POLITICAL ECONOMY OF LABOUR AND DEVELOPMENT IN KERALA

Some Reflections on the Dilemmas of a Socially Transforming Labour Force in a Slow Growing Economy

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ABSTRACT

Kerala is well-known for its achievements in the sphere of social development that includes a rapid and high level mobilisation and organisation of workers regardless of location and sectoral occupation. However such a process of social development without a commensurate transformation of the productive sectors has presented Kerala with some major dilemmas. This paper therefore takes a critical look at the political economy of labour and development by examining the roles of labour unions, state, and capital. The three dilemmmas relate to (i) technological choice in the face of high and rising labour costs in labour-intensive activities for maximising long-term growth and employment, (ii) mismatch between labour-supply and labour demand as a result of changing job expectations of the younger generation in a technologically stagnant economy, and (iii) lack of new investment despite growing loanable funds and declining resistance to technological change. The failure of labour unions to agree to productivity improvements through technological changes and increasingly resorting to 'closed shop' strategies has been particularly emphasised.

JEL Classification : J38, J51, J58

Key words: unionisation, labour unions, technological change, labour productivity, cooperatives, unemployment, labour-intensive activities, dilemma, economic liberalisation, poor-relief, wage cost, political and social development, economic growth.

1. Introduction

A political economy perspective is unavoidable while discussing problems of Kerala's economic development. Distributive issues have been so central to the question of economic development in Kerala and its achievements in the spheres of land reform, education, health care and public distribution of foodgrains set it apart from the rest of India by early seventies (see, e.g.,UN/CDS 1975). While Kerala is held up as a model for other Indian States as a shining example in social development (e.g. Dreze and Sen 1988:Ch. and 1996), its slow growth in the economic sphere, especially in the commodity producing sectors, has been pointed out as a serious and continuing problem in its quest for overall development (e.g. Kannan 1990; Isaac and Kumar 1991). The highly contested nature of distributive issues in a regime of low accumulation has given rise to several dilemmas in Kerala's development scenario. Without resolving these dilemmas, the problem of low per capita income and persistent high unemployment will continue to dominate discussions on Kerala's development. This paper is an attempt to articulate the nature of these dilemmas by examining the role of labour unions, state and capital.

Of course, the above mentioned three institutions are the most important ones in any discussion of political economy of development. However, in the Kerala context their relative power may be seen to be different from what is conventionally understood. To begin with, it must be pointed out that the role of labour unions have been central in deciding the course of Kerala's economic development. And they occupy a crucial role in any future strategy of economic development. The all-encompassing nature of unionisation in Kerala has often accorded the unions a proactive role with the state responding to given situations. While labour unions in Kerala, as elsewhere in India, are linked to political parties and have national level organisations, they do enjoy a certain degree of autonomy at the regional level. In the Kerala context this has been much more pronounced arising out of historical factors as well as its relative power vis-a-vis state and capital.

The state in Kerala, as represented by the State Government, has much less degrees of freedom. It is critically dependent on the Central Government for finance and much of investment decisions in the public sector fall outside its realm of control. That does not mean it is powerless to decide on the direction of development and intervene effectively when it so desires. However, in the Kerala context, the state has not been able to exercise a decisive role in determining the course of economic development in general and investment decisions in particular. The coming to power of political parties strongly supported by the labouring poor in general and organised labour in particular has meant that the government has had to address distributive issues first. Given the dependence on wage labour of the majority of the population, important political parties sought to create their own political constituencies among the labouring class. Organised labour, because of its political clout, may be seen to exercise a hegemonic role whether or not the political party - rather parties - in power is dependent on their support. Much of the energy of the state was directed at mediating disputes between labour and capital and/or labour and state. Given the influential positioning of organised labour and the limited financial capacity of the government, the state in Kerala may be characterised as a 'soft' institution. Because of such a situation the state is seen, more often than not, as a reactive institution than a proactive one.

The characterisation of capital in the Kerala context is also important. Capital as a class has been a much less powerful institution compared to the country as a whole. Since the formation of the State of Kerala the influence of capital over the government has been a marginal one at best. The land reform measures did away with the emergence of agrarian capital in much of agriculture. Plantation sector retained a capitalist class and in terms of numbers most of them were small-scale capitalists. Because of the tiny nature of the modern manufacturing sector, industrial capital was negligible. Capital as a class in Kerala was, and continues to be, mostly mercantile in character engaged in such small-scale agroprocessing activities as coir, cashew, fisheries, wood, vegetable oils, etc. The strategy of such a capitalist class was confined to absolute extraction of surplus until that was effectively countered by the emergent organised power of labourers. A shift to a strategy of relative extraction of surplus value via introduction of technological changes was partly thwarted and partly became unattractive to capital producing a stalemate in the commodity producing sectors of the economy. The state could neither induce such a change nor take up that role.

It is in such a background that we need to examine the dilemmas facing Kerala. We identify here the emergence of three dilemmas. Before going into the details, they may be briefly stated as follows.

2. Three Dilemmas in Linking Social Development with Economic Growth

Kerala economy was characterised by a higher share of wage labour than the other States in India when it began to embark on a nationally determined programme of economic development. This was due to the predominance of cash crop cultivation in agriculture and labour-intensive agroprocessing activities in industry and trade and transportation and related occupations in the service sectors. The share of modern industry was small. Unionisation of the labour force therefore meant the organisation of a vast mass of workers in what is called the 'unorganised' or 'informal' sector of the economy. More appropriately, one may characterise them as belonging to lower forms of capitalist production ranging from putting out systems to wage labour in what Marx referred to as 'manufactories'. Better conditions of work and wages for such labour meant that the employers had to contend with a smaller share of the surplus. Two options were open before them. One was to go for technological changes that would have increased labour productivity making it possible for employers to earn a higher share of the surplus produced. From the development planning point of view this could be presented as a problem of 'choice of technique' about which much has been written in the Indian context.[1] Support for technological change, especially from the state, would have meant unemployment of large numbers of workers. At the same time, this would have led to a higher rate of growth of output over a period of time assuming reinvestment of

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1 One of the earliest debates in India related to the problem of technological choice for the Indian cotton textile industry. The central issue of a change from the highly labour-intensive cottage production to factory production was the subject of a paper by Raj (1956). Later, Amartya Sen's celebrated essay on 'Choice of Technique' discussed the theoretical issues in the context of a mixed economy embarking on a planned economic development. The importance of the time horizon that the planners should take into account has been demonstrated to be crucial. See Sen, A.K. (1972)

the surplus generated. Preventing technological change was meant to protect current employment but could prove costly, as it did, in terms of reinvestment and long-term output growth. This, of course, would depend on the time-horizon that the planners have in mind. But in the Kerala situation the problem cannot be discussed without reference to powerful institutions that influenced such decisions. The state government opted a course of halting technological changes under pressure from labour unions. However, such a course of action did not result in protecting current employment. A crucial factor for Kerala was the regional nature of its economy. This meant that employers could exercise the second option, i.e., to migrate to regions outside Kerala where there was no resistance to such technological changes. In addition, these regions offered lower wages that turned out to be an added advantage. Labour institutions and the state had very little power to influence such decisions of employers. Faced with such a situation, labour unions and the state resorted to a strategy of cooperativisation of such labour-intensive industries as were threatened by unemployment. This strategy was ineffective since political initiatives to form and support cooperatives were not backed by effective management and viable economics. The result was large-scale unemployment and underemployment of rural labour, especially women, who were employed in large numbers in many labour-intensive occupations. Therefore the first dilemma, faced by Kerala in the sixties and seventies, may be characterised as follows.

Dilemma 1: Halting technological changes in labour-intensive activities during a period of rising labour costs failed to realise the short-term goal of protecting employment while resulting in the loss of potential output and employment of such changes in the long-term.

A different sort of dilemma surfaced within one generation that coincided a demographic transition. As social development policies continued by the government and social welfare - basically ‘poor relief’ - programmes expanded, there was a general decline in the incidence of poverty. The inflow of large scale remittances from migrant labour in Gulf countries enhanced the sphere of circulation in the Kerala economy and expanded the until now tiny construction industry and related activities. A strongly unionised labour force, along with such other enabling factors as the ‘interrelated’ nature of the labour market (Krishnan 1991) enabled continued rise in wages of labour. As the social profile of the younger generation of the labour force changed, social preferences for employment also changed. Younger members in the labour force started opting out of the casual labour market despite higher wage rates. Their preference was for stable employment. Generation of new employment was so low because of the inability of the State to attract new investment and decline in the technologically stagnant labour-intensive occupations. The only sector where some increase in employment was evident was in the service sector. Such a situation produced, since the mid-eighties, a new dilemma for the Kerala economy which may be characterised as follows.

Dilemma 2: An accelerated process of social development in the context of a demographic transition has resulted in a mismatch between labour supply and labour demand. The result is the existence of a vast reservoir of reasonably educated, young, socially conscious labour force and a technologically stagnant economy surviving on the expansion of the service sector resulting from international remittances.

In this process women workers seem to have been more adversely affected than men. In retrospect, it would appear that the social costs of halting technological changes - a crucial element in the modernisation of the labour-intensive and low value-adding activities - have been too high. It could neither protect current employment nor lead to a long-term transformation of such industries/activities into higher forms of production and output growth.

Since the early nineties, coinciding a rapid and largescale liberalisation of the Indian economy, concerted efforts have been made by the state to attract new investment. The earlier resistance to technological change has slowly began to weaken although the comparative advantage of capital in locating industries outside the State has not diminished. Kerala also witnessed the emergence of some other favourable factors. The continued remittance of earnings by workers employed in the Gulf resulted in a steady growth of bank deposits creating a large pool of loanable funds for investment purposes. The availability of educated and skilled labour has added to the attraction of Kerala as an investment-friendly place. There has also been a perceptible drop in the incidence of industrial disputes in the State reversing its earlier image as a labour-problem State. But Kerala has found itself in another dilemma.

Dilemma 3: Despite the emergence of Kerala as an investment-friendly place with considerable loanable funds in the banking system and a decline in the incidence of labour problems, the State has failed to attract significant new investment.

This new dilemma has placed the role of the state in a new light. While the earlier strategy of state-led industrialisation did not take off, the new situation has underlined the importance of the provision of critical inputs which are in the nature of infrastructure development. The most important is the availability of electrical power. This has come at a time when the state's capacity for investment is declining as well as a situation where there is a reduction in state's support for social security and social development. Such a prospect for the decline of the role of the state could lead to increasing labour costs as a part of the consumption of poorer households is met from state support either directly or indirectly.

What follows is an elaboration of the context of these dilemmas.

3. Gains of Unionisation and State Intervention

The generalised process of unionisation, which began in the early thirties did not in fact make any distinction between urban and rural workers, informal and formal sectors, men and women, primary, secondary and tertiary sectors. This is a remarkable achievement as it gave the workers, especially in rural areas, a distinct identity of their own as part of collective organisations. The ability of labour unions to exercise considerable bargaining power was directly related to the political process in which pro-labour governments came to power from time to time. The land reform measures initiated in the late fifties, but enacted in the late sixties, abolished tenancy and undercut the power of landowners over the landless agricultural labourers. A series of other state interventions such as the policy of keeping the police out of labour disputes, creation of dispute resolution mechanisms, introduction of minimum wage legislation, and political support for labour struggles created favourable conditions for labour unions. Notable achievements of unionisation included such conditions of work as would approximate to those in formal employment status in the organised sector. These relate to fixed hours of work (eight hours or less), impersonal in place of patron-client relationships, non-wage benefits and loosening the linkages as between land, labour and credit (e.g. Kannan 1988 and 1992).

The second notable achievement was a sustained increase in wages that exceeded the increase in cost of living. Wage differences for similar skills were not significant. However such differences were sharp as between men and women.[2] A third notable achievement was the political support extended to labour to form labour cooperatives whenever they were threatened with either migration of the industries or closure of units. Last, but not the least, was the initiation of a number of labour welfare measures including old-age pension to rural workers and creation of welfare funds that imparted a degree of economic security to many segments of the hithterto unprotected labourers. Such economic security was enhanced by several poverty alleviation and food security programmes - all of which may be labelled as poor-relief - of the government. These poor-relief measures accounted for a little more than one-fifth of the rural labour household consumption by the early eighties (Kannan 1995:722).

4. Demographic Transition, Sustained Social Development and Changes in Labour Supply

The period of widespread unionisation and the organised profile of labour in general and rural labour in particular, i.e. from early sixties to mid-eighties, coincided with a demographic transition and sustained social development that affected the labour supply.[3] The high population growth rate (around 2.2 per cent) between 1951 and 1971 arising out of

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2 Wage ratios calculated for two periods. 1960-61 to 1974-75 and 1975-76 to 1985-86, revealed that rural women workers received between 34 and 39 per cent of the wage rate in the modern factory sector during the first period and 35 to 48 per cent during the second period. For unskilled rural men, the share was between 51 and 62 per cent and 53 to 61 per cent respectively. Skilled rural workers received between 76 and 98 per cent and 73 to 95 per cent respectively. For details, see Kannan (1992).

3 The relationship between social development, especially in education and health, and the demographic transition in Kerala has been subjected to considerable research since the publication of the CDS study (see UN 1975). Some of the subsequent studies are Krishnan (1976), Nair (1981) and Bhat and Rajan (1990). For studies on the impact of demographic transition on labour supply, see Rajan, *et. al.* (1993).

declining mortality contributed to an increase in the share of the labour force (economically active population in the age group of 15-59 years) in the total population. Projections suggest that such a tendency will continue till the turn of this century (Rajan, *et. al* 1993). In 1961 the economically active population for males was 51 percent of the total and this increased to 62 percent in 1991. For females this ratio increased from 52 to 63 percent. This has meant a greater pressure in the labour market. The increase in labour supply has been accompanied by an improvement in social development indicators in Kerala. These include a continuous increase in literacy and schooling, increase in age at marriage for women, a reduction in the number of children, increase in life expectancy that is greater for women than men, a sharp reduction in infant mortality and, better access to such collective goods as transport and communication (see Table 5).

This meant that not only was there an increase in quantity of labour supply but also a qualitative change in its profile. The quest for better conditions of work, wages, non-wage benefits and such other arrangements as would approximate to formal employment status could therefore be better appreciated if we take into account such an underlying process of qualitative change. The strategies pursued by labour unions in such a context led to crucial implications in terms of employment, output and growth.

5. Wage Gain But Job Loss

Better conditions of work and increased wages for labour meant an increase in wage costs for employers. This threatened to reduce the share of profits in the value added for the employers. From a dynamic point of view, empirical evidence so far suggests that the rate of growth in product wages was higher than the rate of growth in labour productivity since the mid-seventies. This is especially so in agriculture (Kannan and Pushpangadan 1988) and small industries (Thampi 1990). Kerala does not enjoy wage advantage in many of the large scale manufacturing also (Albin 1990). A disaggregated analysis of wage-productivity relationship for the factory sector revealed that nearly half the number of industries (at the 3-digit level), accounting for two-thirds of the value added, do not enjoy a wage advantage (Subrahmanian 1990:2053). However, examining wage trends for workers in the production process per se may not give an overall picture of the wage cost in Kerala. What needs to be examined is the entire gamut of wage costs for employers including wages of workers in production, wages during construction, wages for goods handling and transportation. Added to this are the psychic costs of managing labour relations in an environment of multiplicity of unions, their rivalries and the political patronage for short-term gains. In such a situation, the response of employers was to introduce technological changes wherever feasible and/or to shift the industry to low wage areas outside Kerala. The high profile of labour unions and their power to disrupt work accelerated the process of migration. Some prominent examples will illustrate this development. In the coir manufacturing industry, demand for increased wages and better conditions of work led to the closure of factories by the employers. Later, they set up small workshops in rural areas. When labourers in these workshops were also brought into the fold of unions, employers sought technological changes. More capital-intensive technologies were available in coir defibring, spinning and manufacturing operations making it possible to set up integrated plants. Unions opposed such technological changes, which the government supported. Meanwhile, employers introduced technological changes outside Kerala. Coir factories, mainly employing men, and coir processing units, mainly employing women in household units as well as small rural workshops, experienced a decline in employment over a period of time thereby leading to a severe crisis in the industry in Kerala (for details see, Isaac, et.al. 1992:Ch.2).[4] In the handloom weaving industry, absence of modernisation (including technological changes) in the Schumpetarian sense, led to the decline of the industry in Kerala. This was despite the demonstrated ability of the workers to innovate products and capture foreign markets for a short span of time. At the same time, neighbouring States witnessed the introduction of powerlooms and an increase in the output of textiles. Coimbatore and Salem districts in the neighbouring State of Tamil Nad witnessed the emergence of hosiery industry followed by technologically sophisticated garments industry. The emergence of Tirupur in Coimbatore district as a centre for woven clothes and garments with a turnover of over Rs.20 billion per annum by the nineties and employing nearly 250 thousand workers is in sharp contrast to the archaic state of the handloom textile industry in the nearby State of Kerala with its high quality of labour force. Industries such as tile manufacturing, long established in Kerala, also grew up in the neighbouring States.

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4 "The highly labour-intensive technology, predominantly self-employed petty production structure and miserably low wages had enabled this export-oriented industry to flourish and become the main source of non-agricultural employment in the region. The emergence of militant trade unions and their success in raising wages resulted in further fragmentation of the production process and later on, in attempts to introduce labour-saving machinery. These moves were resolutely opposed by the unions. They demanded a ban on mechanisation, in order to protect employment, and the elimination of middlemen through a programme of cooperativisation in order to improve earnings. Vigorous intervention by the state in the raw material and product markets in support of the workers' cooperatives was also called for. Industrial circles and experts have been very critical of these policies, partly because of the ban on mechanisation and the nature of government intervention in the raw material market. However, given the political climate of the state, the policies pursued by successive state governments have been broadly in accordance with the policies advocated by the unions. Notwithstanding serious lapses in implementation, the above strategy of development seems to have exhausted its potential as is evidenced by the acute crisis in the industry. Our analysis shows that if new policy initiatives are not forthcoming the crisis in the industry will probably be aggravated in the future." (Isaac, et al. 1992: 192-3).

In those labour-intensive industries where technological change per se was not on the cards, there was a stronger tendency to migrate to low wage areas rather than embark on a programme of modernisation to enhance labour productivity. For employers, who were largely mercantile in nature, the easier option was to migrate to low wage areas not far from the borders of Kerala. A prominent example is that of the cashew processing industry employing around 100 thousand workers, 95 percent of whom were women. Introduction of minimum wages arising out of the demand of labour unions and frustrating employers attempts to resorting 'putting out' systems through control of raw materials resulted in large scale migration of the industry to Tamil Nad and a sharp decline in employment in the industry in Kerala (Kannan 1983). In the registered factory sector, the number of workers employed declined by more than half (56%) between 1975 and 1988 although the per capita employment remained steady at a low level of around 130 days (Deepa:1994:46). A similar situation arose in beedi making industry concentrated in the northern part of Kerala in the late sixties (Kannan 1988 and Raghavan 1986).

The high profile of labour in dictating wage rates and terms of work was also felt in agriculture. During the seventies, when farmers in paddy cultivation introduced mechanisation of agricultural operations, the situation was one of excess labour supply because of demographic factors and declining employment opportunities in the labour-intensive manufactures discussed earlier. The impetus for technological changes came as part of a strategy of modernisation of agriculture, later known as the Green Revolution strategy, adopted by the Central Government. Unions actively opposed such technological changes in agriculture. They resorted to a variety of tactics including such Luddite ones as breaking up machines. Rural labour relations became tense throughout the seventies in Kerala. Faced with a situation of increasing wage costs without a commensurate increase in labour productivity, farmers resorted to a strategy of crop substitution in favour of low labour-absorbing crops. This process, started in mid-seventies, is continuing. Between mid-seventies and early nineties area under paddy registered a decline of nearly 30 percent and by mid-nineties by 40 percent! This decline in area aggravated an already deteriorating situation of employment of agricultural labourers. On a conservative estimate the decline in employment (excluding harvesting and post-harvesting operations), due to a decline in area, would be around 35 million mandays between mid-seventies and early eighties and around 50 million mandays by mid-nineties.[5] Moreover, the crop cultivating agricultural sector stagnated since the mid-seventies to the mid-eighties thereby imposing an additional constraint in enhancing employment in the economy as a whole (Kannan and Pushpangadan 1988 and 1990).

The opposition to technological change was a generalised one arising out of the well-known trade unionist strategy of protecting current employment. Thus in the context of the organised power of labour unions in Kerala, it was not confined to agriculture and labour-intensive manufacturing. Labour unions in the organised sector - both public and private - opposed technological changes. Unions in such public sector organisations as commercial banks and insurance companies as well as those in public administration opposed, for example, the introduction of computers in the seventies. In the Cochin Port, a critical infrastructure

5 Labour absorption estimates through Cost of Cultivation Studies revealed that around 150 mandays (1200 labour hours @ 8 hours per day) were needed per hectare for rice cultivation in Palakkad district which represents the midland area in Kerala. This was around 162 days in water-logged areas such as Kuttanad in Alappuzha which represents only a small proportion of total cultivated area. Our estimate is based on the Palakkad figures which represents the lower of the two. However, it should be mentioned that these estimates do not capture labour required for harvesting and post-harvesting opeations. For a detailed break-up of the labour absorption figures in paddy cultivation in Kerala see, Natarajan (1982).

facility in the public domain, containerisation and related technological changes were initially opposed and later strongly contested resulting in considerable delay. Here payment of wages to port workers even when labour was not required for a specific job (subsequent to the introduction of new technology) was ensured. A similar strategy was also adopted by the 'headload workers' who in the late seventies emerged as one of the most powerful labour unions in Kerala. They insisted on employing union members in the respective localities to perform the loading and unloading of goods and enforced wages on which the employers had very little control. A system of payment of 'wages' even when such labour was not actually employed was also successfully enforced. A similar system was enforced in paddy cultivation in the wetland region of Kuttanand in southern Kerala (which still retains powerful agricultural labour unions). In this case the farmers were made to agree to make payments to traditional ploughmen (who did animal ploughing of the fields) when tractors were introduced for such ploughing. Although majority of rural labour unions could not resort to such tactics, this perhaps contributed a great deal to an unfavourable image of labour in Kerala especially among prospective investors.

6. Failed Strategies of Employment Protection

The union strategy of securing better conditions of work and enhancing wage rates did succeed to some extent in the initial phase. But it failed in preventing a decline in employment because of (i) insignificant new investment, (ii) large-scale migration of the labour-intensive manufactures, and (iii) a shift to less labour-absorbing cropping pattern in agriculture. The political clout enjoyed by labour unions enabled them to advocate the formation of labour cooperatives as a strategy to prevent a sharp decline in employment. Thus cooperatives in coconut husk procurement, coir spinning and in manufacturing coir products were set up in the fifties and sixties. Demand for wage increase and better conditions of work in the beedi making industry was responded by employers by shifting the industry to neighbouring States. The union's response was to form a cooperative, with the active support of the government, to protect the employment of over 20 thousand male workers. To protect the declining handloom weaving industry, the State Government moved to set up weavers cooperatives and nearly 80 percent of the looms were brought under the cooperative fold. Cooperatives of toddy tappers were formed as early as late fifties to protect the higher earnings of those workers. The cashew processing industry, a more profitable one among the labour intensive manufactures, also witnessed the formation of cooperative factories (and a state-owned development corporation) in the eighties as a response to the large scale migration of such factories in the private sector to the nearby States. Several artisanal workers such as those in handicrafts were also brought under the cooperative fold in response to the deteriorating employment situation in the State.

The political enthusiasm for the formation of cooperatives was however not matched by the performance of these cooperatives. A notable exception is the beedi cooperative, which remains as a shining example of a successful labour cooperative (Kannan 1988; Raghavan 1986). All other cooperatives were riddled with several problems threatening their survival without government support. To begin with, these cooperatives were politically managed with berths given to political activists at different levels to look after their affairs. However, the day to day administration and financial management could not be handled by these cooperatives and hence were dependent on government bureaucracy for such support. Thirdly, corruption became the rule rather than the exception in most of these cooperative organisations. To this should be added industry-specific problems such as procuring raw materials, marketing and innovations to make them economically viable. In short, while the politics of cooperatives were looked after, the economics of cooperatives were neglected. Since these cooperatives had to function under market principles and compete with the private sector, they normally lost in the game due to competitive conditions such as low wages and more cost-effective management in the private sector. What sustained these cooperatives were the political underpinning and the financial and administrative support that came along with such a policy. However, this has meant a drain on the government budget. The new context of economic liberalisation is one where such subsidies are increasingly being questioned not to mention the political underpinning that gave some credibility to these cooperative institutions. At the same time, it has also been evident that the initial objective of protecting employment has not been realised. Most of the cooperatives could not provide work to its members for most of the days in a year. In fact, the per capita mandays employed was well below 100 days a year in several of these cooperatives.

Other than advocating a policy of forming labour cooperatives, labour unions did not have a long-term strategy when faced with a situation of labour displacement. In desperation, they resorted to not just a short-term but a shortsighted strategy of protecting the 'insiders', not unknown in trade union history. Thus farmers were forced to employ agricultural field labourers from the 'locality' as opposed to 'outside the locality'(e.g. see, Alexander 1975; Tharamangalam 1981). In Toddy tapping industry, entry was restricted to direct relatives of existing workers who had to obtain membership cards (Kannan 1988:184). In loading and unloading work, membership of recognised unions became a pre-requisite for entry and the unions came to monopolise the work. Successful prevention of entry made it possible for members to 'trade' their membership for a 'price' that we estimate would be equivalent to around two years' earnings (see, Nambiar 1995:738). Thus a 'rentier behaviour' developed within segments of unionised labour that had successfully secured the right to allocate jobs to its members. Elsewhere we had demonstrated that such a strategy could only benefit those sections of workers who had some critical control over the production process. But there were many others, mainly women, who did not have such critical control and they lost in the game (Kannan 1992).

7. Neither Employment Nor Output Growth

Given the decline in employment in the labour-intensive manufactures, output in that sector registered very little growth (it even declined in a number of them). This coincided with a deceleration in the crop cultivating agricultural sector. Faced with the inability to attract adequate new investment in the modern industrial sector, overall growth in the commodity producing sectors in Kerala decelerated (and was negative in the primary sector) since the mid-seventies and up to the late eighties (see Table 1). The cumulative effect of all these was the emergence of unemployment and underemployment as the most serious socioeconomic problem in Kerala. This also needs to be seen in the context of an increase in the proportion of population in the labour force because of earlier high rate of growth of population and the continuing process of social development. In quantitative terms, the work participation rate in Kerala declined overall, more for women than men (see Table 3). The number of job seekers in the employment exchanges steadily increased - a measure of the educated unemployed - reaching around 20 percent of the labour force (see Table 4). Scientifically designed sample surveys estimated unemployment for men in Kerala varying between 11 percent (Usual Status) to 24 percent (Current Daily Status) in 1983. These rates were higher for women ranging between 18 and 31 percent. In whatever way unemployment is measured, it is generally three to five times greater than the all India average. There was very little growth in the organised sector employment. During 1987-88 unemployment for men was between 13 percent (Usual Status) and 18 percent (Current Daily Status) compared to 26 percent to 29 percent for women (see Table 7). Compared to the situation in the seventies, the long-term unemployment rates have come down (i.e. Usual Status) but there is hardly any improvement in the short-term or seasonal rates of unemployment. Much of the higher incidence of unemployment is borne by women.

Detailed analysis of unemployment data reveals the gravity of the situation among the younger and educated labour force (Mathew 1996:197-218). The incidence of unemployment was acutely felt on the younger age group (15-29 years) than any other. Twenty-three percent of males in this group were unemployed (Usual Status) in 1983 that increased to 26 percent in 1987-88. For women the increase was from 36 percent to 47 percent. The association between education and unemployment showed that those with lesser education showed low incidence of unemployment whereas those with school education up to the secondary level showed the highest incidence. Those with higher qualifications such as graduates and above showed a relatively lower incidence compared to the school-educated. Here again, women suffered the most. In 1983, twenty-seven percent of the rural males with secondary education were unemployed and it rose to 29 percent in 1988 whereas the ratios for women were 51 percent and 60 percent respectively! Mathew's observation that unemployment rates in Kerala "are generally three to five times the all-India levels" and when it comes to female labour force "the disparity is still more pronounced" points to the seriousness of the situation in Kerala (1996:208). Kerala's share of the educated unemployed labour force (of age 15 and above) rose from 12 to 16 percent of the national total between 1983 and 1988. It should be mentioned here that Kerala accounts for only around 3.5 percent of the population in India. In short, unemployment rates are disproportionately high in Kerala compared to all-India in whatever way it is measured. Within Kerala, unemployment rate is higher among the educated particularly those with middle level and up to secondary level. Unemployment is higher in rural areas than in urban areas and it is acute among the younger generation. Women have higher rates of unemployment with rural, young, school-educated women showing the highest incidence. As the general education level of the population increased over time, the problem of unemployment has tended to become one of educated unemployment (see Tables 4, 7 and 8).

Such a situation of low employment and low growth did not, however, lead to immiserization of rural labour. On the contrary, rural labour households were able to reduce the incidence of poverty. Taking into account a number of factors, it was found that the incidence of rural poverty in Kerala may not have exceeded one-fifth of the households in the late eighties (Kannan 1995). This was made possible by several factors. First, the increase in real wages reduced, to some extent, the intensity of poverty. This, coupled with the poor relief programmes, enabled a number of households to cross the official poverty line. Second, the sustained process of social development in education, health and related realms created better conditions of living. The above two processes were also made possible by significant remittances from the Kerala labour in Gulf countries. A significant proportion of such labour were rural in origin and unskilled or semi-skilled. In a survey conducted by the Bureau of Economics and Statistics, it was revealed that 65 percent of migrant labour belonged to such a category. Thirdly, the process of demographic transition taking place in Kerala reached its last stage by the end of the eighties limiting the size of family.

Interestingly, Kerala economy seems to have recovered from the slow growth since the late eighties that marked the beginning of economic liberalisation process in the country. This is a significant development with an average annual growth rate of close to 7 percent, which exceeds the national average. The tertiary sector continued to lead this enhanced growth but some recovery is discernible in both agriculture and manufacturing. However, the situation seems to offer little hope for the unemployed as employment growth is dismal and unemployment rates remain high. This seems to be a typical case of jobless growth.

8. A Shift in Socioeconomic Regime

The old regime of high population growth, low per capita income growth, higher incidence of rural poverty, relatively low social development, dependence on primary as well as labour-intensive manufactures in the secondary sector for employment, and a trade unionist strategy of concentrating on wage bargaining and formal employment status supported by political parties has given way, by the eighties, to a regime of low population growth, low incidence of absolute poverty, relatively high social development, higher incidence of unemployment, and a high growth of the service sector that has emerged as the single largest provider of new employment (see Table 6). A shift in political underpinning is also discernible in recent times. Successive governments in the State, since the mid-eighties, are becoming increasingly conscious of the economic crisis and are eager to adopt policies (especially in attracting new investment) for long-term economic development. The shift in the socioeconomic regime has changed the character of the labour market that has produced a seemingly paradoxical situation in Kerala. On the one hand, the incidence of unemployment (with women having a higher incidence) increased over this period, and, on the other, job expectations, especially among the youth, have changed.

One of the notable features of the impact of demographic transition on the labour market situation is the zero rate of growth in the younger age group of 15-29 since 1990, which means there is no net addition to the annual entrants in this group of the labour force (Bhat and Rajan 1990). From a qualitative point of view, this age group has better social development indicators and hence has developed different expectations about employment. It is this phenomenon of a shift in the social expectations of the younger generation in the rural areas that has contributed to the reported scarcity of labour in the rural casual labour market. Farmers from all over Kerala have been reporting a shortage of labour for such casual and manual unskilled work in agriculture as harvesting, threshing, land preparation, and weeding in paddy cultivation. In a village study of the agricultural labour households in a wet-land rice growing region of Kerala in the late eighties, Francis (1990: 86) found that the participation rate of the younger age-group (16-30) in agricultural activities was only 51 percent whereas it was over 70 percent for all other higher age-groups. The incidence of unemployment among the younger age-group was 24 percent. Of the total unemployed, 88 percent were in the young age-group (1990:92); the others presumably just could not 'afford' to be unemployed. Seventy-six percent of the young unemployed had an educational attainment of secondary level (successful completion of 10 years of schooling) and above (1990:94). Despite an increase in the area under coconut, plucking of coconuts, a manual unskilled job, has become difficult because of scarcity of such labour. Cashew processing factories have recently reported scarcity of labour for such jobs as shelling which is an unskilled and also an unclean job (Deepa 1994). Younger generation of women increasingly opt out of manual defibring of coconut husks and hand-spinning of coir. Younger members from fishing households prefer not to work in non-mechanised traditional crafts. A whole range of rural unskilled manual work experience scarcity of labour despite increasing wage rates. The faster rates of growth in wages for the rural unskilled labour (see Table 2) compared to the skilled labourers testifies to this phenomenon.

Some demand for labour in the rural labour market, especially those involving employment of groups of workers as in construction, are now being met by migrant labour from the nearby State of Tamil Nad. The preference of labourers, especially those in the younger age-groups, has been clearly demonstrated to be for stable employment even if that involves a compromise on the level of earnings. Thus younger women, whose education now is seldom below eight to ten years, are more than willing to work in such jobs as shop assistants, mobile sales agents or honorary caretakers in state-sponsored child-care centres (called Balavadis) for monthly salaries that would be equivalent to less than 10 days of the agricultural wages. Younger women have also been ready to migrate to long distances if such stable employment opportunities are forthcoming even when they seldom give long-term security. An example of such migration is the large scale recruitment of young women, mostly in the age group of 16-25, to work in the fish processing factories in the western and eastern coastal regions of India. A recent study estimated that around ten thousand young women from Kerala are working in fish processing factories spread over six States in India under very trying conditions of work and life. Employment is offered for a period of 11 months with nominal non-wage benefits and living in overcrowded quarters within the factory premises (ICSFW 1996). Contracts are renewed after eleven months or workers change factories in search of better terms and conditions.

Such desperate search for stable employment is characteristic of the labour market situation in Kerala today. In retrospect, one may say that the union strategy of opposing technological changes in the sixties and seventies has proved to be counter-productive in the long-run and defeated even the immediate objective of employment protection. The state, as represented by the State Government, failed to take a long-term developmental view in terms of creating an environment for technological changes and modernisation of the hitherto labour-intensive and low-value adding industries and pave the way for their future development by enhancing labour productivity. It is the inauguration of a regime of economic liberalization at the national level, as a result of exogenous shocks, that has led to a different regime of political perception in Kerala. Since the early 1990s, successive governments in Kerala have recognised the need for introducing technological changes in the traditional industries, attracting new investment and creating conditions that are broadly favourable for enhancing labour productivity. However, the State Government finds itself in a dilemma to implement its new found wisdom without surrendering to the market forces and the dictates of private capital.

9. Some Reflections on the Old and New Dilemmas

From the perspective of labour in general and rural labour in particular, Kerala's record in achieving a measure of human dignity and social progress is remarkable, viewed especially from an all-India context. The oppressive and degrading conditions, still prevalent in many parts of rural India, involving organised violence by landowning classes, indignities to women workers, and degrading conditions of work are no longer the story in Kerala. The emergence of trade unions as a strong labour institution and the overall social progress has led to a remarkable decline in the incidence of child labour (around 1 percent as against 8 percent in all India), social acceptance of certain work norms as eight-hour work, intervals and formal labour relations as against patron-client relations. It has also witnessed a sustained increase in wages and the securing of non-wage benefits in several occupations which are not officially categorised as ‘formal’ or ‘organised’.

But this measure of success, remarkable by all-India standard, has led to the kind of dilemmas discussed above. From a broader developmental point of view Kerala has reached a stage, socially speaking, where the labour force is ready to move into more skilled, technologically superior, high value-adding occupations with better wages and conditions of employment. But the dilemma is the inability of the state in meeting this challenge. The government is unable to give a strong push to the economic environment in which such a shift will occur. Although the policy regime has been a favourable one since the late eighties, the inflow of investment is too small to make a perceptible dent. Part of this reason is due to the inability of the state to provide the necessary and, sometimes critical, infrastructure facilities such as electrical power and better transport conditions. The fiscal position of the government is too weak to develop the infrastructure not to speak of the inability of the system to check leakages and time/cost overruns. In addition, Kerala’s image as a ‘labour problem’ state has got stuck in the minds of prospective investors (including those from within the State) and this has added a new dimension of ‘psychic costs’ that normally translates itself into high risk premiums. The labour situation as a problem for prospective investors has changed for the better in recent times although the ability of organised labour to disrupt work and life for the mass of the common people is still considerable. However such disruptive power is largely, if not solely, vested with the white collar and blue collar workers in the organised public sector with the rest of the labour force sharing the burden of a negative image.

It should however be mentioned that the kind of resistance by labour unions to technological changes till the mid-eighties has given way to a silent acceptance as a sign of the changing preferences of the younger labour force as well as the failure of the earlier strategies. In the process, it would appear that Kerala has lost close to a generation's time (say 25 years) by not adopting a long-term developmental view in upgrading and modernising its labour-intensive occupations. A greater effort, viz-a-viz its neighbours, is now needed to catch up with those who have moved ahead in order to utilise its vast reservoir of socially developed labour force. This has also thrown up its own dilemmas especially in the new context of economic liberalisation.

The catching up time is one of transition. And that involves protecting those who may lose their current employment. When the earlier strategy of protecting current employment failed and the economy could not generate adequate new employment, government resorted to extensive 'poor-relief' programmes. Some of it was part of 'poor-relief' of a general character such as Public Distribution System and Free Noon Meals for school-going children. Others were introduced either as part of nationally sponsored programmes (such as rural works programmes) or introduced by the State Government such as unemployment assistance and old age pension. In the new context of economic liberalisation the rationale of these programmes is being increasingly questioned mainly due to the fiscal crisis of the government. In the event of any decline in funding of these programmes, poor labour households will be the most adversely affected. The PDS has already witnessed a partial withdrawal making subsidised distribution of food grains to only 'eligible' households.

The new regime is also witnessing a crisis in the management of social sector programmes particularly in education and health. The fiscal crisis of the State Government has already witnessed a qualitative deterioration of these services and the withdrawal of the better-off sections of the society from availing such services. The argument is now in favour of introducing 'user fees' which will put a price tag on these services to the poor as well.

Taken together, the prospect of the state withdrawing from a number of public services will lead to an increase in the cost of living thereby exerting added pressure to demand higher wages. In the absence of corresponding increases in labour productivity, the situation could lead to another round of economic crisis for Kerala. Such a prospect will further intensify Kerala economy's dependence on remittances and, concomitantly, its vulnerability to external shocks.

Such a scenario does not necessarily mean that there are no alternatives. It only underlines the gravity of the situation and the imperative for a strategy that will, at the minimum, retain Kerala's distributive gains while launching it on a path of long-term economic growth. A recent and scholarly study on this theme underlines the possibility of pursuing a broad-based strategy of growth in Kerala without giving up its distributive gains because "the collective power of the working class has been incorporated within the state [and] militant mobilisation has made way to mediated corporatist arrangements" (Heller 1995:666). The burden of our argument here is not to deny such a possibility but to alert all those concerned on the continuing dilemmas facing Kerala.

Table 1: Growth rates of sectoral and aggregate income in Kerala at constant prices

Sector	Growth rate		
	Period I	Period II	Period III
1 Agg Income	3.21	2.52	6.85
a. Primary	2.23	-0.33	3.83
a.1 Agricul	na	-0.52	3.70
b. Secondary	4.71	2.39	8.14
b.1 Manufrg	na	0.63	5.74
c. Tertiary	4.24	5.81	8.59
2 Population	2.10	1.56	1.26
3 Per capita (1) - (2)	1.11	0.96	5.59

Note: Income growth rates have been calculated by fitting linear function. Population growth rates have been calculated using compound growth rate formula on the basis of estimated annual population.

Period I refers to 1960-61 to 1974-75; Period II to 1975-76 to 1987-88; and Period III to 1988-89 to 1995-96. 1975 marks the beginning of significant remittances into Kerala and 1988 marks the first major shift in national economic policy in favour of economic liberalisation.

Table 2: Growth rates in money wages of rural labour in Kerala 1963-64 to 1995-96

Category	Period I	Period II	Period III	Whole Period
Paddy field labour-men	10.13	15.48	14.30	10.11
Paddy field labour-women	13.47	12.04	16.95	10.42
Rural construction,unskilled-men	10.49	14.13	13.13	10.28
Rural construction,unsk-women	10.66	14.40	14.17	10.94
Rural construction, skilled (Carpenter)-men	8.87	14.61	11.40	9.89
Rural construction, skilled (mason)-men	9.14	14.60	11.24	9.80
Consumer Price Index for agricultural labourers	10.56	8.99	10.15	7.26

Note: For period-wise estimates, linear function seemed to fit better than compound growth and exponential functions. For whole period, exponential function seemed to be the more appropriate one.

Table 3: Labour force and work force participation rates in Kerala, 1961-91

Year	Male		3 as % of 2	Female		6 as % of 5
	LFPR	WFPR		LFPR	WFPR	
1	2	3	4	5	6	7
1961	51.00	47.20	92	52.00	19.70	37
1971	53.00	45.22	85	54.02	14.60	32
1981	56.91	44.89	79	58.13	16.62	37
1991	62.24	47.58	76	62.97	15.89	33

Note: Labour Force Participation Rate (LFPR) is defined as the ratio of the economically active age-group of 15-59 years in the total population. Work Force Participation Rate (WFPR) is defined as those enumerated as 'workers' in the population census and expressed as a ratio in the total population.

Source: Census Reports.

Table 4: Work seekers in employment exchanges, 1971-91

Year	No. of work seekers (in million)	As % of labour force	Share of the 'educated'(%)
1971	0.37	4	56
1981	1.90	13	na
1991	3.64	20	64

Note: 'Educated' is defined here as those who have qualifications of secondary school (10th grade pass) and above. na indicate 'not available'.

Source: Based on Employment Exchange data given in Government of Kerala, *Economic Review,* various issues.

Table 5: Some indicators of demographic and socio economic changes in Kerala, 1961-91

Indicator	Kerala		India	
	1961	1991	1961	1991
Demographic				
Density of population/sq.km	435	750	138	267
Sex ratio (Females/1000 males)	1022	1036	941	929
Crude Birth Rate*	43.9	19.8	47.1	30.5
Crude Death Rate*	19.7	5.8	28.2	10.2
Infant Mortality Rate*	128.0	17.0	140.0	91.0
Life Expectancy at Birth				
Male	44	71	42	60
Female	45	74	41	61
Total Fertility Rate*	5.6	1.8	6.3	3.6
Mean Age at Marriage* (Women)	na	20	na	16
Educational				
Literacy (Persons)	55	90	24	52
Males	65	94	34	64
Females	46	86	13	39
Rural female literacy	na	85	na	31
Socioeconomic				
Housing condition				
Permanent (pucca)	na	53.43	na	37.72
Semi-Permanent	na	22.06	na	29.77
Temporary (kutcha)	na	24.51	na	32.51
Incidence of rural poverty (% of population below poverty line)@	49.7	20.9	38.2	25.6
Sectoral share of income				
(employment) Primary	56(47)	36 (47)	46	31
Secondary	15 (19)	24 (18)	21	29
Tertiary	29 (34)	40 (35)	33	40

* Estimates for the period 1951-61. @ As per Mahendra Dev, et.al. (1991). 1991 figures refer to 1986-87.

Table 6: Percentage distribution of increments to work force in Kerala by sectors, 1977-78 to 1987-88

Sector Rural	Rural			Total		
	M	F	P	M	F	P
Primary	27.4	14.8	26.7	19.4	9.5	18.1
(Agriculture)	12.5	-59.8	9.2	10.7	-5.8	8.6
Secondary	16.9	-110.7	12.2	24.4	-5.5	20.9
(Manufacturing)	-15.4	-115.1	-19.7	2.8	-12.6	0.9
Tertiary	55.7	186.0	61.1	56.1	96.0	60.9
All sectors	100.0	100.0	100.0	100.0	100.0	100.0

Note: This table calls for careful interpretation. The entries in each column indicate increases (+) or decreases (-) in the work force in each sector (industry group) as a percentage of the increase in the work force (i.e. additional employment) in each category such as rural male, female and total. The negative entries refer to reductions in the work force engaged in the respective industry groups expressed as a percentage of the increase in the relevant work force.

Source: Abridged from Mathew (1996:206) based on NSS 32nd and 43rd rounds.

Table 7: Estimates of unemployment rates in Kerala 1977-78 to 1987-88

Year/Age Group	Rural			Total		
	M	F	P	M	F	P
1977-78						
Usual Status	13.6	29.2	19.2	14.0	30.6	19.8
Current Daily Status	25.0	27.4	25.8	25.0	27.2	25.7
1983						
Usual Principal Status						
15-29	22.5	33.3	26.1	22.9	35.5	27.1
30-44	4.0	5.3	4.4	4.	6.3	4.7
45-59	1.5	1.8	1.5	1.5	1.5	1.5
Total	10.6	17.0	12.6	10.8	18.4	13.1
Current Daily Status	24.3	31.0	26.2	24.0	30.7	25.9
1987-88						
Usual Principal Status						
15-29	25.7	44.9	32.4	26.1	47.1	33.3
30-44	4.7	11.8	7.1	4.9	11.8	7.1
45-59	3.0	5.5	3.7	3.1	4.9	3.6
Total	12.5	25.0	16.6	12.8	26.3	17.1
Current Daily Status	16.7	27.4	20.0	17.8	29.4	21.2

Source: Abridged from Mathew (1996:209 and 211) based on NSS data of 32nd, 38th and 43rd rounds.

Table 8: Unemployment rates (Usual Principal Status) of educated labour force in Kerala and India, 1983 and 1987-88

Category	Kerala		India	
	Male	Female	Male	Female
1983				
Rural				
Secondary	26.6	50.5	10.5	33.5
Graduate and above	10.5	43.4	12.8	41.5
Total	10.9	49.1	10.9	35.0
Urban				
Secondary	15.1	40.5	9.1	23.0
Graduate and above	15.1	25.7	7.3	21.1
Total	14.0	35.7	8.5	22.2
1987-88				
Rural				
Secondary	28.9	59.9	10.6	33.8
Graduate and above	18.9	45.1	14.7	40.3
Total	27.0	56.9	11.5	34.9
Urban				
Secondary	23.6	52.7	8.7	22.6
Graduate and above	7.3	19.6	7.4	21.1
Total	17.9	41.7	8.3	21.9

Source: Abridged from Mathew (1996:214) based on NSS 38th and 43rd rounds.

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