

Learning & Policy Series

A Different Cup of Tea: The Business Case for Empowering Workers in the Sri Lankan Tea Sector



The Benefits of Empowering Workers:

An increasing body of evidence demonstrates that an empowered workforce benefits business. One example comes from Sri Lanka, where 23 tea estates partnering with CARE International have successfully improved worker-management relations by using a dialogue model called a Community Development Forum (CDF). CDFs are in effect 'mini-parliaments' that facilitate dialogue between workers, management and the broader community. After establishing CDFs, estates reported:

- A 10 to 20 per cent increase in the volume of tea plucked by their workforce;
- A reduction of 16 management hours per week spent mediating disputes;

- Reduced or eliminated participation in national strikes, resulting in savings equivalent to \$2,600-\$13,300 per estate per day; and
- Improved employee perception of economic and social well-being, among other benefits.

Overall, an assessment showed that for every dollar invested in CDFs, tea estates gained an additional US\$26.

The evidence is clear: there is a strong business case for empowering workers. The benefits outlined here – improved labour relations, productivity and market opportunity, as well as decreased reputational risk, efficient fulfilment of legal obligations and a positive business

Key points

An empowered worker is aware of and can advocate for his or her rights, benefits from laws that recognize and support those rights, and works for a company that respects those rights.

An assessment showed that for every dollar invested in worker empowerment, tea estates gained an additional US\$26.

The tea sector accounts for 19 per cent of Sri Lanka's foreign earnings and provides direct employment to over 310,000 people.

Poor dialogue and low productivity on tea estates undermine the long-term sustainability of the national tea industry.



environment – are relevant to all businesses. This brief describes the case of the Sri Lankan tea industry, outlines the benefits to business for empowering workers, and describes how these benefits can generate a positive economic return as well as substantial social value in the tea sector and beyond.

The Sri Lankan Tea Industry:

Arguably Sri Lanka's most important industry, the tea sector accounts for 19 per cent of the nation's foreign earnings and provides direct employment to over 310,000 people, the majority of them women. It is also strongly linked with the national identity; handpicked Ceylon tea is renowned for its high quality.

Increasingly, however, the industry is at risk. Both international and internal challenges face the tea sector. Globally, exports compete with cheaper products from Kenya, India and other producers, where mechanized production is more common and production costs are lower. Domestically, the largely Tamil workforce, which is among the poorest in the country, is increasingly choosing to escape plantation life for opportunities in growing urban areas, resulting in a sector-wide labour shortage. Women, who make up the majority of tea pluckers, are subject to discrimination; for example, rarely rising to supervisor-level positions.

The poverty and isolation of the estate communities, as well as ethnic divides between the workforce and many managers, has meant that there is no mechanism for managers and employees to discuss and resolve problems.

Both factors contribute to low productivity and frequent strikes across the sector, undermining the long-term sustainability of the national tea industry.

Empowering Workers through Community Development Forums:

Giving workers access to forums where they can address challenges around working conditions alongside estate managers empowers them and contributes to a more sustainable tea sector. Currently operating on 23 locally-owned estates across Sri Lanka, CARE's CDFs were designed by workers, the local community and stakeholders to benefit workers, their communities and plantation companies. **CDFs are spaces for open sharing and debate, with one CDF set up on each participating tea estate.** The model opens up new channels of communication between stakeholders across the plantation region, serving as a forum where collective decisions about community development priorities and labour conditions are negotiated and decided in a transparent way. Management, tea pluckers and workers, unions and community leaders are all represented. Importantly, women are also given an equal role to participate and hold office at the CDF, ensuring that the views of the largely female workforce are represented.

As workers and their families live on estates, working and living conditions are very closely related. In addition to opening dialogue, CDFs provide a means to identify improvements in community development. For example, a number of CDFs helped to complete the self-assessment

The workings of a Community Development Forum

CDF Advisory Committee

Estate Manager
Estate Staff
Estate Medical Assistant
Welfare Officer
Chief Clerk
Midwife
Field Officer



CDF Office Holders

CDF has four Executive Committee Members

- 1. President**
Chairs the meetings
- 2. Vice President**
Who chairs the meetings in the Absence of President
- 3. Secretary**
Minute Taker
- 4. Treasurer**
Looks after the Accounts

Community Development Forums are 'mini parliaments' where workers, management and community members gather for joint decision-making. The diagram above

demonstrates how the different groups from within and outside of individual estates come together under the CDF as well as the different functions that the CDF fulfils.

questionnaire of the Ethical Tea Partnership, part of the Ethical Tea Partnership's programme aimed at improving tea estates' compliance with social and environmental principles. Others take on the task of establishing links with local government entities, facilitating access to identity cards, birth or marriage certificates, or pension entitlements. This model recognizes that not all social responsibilities should fall on the shoulders of businesses, but that businesses can have an important role in ensuring that supportive systems are in place.

"When I came to this estate, I was used to the conventional way of management where we dealt with the workers very formally and kept them at arm's length. The CDF had already been established. Because of my conventional training, I did not initially like the idea, and was reluctant to participate. But soon I was struck by the way people were solving their problems. Now if I am transferred to another estate, I would like to replicate this process there."
Prasanna Premachandra, Deputy Manager, Carolina Estate, Watawala Plantations

CDFs are spaces for open sharing and debate, with one CDF set up on each participating tea estate.

Estates hosting CDFs have seen improvements in labour relations, management time savings, productivity, employee well-being and satisfaction, market opportunity, fulfilment of legal obligations, the social licence to operate, and the overall business environment.

After establishing CDFs, managers spent an average of 16 fewer hours per week settling disputes with workers.

Outlining the Benefits to Business for Empowering Workers:

Improved communication and dialogue are just the beginning of the positive impacts of empowering workers. Estates hosting CDFs have seen improvements in labour relations, management time savings, productivity, employee well-being and satisfaction, market opportunity, fulfilment of legal obligations, the social licence to operate, and the overall business environment. In addition to the benefits to individual businesses, worker empowerment is one way to increase social and economic sustainability of the sector as a whole.

"The CDF provides a forum to address difficult issues related to production."

**A. Jeyaram Manager, Lonach Estate.
Watawala Plantation PLC**

Business Benefits of Worker Empowerment Programming

Improved Labour Relations	In contrast to the frequent strikes which characterize the sector, the plantations implementing CDFs saw drastically reduced strikes and avoided participation in the national 'slow-down' movement. Depending on the point in harvest, the size of the estate and other factors, for each day estates avoided strikes they saved 350,000-1,750,000 rupees, or approximately US\$2,600-13,300. ⁱ
Effective Use of Management Time	After establishing CDFs, managers spent an average of 16 fewer hours per week settling disputes with workers. This can be attributed both to the overall decrease in grievances, as CDFs allowed the group to proactively identify and address problems, and to the more efficient means of communication represented by the CDF, which improved managers' communication skills and encouraged them to collaborate with the workforce.
Increased Productivity	Enhanced communication and access to government services such as medical care translated directly into improved productivity. Estates with CDFs reported a 25 per cent increase in the number of hectares plucked by the same size workforce and yielded a 10 to 20 per cent increase in the volume of quality, marketable tea. ⁱⁱ Increased productivity per worker is especially essential in light of recent drop prices for Sri Lankan tea.
Improved Worker Well-being	In worker reviews, 90 per cent of participants confirmed that economic and social opportunities had increased as a result of the CDF. The sector currently faces a long-term labour shortage as the next generation of tea pluckers increasingly chooses to migrate beyond the plantations, but improved labour relations, coupled with other benefits such as increased wages, present one way to counteract this trend.
Increased Market Opportunity	By empowering workers, estates benefit from access to new markets. Social and environmental certifications require social audits to prove that international labour standards are met. In this case, the presence of the improved relations and standards that come through the CDF confers a double advantage: it makes obtaining certifications easier through improved fulfilment of the labour, occupational health and safety and other base criteria, and it streamlines the administrative process once the certification is obtained.



© CARE International/Lucas Veuve

Estates with CDFs reported a 25 per cent increase in the number of hectares plucked by the same size workforce and yielded a 10 to 20 per cent increase in the volume of quality, marketable tea plucked.

Business Benefits of Worker Empowerment Programming (continued)

<p>Fulfilment of Legal Obligations and Voluntary Codes</p>	<p>Within both national legal structures and international standards such as the United Nations Guiding Principles on Business and Human Rightsⁱⁱⁱ, there is a strong onus on companies to apply due diligence to prevent human rights violations. This includes requirements to undertake due diligence across supply chains, to consult with relevant stakeholders and to identify potential red flags. Worker empowerment in general and the CDF model in particular are efficient means of creating systems that go beyond social audits to fulfil either legal mandates or voluntary codes.</p>
<p>Social Licence to Operate</p>	<p>Adhering to national and international labour standard brings benefits to workers and business, ensures a licence to operate, and helps build brand equity.</p>
<p>A Positive Business Environment</p>	<p>The cumulative impact of the above is a positive business environment. Through linking the estates with local government agencies, CDFs help workers to access the services to which they are entitled, but also to improve workforce health and well-being. Through increased productivity, improved labour relationships, heightened marketed opportunity and more efficient fulfilment of legal obligations plantations operate more smoothly and profitably.</p>

Adhering to national and international labour standard brings benefits to workers and business, ensures a licence to operate, and helps build brand equity.

For every dollar invested in worker empowerment, estates gained over 26 dollars in returns.

Workers, estates and the community all benefited from the CDF.

Monetising the Returns on Investment for Empowering Workers:

What is the cumulative value of worker empowerment's benefits to business? One way to measure this is through a social return on investment (SROI) analysis, which monetises the outcomes of a project, estimating the return on investment for every unit of currency invested compared to what would have occurred without the investment.

An independent SROI analysis by the New Economics Foundation found that for every dollar invested in CARE's worker empowerment

programming, there was a marked return on investment to workers, to the tea industry, or to the community as a whole, with an impressive estimated overall social return on investment ratio of 1:42.^{iv} The table below summarizes the SROI of worker empowerment through CDFs for different stakeholder groups.

While workers and the community as a whole both benefited, particularly from increased access to services, estates themselves also benefited significantly: for every dollar invested in empowering workers, estates gained over US\$26 in returns.

Return on Investments of Worker Empowerment through CARE CDFs Overall Social Return on Investment Ratio: 1:42

Workers: US\$11.24 produced for every dollar invested.	Business: US\$26.65 produced for every dollar invested.	Community: US\$4.70 produced for every dollar invested.
<ul style="list-style-type: none"> Improved working environment Improved access to services such as healthcare and voter registration Increased ability to represent themselves democratically in and outside the workplace Improved gender equality Higher quality of life 	<ul style="list-style-type: none"> Improved labour relations Reduced chance of strikes or other forms of industrial action Increased market opportunity, including value-added sales through participation in the Ethical Tea Partnership programme More productive labour force Decreased reputational risks Efficient fulfilment of legal labour and human rights obligations A positive business environment 	<ul style="list-style-type: none"> An efficient means to deliver services to a hard-to-access community Decrease in potential conflict Progress towards meeting the Millennium Development Goals and increase in sustainable economic growth

"As a young woman, I think that one of the most important changes brought about by the CDF has been the emancipation of women in the estate community... Women workers and estate residents are no longer scared to speak directly with [managers] about their needs. We as women...have assumed leadership roles through which we are working for the benefit of our community." – J. Nalini, Animator, Poyston Estate, Bogawantalawa Teas PLC.

"Now I am confident to work anywhere and with anyone. I have won the respect of my community and the respect of my family. Unlike before, we can be equal with men. We work with them and we are no longer seen as inferior, and our roles in society are no longer seen in a restricted way." – S. Roshanthini Stonycliff Estate, Kotagala Plantations Ltd.

Conclusions and Recommendations:

From improved labour relations, increased productivity, better market opportunity and social legitimacy to decreased reputational risk, efficient fulfilment of legal obligations and a positive business environment, companies have much to gain from empowering workers.

The SROI framework is apt not only because it shows how intangible outcomes translate into tangible returns, but also because it terms worker empowerment as it is: an investment, one which takes time to mature. Without investing in systems, such as the CDFs, to support empowerment, equal gains would be significantly harder to achieve. Moreover, it is an investment that becomes more, not less, urgent in times of financial stress, when businesses may be inclined to make cuts that undermine empowerment. With this in mind:

- **Businesses** should stop treating worker empowerment as a matter of philanthropy and treat it as it really is: a core element of sustainable business. This means investing in systems, such as CDFs, that can promote empowerment. International brands should also encourage suppliers to adopt these models, both as a means of their own supply chain assurance and as one facet of implementing international standards such as the United Nations Global Compact or the Guiding Principles on Business and Human Rights.
- **Non-governmental organisations** (NGOs) like CARE International are rooted in the communities that serve tea plantations. NGOs are widely trusted by the community and can act as facilitators in designing the most appropriate strategies to engage workers in different contexts, but should also work towards building models which can be incorporated into a company's operating systems in the long-term.
- **Governments and donors** will continue to play a crucial role in seeding innovative models and transforming thinking on empowerment, but they should also increase calls to businesses themselves to adapt and especially to fund models that are proven, sustainable and ultimately to their own benefit.

About CARE International:

CARE International is one of the world's leading aid agencies. In the last year, we worked in 84 countries, supporting 997 poverty-fighting projects that reached more than 83 million people.

CARE believes business has a critical role to play in the fight against poverty. To learn more about CARE's partnerships with business visit www.careinternational.org.uk

CARE's Partners and Sponsors:

Special thanks to CARE's partners and sponsors. Tea plantations that have implemented CDFs include Carolina, Wigton, Lonach estates of Watawala Plantations Company, Yullefield, Stony cliff, Drayton estates of Kotagala Plantation Company, Bogawana, Campion, Bogawanthalawa, Fettresso, Loinorn, Norwood, Poyston estates of Bogawanthalawa Plantation Company.

The Plantation Community Empowerment Project was carried out from 2008 to 2011 with funding from the European Union and in collaboration with the Ethical Tea Partnership. Research and advocacy, including the development of this brief, were sponsored by the UK Department for International Development.

"I started as a volunteer, but after I received training, I am no longer scared to talk with the estate management... I speak freely now.

– S. Annalectchamy, Trade union leader and worker

Companies have much to gain from empowering workers.

Worker empowerment is an investment in the future – one that becomes more, not less, urgent in times of financial stress.

Credits:

This brief was written by Alexa Roscoe with Faizal Cader and Chaaminda Jayasinghe.

The Learning and Policy Series draws on lessons from CARE's global programming experience to advocate for national and international policy changes that will improve development practice and ultimately help poor people lift themselves out of poverty.

- i Calculations are based on average daily production of partner estates and sale cost of processed tea for June 2012.
- ii Assessment of Business Impact of Plantation Community Empowerment Project., Mr. Mohan Ganapathi, 2010.
- iii The Guiding Principles on Business and Human Rights are UN endorsed guidelines on the roles of business as reflected in international human rights law.
- iv New Economics Foundation, "Desk Review to Conduct Assessment of 'Value for Money' Provided through CARE International's Programmes to Vulnerable and Marginalised Populations in Asia", December 2011. The report applied the SROI methodology to the Plantation Communities Empowerment Programme (PCEP) sponsored by the EC from 2007-2011. The results of the study cited here should be considered indicative as the review methodology did not include primary research with project stakeholders.

CARE International UK

9th Floor

89 Albert Embankment

London SE1 7TP

Tel: +44 (0) 20 7091 6000 Fax: +44 (0) 20 7582 0728

Website: www.careinternational.org.uk

Email: info@careinternational.org

Registered charity number: 292506

Private company limited by guarantee number (England and Wales): 1911651



**FundRaising
Standards Board**

give with confidence