

certain political parties and religious and intellectual groups in Sinhala society. Some propagandist statements have gone to the extent of alleging that Tamil plantation leaders are motivated by a hidden agenda of establishing a separate sphere of influence, if not a separate state, in the up-country plantation area. Even purely trade union demands are immediately interpreted as part of a larger conspiratorial design.

The myth of an alien, selfish and unpatriotic Tamil plantation community has been revived, reminiscent of a similar process in the

50's and 60's, disregarding totally the invaluable contribution made by this community, at great cost to themselves, for the prosperity of the country. These negative developments will ultimately contribute to a new sphere of ethnic enmity and tension in an already conflict ridden country. Thus it is necessary that viable policies are adopted to manage emerging conflicts within the plantations as well as between the Kandyan Sinhalese and the plantation Tamil community. The integration of the plantation Tamil community with the rest of Sri Lanka's society and economy still remains part of an unfinished agenda. ■

*A review of N. Shanmugaratnam, Privatisation of Tea Plantations. The Challenge of Reforming Production Relations in Sri Lanka: an Institutional Historical Perspective, The Social Scientists' Association, Colombo, 1997.*

## THE FUTURE OF TEA ESTATES

David Dunham

**R**ecent discussion on the future of Sri Lankan tea estates has focused on very concrete problems (commercial viability, costs of production, labour availability and labour use, the living conditions and social status of workers and their families, unemployment and militancy amongst youth) at the expense of a more balanced, holistic perspective on what will be needed for the industry to thrive over the longer-term. Studies have often been highly technocratic; they have treated history, ethnicity and politics as little more than a backcloth and they have either adopted an explicitly corporate stand or that of labour (with the state somewhere in between as a sort of neutral umpire). As a result, the whole discussion has been piecemeal. It has been oversimplified, it has taken existing institutional arrangements very much for granted, and in the process it has missed the urgency and much of the complexity of finding long-term solutions.

Shanmugaratnam's essay is a welcome contrast because it steps back and tries to take a look at the broader picture. It is far more serious about history, using it to understand contemporary problems and attitudes, and it rightly assumes that political, economic, socio-cultural and ecological factors are essentially interrelated. Where it is surprisingly not so generous is on gender issues (plantations being essentially masculine institutions, even though most of the workforce are women). Building on an earlier study of P.P. Manikam (1995), he sets off with a useful — if familiar enough — account of how the tea industry slid into crisis prior to privatisation. Financial starvation and the mismanagement of nationalised tea estates, declining or stagnant yields, obsolescent factories, rising costs of production and loss of international competitiveness, the failure to address workers' demands as a human and not just as an economic (even a cost of production) problem, and loss of ecological capital all loom large in his picture — with impoverished villagers waiting in the wings for a share of land or other assets if they are hived off to the workers. Historical experience emerges as of profound importance in moulding labour attitudes (and presumably planter attitudes and those of

politicians and bureaucrats). Quite rightly, he pieces together a highly complex scenario, though it is one that would also have gained from international comparisons..

Central to Shanmugaratnam's analysis is his assertion that the plantation, both as an agrarian institution and as a business entity, is today an anachronism. This is a familiar enough view in the international literature, and it has also been expressed by other observers of the Sri Lankan case (De Silva 1982; Dunham *et al.* 1997), but it is not one on which there is any consensus amongst companies, labour and the state in contemporary Sri Lanka. In traditional plantation economies, cheap land was the key factor of production and (once it was assured — and that was not always a simple matter) an unlimited supply of captive labour was simply taken for granted and was managed through a highly authoritarian system of labour relations. Commercial viability was then reasonably assured. In Sri Lanka, it yielded dividends for European investors and, later, surpluses were wrung from the nationalised estates and transferred to other sections of society, financing welfare programmes for which the country became famous. But little was reinvested to assure long-term profitability of the estates or to improve the standards of living of workers.

Over the longer-term, of course, this model was not viable. Other producers emerged, prices fell, the lack of investment and the inefficiencies of state-management began to tell, and high costs of production of Sri Lankan tea made it less competitive. It is often said that successive governments were wringing the neck of the goose that laid the golden egg. But there was also a more general malaise on which Shanmugaratnam is silent. Whether it was Jamaica or Malaysia, plantation economies have proved incompatible with the aspirations of new generations of more educated and politicised youth; they have been undermined by the tunnel vision of management, by outmigration, the stigma attached to plantation work, the rejection of authoritarian labour relations and persistent poverty. In

Trinidad and Jamaica, the decline was also accelerated by militant trade unions and a period of turbulent industrial relations. It is perhaps hardly surprising, therefore, that Sri Lankan experience reflects so much of what has, in fact, been a worldwide trend. Shanmugaratnam helps us to understand why the old model is breaking down in Sri Lanka and why it is so difficult to change. But the real question, of course, is what is going to replace it. Or will it continue unpeturbed to its own inevitable oblivion.

Certainly, since nationalisation (if not very much before), the Sri Lankan tea sector had been absolutely bereft of any long-term vision. As Shanmugaratnam points out, the estate as a production unit and as a system of labour relations was never seriously questioned by the reforms of the nationalisation programme (for several reasons — because the state had other objectives, because the leadership of the estate Tamil community was far too weak at that time to demand a change, and because it would have been far too costly for the government, both economically and politically). Nor has the privatisation of management in 1992 (or, more fully, since 1995) been carried out with any clearer picture of how the estates should evolve, or of the restructuring that was likely to be necessary to assure the sector's long-term development. On the contrary, with the wisdom of hindsight, the state would seem to have placed its faith in the private sector. Successful transfer of management to the private sector relieved the state of an unsupportable fiscal burden and reviving the industry was left to efficacy and business acumen of the private sector. The latter may also have been convinced at the outset that it had all the answers, but it has since found many problems that it faces to be complex and intractable. Ever since 1992, it has basically been feeling its way.

Manikam is probably right when he says that the government failed to see that the case of the plantations was different from that of other state-owned enterprises. It involved a whole sector of the economy and it therefore needed a framework to work in — a comprehensive and integrated strategy for the development of the industry that addressed immediate and long-run concerns of both the companies and labour. Shanmugaratnam may also be right that, until some such strategy is in place, the tea sector will be in limbo — with adversarial fighting between the companies and the unions, and the state teetering (unpredictably) between the two. Companies will try to renegotiate the labour contract and to cut down costs of production in the name of increased efficiency, and unions will press for incremental changes that favour workers, demanding higher nominal wages, guaranteed employment and improved housing and welfare services. Unions (and the state) will continually urge the companies to accommodate distributional imperatives and social and political rights of the workers.

The one qualification I would add is that the situation they are dealing with could also change very fast — prices will come down, peace and a booming economy will see rapid outmigration (already almost 4 % in 1995), and as margins for manoeuvre narrow, opportunities can be lost. Both the companies and the unions could quickly find themselves overtaken by events and that they both have much to lose if they simply let things drift.

And at the moment there are initiatives to build on. The recent round of privatisation (and the fifty year lease) provides new opportunities; high tea prices make things easier; many companies are beginning to worry that they are going to face labour shortages, and that unless workers are content with the estate as a place to live and work, shortages will stymie many of their plans for long-term profitability. Several companies are experiencing serious labour shortages in Mid-Country and Low Country areas, and some are open to suggestions of change because they see them to be in their own interests. CEOs of the Regional Plantation Companies have been discussing human resource development, estate diversification and (however foetal) the need to change from a plantation to an industry, with all the ramifications of modern industrial relations. Unions are similarly revamping their thinking about long-term development.

So this brings us back to the big question: what are the necessary ingredients of a successful strategy, and how do we set about formulating it and gaining a consensus on it? Shanmugaratnam has identified four critical elements: business enterprise development; stabilisation and enhancement of worker entitlements; harmonisation of ethnic relations; and environmental management. It is a big agenda, but they are all obviously important if a strategy is to be sustainable. He also sees state intervention as inevitable, and his themes include areas that will not be tackled effectively if the state is not involved. It has to shoulder much of the responsibility for resolving political and social problems and for creating an enabling environment for private sector development. Using the term state intervention, however, would seem to have been unfortunate — because it too has a history, because it tends to be anathema to the private sector, because relative autonomy of the state cannot always be taken for granted, and because what he actually seems to be calling for is monitoring and facilitation. State involvement is largely confined to a supervisory role, helping to nurture the trust and collaboration that will be in considerable demand if consensus is ever to emerge about future development.

Consensus will only come through a dialogue in which all views are heard, and it is by no means clear *a priori* what the outcome should be, or that the same solutions would be relevant in the different parts of the country. In a sense, therefore, the author is justified in simply arguing the case for a holistic approach and for a coordinated strategy. He does not go on to comment on mechanisms of consensus building or on what has been tried elsewhere.

He does come out, in principle, in favour of smallholdings. He sees them having a competitive advantage over the large plantation because of their lower transaction and direct production costs. Smallholdings was the Jamaican model, though it was driven more by political demands than by economics, and in Sri Lanka (as Shanmugaratnam points out) smallholdings have never been a demand of the plantation workers. Moreover, the economic argument for smallholdings is by no means proven, and there seems no good reason why a single model should be the preferred solution. Comparing average data on the yields, productivity and costs of production of estates and smallholdings is not a sufficiently rigorous reason to put them up as an option. Much depends on the inclusiveness

of definitions; the results can be different when allowance is made for the marginal tealands (individual divisions on many estates having impressive performance data) and there may be differences in their longer-term dynamics and in the scope for future expansion. Diversification is much less of an option (and likely to be more limited in scope) on a patchwork of smallholdings. And, as Jamaica found to its cost, if young people are averse to agricultural work, it may not matter so much if you have estates or smallholdings, because they will still migrate to the towns for higher status jobs.

But here I may seem to be nit-picking. After all, the author admits that any rapid transformation of the large plantations into a series of viable smallholdings is academic (especially in Up-Country areas) for a whole range of institutional and socio-political reasons — though perhaps not as much as he makes out. I would argue that the smallholder as a social category makes no real sense in the abstract. It is a descriptive label. What gives it social content is the agrarian context in which he or she is located. Converting estates *en masse* into the smallholdings like those in the south (in the context of a village economy) may therefore be politically and culturally impractical, but there could well be scope for a new breed of young smallholders to emerge in time in the framework of more flexible corporate production structures (as occurred in Eastern Tanzania). At the other extreme, of course, the answer is to do nothing, and to continue with institutional arrangements as they exist today — which was essentially the Barbados model. The outcome there was stagnant or declining productivity, severe labour shortages, and growing dependence on an ageing female labour force as men and youth moved out. This is clearly not the answer, but changes will have to be made if it is to be avoided.

My own view is that the future of traditional monocrop production and processing is limited, and that (as in Malaysia) downstream investment and diversification will prove to be increasingly necessary. Old style plantations will find it increasingly difficult when prices fall, when they are confronted with high costs of production and they are losing workers. They will have to change their image or go under, to see themselves as a corporate complex offering a range of employment in tourism, recreation, forestry management, export horticulture, meat and dairy production, value-added tea and blending.... whatever, but certainly not just estate work. I also feel that, for their own survival, companies will have eventually to

consider employing a range of different production systems, to become much more committed to human resource development and to providing living conditions, incomes and benefits comparable to those that can be secured elsewhere (just to keep their labour). Shanmugaratnam is probably right that democratisation and social mobility are likely to be key factors in labour relations, but openness to change on the part of both workers and companies will also be necessary if the status and living standards of workers are to be raised and if the industry is to prosper. There is likely to be declining dependence on the estate for both employment and welfare, and this will simply have to be factored into discussions on long-term solutions.

But whatever the production units and the new life styles that eventually emerge, the change is bound to be gradual, and there would seem no good reason why there should be any one model or why it should be implemented everywhere. In some areas, turning divisional housing into villages may seem most appropriate, with radical changes in labour management and in labour relations; in others smallholdings on contract may be preferred; while in others large agribusiness holdings may remain, relying on regular workers and run much more like an industry. Form is not the issue, what is important is to start the search for alternatives and to look for viable long-term solutions. And, in this context, Shanmugaratnam's plea for constructive discussion would seem to be both timely and valuable.

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## Unitarism, Devolution & Majoritarian Elitism

### A Response to the Interim Report of the Sinhala Commission

by

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