FINANCIAL TIMES

February 10, 2014 5:00 pm

Tata urged to give tea plantation workers way out of share scheme

By Amy Kazmin in New Delhi

Tata Global Beverages, maker of the Tetley tea brand, has been urged to allow impoverished plantation workers to withdraw from a share-purchase scheme intended to make them part owners of tea gardens being divested by the Indian conglomerate.

About 21,000 mostly illiterate plantation workers agreed four years ago to spend Rs8,000 ($128) each – more than five months of earnings – to buy shares in Amalgamated Plantations Private Ltd, a company established in 2007 to hold 24 tea plantations in Assam and West Bengal that were owned by Tata Tea, since renamed Tata Global Beverages.

But a three-year Columbia Law School Human Rights Institute study into the scheme, published on Monday, found many workers barely understood the concept of share ownership or the risks entailed. Interviewing several hundred workers at 17 of the 24 plantations, it said many claimed to have felt coerced by plantation managers into buying the shares.

The study calls for the plantation company to "act immediately to enable workers to opt out of the share-ownership scheme and return to the status quo ante", citing lack of informed consent to the process.

Tata created APPL as an independent company as part of its long-term strategy to exit the business of running plantations and focus on the retailing and marketing of tea and other beverages.

The workers, who were mostly born and raised on the plantations and have little education, were given interest-free loans facilitated by the Tata group to acquire the shares in APPL. They are repaying the loans through deductions from their wages, a process that will take seven years.

About two-thirds of APPL's 31,000 permanent workers signed up for the scheme. Participation rates varied dramatically at different estates, with some at just 15 per cent and others at 100 per cent.

The Columbia Law School study said the share scheme imposed a heavy financial burden on participants, from whom about 6 per cent of their monthly net wages, which average about Rs1,500 ($24), are deducted for loan repayments.

"In one interview after another, workers described the very real impact of this ostensibly minor deduction on their ability to feed themselves, buy educational supplies for their children or take care of other debts," it said.

While the study concedes workers "could benefit ultimately from the share plan", it argues that they also face "considerable risk and uncertainty", which they did not have the "realistic opportunity" to assess.

It argues that "failing a meaningful opt-out mechanism, APPL must immediately convert the 'share sale' to a share grant, refunding all paycheck deductions to date and ceasing any further deductions, given that most workers are ill able to afford them".

Rajan and the Indian shopper

APPL is still 41 per cent owned by Tata Global Beverage, while the International Finance Corporation, the World Bank's private lending arm which has supported the project, owns just over 19 per cent. The rest is understood to be owned by the workers and management.

Tata and IFC, the two largest shareholders, eventually intend to list APPL on the Bombay Stock Exchange.

In an emailed statement to the Financial Times, Tata Global Beverages described the share scheme as "a

Raghuram Rajan, India's central bank governor, may be right when he dismisses the link between inflation and growth . . .

Continue reading

landmark initiative to promote worker ownership and participation".

The company said the workers had received dividends of 12 per cent, 6 per cent and 10 per cent for the past three years, and would have "an exit option in the future" when the company goes public.

The IFC said in a statement that it had invested in APPL in 2009, both to help protect the jobs of the 24 plantations' 30,000 permanent workers and to help raise standards in an industry notorious for the abject poverty of employees.

In a written response to Columbia about the study, APPL denied any coercion was used to persuade the plantation workers to buy shares, noting a third of the workers refused to participate.

"The share allotment process was voluntary and transparent," the company wrote to the authors. "If coercion was used, the number of shareholders would have been 31,000 and not 21,000."

RELATED TOPICS India Finance & Markets, Indian Society

Printed from: http://www.ft.com/cms/s/0/e3957caa-9238-11e3-8018-00144feab7de.html