

Moving Out of Poverty in the Tea and Rubber Sectors in Sri Lanka:
Understanding Growth and Freedom from the Bottom Up

EXECUTIVE SUMMARY¹

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Introduction and scope of study

1. The Moving out of Poverty Estate Sector study carried out by the Centre for Poverty Analysis (CEPA) during 2005, sought to inform the World Bank's Sri Lanka Poverty Assessment (SLPA) and its global study on Moving out of Poverty: Understanding Growth and Freedom from the Bottom Up (MOP)
2. The SLPA's² focus was drawn to the estate sector because the national poverty statistics released by the Department of Census and Statistics highlighted an increase in the head count index of poverty in the estates over the last 15 years, in contrast to a national trend of gradually reducing poverty.
3. The MOP study is a global initiative by the Poverty Reduction Economic Management Unit of the World Bank which "aims to select 10-16 countries on the basis of four characteristics which are deemed to be especially important as determinants of the extent of poverty transitions and the way in which these transitions occur."
4. The CEPA study had two core research questions:
 - Why has the estate sector shown increasing levels of poverty?
 - Why and how do some poor people move out of poverty and stay out of poverty while others fall into poverty or remain trapped in chronic poverty?
5. This study uses the same definition of the estate sector as the Department of Census and Statistics: 'Plantation areas, which are more than 20 acres in extent and having not less than 10 residential labourers'. It draws its data from a study of 20 tea and rubber plantations.

The context of the estate sector in Sri Lanka

6. Large plantations growing tea, rubber and coconut came into being during the British colonial period. The sector was set up as a self-sufficient enclave structure with very little integration into the national socio-economy. Capital, labour and management were all imported and land was the sole local resource. All the services required for profitable commercial functioning were built into the system.

¹ This paper is a modified version of the Executive Summary of the final report, *Moving Out of Poverty in the Estate Sector in Sri Lanka: Understanding Growth and Freedom from the Bottom Up* prepared by the Centre for Poverty Analysis for the World Bank in December 2005.

² Poverty Assessment for Sri Lanka: Concept Note, September 2004. South Asia Region, World Bank.

7. People who were brought in from South India to work on the plantations were confined within the structure, creating a pool of 'residential labour' which was totally dependent on the management for all aspects of their lives

8. Considerable changes have taken place in the estate sector since independence as a result of direct, targeted policies and as a response to national changes. The importance of plantation crops in the national economy has fallen, ownership has moved from foreign companies to national, the labour force have been granted Sri Lankan citizenship, and the rigidity of the estate structure has been eroded.

9. The subject of this study is poverty among residents of the estate sector. The latest statistics on poverty show that on the estates there is increasing consumption poverty alongside improving human development indicators. Even though conditions are improving, the estate sector still remains out of step with the national trends.

Study Findings

Characterising poverty in the estate sector

10. The characterisation of poverty and well-being highlighted a number of pertinent issues in relation to how protagonists in the estate sector perceive poverty:

- Poverty was perceived in absolute terms only by the chronically poor. All the others, both in the focus group discussions and in their individual life stories, viewed their own standard of living in relative terms. Except in a few instances, such as in the more dynamic youth discussions, respondents' understanding, perceptions and explanations of poverty were restricted to the framework of the estate sector.
- The characterisation of poverty and well-being is multi-dimensional. While income and consumption (in terms of wages, household expenditure) are at the core of understanding poverty, other elements such as health and personal attributes are also very strongly articulated.
- The way in which poverty was characterised in estates in different districts, with different plantation crops and different management systems was only marginally different, reflecting the homogeneity of the estate sector. This was particularly true of the characteristics of the 'bottom' or the chronic poor.

11. The characteristics of poverty at different levels were identified using the Ladder of Life method (see table below).

12. The households assessed as being at the 'bottom' were those who faced long-term deprivation and felt that they were at the lowest level of the community. The 'middle' group were those who did not face major deprivations but were constantly balancing the upward and downward pressures. The extent to which the upward drivers could dilute negative pressures kept households at the middle level and helped to move them up. The 'top' level was characterised by progressive 'movers' whose well-being factors outweighed the deprivations; they saw themselves as better than most in the community.

Self-assessment of characteristics of household categories

‘Bottom’ level households	‘Middle’ level households	‘Top’ level households
Priority characteristics		
<ul style="list-style-type: none"> • Adverse ratio of income earners to dependents • An unstable / limited source of income. • High incidence of illness, chronically ill income earners 	<ul style="list-style-type: none"> • Higher number of income earners, multiple sources • Employment by a member of the household in non-estate sectors, particularly overseas • Demographics of the household 	<ul style="list-style-type: none"> • Stable high-end income derived from multiple sources. • Regular overseas remittances • Productive networks and social capital • Investments in household and productive assets • Access to loans • Ability to counteract negative variables with positive ones
Frequently mentioned characteristics		
<ul style="list-style-type: none"> • Dilapidated houses with limited access to utilities • Alcoholism 	<ul style="list-style-type: none"> • Prioritisation of education • Controllable debt cycle 	<ul style="list-style-type: none"> • Improved housing and utilities • Investments and credit for productive purposes. • Higher value of education • Positive demography of households/ dependency ratio
Other characteristics		
<ul style="list-style-type: none"> • Low spending on education • Negative personal attributes and negative outlook/approach • Limited networks and social capital • Female-headed households • Lack of land • High levels of indebtedness 	<ul style="list-style-type: none"> • Access to utilities (electricity and water), better housing • Ownership of assets such as household goods • Positive personal attributes such as hard work and the will to develop. 	<ul style="list-style-type: none"> • Enabling personal attributes

Perceptions of change within the estate sector

13. The residents perceived the overall living conditions on the estates to have deteriorated over the last 15 years. This perception was particularly strong in the tea sector. In the rubber sector there was an equal spread of opinion between the contrasting beliefs that conditions were deteriorating or improving, and not a single community thought that living conditions had stagnated.

14. Contrasting with the perceptions regarding change at the community level, there was a strong consensus among the individual households that the last 15 years had seen improvement at the household level

15. There was greater consensus regarding potential changes in the future: the majority believe that positive change will not happen at the estate level in the near future.

16. The strongest difference in perceptions was seen between workers in the Regional Plantation Companies (RPCs) and the privately owned and managed estates. In the privately owned and managed estates there was a stronger perception of a deteriorating trend. Twenty two percent (22%) of households living in the private estates felt that they had deteriorated over the last 15 years. The percentage of households in the RPC sample with this perception was only 7%.

17. The more unfavourable conditions within the private estates were reflected in all discussions with focus groups and households.

18. The contrasting perceptions of deteriorating community conditions but improving households can be understood using triangulated data.

- Perceptions of community deterioration are influenced by a comparison against an 'ideal type.' This refers to alternative forms of management experienced over the years, as well as the influence of the total institutional structure, which historically created a paternalistic/dependent relationship between the management and the workers. More recently management-worker relationships have developed into an adversarial, rights-based culture associated with ethno-political unionised labour. In this context, any improvements seen within the community are compared against a past ideal and found to be wanting.
- The critical role of non-estate employment in diversified household livelihood portfolios has successfully separated the fortunes of the household from that of the estate community. While the chances for a given household to increase their well-being are greater in circumstances where the estate is doing well, households in deteriorating environments can increase the percentage of their income from external sources and therefore move upwards quite independently of conditions on the estate.

What helps and hinders people's movements out of poverty

19. The dynamic aspects of change, i.e. the forces and circumstances that create upward and downward pressure on a given household were identified by community and individual households. Factors help and hinder movement by combining with each other as well as reacting to a given situation. Hence a given factor can help as well as hinder over a period of time or given different circumstances.

The nexus between wages, availability of work and cost-of-living

20. For estate workers in all sample categories, the incessant rise in the cost of living and the fact that wage increases do not match this pace was the strongest factor in preventing upward movement and creating stagnation at low levels of well-being.

21. The availability of work, increase in productivity requirements following re-privatisation, and the slow increase in wage rates were all seen as factors which affected earning capacity. There was slight variation between the tea and rubber sector as the workers in the rubber sector identified improved work availability due to changes in agricultural techniques and marketing.

22. The high percentage of household spending on food was identified as aggravating the impact of the rising cost of living.

Diversifying the household livelihood portfolio

23. The most popular as well as most successful method of coping with and moving out of poverty is by diversifying the household livelihood portfolio. The ideal diversified livelihood portfolio would incorporate estate and non-estate work, internal and external migration, and skilled and non-skilled labour.

24. The members of dynamic households took a conscious decision to include estate work in their household livelihood portfolio in order to maximise the advantages of accessing the remuneration and housing package. Contrastingly, 'bottom', and 'medium' households that were stagnating or deteriorating saw the estate employment structure as restricting freedom. The lack of choice and frustration with a highly structured system, which they were unsuccessful in manipulating, was central to their dissatisfaction.

25. In terms of the non-estate segment of the portfolio, overseas employment, predominantly in the Middle East, was the most successful upward driver. Migration within the country has a similar but less immediate impact. Longer term migration is most successful as it allows the household to develop a sustainable source of income as well as non-income dimensions such as networks.

Impact of the household life cycle

26. The demographic cycle of a household - from the birth of children, through schooling, to reaching the age of employment, marriage and death – has a strong impact on household mobility, asserting both upward and downward pressures depending on the stage of the cycle. It impacts the household's earning capacity, and expenditure structure. Households that move out of poverty are those that have successfully built on the upward drivers while minimising the negative impact of the downward drivers.

Management reform and governance

27. Throughout the study, residents expressed little satisfaction with any form of estate management. The lack of competence in agriculture and production, and the lack of care in human resource management were seen as downward drivers in all but a few estates. While trade unions were acknowledged to be representing the workers to the management, there was heavy criticism of the self-serving nature of the unions and leaders and the lack of true representation.

Health and access to healthcare

28. The type and quality of healthcare available within the estate was identified as an indicator of the conditions on the estate. Assessments were mixed and were influenced directly by the specific situation of different estates. However, in most group discussions participants saw a direct link between changes brought about by privatisation and the deterioration of health facilities. The female focus groups were

particularly critical of the changes which directly affected their care giving role, which they have to balance with their role as the primary providers of estate labour.

29. Issues relating to ill health - and death of a family member – were significantly more important at the household level than at the community level. Health was such a strong factor for households that it frequently overrode strong upward drivers such as a diversified livelihood portfolio and low number of dependents.

Access to education and other facilities

30. Overall, access to better quality education both within the estate and in the larger towns was seen as a positive change. The greater value placed on education was also identified as a factor that exerted upward pressure on individuals as well as the community as a whole.

31. However, cost of education was frequently identified as a downward driver. Although there was a strong perception that better education led to better employment opportunities, the lack of evidence to back it created some doubt about the real role of education as an upward driver. However, the role of education in enabling greater integration with the national socio-economy was strongly articulated, particularly by young people.

Housing and utilities

32. At the community level the general condition of estate housing (particularly line rooms) is seen to be a contributing factor to poverty. However, at the household level the stock of housing is seen to have improved, predominantly due to individuals' own efforts, although some acknowledge contributions from management. However, residents had a strong sense that they were entitled to better housing and greater access to land.

Personal and social factors

33. Personal factors such as hard work, money management and planning, were discussed as upward drivers. Though not discussed as much at the household level, the focus group discussions identified negative personal attributes such as laziness and lack of initiative as causing households to remain in poverty.

34. The personal attribute most often discussed and seen to have an all-pervasive negative effect was alcohol consumption. Alcoholism was seen as a hindering factor in a range of issues, affecting households' income earning capacity and expenditure, obstructing educational attainment of children, creating intra household conflict, and disrupting community life.

35. The increasing availability/supply of alcohol was seen to create and increase the demand. Many better-managed RPCs were attempting community level solutions to the problem, and frequently sought the participation of young people in such programmes.

Special Focus: Youth Aspirations and Challenges

36. Education in the sector has improved considerably, although critical gaps still exist. While the benefits of education were acknowledged, its impact in raising the potential for income generation was debatable because of constraints to accessing employment

37. Educated youth had increased interaction with the non-estate sectors through employment, education and social activity as well as increased access to media and telecommunications. They were often not willing to work on the estate and there was a marked preference for off estate work (more so in the rubber sub sector), because of the stigma associated with being an estate labourer. However, salaried employment in the non-estate sectors was not easily available to those with improved levels of learning, relegating them to openings at a low level. A minority are able to secure jobs as semi-skilled workers.

38. Migration for employment is age selective. 90% of youth in the rubber sector and 60% of youth in the tea sector work off the estate in these 'prime' years. The strong dislike for taking up estate work was evident in the many number of focus group discussion respondents who were temporarily employed in ad hoc ventures such as gem mining and those who were voluntarily unemployed, awaiting a job that matched their aspirations.

39. An improvement was noted in youth mobility with increased opportunities, especially in the rubber sector where the estates are located close to rapidly developing townships.

40. Many youth respondents cited marginalisation because of their ascribed status as an obstacle to progress, even in instances where they possessed the required qualifications and expertise. Problems resulting from their Indian Tamil ethnicity and the 'estate worker' identity were frequently cited by the young people in the focus group discussions.

Impact of the estate sector's structure on movement out of poverty

41. Analysing the perceptions of households, management and other key stakeholders, in the overall context within which the estate sector operates, it is evident that the structural form of the sector is a critical element in moving out of poverty.

42. The structure of the 'plantation system' as it stands today creates non-economic forms of poverty within the sector, which in turn influences household economic decisions. It is also less than successful in creating a dynamic and profitable industry, and this additionally constrains the upward mobility of residents within the sector.

43. Despite the many transformations since Independence, many fundamental features of the traditional plantation system as a self-contained structure separate from the national socio-economy, remain. This creates very serious contradictions and tensions within the system.

44. The strongest area of tension lies in the contrasting perspective of economic efficiency on the one hand, and the rights of the workers on the other hand. This undermines the effective functioning of the system.

45. The tensions created by this polarised perspective are particularly obvious with regards to housing. The residents take the position that it is their home and that they therefore have the right to decide how they live and work; while the management takes the position that the housing is workers' quarters, hence, at the very minimum the household head should be working for the estate. Both positions are equally legitimate, but contradictory.

46. The residents' feeling of exclusion and marginalisation from the mainstream socio-economy is a direct and critical consequence of the plantation system. It is a dimension of poverty in its own right. Even households that have incomes significantly higher than the poverty line feel strongly that they are members of a sector that is being given a 'raw deal' in comparison to the mainstream socio-economy.

47. In addition, this sense of marginalisation and exploitation influences economic and livelihood decisions. Closely linked is the adversarial / dependent relationship with the estate management, and the popular view that estate work is degrading, unsuitable. This leads many residents to shun estate work and attempt external employment. Households are thus unable to take full advantage of the available earning capacity on the estate, because even when it is available, estate work is not taken up.

48. The decrease in estate work identified by the residents is also influenced by the manipulation of the system by the management. While seasonality is an inbuilt agricultural variation, many estates also attempt to maintain more casual labour than registered labour, thus feeding the cycle of labour-management tensions.

Seeking solutions

49. Attempts to accelerate the process of moving out of poverty of the estate sector population can be considered on a continuum of structural change of the plantation system. The study concludes by suggesting that solutions to the problem of estate sector poverty can be sought using three different strategies:

- *Strengthening the existing structure*: Within the existing structure, the primary issues for poverty in the estate sector are access to and the quality of the drivers of moving out of poverty. Solutions to address poverty should focus on increased access to work and to methods of coping with the high cost of living; increasing access to and quality of health and education; improving housing and access to land; and better communication among all stakeholders.
- *Accepting and encouraging natural change*: The gradual breakdown of the rigid 'plantation system' can be ignored, restricted or encouraged. Given the strength of change factors and the positive impact this breakdown is having on households moving out of poverty, a positive approach would be to accept change. This would include both encouraging the factors that have a positive impact on households as well as those that minimise risks, through facilitating mobility and migration; encouraging self-employment; developing alternative skills; and expanding the provision of state welfare services. Developing a positive image of the sector as an employer is key in attracting labour to

the estates as well as giving dignity to estate employment in the eyes of the larger socio-economy.

- *Actively mainstreaming the sector.* Unless some of the most fundamental factors of the structure that characterise the 'plantation system' are addressed, only a limited amount of movement can be achieved by estate sector households. The captive feature of the plantation system is the most critical factor that limits movement and, more importantly, creates a strong feeling of marginalisation. The most enduring link to the enclave plantation system is the housing system - the fact that labour continues to live within commercial property. Separating housing from the estate would relieve management of welfare responsibility towards the estate population. Equally it would relieve residents of the obligation of having to provide labour to the estate. The estate sector would therefore become part of the mainstream economy, working on the basis of a conventional employer/employee relationship.