

Wage hikes to dent tea gardens' profits

Wages of 1.11 million tea workers in Assam and West Bengal are due for revision

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Euphoria around a rebound in the stock prices of tea companies could be short lived because the industry is staring at increased production costs.

Wages of 1.11 million tea workers in Assam and West Bengal are due for revision. Besides, the industry feels threatened by likely

amendments in the Plantations Labour Act, 1951.

Labour costs account for 60 per cent of tea production costs and usually increase every year in accordance with pre-concluded agreements between the gardens and trade unions.

“For every Rs 10 increase in wages, production costs go up by Rs 6 and this component directly affects the bottom line,” said CS Bedi, managing director, Rossell India.

Stocks of tea companies are riding high on the bourses on account of higher auction prices backed by innovative approaches like hedging and new branding mechanisms introduced by these companies. Due to lower than expected production the average tea price in the Kolkata auction centre rose by 6.5 per cent to Rs 157.88 a kg while Guwahati tea auctions also registered a rise of 4.6 per cent to Rs 140.01 a kg.

However, wage revisions for 430,000 workers in West Bengal and 680,000 workers in Assam are pending since the beginning of 2017. The last wage agreement was concluded in 2015 and is up for renewal. Wage agreements

in the tea industry include arrears.

Trade unions and tea companies in West Bengal also must deal with a proposed amendment in the Plantations Labour Act that will set forth a minimum wage ceiling. Negotiations with trade unions in Assam will begin by the end of December.

Industry executives said a negotiated wage could be arrived upon for now and once the new law was enacted its provisions could be incorporated in wage agreements.

Executives said the Bill considered the cash component only in guaranteeing the minimum wage. The tea companies, in turn, have approached the commerce ministry to consider staff benefits while setting the minimum wage.

Traditionally, a part of the payment to tea workers is in cash and gardens arrange for other facilities like housing, subsidised rations, water and electricity connections, and education for the workers' children.

Azam Monem, chairman of the Indian Tea Association (ITA), which represents the interests of tea estates in West Bengal and Assam, said the cash component of the wage was now around Rs 138 and a similar amount was spent by the gardens in benefits for each worker. "I wonder how many gardens will survive if the benefits are not included in the Bill. Eventually, the gardens will be up for sale and there will not be any buyer," Bedi said.

"We have represented to the ministry of labour that the cost of maintenance of facilities created by government benefit schemes should not be vested on the gardens, particularly where such facilities already exist under the Plantations Labour Act," Monem added.

Several owners alleged that tea estates had turned into abodes for large populations comprising workers and their dependants, retired workers and non-workers. The tea sector is the third largest employer in the country after the armed forces and the railways, providing formal employment to over 1.2 million workers and indirect employment to another three million.



FEELING THE HEAT

Region	Tea estates	Small tea growers	Workers employed in tea industry
Assam	800	85,000	6,80,000
West Bengal	250	32,000	4,30,000

Source: Industry