Minimum Wages in Tea Plantation and Ready-made Garment Sectors in South Asian countries

A Simple Reader for Workers and Activists
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INTRODUCTION

In the context of falling bargaining power of labour, bipartite employer-employee wage negotiations result in continuously declining wage level. The requirement of a statutory minimum wage to ensure that at least workers’ minimum needs are met makes state intervention necessary. It is in this context that a statutory minimum wage within a tripartite framework becomes necessary. The tripartite mechanism is where the state is also a party in determining the wage. The role of the state becomes to ensure a minimum wage standard below which wages are not allowed to fall. The wage standard is defined based upon a standard basket of commodities representing the minimum standard for a family of workers in a region. The basket of commodities would typically include minimum nutritional requirements for a family of workers, cost of a standard rental apartment, and other living costs, including education of children, health care cost, transport, social security and other standard requirements. Today, many sectors of waged employment are covered by regional or sectoral or industry-level minimum wages. However, even with this protection, most workers in South Asia, even within the formal sectors of employment find their living standards continuously eroding, with even their families pushed towards precarious living condition.

The tea plantation and garment sectors in South Asia share some common features that have relevance in discussing minimum wage. First, both sectors employ a large proportion of women workers and workers in these sectors come largely from socially disadvantaged groups. Second, both sectors are part of national and global value chains, where significantly larger proportions of profits are made at the retail end. This way, global market situations impact the end values, which in turn affect the economics of manufacture in the local country. Third, large income inequalities coexist with high rates of inflation across South Asia. Collectively, these factors adversely impact bargaining power and wages of workers.

GARMENTS MINIMUM WAGE IN SOUTH ASIA

The export-oriented garment sector in South Asia is a part of the organised sector. It is, however, a low-wage sector. This follows the global reality of feminisation of work coexisting with poor wages. However, the sector, being a part of the organised sector, benefits from regulated minimum wage.

Table 1: Minimum monthly wage in garment sector in South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum monthly wage (in local currency)</th>
<th>Minimum monthly wage (in USD as in December 2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>PKR 25,000</td>
<td>112.5</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>BDT 10,000</td>
<td>98.0</td>
</tr>
<tr>
<td>Nepal</td>
<td>NPR 15,000</td>
<td>115.5</td>
</tr>
<tr>
<td>India (Karnataka)</td>
<td>INR 10,441</td>
<td>125.3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>LKR 16,000</td>
<td>43.2</td>
</tr>
</tbody>
</table>


Table 1 provides monthly minimum wage data for the lowest category of unskilled work. While the data for Pakistan, Nepal, India and Sri Lanka are current wages, the wage in Bangladesh is what was fixed last in 2018 and revised for inflation. The cumulative inflation impact from 2018 to 2022 for Bangladesh was 25 percent. The current minimum wage after revision for inflation would be around 10,000 Taka.

The wages in the sector in dollar equivalent are reasonably uniform, except in the case of Sri Lanka. The very low wage for the country is the impact of the economic crisis. The exchange rate for Sri Lankan rupees (LKR) to USD declined in one year by 80 percent, from November 2021 (LKR...
201.9=1USD) to October 2022 (LKR 365.8=1USD). In November 2021, the value of LKR 16,000 would have been USD 77.5. This would still be lower than the prevailing sector wage in the subcontinent. However, it is to be noted that Sri Lanka also has social security provisions significantly better than other countries in South Asia.

The logic of the global supply chain works to push down wages and employment standards in the producing country, in order to ensure export market access. This means governments are more sympathetic towards the demands of employers. The need-based minimum wage is meant to provide a bulwark against the continuous depletion of wages by the employers, where workers have poor bargaining power. In reality, the minimum wage often becomes a bargained wage, with the employer pressure continuously driving down the wage. In Karnataka, in 2017-18, the state government notified common minimum wages across sectors, based on the formula for minimum wage determined by the 15th Indian Labour Conference in India. The minimum wage for garment sector was also notified on par with other sectors. However, under pressure from employers in the sector, the minimum wage for the sector was re-notified to lower levels. Today the minimum wage in garment sector is nearly 50 percent lower than that in other sectors. It is not surprising that there has been a consistent pushback against wage increment across countries as the threat of losing export market share would drive countries to lower wages to be on par with other competitive economies in the region.

**TEA PLANTATION MINIMUM WAGE IN SOUTH ASIA**

Tea plantation sector is a large employer in rural areas in India, Sri Lanka, Bangladesh and Nepal. Globally India, Sri Lanka and Bangladesh rank second, fourth and tenth in terms of tea production. Employment practices in the sector are more complex, given the coexistence of large planters and small-tea growers. Around 60 percent of land under tea plantation sector in Sri Lanka and Nepal are cultivated by small-growers. In India, according to a survey by the Tea Board in 2015, the sector employed estimated 1.13 million workers, out of which 726,000 were permanent and 405,000 were temporary workers. That is, nearly 36 percent of the workforce were temporary. As most of the plantation workers in India are in permanent employment, we can reasonably assume that a third of the employment is in the small-grower subsector in India. In Bangladesh most of the tea grown is from the 167 large tea plantations. However, small-growers contribute around 15 percent of tea production in Bangladesh.

Employment in large plantations is mostly permanent in nature, with better employment regulation. However, wage levels vary substantially across the subcontinent. Even within India there are considerable variations across regions in the country. In India, the minimum wage in 2021 varied from INR 160-INR 180 per day in Assam and INR 195-INR 200 in West Bengal in the eastern states to INR 305-INR 323 in the southern states of Karnataka, Tamil Nadu, and Kerala. The minimum wage in tea plantation sector in Sri Lanka is LKR 1,000 per day. In Bangladesh the minimum wage for tea-leaf-pickers was increased from BDT 120 BDT to BDT 170 per day since 27 August 2022.

In Nepal, effective from July 2021, the minimum wage inclusive of daily allowance (DA) was fixed at NPR 435 per day.

### Table 2: Daily minimum wage in tea plantation sector in South Asian countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Daily minimum wage (local currency)</th>
<th>Daily minimum wage (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>170</td>
<td>1.7</td>
</tr>
<tr>
<td>Nepal</td>
<td>435</td>
<td>3.3</td>
</tr>
<tr>
<td>India (Eastern region)</td>
<td>INR 180</td>
<td>2.2</td>
</tr>
<tr>
<td>India (Southern region)</td>
<td>INR 320</td>
<td>3.8</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1,000</td>
<td>2.7</td>
</tr>
</tbody>
</table>
Comparing the minimum wages in Table 1 and Table 2, if we were to estimate the monthly minimum wage in the tea plantation sector assuming 26 working days in a month, it is found that the minimum wage in plantation sector is lower than the minimum wage in the readymade garments sector. The only exception would be Sri Lanka. However, the Sri Lankan minimum wage in tea plantation sector is tied to productivity targets and number of days of labour in the month, both factors over which workers have little control.\(^{10}\) In India, the Plantation Labour Act 1951 determines employment relations in the tea sector\(^{1}\). It prescribes social security norms for the tea plantations, including housing, health care and schooling for children, and other in-kind components such as subsidised food grains. Presently, the workers depend on government for provision of schooling, health care and food grains under the Public Distribution System (PDS). Housing in crowded factory lines is often of poor quality, with workers having to undertake any repairs of the residences at their own expense. While the formula for fixation of minimum wage in India as per the 15th Indian Labour Conference prescribed 3 units as the average family size,\(^{11}\) the agreed norm is 1.5 units in the tea plantation sector, under pressure from plantation owners. This results in the minimum wage being lower for plantation sector than in other formal employment in India.

Wages in the small-grower sector are significantly lower than that in the better-regulated and more profitable large tea plantations. Large proportions of the small growers in India are marginal farmers with less than two acres of plantation holdings. The output of these plantations can only be sold as green leaf to leaf agents, who in turn sell them to the ‘bought leaf tea factories’ that operate on purchased green tea or to the large estate factories. The small-growers occupy the bottom of the value hierarchy in the sector. The small-growers’ green tea commands a price of INR 12-INR 15 per kilogram at the factory gate in West Bengal. The factory converts the green tea to made or black tea, with around 4.5 kilograms green tea yielding 1-kilogram black tea, which fetches INR 180-INR 220 at the auctions. There is a quadrupling of value in the movement of tea from the small-growers to the auctions. In many instances the growers do not even get INR 12-INR 15 per kilogram for the tea leaves and are forced to sell at half the price to the leaf traders. Also, the grower is himself/herself an employee in his/her holding and, in many cases, also employs casual labourers. A casual worker working for the small-grower receives significantly lower wages than the minimum wage in the plantation sector.

We discuss below the drivers that impact wages in the two sectors. We discuss the commonalities in the drivers impacting minimum wage fixation for the sectors.

**VULNERABLE WORKFORCE**

Both the readymade garment sector and tea plantation sector are large employers of women and socially disadvantaged population of society. The garment sector is arguably the largest employer of women in urban employment in South Asia, while the tea plantation sector employs women and those from socially backward sections in rural tea growing regions in India, Sri Lanka, Bangladesh and Nepal. Women represent around half the workforce in the plantation sector. Meanwhile, according to the International Labour Organisation (ILO), women account for around 80% of employment in the garment sector in Asian countries.\(^{12}\) Employment in tea plantation in India, Bangladesh and Sri Lanka began with indentured labour brought in to work during the British colonial rule in India. In India, women and men from socially disadvantaged scheduled caste and tribe populations were taken during colonial times as indentured labour to work in the tea and coffee plantations. Tamil workers were taken as migrant labour to work on plantations in Sri Lanka. The social and economic backwardness continues in present times, in turn adversely impacting the bargaining power of the workers.

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\(^{1}\) The legislation of the four Labour Codes in India has been accompanied by the repeal of various sector specific regulations, including the Plantation Labour Act. There is no clarity on the form of social security that will replace the existing social security norms for the sector.
Profit across supply chains and impact on wages
We discussed how economics across the supply chains impact value of green tea harvested in small tea-growers' holdings. The supply chain extends from the grower and the plantation fields, to the tea auctions and price-fixing by big buyers, to the large retail brands sitting on top of the value heap globally. Two of the largest global brands with operations centred in India are Tata Global Beverages and Unilever. Both companies have systematically moved out of tea plantations, and have been concentrating only on purchase, processing, branding and retail sales of tea.

Box 1: Comparison of profit across the supply chain: Readymade garments and tea

The logic of the supply chain is that the economically powerful brands push the costs of manufacturing disproportionately low. The manufacturers are then bound to enter less favourable price terms. The following two examples from the garment and the tea manufacture and retail sectors illustrate this unequal relationship. This in turn also contributes to driving down wages and working conditions at the manufacturing end.

**Garments export:** Gokaldas Exports is a prominent readymade garment manufacturer in India, manufacturing garments for the global supply chain. One of the brands Gokaldas Exports supplies too is the European popular brand H&M. Analysis of the latest annual reports of Gokaldas Exports and H&M Group\(^\text{13}\) showed Gokaldas Exports recorded an operating profit of INR 50,000 per employee per annum while the operating profit per employee for H&M Group amounted to SEK 0.14 million (INR 1.11 million following the exchange rates as in November 2022) per annum. The operating profit per worker for the global brand was therefore over 20 times that for the manufacturer in India.

**Tea manufacture and retail:** Kannan Devan Hills Plantations Company Private Ltd. is a tea plantation company supplying made tea to the major Indian and global brand Tata Global Beverages. Based on media reports for Kannan Devan and the annual report for the Tata Global,\(^\text{14}\) in 2018-19, the tea plantation company Kannan Devan earned an operating profit of INR 20,000 per employee per annum while the brand Tata Global earned INR 1.8 million gross profit per employee per annum. The brand’s gross profit share per worker was thus 92 times that for the domestic tea plantation company.

The example of Kannan Devan Plantations exemplifies the shift in global brands’ business focus. Kannan Devan was a wholly owned tea plantation of the Tata Group. When Tata Tea exited tea plantations, citing the operation of tea plantations as unprofitable venture, it transferred its leased holdings of tea estates to a separate company, Kannan Devan Plantations Company Private Limited, with shares distributed among employees. Tatas themselves retained 20 percent of the shares making them the majority shareholders in the company. They are also the largest buyer of Kannan Devan tea, benefiting from assured tea supply without the challenges of running the plantation. The shift made sound business sense as it was observed that the per employee operating profit at Tata Global in 2019 was 92 times the per employee operating profit for Kannan Devan (see Box 1).

Similar logic of supply chain is repeated in the global trade of readymade garments. In the early nineties, nearly 50% of the garments sold in the USA were manufactured in the country. Today...
estimated 98% of all garments are sourced from outside, primarily from South Asian countries and China, where wages are significantly lower and regulations are laxer. Compared to the minimum wage in New York of USD 14.4 per hour\(^1\) (which corresponds to INR 9,446 per day for an eight-hour work day at an exchange rate of INR 82 per USD), the wage in India is meagre. Per diem labour cost of manufacturing readymade garments in the US is same as the monthly labour cost of manufacturing in India. This huge wage difference is the fundamental driver of the global supply chain. It pushes down wages, forcing countries in the Global South to compete against each other to push down minimum wage and dilute regulation of working conditions. The tragedies of Ali Enterprises in Pakistan and Rana Plaza in Bangladesh are the results of this relentless driving down of profits backed by the might of global capital along the supply chain. The same logic is repeated in the tales of struggle for decent lives among tea plantation workers, be they in Sri Lanka or Assam.

### INFLATION AND REAL WAGE

All the South Asian countries have annual neutralisation of wage to account for inflation as part of the statutory minimum wage. This is a positive feature, as otherwise the real value of the minimum wage would decline in an inflationary economy. However, the wage neutralisation might not fully compensate for rise in price index. The consumer price index is calculated on a basket of commodities. The standard basket might not reflect actual expenditure pattern for the poor. In India, for urban region, the basket had weightage for food and house rent respectively of 36.3% and 21.7% of the total monthly expenditure of a worker family.\(^6\) Both elements might be an underestimation for the poorest sections of industrial workers. In recent times inflation rates across South Asia have been driven by high food inflation. In Bangladesh the overall inflation rate reached an eight-year high of 7.4% in May 2022, driven by high food prices.\(^7\) In Pakistan, the year-on-year inflation in April 2022 was 13.4%, and this was the sixth consecutive month of double-digit inflation.\(^8\)

Each year, the neutralisation of wage for inflation can result in considerable lag between the wage increment and the loss of real income due to inflation, particularly in the context of rapidly rising prices, as in the case of Sri Lanka (see Box 2). The World Bank estimates the Sri Lankan economic crisis doubled the proportion of people lying below poverty line from 13.1% to 25.6% between 2021 and 2022.\(^9\) The poorest workers include those in the garment export sector and in tea plantations, most of whom are women. One solution is to have monthly neutralisation of wages to reflect and correct for impact of inflation. In situations like Sri Lanka the relief from safeguarding real wages on a month-on-month basis instead of only once a year can be substantial.

### Box 2: Impact of inflation on workers in Sri Lanka

The National Consumer Price Index (NCPI) in Sri Lanka increased in 12 months from 5.7% in September 2021 to 73.7% in September 2022.\(^20\) The brunt of this hyperinflation will be borne by the poorest workers, many of whom work in the export oriented readymade garments factories or tea plantations. The international trade union federation IndustriAll in its statement said that in the context of food inflation rising to 95% in September 2022 and companies cutting down on incentives citing poor orders, migrant workers’ wages were not even adequate to pay for accommodation, leaving no money to survive on. The trade union demanded a monthly wage increase to LKR 26000 for workers in the readymade garment sector, from the current national minimum wage of LKR 16000.\(^21\) The Kandy based Institute of Social Development estimated a tea plantation worker required at least LKR 2,577 per day and 21 days’ wages to support a family of four. The current wage in the plantation sector was only LKR 1,000 per day.\(^22\) The number of days employment each month varied across plantations, with many plantations cutting down on all except minimum operational activities. Women working in the plantations were hard put even to continue sending children to schools in the circumstances.
Companies use the plea of adverse business condition to deny workers the prevailing statutory minimum wage. Governments are often complicit in this, with countries vying to show greater “ease of doing business” to attract foreign investors and importers of goods and services. The pandemic was a period where industry benefitted in several ways, including at the cost of workers. In India, the employers used the plea of the pandemic to get the government to announce suspension of the Dearness Allowance (DA) (the inflation neutralisation component of wage) in March 2020 for one year. The trade unions went to the High Court, which issued a stay order against the government decision. The Supreme Court also did not reverse this stay order against the implementation of the government decision. In an act of total violation of the law, the industry refused to pay DA. It took sustained international campaign by the Garment and Textile Workers Union along with the US-based international labour rights organisation Workers Rights Consortium (WRC) to force the companies to pay full wages with DA from February of 2022, along with the wage arrears. The management could still profit as many workers had left employment in the interim without collecting wage arrears. The pandemic was also an opportunity for companies to rationalise employment without adhering to the due process of law with respect to closure and layoff of workers.

**CHALLENGES AND WAY FORWARD**

The feminisation of work in both the garment and tea garden sectors makes organising workers difficult. The difficulty is compounded as workers are from socially and economically disadvantaged sections and are often migrants adding to the difficulty in organising. Further, the increasing informalisation of work in plantations, with more casual employment among both women and men, also adds to the difficulty in organising. Low levels of unionisation results in poor monitoring of adherence to regulation in the sectors. Negotiated wages are low and employers violate legal provisions with impunity. Nevertheless, a positive feature is that the sectors are formally part of organised employment. Most workers have the benefit of legally notified wages. The issue of violation can be quantified and raised.

Profitably at the manufacturing level is poor as the sectors are part of global supply chains, where profits are primarily at the retail end of the chains. This restricts the ability of the plantation and factory workers to bargain for better working conditions. However, the global supply chain can also be used to their benefit by well organised workers. Bargaining along the supply chain targeting poor employment conditions and labour violations can result in positive results. Trade unions in the garment sector in the Global South have joined hands in the past with unions of retail workers and workers’ rights organisation in the North to successively campaign against poor working conditions and violation of labour rights.

Successful experiments to move up the value chain by organised groups of workers have been few; however, they show the possibility of new forms of bargaining. Examples include the No Chains cooperative network in the garment supply chain organised in Thailand since 2009. The cooperative network began with collaboration between the La Alemeda cooperative in Argentina and Dignity Returns cooperative in Thailand, both part of the global garment supply chain. The aim of the network was to promote through worker-owned and controlled enterprises, a ‘sweat-free’ model of garment manufacture, guaranteeing fair wages to the workers. The ILO identifies several cooperative ventures along the garment supply chain from fabric to apparel to merchandising.

A recent example from the tea gardens in Assam demonstrates the possibility to form cooperatives of small-growers coming together to scale up production and add value, beginning from the processing of green tea leaves to the preparation of made tea. The experiment started with organising small growers into associations of growers in each region. A Confederation of Small Tea Growers’ Associations (CISTA) was created, with the initial objective of doing away with the
intermediate stage of the leaf agent, and to bulk green tea and bargain for better price with the factory. However, this only gave limited benefits. The real benefits would come only with moving up the value chain to retailing. Accordingly, the Grassroots Tea Corporation was established in 2017, to procure and process tea from small tea growers in their own mini tea factories in Assam, Kerala and Tamil Nadu, ensuring much better price for the growers. The Corporation has started retailing tea under its own brand ‘equifarm tea’. The foregoing experiments suggest the possibility of alternative models to support and complement the role of trade unions in the readymade garment and tea plantation sectors, in the context of declining trade union power. The alternatives point to the need for redefining organisation strategies for the sectors. The alternative models can become viable force only when workers and union leadership and activists have more access to information at the enterprise level, and across the local and global supply chain. This is the new challenge for trade unions, in order to regain union power.

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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.