BUDGET 2026: PRIOIRITISING PROFITS OVER WORKERS AND TAXPAYERS

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Introduction It would seem only natural to assume that the workers who sustain Sri Lanka's most significant agricultural commodity – and its largest export after apparel – would be fairly compensated for their contribution to the economy. For decades, however, the reality has been strikingly different. Plantation workers remain among the most impoverished and marginalised communities in the country. According to the National Multidimensional Poverty Index (MPI) developed by the Department of Census and Statistics (DCS) in 2021, estate areas are home to just 4.5% of Sri Lanka's population, yet they account for 14.4% of those living in poverty (Department of Census and Statistics, 2021). Their labour has been the cornerstone of the national economy, yet their own lives scarcely reflect the value of their work. Worse still, this issue has rarely been treated as a policy problem, let alone a priority.

In their 2024 Presidential election manifesto, "A Thriving Nation, A Beautiful Life", the National People's Power (NPP) pledged to "increase the salaries of the upcountry plantation workers in line with the cost of living", proposing a daily wage of Rs. 2,000. The NPP, led by Anura Kumara Dissanayake, subsequently won the 2024 Presidential election by a landslide. Despite this pledge and two budget cycles since taking office, the government's efforts in both Budget 2025 and Budget 2026 have been largely insufficient. This policy insight examines how the government's approach has fallen short, particularly in Budget 2026, and offers policy recommendations for consideration.

Historical Context Initially introduced as an alternative to coffee, tea quickly proved successful and became the backbone of the British colonial economy (Tea Exporters Association Sri Lanka, 2024). By the late nineteenth century, it was evident that tea cultivation required a large and steady supply of labour (American Institute for Lankan Studies, 2020). To meet these growing demands, plantation owners recruited Tamils from South India under an indentured labour system (Fornell, 2020). While owners promised steady work and better living conditions, the reality was far harsher.

Workers were unpaid, indebted, and entirely at the mercy of plantation owners (ibid.), living in cramped 12×12 foot "line rooms" with minimal services and enduring long hours under strict quotas and supervision (American Institute for Lankan Studies, 2020).

These hardships did not end with independence. In 1948, the newly independent Sri Lankan state classified Malaiyaha Tamils as "temporary migrants", denying them citizenship, and in 1949, they were stripped of voting rights (ibid.) – rendering them a politically captive and effectively stateless labour force. In 1964, the Sirimavo-Shastri Pact then led to the forced repatriation of hundreds of thousands of Malaiyaha Tamils to India, many of whom had lived their entire lives in Sri Lanka (ibid.). This halved the size of the community (Progressive International, 2024), further entrenching its marginalisation. It was only in 1987 – after decades of labour mobilisation, political pressure, and state concerns about Tamil separatism in North and East – that the remaining Malaiyaha Tamils were finally granted citizenship (American Institute for Lankan Studies, 2020).

Contemporary Realities Despite the formal end of statelessness in 1987, almost four decades later, the material conditions of the plantation community have improved only marginally. The community continues to live on the margins of Sri Lankan society, with wages, housing, sanitation, and access to public services remaining well below national standards, and healthcare provision minimal – conditions that leave families struggling to meet even their basic needs (VOA News, 2024).

Unsurprisingly, wage growth has similarly been insufficient. The basic wage increased from Rs. 135 in 2005 to Rs. 450 in 2015, and to Rs. 1,350 in 2024; yet these increments fall far short of the rising cost of living (Sinnathamby & Vijesandiran, 2020). They remain well below any recognised measure of a living wage and are inadequate to provide plantation workers and their families with a basic standard of living (ibid.).

Consequently, when the government announced plans to increase the basic daily wage for plantation workers, the proposal was welcomed, as it represented a necessary step toward ensuring a decent and dignified life for a long-marginalised community – a responsibility that rightly falls on the state. What has caused concern, however, is the way this increase is being implemented. The problem is not the intent; it is the execution.

Issues with 2026 Budget Proposal

In the recently released Budget 2026, the government proposed raising the basic daily wage for plantation workers from Rs. 1,350 to Rs. 1,750 (News.lk, 2025).

This includes an increase in the basic daily wage to Rs. 1,550, to be borne by plantation companies, along with a government-proposed daily attendance incentive of Rs. 200, scheduled to take effect from January 2026 (ibid.). While the announcement may appear positive at first glance, there are three fundamental issues with this proposal that undermine its ultimate purpose, disappointing both plantation workers and taxpayers alike.

Firstly, the allocation for the daily attendance incentive is insufficient. The budget sets aside Rs. 5,000 million to fund a Rs. 200 daily attendance incentive for plantation workers. At 25 working days per month, this translates to Rs. 5,000 monthly per worker, or Rs. 60,000 annually. Yet this allocation can cover only 83,333 workers, because the plantation sector employs between 100,000 and 150,000 core workers, leaving a significant portion of the workforce excluded (Peiris & De Sayrah, 2025). The shortfall is further compounded by inconsistencies in the government's messaging. The budget speech promises an "extra Rs. 10,000" for 25 days of attendance, yet estate workers are contracted for 21 days per month, making the target unattainable without overtime (ibid.). Expecting workers to meet this unrealistic target through overtime, merely to earn a bare minimum wage, imposes an unfair and excessive burden on families already living on the margins. Moreover, the proposal demands the creation of a new payment and verification system, with associated administrative costs that remain unaccounted for, further limiting the feasibility of the scheme (ibid.).

Secondly, the conditions for receiving the Rs. 200 attendance incentive are unclear. The Budget does not specify the criteria for eligibility (ibid.), leaving it uncertain whether workers must meet the standard 21 working days per month or the 25 days implied by the government's promise of an "extra Rs. 10,000" (ibid.). This ambiguity is compounded by the fact that many estates cannot provide 25 days of work each month due to weather patterns, crop cycles, and the nature of tea cultivation (ibid.). Without clear guidance – and with different officials providing varying explanations – workers are left with rumours rather than reliable information, and companies have little incentive to provide clarity (ibid.). The absence of defined conditions creates space for inconsistent implementation and potential exploitation, even at a higher nominal wage, ultimately defeating the purpose of the policy.

Thirdly, the proposal effectively subsidises profitable private companies. The fundamental question is: if plantation companies are profitable – which they are – why should the government, and by extension taxpayers, fund a portion of their wage bill (ibid.)? By covering Rs. 200 of each worker's daily wage, the state is effectively using public money to subsidise the core labour costs of commercial employers (ibid.). This shifts the obligation for fair compensation away from companies and onto taxpayers, protecting corporate profits while workers continue to be underpaid (ibid.).

As previously stated, the issue is not whether plantation workers should receive an additional Rs. 200 or even more. There is broad agreement that their incomes must rise, and the state can strengthen social protection to better support the Malaiyaha Tamil community (ibid.). The real concern is who the state is paying on behalf of. If companies were already meeting their obligation to pay the full wage and the government chose to provide further support, it would constitute a legitimate social investment (ibid.). Instead, the current proposal compensates for what employers refuse to provide, effectively subsidising private firms' most basic responsibility: paying their workers a fair wage (ibid.).

Taken together, these shortcomings reveal a policy that promises change but cannot deliver it – leaving workers uncertain, taxpayers burdened, and company profits largely untouched.

Policy Recommendations

As previously noted, the proposed attendance incentive requires an entirely new payment and verification system, yet the government has provided no clarity on its basic operations. It is unclear whether payments will be made directly to workers or channelled through plantation companies, how attendance will be verified, how frequently funds will be disbursed, or what safeguards will ensure workers receive the money. Establishing such a mechanism would require time, resources, and new administrative structures, making the proposal inefficient and potentially ineffective.

A more practical approach is to redirect the Rs. 5,000 million allocated for this incentive to the existing Aswesuma cash-transfer system, which is already operational, digitalised, and capable of delivering support at scale. This ensures that assistance reaches plantation workers directly, without creating new bureaucracies or relying on companies to mediate payments and guarantees that public funds serve those who need them most.

In the longer term, the government must enforce the national minimum wage for plantation workers to prevent companies from evading their basic responsibility to provide a livable wage. By holding employers accountable, the state can ensure that wage increases benefit workers directly, creating a more sustainable and equitable solution for this long-marginalised community.

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