Privatization brings radical reforms

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SOME OF THE NEW PRIVATE SECTOR OWNERS OF Sri Lanka's regional plantations companies are stripping away inefficient, decades-old, regimented work norms such as the morning muster and introducing radical reforms like gender equality and giving workers "flex time" in their efforts to improve working conditions, and raise productivity and profit margins in the estates acquired under the government's privatization program.

There's no need to ape (colonial practices) anymore,' said Dan Seevaratnam, operations director of RPK Management Services which runs Maskeliya Plantations, which produces some of Sri Lanka's best teas. The company, whose initial public issue was oversubscribed 14 times on the opening day recently, is introducing more "democratic" working conditions, he said.

The firm managed to achieve a sizable increase in profit margins in the year to March 31, 1997, as the cost of production went up only marginally due to a much higher crop while sales prices rose dramatically. Maskeliya shares changed hands rapidly in the first few days of trading, starting at Rs. 30 per share and soaring higher to peak at Rs 50. Watawala Plantations, whose share issue which came after Maskeliya was also oversubscribed, is to be listed shortly.

Seevaratnam, who counts 25 years in the industry, said one of the main reasons for the success of Maskeliya Plantations was the good industrial relations in the estates it manages. The company, as well as its two parent companies, John Keells and Richard Peiris, is very strongly committed to human resources management, Seevaratnam said. This has been the greatest contributory factor in the dramatic turnaround of Maskeliya Plantations in the past one and a half years since RPK Management Services took over in February 1996. We established a degree of confidence among workers which contributed in large measure to the recent success."

There will be no chasing (refusing work to workers who turn up late), Seevaratnam said. Instead, workers are being allowed to start work and go on till later to make up for the delay. All workers are being given name tags and being addressed by name

while payments are to be made, as far as practical, to womenfolk because they are more careful in using money. The firm also plans to supply specially-designed raincoats to workers, particularly to pluckers. Under workers education programs, batches of workers will visit the Tea Research Institute to learn better techniques.

Long term plans are to ensure equal gender participation in all estate committees and give electricity to all lines by the year 2002. The companies are also providing better primary health care facilities and housing. “These are areas where we are able to demonstrate our good faith,’ said Seevaratnam of RPK Management Services. These are things that cannot be quantified when you talk about higher yields.’

The need to increase productivity by modernizing work norms is partly driven by the intense competition from other tea exporters like Kenya, whose costs of production are far lower and yields almost four times higher, than Sri Lanka’s. N. Jayasingam, chairman of Lankem Ceylon which runs the Kotagala and Agrapatana RPCs, said the work norms prevailing at the time of privatization were fixed long ago when the cost of production was much lower. With competition hotting up from other exporters (Our biggest threat is Kenya,” Jayasingam said.), the need to become more efficient has become urgent. Plucking averages on Lankem estates have increased with incentives, mainly cash, provided by the company, he said.

Mahendra Amarasuriya, head of the Planters Association, which represents the RPCs, said the privatized companies had made overall improvements in the quality of tea with better plucking and production standards. They had also done large scale infilling and small scale replanting while improving the badly depleted top soil by adding humus and retaining prunings, he said.

Improved housing for workers and steps to ease the housing shortage are key elements in the social welfare trust that has developed along with privatization, under the Plantation Housing and Social Welfare Trust, an autonomous government body funded mainly by foreign donors like the Netherlands and Scandinavian countries. The workers themselves and the government also contribute to the fund, along with the RPCs. “Every effort is being made to improve the workers’ quarters,” said Amarasuriya. ‘It is an immense task because most of them are in a bad condition.”

The new owners of the island’s plantations are also acutely aware of the need to keep unemployed labor gainfully occupied. Jayasingam, of Lankem, said there was a

very practical reason to help the workers find employment. “Some estates have surplus labor,’ he said. ‘Unemployed labor can create problems. So we try to offer them other work.’ However, he said, the surplus labor problem could be solved if there was greater mobility of labor. The move is being resisted by labor unions and their political leaders who fear their support base and vote banks will be eroded, while the workers themselves are reluctant to leave their estates because of the insecurity caused by the ethnic tension in the country.

Harry Sandrasekera, secretary, Industrial Relations of the Ceylon Workers Congress, the biggest plantations labor union, sees privatization as providing a chance of change for the estate community. From the time workers were brought from India as indentured labor (in colonial times) they were kept as captive labor,” he said. “Now with privatization, living quarters are being vested with the workers, there is a scheme to improve housing, a shareholders scheme – they’ve come as a trade off for our support for privatization, although not everything has been smooth. We see this as a challenge and the CWC is proceeding to meet that challenge.”