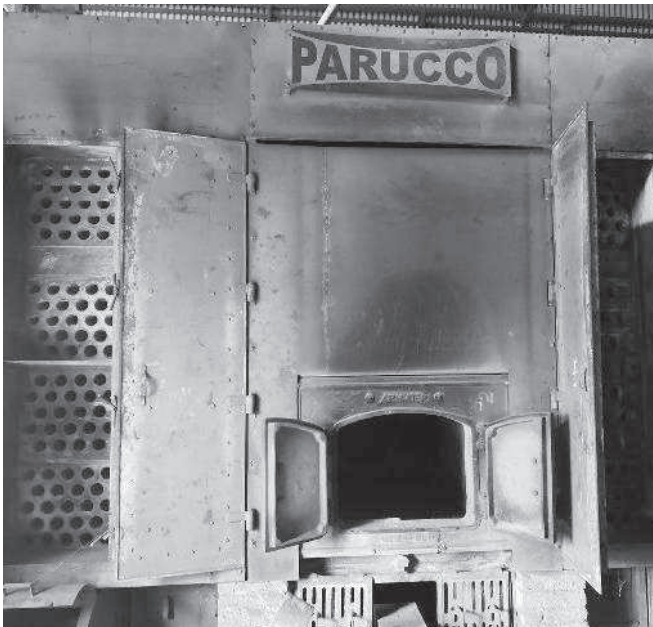
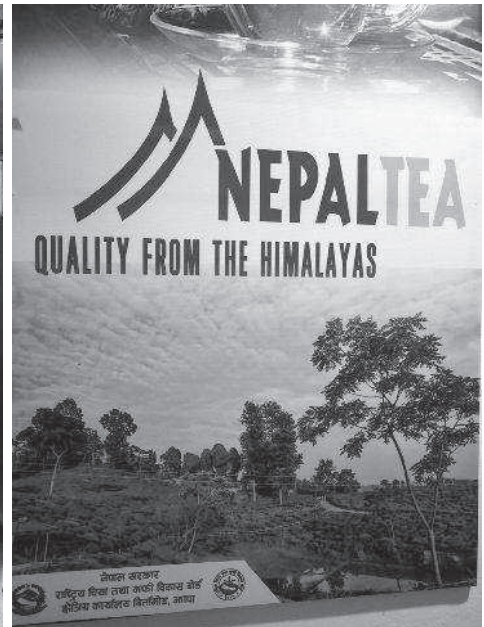


Figure 1 Simplified representation of the tea value chain in South Asia

Source: Author's representation based on the findings of the study



A heating machine for processing tea leaves in one of the cooperative-run factories in Jhapa, Nepal



A recently developed trademark for Nepali organic tea by National Tea and Coffee Development Board, Nepal

A LABOUR-INTENSIVE SECTOR

Tea is a labour-intensive sector and employs a large labour force primarily at the beginning of the production process. For example, 1.12 million people of the Indian workforce are employed in the tea sector. Statewise, 7.7% of all the workers of Assam, the major tea-producing state in India, harvest tea.¹⁵ Similarly, according to the Bangladesh Tea Board annual report for 2017-2018, 440,743 workers and their families live in 159 tea gardens across the country.¹⁶ In Nepal, the tea sector employs around 40,000 workers.¹⁷ One of the distinguishing features of the industry is the high prevalence of female employment irrespective of whether tea workers are labourers or own-account workers. There is a stereotypical belief that women are better at

plucking tea leaves than men. Female workers share 40% of India's tea sector workforce.¹⁸ Around half of the permanently employed and the temporarily employed workers in the tea sector in Bangladesh are female.¹⁹ Meanwhile, 48% of the permanently employed workers in Nepal are female, while women contribute nearly 75% of the total person-days in case of temporary employment in the tea sector in Nepal.²⁰ Similarly, it is believed that the majority of the 150,000 labour force directly

One of the distinguishing features of the industry is the high prevalence of female employment irrespective of whether tea workers are labourers or own-account workers.

employed in tea estates in Sri Lanka are female although gender-segregated data are not available.

NEED FOR LIVING WAGE

Wages provided to tea plantation workers are the least among all other sectors in the region. The minimum wage set by the governments in the South Asian region is meagre and is often inadequate to ensure the quality of life among workers. For instance, the daily wage for tea plantation workers in major tea-growing states in India – Assam (INR 232 or USD 3.02 per day)²¹ and West Bengal (INR 232 or USD 3.02 per day)²² – is only slightly more than the daily wages of INR 229 (USD 2.98) and INR 213 (USD 2.77) offered respectively for Assam and West Bengal under the national rural unemployment welfare scheme, commonly called as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS).²³ The daily wage in tea estates in Tripura is even lower – INR 136 (USD 1.77) per day.²⁴

Although the tea estates in South Asia abide by the minimum wage legislation, the recommended minimum wage is lower than the minimum wage in other sectors and much lower than the minimum living wage required to sustain a quality life (see Table 4). For instance, the minimum wage for tea workers in Assam (India) is only USD 3.02, while the

Daily wages for tea plantation workers in Assam State and West Bengal State of India are only slightly more than the daily wages offered by the national rural unemployment welfare scheme, commonly called the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS), for the respective states. The daily wages for workers in tea estates in Tripura State are even lower.

living wage calculated by a study conducted by Oxfam for a family of four is USD 11.49.²⁵ Likewise, in Bangladesh, tea plantation workers are provided with a meagre wage of BDT 170 (USD 1.87) per day, which is much lower compared to the minimum wage of BDT 620 (USD 7.11) in rural areas and BDT 680 (USD 7.8) in urban areas provided to the lowest paid workers in other sectors,²⁶ while the minimum living wage required for a family of four with 1.58 workers is USD 7.06.²⁷ Similarly, the daily wage of NPR 435 (USD 3.5) provided to tea plantation workers in Nepal is the least as the minimum daily wage fixed for other sectors is NPR 577 (USD 4.7).²⁸ Thus, it can be said that the states in South Asia have discriminated against tea plantation workers through the legislation itself.

Table 4 Comparison among the minimum wages in tea and other sectors and the minimum living wage

Country/State	Minimum wage in tea sector (USD)	Minimum wage in other sectors (USD)	Minimum living wage (USD)
Assam	3.02	4.01 ²⁹	11.49
West Bengal	3.02	4.45 ³⁰	6.15 ³¹
Tripura	1.77	4.90 ³²	NA
Nepal	3.50	4.70 ³³	NA
Bangladesh	1.87	7.11 (urban) and 7.8 (rural)	7.06
Sri Lanka	2.78	1.78	2.51

Introducing two different minimum wages for ‘tea’ and ‘other sectors’ is discriminatory as it positions the labour of tea sector workers as inferior to the labour of workers in other sectors. There had been intense lobbying with the government by the private sector throughout history to keep the wages of labourers in the tea sector lower than those in other sectors. In the case of Nepal, the argument placed by the large private tea estate owners during the inception of the tea industry was that tea production is a very labour-intensive process employing a large number of people and thus, cautioned that the declaration of minimum wage equivalent to that of other sectors would inhibit the growth of the sector.³⁴

Sri Lanka seems to be an exception where the minimum daily wage in the tea sector (LKR 1,000 or USD 2.78) is greater than both the minimum wage of LKR 640 (USD 1.78) in other sectors and the minimum living wage of USD 2.51³⁵ prescribed for a family of four. However, the minimum wage of LKR 1,000 (USD 2.78) [basic wage of LKR 900 (USD 2.50)

and an allowance of LKR 100 (USD 0.28)] was declared unilaterally by the government in March 2021 using the power given in the Wages Boards Ordinance as the workers’ trade unions and the Employers’ Federation of Ceylon (EFC) representing the Regional Plantation Companies (RPCs) could not reach an agreement. Refuting the decision by the government on minimum wage increment, 20 Regional Plantation Companies (RPCs) filed a case against it in court. The court later gave an order in August 2022 in favour of the decision by the government on increasing the wage of tea plantation of workers to LKR 1,000 (USD 2.78).³⁶

Yet, the plantation companies in Sri Lanka, though technically provide LKR 1,000 (USD

Introducing two separate minimum wages for ‘tea’ and ‘other sectors’ is discriminatory as it positions the labour of tea sector workers as inferior to the labour of workers in other sectors.

2.78) as daily wage, often reduce the number of workdays to three days a week while stopping the provisioning of any work to workers during the other four days in the week. If any necessity arises with the increase in plucking requirement during harvest season, the plantation companies do provide work in addition to the three days a week, but wages are not calculated according to the legally mandatory daily wage of LKR 1,000 (USD 2.78) per day. Instead, they provide LKR 30 (USD 0.08) to LKR 40 (USD 0.11) per kilogram of green leaves plucked with no benefits of any social security. This keeps the monthly income low and a worker is assured only 12 days of work for a month based on this arrangement. In that case, a worker is guaranteed a monthly wage of only LKR12,000 (USD 33.36).

Real wages have stagnated and, at times, even dropped. The meagre increment in wage, achieved through the strenuous process of collective bargaining between producers' association and workers' union (with the tea boards as mere spectators), is inadequate even to offset the annual inflation. On the one hand, workers receive a low wage that increases little with time; on the other hand, the prices of food and other basic amenities are rapidly rising, which has been further accentuated by the global supply chain crisis as a result of the Russia-Ukraine war. The financial crisis in Sri Lanka, in particular, has resulted in abnormally high inflation and exorbitant food prices which have disproportionately affected plantation workers. For instance, plantation workers in hills mostly have *roti* as their staple diet.

The price per kilogram of wheat flour, from which *roti* is made, was LKR 120 (USD 0.33) before the financial crisis in April 2022 while it increased to LKR 400 (USD 1.11) in September 2022. Working three days a week, plantation workers in Sri Lanka now have the purchasing power to hardly buy 7.5 kilograms of wheat flour per week even if they spend their entire earnings only in food. Meanwhile, hospitals, toilets and other facilities in the tea estates in South Asia in general are dilapidated, while public goods (outside the tea estates) such as healthcare and education are increasingly privatised and left for the market to value them. In this context, the wages earned by workers cannot fetch them even good quality food and clothing, let alone health and education facilities for the workers' families.

In response to the meagre minimum wage provided to them and the eroding purchasing power of such meagre wage, workers have been launching frequent strikes demanding a fair increment in their wage putting up with the inflation in the economy. For instance, more than 150,000 tea workers at more than 200 tea estates in Bangladesh launched fresh protests in August 2022, demanding a

The meagre increment in wages, achieved through the strenuous process of collective bargaining between producers' association and workers' union (with the tea boards as mere spectators), is found to be inadequate even to offset the annual inflation.

raise in their daily wage to BDT 300 (USD 3.3) from an incredibly meagre daily wage of BDT 120 (USD 1.32) that was being provided to them.³⁷ After 19 days of continued protest, the government raised the daily wage by only BDT 50 (USD 0.55).³⁸ The new wage for tea plantation workers in Bangladesh is BDT 170 (USD 1.87). The increment is inadequate considering the country's inflation; for instance, fuel prices increased by more than 50% in August 2022.³⁹

Meagre minimum wage that is inadequate to make even both ends meet calls for invoking into legislation a dignified living wage aimed at uplifting plantation workers from their precarious living condition. A living wage is “the payment to the employed of a wage adequate to maintain a reasonable standard of life as understood in their time and country.”⁴⁰ In other words, it is the remuneration received for a standard workweek by workers in a particular place sufficient to afford a decent standard of living for the workers and their families. A “decent standard of living” includes “a standard level of nutrition, clothing, housing, transportation, energy, healthcare, childcare, and other essential needs, including provision for unexpected events.”⁴¹ Any further reluctance on the part

Women are rarely seen in supervisory positions and their presence is limited to the lowest level of work in the fields such as plucking tea leaves and pruning tea bushes.

of the South Asian governments to bring a dignified living wage into legislation is going to make the already precarious and dreadful living conditions of tea plantation workers worse.

WOMEN WORKERS: DOMINATING IN NUMBER, DISCRIMINATED AT WORK

There has been a stereotype that women often pluck better quality leaves than men. Such a stereotype has led to the recruitment of more women labourers in the sector. Although it is found that equal wage is provided to both men and women workers, women are discriminated against during their climb upwards in the career ladder leading to the violation of their right to equal work. Women are rarely seen in supervisory positions and their presence is limited to the lowest level of work in the fields, such as plucking tea leaves and pruning tea bushes.⁴² Also, on completing the daily work in tea gardens, women have to involve themselves in household and care work. In addition, citing low wages received from tea estates, women workers supplement their income by joining informal sector work in brick kilns and paid agricultural work during the weekend. In this way, there is immiseration of women labourers in the tea sector due to the pressure of multiple responsibilities at home and workplace, aggravated by low wages and unfavourable working conditions in tea estates.

The workplace is insensitive, particularly to women's concerns. A female worker in a tea estate in the Dooars region in India stated

that women must complete the given daily task and carry heavy loads irrespective of their biological and health conditions, such as menstrual cycle and pregnancy.⁴³ They are not provided with nutritious food during pregnancy, and as a result, many a time, the children born suffer from stunting and malnutrition.⁴⁴ There is also a general lack of hygiene and toilets in the tea gardens. As a result, many women workers stay out of work during their menstrual cycle, causing them to lose earnings during the period.⁴⁵

Likewise, in Bangladesh, women are legally eligible for maternity leaves for the first two pregnancies. However, a study conducted by the International Labour Organisation

(ILO) found that 88% of the respondent were provided with maternity leaves, and the other 13% did not get maternity leaves even after having pregnancy-related complications.⁴⁶ Meanwhile, those with more than two pregnancies continued working during their pregnancy or faced wage cuts. Furthermore, the same study showed that only 19% of the tea gardens' authorities arranged for crèche facilities despite having a female-dominated labour force.⁴⁷ In the absence of childcare facilities, the working mothers in tea gardens had to take their babies with them or keep them with their siblings who were themselves kids.⁴⁸ Another study conducted on 80 female workers in Sylhet district in Bangladesh



Participants in a focus group discussion, Aaruboti village, Nepal

showed that 52% gave birth at home and only 48% gave birth at the hospital.⁴⁹ Meanwhile, 42% consulted the midwife provided by the garden authority and 48% consulted doctors.⁵⁰

Past studies and workers' accounts thus indicate that although women are provided with equal minimum wage as that of men, they are continuously discriminated in terms of gendered division of labour, double work burden, and lack of gender-friendly working condition.

INFORMALISATION OF LABOUR

The workers in the tea sector are considered to be formal (or organised) sector workers. Accordingly, they are eligible for provident funds and gratuity following the labour laws of their respective countries. For instance, tea estate owners in Nepal are to contribute 10% and 8.33% of basic salary respectively for provident fund and gratuity of workers. Similarly, an employer in Sri Lanka must contribute a minimum of 12% of the employee's total earnings in the name of the Employees' Provident Fund (EPF). The Sri Lankan workers must themselves contribute 8% of their salary to the EPF and 3% to the Employees' Trust Fund (ETF). However, these contributions by the employer and deductions from the employees' wages are rarely reflected in separate accounts under the employees' name. As a result, the accounts of these payments in arrears are not correctly kept, and there are chances of manipulation or miscalculation.⁵¹ There are also complaints from the workers of many

Permanent workers occupy very little share of the workforce with the increasing informalisation of work in the sector. For instance, it is estimated that only 30% of the tea plantation workers in Nepal are regular workers. Likewise, regular workforce in Sri Lanka has declined by around 72% between 1981 and 2018.

plantation companies in the region that the employers fail to timely pay the provident fund and gratuity amount to the retired or leaving workers.⁵²

However, the provident fund and gratuity provisions are limited to only permanent workers in the sector. A significant proportion of workers in the industry is temporary or irregular. For instance, in Nepal, only 30% of the workers in tea estates are regular workers. In Bangladesh, around 27% of tea plantation workers are temporary.⁵³ The regular workers who retire or voluntarily leave jobs are now replaced with irregular or temporary workers. In Sri Lanka, the number of permanent workers in the plantation sector was 458,617 in 1985, which has dropped by 58% to 207,235 in 2011.⁵⁴ Employers benefit from the informalisation of labour as they are not liable to pay for provident funds and gratuity of temporary or irregular workers. In other words, a large proportion of the workforce is not included under the provisions of provident fund and gratuity. Meanwhile, medical and accidental insurance coverage,

albeit legally required to be arranged for by the employer, is not provided to workers, be they permanent or temporary workers, by the tea estate management.

The informalisation of work in tea sector has also been taking place through an innovative mechanism of turning workers into peasants besides the ongoing conversion of permanent workers into temporary workers. The Regional Plantation Companies (RPCs) in Sri Lanka have introduced a farming system called outgrower or contract farming model – where workers are handed over parts of tea estates and are provided with tea bushes for farming. Workers and their families, other than the normal work hours, work in these allotted fields solely investing by themselves in terms of labour cost and fertilizer expenses. The tea leaves are, however, to be mandatorily sold to the RPCs at a much-reduced price (LKR 40 per kilogram provided to the farmers versus the

market price of LKR 150).⁵⁵ In addition, RPCs have indirectly been forcing workers to opt for early retirement from their jobs by indicating to them different lucrative offers. Such workers, who choose to leave the jobs, are then allotted parts of tea estates and provided with 1,000-3,000 tea bushes for tea farming. This way, the workers and their families are turned into farmers, that too without any land ownership, who are provided with much less price, compared to the market prices, for their produces. On the other hand, RPCs can save a significant amount of labour cost and at the same time, buy green leaves for processing at a meagre rate.

POOR WORKING CONDITION

Many anecdotal stories reported in the media show that the tea estate management has not made reasonable attempts to make



A multi-stakeholder meeting on the issues of plantation workers, Siliguri, India

the working condition any favourable to workers. Wild bee attacks are common in tea gardens and have caused several deaths too. Leeches are rampant in the fields and often bite workers. Accommodation facilities (linen rooms) provided to workers are in dilapidated condition, and tea estate management is indifferent to maintaining or repairing them. The workers have to maintain the old houses at their own expense. However, they are not given ownership of any house or land even after working in the same estate for generations. Especially female workers struggle with hygiene-related issues during menstruation, maternity and child care.⁵⁶ They work more than eight hours daily with little access to resting places and washing facilities.⁵⁷ Supervisors are primarily male and cases of sexual harassment are prevalent in the workplace. Health facilities in tea gardens are unavailable. The occupational health and safety concern is neglected as the workers are not provided with safety tools, especially when they spray chemicals. Even when safety gears provided, the workers are not aware of the harmful effects of chemicals and are reluctant to use them.⁵⁸

SMALLHOLDER TEA FARMERS: DEPRIVED OF FAIR PRICE

Smallholder farmers have an essential contribution to the production of green tea leaves. In Sri Lanka, smallholdings, consisting of up to 10 acres of family-owned

estates, account for over 75% of the country's tea production.⁵⁹ Smallholdings occupy around 60% of the total cultivated land area in the Sri Lankan tea sector.⁶⁰ Similarly, out of 9,235 farmers/enterprises involved in commercial tea plantations in Nepal, 9,127 (98.8%) are smallholder farmers, while 108 (1.2%) are large tea estates.⁶¹ In terms of area, 82% of farmers in Nepal have tea farming in less than one hectare (20 *ropanis* or eight *kathas*).⁶² Estate plantation in Nepal is spread over 7,060 hectares, while the total area cultivated by smallholder farmers is 9,845 hectares.⁶³

Tea farming by smallholder farmers is a part of the informal tea economy. The workforce in the smallholdings is of three types: (a) own account workers who work in their tea gardens without hiring any labour; (b) contributing household workers who engage in tea farming without any remuneration in

Smallholder farmers have an essential contribution to the production of green tea leaves. Smallholdings occupy around 60% of the total cultivated land area in Sri Lankan tea sector. Similarly, out of 9,235 farmers/enterprises involved in commercial tea plantation in Nepal, 9,127 (98.8 percent) are smallholder farmers while 108 (1.2 percent) are large tea estates.

return; and (c) casual labourers who are hired on an irregular basis for some remuneration. The entire workforce in smallholdings is informal. Implementation of the provisions of national labour law and minimum wage is not guaranteed as it is outside the formal labour system and following up on the implementation of such provisions is difficult. Likewise, they are not included under social security provisions such as provident funds, gratuity, or medical insurance schemes. In this way, a large chunk of the labour force in the tea sector who contribute the most in production are not guaranteed minimum wage and are not included under any social security scheme. For instance, an ILO study found that casual workers in the smallholder sub-sector in Sri Lanka earned above the national poverty line, but such earnings were inadequate for a decent living.⁶⁴ The same study found wage discrimination between male and female casual workers, with male workers receiving higher wages than female workers.⁶⁵ Also, it was found that

males owned most of the landholdings in Sri Lanka, with women mainly contributing as unpaid workers in the field.⁶⁶ However, women's engagement is more in the case of smallholdings than in large tea estates since they have to additionally engage in the maintenance of entire tea gardens owned by the household besides the usual activities of plucking and pruning.⁶⁷ Most workers in the smallholdings do not use protective gear such as masks, goggles, and special protective clothing while applying agrochemicals.⁶⁸ The casual labourers in the smallholdings are not included in any trade union, due to which the bargaining strength of workers' unions is low.

In Nepal, although smallholder tea farmers have a significant contribution in providing green tea leaves for production, they have, since history, been least compensated. The primary concern of smallholder farmers is that they are often offered low prices for green tea leaves. Historically, there were fewer green leaf processing facilities in Nepal

and farmers were exploited through low prices. However, with the increase in factories and amidst growing competition for green leaves, the price for leaves has relatively improved. Green CTC leaves now fetch around NPR 20 (USD 0.16) rupees a kilogram⁶⁹, while orthodox leaves are valued at around NPR 40 (USD 0.32) per kilogram.⁷⁰ However, farmers in Nepal complain that the price is inadequate, with rising input costs and labour shortages in hills, and they find it challenging to



Tea plantation by a smallholder farmer at Aaruboti village, Fikkal in Nepal

sustain tea farming.⁷¹ Meanwhile, Nepal's National Tea and Coffee Development Board (NTCDB) does not set any minimum support price for green leaves.

Several other technical challenges threaten productivity, growth and farmers' upward mobility in the value chain. For instance, the smallholder farmers in Nepal find it challenging to adopt organic methods as they lack access to organic fertilisers and cannot withstand the loss of productivity in the initial years after going organic.⁷² Similarly, it is difficult and very costly for the farmers in Nepal to get organic certification for their products as the samples have to be sent abroad.⁷³ Meanwhile, other problems for smallholders in Sri Lanka include demographic change and labour shortage, climate change and extreme weather conditions, land fragmentation, technological advancement and mechanisation, lack of capitalisation for expansion, smallholders' indebtedness (to leaf collectors), and poor cash flow situation within the supply of green leaves.⁷⁴

The primary concern of smallholder farmers is that they are often offered low prices for green tea leaves. With the rising input cost and labour shortages in hills, the price is inadequate, and farmers in Nepal find it challenging to sustain tea farming.



A representative from Nepal's National Tea & Coffee Development Board speaking at a multistakeholder meeting

UNFAIR DISTRIBUTION OF VALUE WITH WORKERS AND SMALLHOLDER FARMERS

Workers are completely neglected in the value-sharing process of the commodity. While domestic tea companies sell a considerable quantity of tea in bulk at a comparatively low price, some quantities (mainly white tea and oolong tea) are branded and sold at premium prices. For example, the average free-on-board (FOB) price for Sri Lankan tea during export is USD 4.75 per kilogram. On average, four kilograms of tea leaves are required to make one kilogram of finished tea. However, a worker plucks at least 16 kilograms per day in the tea estates in Sri Lanka. Even after the inclusion of other overhead costs (such as energy costs), the wage of LKR 900 and allowance of LKR 100 (altogether around USD 2.78) are too low to justify that the wage is fair.

Moreover, there are also local value-added brands, such as Dilmah, performing well in

the global market. Dilmah currently has over 3,000 products in its product line and sells them in over 100 countries. If the US online retail shop 'Amazon' price is referred to, then "Dilmah Premium Single Origin 100% pure Ceylon Tea 200g (100 bags)" sells at USD 13.63, which means USD 68.15 a kilogram. Although the production of premium tea requires careful plucking of only 'two leaves and a bud', requiring a greater labour force, the return from the sales is exorbitantly high. Yet, the wage provided to those workers is still the same regardless of the product being sold at a premium rate.

Similarly, in the case of India, the value-sharing by tea companies among workers is no different. A kilogram of tea fetches at least INR 148 (USD 1.92) in the Assam tea auction.⁷⁵ While a worker is paid INR 205 (USD 2.67) for plucking 25 kilograms of green leaves a day, four kilograms of made tea can easily be produced from the 25 kilograms of tea leaves which will fetch INR 592 (USD 7.70) for the tea companies. The market price will be even higher for higher quality tea. In this way, workers are compensated very low in the value chain process compared to the end product price.

Similarly, smallholder farmers who contribute significantly to tea production do not get fair value for their produce. For instance, there is no minimum support pricing system implemented by the Nepal Tea and Coffee Development Board (NTCDB), due to which smallholder farmers are, since history, bound to sell tea leaves at a low price. With the establishment of factories at the local

level with support from the state and the development partners, smallholder farmers in Nepal are starting to get a better price [around NPR 20 per kilogram (USD 0.16)⁷⁶ of CTC tea], and many are processing tea leaves and making made tea at the household level. However, with limited know-how on the market and lack of market access, smallholder farmers have to pay a great deal to brokers to sell the made tea they produce. For example, a Nepali farmer-turned-factory owner shared that he could sell made tea of orthodox variety prepared from his factory at not more than INR 150 (NPR 240 or USD 2) on average. In contrast, it is sold by brokers to wholesalers at Siliguri (India) at around INR 300 (USD 4). It is then sold in the domestic retail market or exported under a different brand name.⁷⁷

Participants at the beginning level of the value chain – the workers and the smallholder farmers, who contribute the most in the production of the end products – are deprived of fair sharing of returns obtained from the sales of the products.

In this way, participants at the beginning level of the value chain – the workers and the smallholder farmers – are deprived of fair share of returns obtained from the sales of the end products. Consequently, plantation workers and smallholder farmers in the tea sector have not experienced any significant change in the quality of their lives even after working in the field for several generations. However, their contribution to value addition

is of considerable importance compared to other actors in the value chain. Nevertheless, they are not fairly rewarded, and big multinationals and big tea brands continue profiteering out of the surplus labour of workers and peasants.

TOWARDS ALTERNATIVE 'FAIRER' BUSINESS MODELS

The conventional business models in the tea industry have the least regard for workers and smallholder farmers, who add the most value to the production process. As a result, workers and smallholder farmers have been getting a meagre share of revenue generated through the sales of made tea, which are often branded and exported to other countries at premium price. The unfair sharing of revenues across workers and peasants in the value chain has also adversely affected the industry in terms of maintenance of quality in production.

While the tea industry is to be expanded through quality improvement, market expansion and diversification, there is a misaligned focus on profiteering mainly through squeezing wages and other social protection measures out of workers.

For example, farmers in Nepal have begun abandoning their land or leasing their tea gardens to contractors as they increasingly find tea farming challenging to sustain.⁷⁸

Many large tea estate owners are not sincere in moving the industry forward through market expansion and diversification.⁷⁹ Instead, they aim at profiteering mainly through squeezing wages and other facilities out of workers. For instance, a large proportion of tea bushes in Darjeeling (India) are already old (over fifty years) and yield less.⁸⁰ However, tea estates are not focusing on planting new bushes; instead, they have successfully lobbied for granting land rights to establish hotels to promote tea tourism. On the contrary, tea plantation workers are not provided with land rights even after working for generations in the same tea estate. Moreover, they face opposition from tea estate management in even having some extensions in their existing housing structure.

Meanwhile, the tea boards and the wage boards in the region, which should have effectively discharged their duties for workers' and farmers' welfare, have failed to perform their responsibilities related to raising the minimum wage in response to inflationary pressure; implementing the minimum wage; ensuring the receipt of provident fund, gratuity and other provisions on social security; supervising the accommodation and other facilities provided to workers; and ensuring improved working condition in the fields and factories. This calls for alternative business models which rightfully reward the efforts of workers and farmers in the tea value chain. There is a need to create a model which fairly shares value among farmers, workers, factory employees, factory owners, and global customers.

For instance, English Tea Shop Ltd., one of the leading premium organic brands in the world from Sri Lanka, bypasses the auction process and directly deals with farmers under the Creating Shared Value (CSV) model propounded by Harvard Professor Michael E. Porter.⁸¹ Currently, the company works with 3,000 small-scale farmers and contributes 29% to Sri Lanka's total organic tea production and export.⁸² The English Tea Shop Ltd. adds value to made tea in their factory and export directly to global customers. Reaching customers directly gives the company a better price for its products. The company gains an average FOB price of USD 30 per kilogram of tea when it reaches out to customers directly.⁸³ Whereas, under the conventional auction-based model, the average FOB price is USD 4.60 per kilogram of exported tea. The earnings are distributed throughout the value chain, and heavy investments are made in tea farmers. For instance, in 2021, conventional farmers got between LKR 90 and LKR 110 (USD 0.24 to USD 0.29) per kilogram of green leaves, while the direct farmers of English Tea Shop got between LKR125 and LKR175 (USD 0.33 to USD 0.47) per kilogram of green leaf.

Further, a smallholder farmer, partnering with the English Tea Shop, stated that he pays a minimum wage of LKR 1,000 (USD 2.67) per day for both male and female workers and pays an extra of LKR 50 (USD 0.13) per kilogram of green leaves for any worker who plucks over 20 kilograms per day.⁸⁴ Meanwhile, all statutory requirements for labour such as Employees' Provident Fund, Employees' Trust Fund and gratuity payments

are also fulfilled. In this way, the CSV model attempts to maintain fairness in the entire value chain with an equal focus on workers and smallholder farmers.

In the case of Nepal, smallholder farmers are being provided with low prices for green leaves by large tea estates (which, in addition to their green leaves, buy leaves from smallholders). As a result, smallholder farmers often struggle annually for a fair price, while the national tea board does not set any minimum support price for the leaves. Fed up with the non-rewarding market, smallholder farmers united to form cooperatives to strengthen their bargaining power in setting the price of leaves.

The establishment of tea cooperatives began with the objective of providing a fair price for green leaves while removing the intermediaries (the collectors) by selling or processing tea leaves themselves. In addition to providing reasonable prices for green leaves, the cooperatives also share the profit from the end product sales (either green leaves or made tea whenever the cooperatives have factories) with their member farmers. Now, the price provided by cooperatives for green leaves sets the floor price in the market, and this has to be paid by the large tea estates or the bought-leaf factories, or else they end up without getting adequate leaves in the market.⁸⁵ Some cooperatives have also received support from government and development partners to establish factories to process the leaves taken from the member farmers and thus produce the made tea by themselves. The cooperatives, especially in



Production of made tea by Shree Sana Kisan Chiya Utpadak Sahakari Sanstha Ltd. (Small Farmers Tea Producer Cooperative Ltd.) in Haldibari, Jhapa, Nepal

the Jhapa district of Nepal, are providing good competition to the established large tea estates in the market.⁸⁶

In addition to the fair price provided to farmers, the other advantage of the cooperative model is the transparency in the value chain. Information on the price paid for green leaves, the salary expenses, the operational expenses, and the profit booked are all released publicly, which brings farmers trust and confidence. Further, farmers are also provided with working capital loans keeping the tea leaves as collateral.⁸⁷ Member farmers and their families are also provided with medical insurance. However, the state has discriminated against the cooperative model by legally barring them from branding, labelling and obtaining quality food certification, which are required to enter the retail market and get better value.⁸⁸

Ideally, a business model should consider creating increased value in the downstream value chain through branding and market access, with the earnings fairly distributed to the upstream partners. However, such fair distribution to workers and farmers has rarely happened in conventional business models. In this context, the alternative (people-

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friendly) business models, such as the CSV model and the cooperative model, provide hope that the partners in the beginning stage of the tea value chain are treated fairly.

CONCLUSION

The conventional business model has failed to ensure fair distribution of returns to workers and smallholder farmers, who lie at the bottom of the value chain. Smallholder farmers and workers contribute the most by supplying necessary inputs (green leaves) for the creation of the end product; however, they are not fairly compensated. The price of made tea increases multiple times by the time it reaches the end consumer, especially at the stage of marketing or branding. However, the returns from the sales do not get shared with workers and smallholder farmers fairly. Workers have to struggle to raise their minimum wage, and the raise, if done, is too little to cover even the inflation in the economy. Often, the value chain is non-transparent, and higher wages and better social security provisions are not provided, citing that the tea estates are at a continuous loss. However, it is difficult to explain the loss since the consumption data show that it is increasing annually, and the consumers are paying a good price for the made tea. At the same time, workers are not provided with any land rights even after spending generations within the tea estate. In addition, it is difficult for women to maintain reproductive hygiene in the fields, and the workload is not considered even during pregnancy and menstrual cycle. Moreover, women's upward

mobility at work is restricted, and their presence in supervisory roles is limited.

It is observed that the industrialists in the region are not taking the opportunity of rising tea consumption to enhance the production level and value creation. As a result, there is little prospect that the workers will benefit from the rising demand for made tea. For instance, the least focus is on extending the Nepali tea market to countries other than India. At the same time, old tea bushes are not being replaced by new ones in Darjeeling (India). Moreover, the land allocated for tea estates is being destroyed for other commercial purposes, which has the possibility of causing job losses among workers. For instance, tea estate owners are using the public land leased from the state for the purpose of tea growing for building hotels and restaurants in the name of tea tourism.

It can be said that the tea estate owners are not operating as innovative capitalists but as feudal lords, whose focus is less on improving the industry but more on suppressing workers and tea peasants. Tea estates are profiteering using cost-cutting strategies in the form of pressing on the wage of workers, hiring only informal workers, denying the social security payments in arrears, and not repairing the labour line rooms. Likewise, the smallholder farmers are provided with a significantly lower price for tea leaves, making it difficult for them to sustain tea farming. Further, the tea estate owners hold large land areas and attempt to make alternative uses of such land (for example, tea tourism) for additional earnings.

In this regard, the state bodies, such as tea boards and wage boards, are also acting as mere spectators in the ongoing exploitation of workers and farmers and have made the least attempt to make the private sector responsible for a fair value chain. Hence, this calls for revisiting the conventional business model and promoting alternative models to ensure fair compensation and treatment to workers and farmers.

RECOMMENDATION AND KEY ASKS

Taking note of the fact that workers and small-scale growers are at the bottom of the receiving end of the tea value chain and are most discriminated against and marginalised, the governments of tea growing countries, private and state-owned tea estates, and tea trading companies should implement the following courses of action for bringing fairness in the value chain of tea industry in South Asia, with focus on workers and farmers in the industry.

1. Ensure living wage and social protection for workers

Governments of tea growing countries in South Asia: Ensure the implementation of the declared national minimum wage for all workers, of both formal and informal nature, in all tea gardens, be it large tea estates or small tea gardens, of South Asian countries and efforts should be made towards ensuring a living wage for workers. Wages are to be determined and reviewed periodically based on scientific evidence (such as the inflation rate in the economy and the price fetched by

the end product in the domestic and global market) through the process of collective bargaining, which refers to the process of negotiating terms of employment, including wages, social security and working condition, between the employer and the labourers with facilitation from the government authorities such as tea boards. In addition, monitor the effective implementation of the social protection measures, such as provident funds and gratuity, which are to be deposited in the account of workers with payments made on time while workers leave their jobs or retire. In addition, appropriate measures are to be taken to extend social security measures to cover medical/accidental insurance and educational expenses of workers' children.

Tea estates: Provide the basic social protection scheme in addition to the minimum living wage determined as per the country's situation. Tea producers, including tea estates, manufacturers, and packagers, must attend the collective bargaining process (among the workers' union, producers' association and government) and abide by the decisions made in such tripartite negotiations. Ensure that workers' needs for a living wage and social security are genuinely represented and addressed in such tripartite negotiations. Promote transparency in the tea value chain so that workers understand the contribution of their labour hours in the production of end products and how such contribution is valued.

Tea trading companies and buyers: Ensure that the workers in the tea estates and the processing factories from where the traders

and the buyers purchase made tea are fairly compensated with living wage and are provided with proper social protection and decent working condition for men and women workers. Pressure from tea trading companies and buyers to the extent that they would refrain from buying the products tainted with human rights violations would, at least, make the producers abide by the provisions of legal minimum wage, timely payment of provident fund and gratuity to workers, and gender-friendly working condition.

2. End women and gender injustice in the tea business

Governments of tea-growing countries in South Asia: The provisions that discriminate against women and men must be ended by ensuring that laws designed to protect women workers, such as the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Acts, are implemented. The specific health needs of women during menstruation, pregnancy, and maternity must be met indiscriminately. The governments should develop a mechanism to ensure the implementation of gender-friendly policies in tea estates. All countries should sign up for the United Nations Women's Empowerment Principles (WEP). As parties to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the South Asian governments should ensure the implementation of a women's right to equal work.

Tea estates: Health and hygiene needs of women, especially related to the reproductive health of women workers, are

to be compulsorily addressed. Provisions of adequate maternity leaves, low work burden post-maternity and during menstruation cycle, clean toilets in the fields, crèche facility or child care centre, and nutritious food for mother and children must be arranged. At the same time, private and state-owned tea estates must adhere to women's right to equal work and their career path toward supervisory roles in the tea estates must be ensured. A proper grievance handling mechanism for addressing the possible cases of sexual harassment in the workplace must be arranged.

3. Maintain transparency, accountability and decent working condition to promote fairness in the tea value chain

Governments of tea-growing countries in South Asia: The governments of tea-producing countries should pressurise tea estates and tea manufacturers to ensure a transparent value chain, mainly in terms of timely release of information on the level of production of tea leaves/made tea and share of the distribution of returns obtained from sales to workers (in terms of wages and bonus from profit) and smallholder farmers (in terms of price of green leaves).

Tea estates and manufacturers: Arrange for a decent working environment in tea gardens, including the facilities of shelter, health, hygiene and education facilities to the level of the standard defined by the governments.

Tea buyers: Consumers are to hold companies associated with the tea value chain accountable for protecting, respecting

and fulfilling the human rights of workers and peasants, who produce the most value lying at the beginning of the value chain.

4. Strictly enforce in tea estates and smallholdings the provisions of national labour law and tea plantation-related laws

Governments of tea-growing countries in South Asia: Strictly enforce the provisions contained in labour laws and tea plantation-related laws, especially related to minimum wage, social protection and working condition, which have been brought into effect through hard-fought workers' struggle. Strengthen appropriate standards and monitoring mechanisms to ensure workers report violations regularly without fear. Such legal provisions, as mentioned in labour laws and tea plantation-related laws, should also be extended and implemented in the case of casual labourers, including those hired by smallholder farmers in small tea gardens. Also, there should be no discrepancy between the national labour law and the tea plantation-related laws. Workers in the tea plantation sector are to be treated no differently than workers in other sectors, mainly in terms of wage and social protection. Incentivise producers who abide by worker-friendly legal provisions and guarantee the best practices of providing workers with a fair living wage, social protection and decent working conditions.

Civil Society and workers' unions: Actively monitor and apprise the governments, the consumers and the general public of the status of workers' human rights, including

living wages, decent working conditions (such as healthy working hours and occupational health and safety), fair employment conditions (such as formal contracts and clear explanation of wages and deductions) and decent housing, healthcare, sanitation and education. Launch struggle campaigns and lobbying activities targeting tea estate management to protest serious offences of human rights violations in tea estates.

5. Ensure fair prices and incentives for smallholder farmers

Governments of tea-growing countries in South Asia: Rather than being heavily skewed towards big industrialists, investment and incentive mechanisms (such as subsidies in loans and chemical fertilisers) should be directed towards small farmers to make tea farming sustainable and help them upgrade tea farming towards organic method and cope with the problems of declining productivity. Likewise, the state should declare appropriate minimum support pricing for green leaves to stop the exploitation of smallholder farmers by tea processing factories. A procurement system is to be placed by the state to provide farmers with a better price. Further, a crop insurance system is to be introduced in tea farming to prevent farmers from climate-related and other shocks.

Tea estates and manufacturers: Provide a fair price to smallholder farmers for green tea leaves so that tea farming is commercially viable. Partner with such farmers to maintain quality, especially regarding organic production and plucking of quality leaves, so that overall value creation can be increased.

6. Ensure land rights to workers

Governments of tea-growing countries in South Asia: There are umpteen instances of plantation workers working in the same tea field for decades with even their sons/daughters working as replacements when their parents retire. However, even after working for generations in the same tea plantation field, they are not provided with any ownership over the land they have cultivated for a long time. At the same time, state plantation areas in South Asia are increasingly being privatised and sold to the private sector and Multinational Corporations (MNCs) and even being used to establish hotels in the name of tea tourism

while workers are deprived of land rights. Amidst this harsh reality, the government should ensure that land right is guaranteed to workers under certain provisions, which is a crucial step to uplift the workers from the ongoing exploitation. Furthermore, allotting public tea estate land to the private sector should also capacitate themselves on the distribution of values across the value chain to effectively participate in the collective bargaining process. Meanwhile, an ideal condition would be for workers' unions and plantation unions to identify commonalities in their struggle and launch mobilisation campaigns demanding fair compensation, decent working condition, social security, and dignified life.

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SOUTH ASIA REPORT

PLIGHT OF TEA PLANTATION WORKERS
AND SMALLHOLDER FARMERS





About SAAPE


South Asia Alliance for Poverty Eradication (SAAPE) is a regional platform of civil society organisations, social movements and people's networks fighting unitedly against the structural causes of poverty and social injustices in the region and beyond. It was conceived in 2001 against the backdrop of increasing anti-people globalisation marked by privatisation, deregulation, extractivism and capital accumulation. SAAPE's mission is to facilitate the process for establishing mechanisms to ensure people's genuine participation in the decision-making processes at all levels to contribute towards poverty eradication and sustainable development. SAAPE facilitates linkages among and between groups in the region, throughout the global South and with like-minded groups in the North.



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