Social Capital as a Product of Class Mobilization and State Intervention: Industrial Workers in Kerala, India

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Summary. — This paper argues that state intervention and class mobilization in the state of Kerala, India, have produced two forms of social capital. Kerala's high level of social development and successful redistributive reforms are a direct result of mutually reinforcing interactions between a programmatic labor movement and a democratic state. This synergy between state and labor has also created the institutional forms and political processes required for negotiating the class compromises through which redistribution and growth can be reconciled. These dynamics are explored through a close examination of both the organized factory sector and the unorganized (informal) sector. Copyright © 1996 Elsevier Science Ltd

1. INTRODUCTION: STRONG STATE, STRONG SOCIETY

Since roughly the mid-1970s the state of Kerala has been of particular interest to students of development. Successive governments in this southwestern state of 29 million inhabitants have successfully pursued social and redistributive strategies of development that has few, if any, parallels in the nonsocialist developing world. As Table 1 shows, Kerala today enjoys levels of social development that are decades in advance of the rest of the country, and compare favorably with middle-income countries. All this, it should be underlined, has been achieved against the backdrop of a state that has the highest population density in the country and an economy which, with a per capita income of $260, puts Kerala below the national average and somewhere between Madagascar and Rwanda.

By any account, these developmental successes are tied to what are clearly exceptionally high levels of social capital. Even the most casual observer of Kerala society would be quick to note the shear density of civic organizations and the vigor of associational life. Keralites of all walks of life, it would seem, have an irresistible inclination to combine, associate and organize, and to do so without the outbreaks of violent disorder Huntingtonians might have anticipated. Thus, despite extremely high levels of social mobilization, Kerala has largely been spared the sectarian and casteist violence that has recently been on the upswing throughout most of India.

Across both the formal and informal sectors of the economy, rates of unionization are high. The state boasts the most extensive network of cooperative societies, as well as numerous nongovernment organizations (NGOs) including the KSSP (Kerala Sastra Sahithya Parishad), which has achieved world renown for its efforts to “bring science to the people.” Kerala’s caste self-help and social upliftment societies have a long history of active civil engagement. Its “library movement,” literary associations and film industry has earned it a reputation as a cultural center rivaled only by Bengal. A network of private and semi-private schools sponsored by communal and caste organizations which overlaps with an extensive public school network has put a school in every village and provided near-universal primary school enrollment. The state’s high levels of literacy and education have in turn spawned a prolific and diverse vernacular press. Kerala’s Malayalam language has by far the highest per speaker daily newspaper circulation of any Indian language, ranking second only to Hindi in total circulation (Jeffrey, 1992, p. 3).

The vigor and dynamism of civil society is matched only by the size and activism of the state.

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State-owned industries represent a larger percentage of the economy than in other major Indian state. Kerala has the most developed social welfare system in India, including the most extensive network of fair price shops (public food distribution) and rates of social expenditure that continue to be significantly higher than the national average. Through the implementation of the land reforms of 1970, by far the most radical in the subcontinent (Herring, 1983), the state transformed the agrarian social-property structure, destroying the traditional landlord class and creating a new class of small proprietors. The government-run system of primary health care units has reduced infant mortality to near First World rates. Moreover, even by Indian standards, the state has been very active in regulating the market, restricting labor-displacing technologies in traditional industries, legislating work conditions and hiring practices in industry as well as in agriculture and aggressively enforcing minimum wages.

At this broad level then, state and society in Kerala have reinforced each other in a manner that unambiguously supports the "synergy" hypothesis Evans outlines in the introduction to this special issue. State interventions aimed at providing public goods have built directly on existing social capital resources and have in turn reinforced social capital. The expansion of public health and educational services has had a "crowding-in" effect, as the competition between public and private delivery services has increased overall efficiency. Pressures from below — exerted by well-organized groups — and a highly developed culture of civic participation, have not only created a demand-side dynamic to which right and left-wing governments have necessarily had to respond in a competitive electoral system, but have also increased the accountability of local officials. The comparatively corruption-free and logistically successful provision of low-cost housing, school lunch programs, subsidized food, and day care have been attributed to the active and informed participation of local groups (Franke and Chasin, 1989). Clearly, democracy in Kerala works.

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Viewed in this light, one might be tempted to conclude that Kerala looks a lot like the northern parts of Italy described by Putnam (1993a) in his defining study of the relationship between social capital and democracy. Regional governments in Northern Italy, he argues, have been successful in providing public goods because of a long history of civic engagement and active community organization. Similarly, the claim has often been made that Kerala’s successful social development can be traced back to the social structure of 19th century Travancore and Cochin (the princely states that constituted the southern half of pre-Independence Kerala). Competition between the minority Christian community and the majority Hindu community, as well as between various caste groups, produced a flurry of organizing and a proliferation of community associations. These associations, drawing on the reserves of social capital that inhere in tightly knit communities, promoted educational, health and cultural activities, which in turn became the basis for successful political movements demanding more jobs and more political representation from what was a Brahmanical state. The fact that these associations continue to play an active role in Kerala only reinforces the impression of a direct link between this tradition of civic engagement and Kerala’s social development.

Taken alone however, the pre-Independence “invigoration” of civil society can hardly explain Kerala’s rather unique developmental trajectory. While the mobilization of 19th century civil society did represent the first organized challenge to the hegemony of the Brahmanical state and might explain a
In arguing that class mobilization and the resulting forms of state intervention have produced a sequence of encounters — which while anything but smooth, have in the aggregate been mutually reinforcing — two historically and analytically distinct sequences can be identified. In the first, the organized militancy of lower class groups eroded traditional structures of domination, clearing the path for state penetration. The bureaucratic-legal capacities of the state were in effect activated and extended by mobilizational pressures from below. The resulting synergy underwrote the politically and administratively daunting tasks of implementing structural reforms and building an extensive network of welfare services in an impoverished society. The legal and social protections enforced by an activist state in turn heightened labor’s capacity for militancy. The most concrete and tangible effect of this synergy was redistributive development. A less visible but equally critical outcome of repeated interactions between the state and lower class organizations in a competitive electoral democracy was the institutionalization of lower class power.

The second sequence emerges from the contradictions of the first: redistribution and militancy precipitated a crisis of accumulation. As capital fled and labor agitations disrupted production, a stagnant economy threatened to unravel the successes of Kerala’s social development. The response has been the emergence of various forms of class compromise, in which labor has significantly curtailed militancy in an explicit effort to create more favorable conditions of investment and growth. The emergence of the politics of compromise — the only viable strategy for securing future growth in a dependent, but democratic, capitalist economy — are a direct result of a cohesive and disciplined labor movement that has explicitly come to terms with the limits of militancy. An activist and embedded state has facilitated the process of class compromise both directly, through various mediating and regulatory activities, as well as directly, by providing the institutional backdrop — the rules of the game — against which capital-labor conflicts can be negotiated.

2. THE DEVELOPMENTAL STATE AND SOCIAL MOBILIZATION

Putnam notes that in Italy dynamic “civic communities” are associated with the predominance of horizontal solidarities, and that in “uncivic” regions participation is stunted by the persistence of vertical dependencies. “Citizens in these [civic] regions are engaged by public issues, not by patronage” (1993b, p. 36). Putnam attributes this difference to regional histories, yet his own account suggests that the ability to accumulate the type of social capital that contributes to democracy is predicted on a transformation
of the social power structure, namely the dismantling of traditional patron-client relations. More than anything else, this has been the most important result of lower class mobilization in Kerala.

Beginning in the early 1940s, the Communist Party of India (CPI) successfully united landless laborers, poor tenants and urban workers. The ideological agenda that drew these caste-differentiated groups together was the CPI’s sustained attack on feudal institutions — landlordism, the attached labor system and the indignities of the caste system. With a strong cadre-based organization and a coherent transformative project, the communists successfully built instruments of working class power, most importantly unions, but also farmers’ associations, student groups, village libraries, and a powerful cooperative movement. The success of the Communists, as its leaders have often noted, was in large part made possible by the existence of an already large reservoir of mobilizational resources from the social reform movements in the south (Travancore and Cochin) and a long tradition of peasant rebellions in the north (Malabar).

In 1957, in Kerala’s first state legislative elections, this broad lower class alliance carried the Communists to power, marking the first time in history that a Communist party had come to power through the ballot box. Though the Communist ministry was short-lived (it was illegally dismissed by the Centre in 1959), the political empowerment of lower caste rural and urban laborers undermined the configurations of authority and domination of the traditional social order, and with this weakening of what had been in Migdal’s (1988) sense a “strong” traditional society, opened the door for effective state intervention.

Whether in or out of power, the Communists, despite a bitter split in 1965 that saw the CPM (Communist Party of India — Marxist) emerge as the dominant party, have successfully maintained high rates of mobilization. Their principle rival, the Congress, having learned from the success of the Communists’ grassroots mobilization, has also built mass organizations. In contrast to theories that identify state capacity with regime durability it is important to underline the fact that Kerala’s sustained strategy of redistributive and welfarist development has come amid a turbulent history of coalition politics and frequent changes of government. A competitive environment of mass-based politics, expressed through tightly contested elections as well as organizational and protest activities, has created the sustained pressures from below that accounts for the success with which both left and right-wing governments have delivered institutional reform and basic goods.

The bargaining capacity of working-class organizations has been built on the strength of iterated cycles of struggle (dating back to the democratic and nationalist struggles of the 1940s) to which the CPM imparted a highly disciplined and ideologically cohesive character. The political leverage of the working class thus resides in its “associational autonomy” rather than the clientalist exchange of material rewards for political subordination that characterizes authoritarian-corporatist regimes (Fox, 1994, p. 153). This does not, however, simply follow from the democratic character of the state. Because both of Kerala’s political formations (Congress and Communist dominated fronts) are in electoral terms closely balanced and actively vie for working-class support, the exclusionary tactics of incorporating the most organized segments of labor that predominate in most developing societies (including India) have been displaced by more “encompassing” forms of political mobilization. This in turn has favored demands for (nondivisible) collective goods (e.g., demands for structural reforms, social protection legislation and universal entitlements) rather than the exclusionary and disaggregated politics of patronage. In most Indian states, state and society have become intermeshed through a “complex pyramiding of vertical (multiclass and multicastrate) factional alliances” controlled by local intermediaries (Frankel, 1978, p. 25). In Kerala the state has been linked to society through a welfare pact that has in effect, within the limits of a capitalist economy, seen the dynamic institutionalization of working-class interests.

In addition to the social welfare measures already discussed, the most notable result of this synergy of state and society has been the implementation of institutional and structural reforms. Class mobilization and state intervention have combined to dissolve the social relations and the institutions of the precapitalist economic order.

In agriculture, the 1970 land reforms were implemented on the strength of the coordination of legislative and administrative intervention with local-level activism. The reforms transferred land from landlords to tenants, decimating the social and political power of the traditional rural elite. The unionization of landless laborers and the subsequent passage of labor laws (including regulation of mechanization, minimum wages and a pension scheme) eroded the ties of dependency that bound lower caste laborers to landowners. Both these developments directly contributed to further democratizing village life. Elite control over local institutions such as agricultural cooperatives and Panchayats (local government) has been replaced by fiercely competitive party or union-based politics.

In industry, social legislation and pro-labor governments have provided the working class with an exceptionally high degree of mobilizational capacity. Nowhere is this more visible than in the organization of the so-called unorganized sector. While workers outside the factory sector in most developing societies enjoy few legal protections and have little capacity for collective action, the efforts of unions and state agencies in Kerala have combined to effectively penetrate
The unorganized or informal economy, drawing traditionally disenfranchised workers within the purview of the law and the protection of the social-welfare state.

The fact that it is lower class elements that have been the agents of structural reform, as well as the agents of political democratization, is an historically unique phenomenon, and yet one that has produced contradictions that are only too familiar. The political and institutional power of labor has imposed social limits on capital that are incompatible with sustained economic development in a dependent capitalist economy. Labor militancy and state intervention have adversely affected investment. High wages, state-enforced controls on mechanization, rigidities in labor deployment and high levels of social consumption have all contributed to either driving capital away or creating significant barriers to internal capital accumulation. In the decade that followed the peak of class mobilization in 1975, the state domestic product grew at a anaemic rate of 1.76% (Kannan, 1990a, p. 1952).

National and international investments during this period were negligible. Some traditional industries — in particular cashew processing and beedi production — experienced capital flight.

How the state and mobilized social forces have responded to this economic crisis is the question to which I now turn, focusing specifically on the industrial sector, where the mobility of capital has exacted a particularly high price for state intervention and labor militancy. Rejecting the view that high levels of lower class mobilization and the associated redistributive bias of the state have created insurmountable contradictions — a view informed by a static, zero-sum understanding of the relationship between economic interests and political institutions — I argue, following Bates (1989), that institutions evolve dynamically in response to conflict. That class mobilization in Kerala led to struggles that produced a stalemate in the 1970s is not in dispute. But insofar as these conflicts were of a clearly defined class character, and as such instrumentally aggregated (unlike, for example, ethnic or religious conflicts) they lent themselves to the intermediation of a bureaucratic-legal state. Moreover, precisely because the working class was well organized and highly solidaristic, it had the capacity to act strategically, that is, to overcome economism and recognize the dependency of future wages on current investment.

Over the past decade or so, the organized working class has undergone a fundamental political reorientation. Having exhausted redistributive strategies of development, the CPM and its unions have embraced the politics of class compromise. In addition, the logic of that compromise, much as Przeworski (1985) has described it within the context of developed capitalist economies, entails an explicit bargain in which workers contain their militancy, and employers agree to reinvest. The role of the state in securing and guaranteeing the terms of class cooperation has been critical.

To explore the evolution of synergistic relationships between the state and labor — from securing redistributive reforms to underwriting compromise — I examine first the organized factory sector and then turn to the unorganized (informal) sector. It is in the factory sector, quite predictably, that labor mobilization has been most successful, and where, given the formal character of employment relations, the state has been the most interventionist. This is in fact true of all of India, but in Kerala the organization of industrial unions was an integral part of the Communist Party’s strategy of promoting class struggle, and thus assumed a particularly confrontational character. Militancy produced a capital strike, but also resulted in the consolidation of a sophisticated industrial relations regime which coupled with strong and autonomous industrial unions has dramatically reduced the incidence of militancy and enhanced the possibilities for class coordination. This stands in marked contrast to the national scene, in which collective bargaining has been undermined by weak and fragmented unions and the corporatist strategies of the state. By its very nature, the unorganized (informal) sector does not lend itself to collective action or state intervention. Nonetheless, a similar, if later and much more uneven, sequence of state-society interactions can be identified. In a first stage, highly insecure and exploitative conditions of work drove a politicized workforce with strong ties to the organized labor movement (via the CPM) to engage in what were especially chaotic and disruptive forms of conflict. In a second stage, the state, with the support of labor unions, has made concerted efforts to formalize conditions of work and provide a more stable and contractually based labor relations environment. In light of the fact that the unorganized sector in India remains largely beyond the reach of the state and of public accountability, and continues to reproduce the most labor repressive forms of production, the case of Kerala deserves special attention.

3. MILITANCY AND COMPROMISE IN THE FACTORY (ORGANIZED) SECTOR

To properly situate the case of Kerala, it is first necessary to say a few words about the national picture. India’s industrial relations system is characterized by a seemingly paradoxical combination of “state-dominated” and “involved” forms of pluralism (Rudolph and Rudolph, 1987). On the one hand, a state bent on securing rapid industrial development and maintaining industrial peace from above, fashioned legislation that heavily favors “state controlled compulsory procedures rather than open-ended bar-
gaining among interested parties” (1987, p. 270). The result is that, “State policy has created a legal and procedural environment that encourages unions to depend for recognition and benefits on government and management more than on their membership and the capacity to represent its interests . . . .” (Rudolph and Rudolph, 1987, p. 273).

On the other hand, trade union laws that grant equal legal status to any registered union (for which only seven members are required) has fuelled multi-unionism (there were 11 national federations at last count) and has given strategic power to opportunistic union “bosses” acting more as brokers — strategically placed between their membership, management and the state — than as organizers. Pervasive government interference coupled with the involution of labor has in effect undermined associational autonomy and favored the politics of clientalism and cooptation over horizontal and solidaristic mobilization, creating a highly unstable industrial relations system. With no legal provisions for authorizing a majority bargaining agent, “employers usually have to deal with those who shout the loudest” (Ramaswamy, 1983, p. 978). And in the absence of effective organization-building and worker loyalty, unions secure support by pressing economic demands. A fragmented and dependent labor movement has spawned atomized and disaggregated strategies and as many observers have noted (Ramaswamy, 1984; Rudolph and Rudolph, 1987) labor-management relations in general have become increasingly chaotic and ungovernable.

Finally, it should be noted that this institutional failure to effectively aggregate and promote “encompassing” forms of association has quite predictably given rise to exclusionary forms of collective action, specifically communal-based unions. The most significant recent development on the Bombay labor scene has been the emergence of the Shiv Sena (Heuze, 1990, p. 175), a local Hindu-chauvinist party. Reports in the Indian press moreover suggest that the fastest growing labor federation in the country is the Bharatiya Mazdoor Sangh, which is tied to the Hindu-fundamentalist BJP. The fact that a Shiv Sena-BJP alliance won the legislative elections of March 1995 in Maharashtra — India’s most industrialized state — does not bode well for the future of industrial relations.

In contrast to the fragmented character of the national labor movement, the labor movement in Kerala is more broad-based and organizationally coherent. Its historical formation was largely the work of the Communist Party which organized unions primarily as instruments of class struggles, giving “political” unionism the upper hand over trade unionism. Struggles were defined in general, encompassing terms, linking workers in urban and rural sectors in a unified effort to secure the protection of the state against the prerogatives of capital. Moreover, precisely because the terms of conflict were class-based, the labor movement in Kerala did not become dependent on the bureaucratic and pluralistic framework of Indian industrial relations. Conflicts between labor and management became the object of open struggles and hard bargaining rather than patronage. At the same time, because the state found itself confronted with organized demands that could not be coopted or channeled into the legalism of compulsory adjudication (the CITU stubbornly rejected binding third-party intervention), intervention took the form of “facilitating joint consultation and joint regulation,” the pillars of collective bargaining (Nair, 1994).

The pronounced class character of unionism and a stronger tradition of collective bargaining has checked the spread of opportunistic deal-making and cast labor-management relations in the mold of “regulated conflict.” Unlike the forms of state corporatism that often characterize the relationship of the state to organized labor in developing countries, unions in Kerala, born of political mobilization, have maintained organizational autonomy. While the Indian state has obfuscated class conflicts (Rudolph and Rudolph, 1987), the state in Kerala has given them institutional expression.

This is most significantly reflected in the critical role that Kerala’s unique Industrial Relations Committees (IRC) play in mediating industrial conflicts. These tripartite committees are essentially consultative bodies that have few statutory powers, yet have been instrumental in forging the terms of industry-wide labor management agreements. Appointed by the government, the committees are constituted of leaders of all the concerned labor federations, representatives from employer associations and officials from the Labour Department. IRCs presently cover 19 industries, ranging from the capital-intensive petrochemicals industry to more traditional and labor-intensive industries such as coir and cashew production. The actual role and importance of IRCs varies widely across industries. In some it essentially functions as a forum of last resort, whereas in others it formulates, negotiates and oversees industry-wide agreements on wages, work conditions and benefits. In most cases, IRCs were instituted following periods of intense labor-management conflict and were an explicit acknowledgement on the part of state officials of the futility of imposing agreements from above in a climate of highly antagonistic class relations. The overall effect was to give institutional emphasis to voluntarily negotiated settlements over the compulsory adjudication of the Indian industrial relations system (Nair, 1994).

Through the late 1970s high levels of labor militancy and state intervention adversely affected productivity growth and investment. As industrial growth and employment stagnated, it became increasingly clear that militancy was exacting too high a price.
When the CPM came to power in 1981, it abandoned its past strategy of using the state "as an instrument of mass struggle." The subsequent CPM ministry (1987–91) openly courted private capital (including the once demonized Tatas), restrained its powerful labor federation (the CITU) and called upon the working class to develop a new "work culture," the Party’s euphemism for labor discipline. Organized labor had come to terms with the inherent limits of redistribution in a subnational state and recognized the need to compromise with capital. A CITU leader, R. Raghavan Pillai, succinctly identified the dilemma: "Without increasing investment and production there can be no prosperity."10

These compromises, as they have emerged over the past decade, rest on two explicit pillars: the first is labor’s strategic "quiescence," to use Cameron’s (1984) term, the second is the self-conscious embrace of increased productivity as the positive-sum basis for coordinating profits and wages.

The quiescence of labor — or more accurately its strategic withholding of militancy — is reflected directly in the decline of strike activity as well as in the increase in negotiated long-term agreements. As the figures in Table 2 show, the mandays lost to industrial disputes declined significantly in the 1980s.

This is true in both absolute and comparative terms. For the first time in three decades the number of mandays lost per factory worker in Kerala has fallen below the national average. While throughout the 1970s Kerala had the distinction of ranking only behind West Bengal in total number of mandays lost (Kumar, 1989) its current three-year average places it ninth among 14 major states.11

Across the board, labor officials, union leaders and industrialists report declining militancy. In a survey of businessmen and representatives of industry associations conducted by the State Planning Board, the vast majority reported a significant improvement in the industrial relations climate (GOK, Report of the Task Force for Review of Implementation of Plan Schemes under the Industries Sector, 1991, p. 51). Of the 10 Chief Executives of large or medium-scale factories I interviewed, nine categorically asserted that labor militancy has lost much of its strategic saliency. As the president of CITU, T.N. Ravindranath, a long-time advocate of the class-struggle line, put it, the "principle that wages and bonuses have to be negotiated is widely accepted. Although interunion conflicts were cited as an ongoing problem, the modal opinion was that unions had become more "responsible."

Trade union leaders are no less categorical. S. C. S. Menon, the most prominent independent trade union leader in Kerala and a 42-year veteran of the movement, notes that ever since the 1981–82 Left Democratic Government "tamed the unions," the Cochin-Ernakulam industrial belt (where the majority of Kerala's large manufacturing units are located) has been a model of industrial peace. The president of over nine large factory unions in the area, Menon added that industrial relations have been routinized to the extent that the Labour Department’s conciliation functions have become redundant.12 Because labor has politically and institutionally secured the right and the power to bargain with capital, militancy has lost much of its strategic saliency. As the president of CITU, T.N. Ravindranath, a long-time advocate of the class-struggle line, put it, the "principle that wages and bonuses have to be negotiated is widely accepted. The phase of militancy is over."

The decline in militancy is closely tied to the increasingly common practice of negotiating long-term labor-management agreements, which now routinely include bonus schemes linked to productivity. This represents an important departure from past practices. Historically, bonuses have been the most explosive object of industrial conflict in Kerala.14 In the dominant Marxist anti-capitalist discourse of the trade unions, profits were equated with exploitation, and bonuses became the means through which workers could secure their "rightful" share of surplus.15 The

### Table 2. Total mandays lost to strikes and lockouts

<table>
<thead>
<tr>
<th>Year</th>
<th>Kerala</th>
<th>India</th>
<th>Mandays lost per factory worker</th>
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<tr>
<td>1965</td>
<td>869</td>
<td>6,470</td>
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<tr>
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<td>2,206</td>
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†Years of the Emergency.
idea of tying wages to performance was also specifically rejected because, as one union leader remarked, it "would result in the workers working themselves out on the jobs" (Menon, 1979). The CITU repeatedly called upon its unions to resist efforts to link wages to productivity.

A political climate of class struggle did not, however, rule out negotiating compromises in some of the larger and more profitable factories. As early as 1957, following a protracted strike, unions and management at the Indian Aluminum Company agreed to the first long-term agreement with a productivity-linked monthly bonus scheme in the state. Similar agreements were soon adopted in other factories, including the state owned Fertilizers and Chemicals Travancore Company, the central government undertaking Cochin Refineries Ltd. and the private sector Tata Oil Mills Company. By the 1970s, the idea of tying wages to performance was also specifically rejected because, as one union leader remarked, it "would result in the workers working themselves out on the jobs" (Menon, 1979). The CITU repeatedly called upon its unions to resist efforts to link wages to productivity.

At present, the Labour Department is actively promoting the signing of five-year agreements with productivity-linked wage increases and has sponsored legislation that would tackle the problem of multi-unionism. Industrial relations committees have been created for all major industry groups and in at least two industries (textiles and coir) these committees have successfully fixed industry-wide productivity standards and measurements. In 1991, the new Congress government issued a "Statement of Industrial Policy" which, for the first time in the state's history included a competitive package of financial and policy incentives geared to attract new investors. The policy moreover contained measures to curb "restrictive" labor practices and increase managerial flexibility in labor deployment. These were publicly denounced by the CPM, but no overt actions were taken in protest and strike levels have remained at historical lows. Most telling has been the determination of the political establishment to publicize the decline in militancy. The last two governments have gone to great pains to advertise Kerala's "peaceful" labor front.

To a great extent, the emergence of class compromise has been the work of the CPM. As a highly organized, coherent and class-based political force, the CPM enjoys the strategic capacity to recognize the tradeoffs between militancy and growth. A programmatic party has created a programmatic labor movement, that has successfully minimized economistic trade unionism. Class-based unionism alone, however, does not suffice to explain why workers have forgone militancy and accepted compromise. Even where class cooperation opens up the possibility of a positive-sum game, the coordination of interests must have a sound material and institutional basis if compliance is to be secured.

Organized class struggle produced concrete redistributive results. The outcome of organized class compromise is less certain. Under the conditions of a private property economy, there are no guarantees that future interests will be met (Przeworski, 1985, p. 140). Within the boundaries set by the logic of accumulation, it is, however, possible to reduce the degree of "uncertainty" involved in the tradeoff between wages and profits. The politically dominant position of labor provides some guarantees. The strength of unions and the extent of protective legislation has secured a high degree of social and political control over the distribution of surplus, thus minimizing the risks involved in making concessions to capital. A levelled playing-field reduces the chances of unilateral and opportunistic behavior, increasing the chances of cooperation. But it does not establish the rules of the game.

Which is where the significance of institutional developments comes into play. As it has evolved under the impetus of working-class mobilization, the industrial relations system in Kerala has facilitated the kind of hard bargaining and the coordination of interests that reduces the uncertainty and hazards of interclass transactions. When workers are highly organized, represented by competitive unions with strong ties to political parties, their interests are clearly articulated. While the terms and the balance of forces are necessarily antagonistic, they nonetheless lend themselves to instrumental coordination. Such coordination is not, however, given by some larger economic necessity. It must be concretely shaped and managed. It must be institutionally and politically embedded.

The dilemma, as it evolved historically, was to accommodate the pressures and demands that came with class mobilization. Creating the conditions for labor-capital cooperation thus meant giving institutional expression to the class power of labor, creating a playing field on which the threat of militancy, rather than actual militancy, would define labor's bargaining position. The combination of a militant, class-based movement and democratic institutions did just that, though not without setbacks.

As the industrial relations system matured, moreover, it defined the procedures and norms by which compromises could be developed and ultimately secured. Thus as the respective positions of labor and
capital have become increasingly institutionalized, formal bargaining practices have evolved and become more acceptable to both parties through iteration and the demonstration effect of success. These institutions cannot as such be explained in the functionalist language of the "new institutional economics" but must be seen as the product of concrete historical struggles, in which a particular configuration of social forces has been congealed. The consolidation of an industrial relations regime based on "regulated conflict" between aggregated interests has reduced the degree of uncertainty and increased the scope for cooperation. "In the past," remarked the manager of OEN Industries, Kerala's most successful electronics manufacturer, labour would demand impossible bonuses. Management would offer nothing. A strike or lockout would follow. Now negotiations are over a 1 or 2% increase. The total bonus package is well defined and always in the 15-16% range. All these norms have removed items of conflict.19

The state-mediated coordination of interests between labor and capital here closely resembles corporatist arrangements, with an important qualification. In Latin American cases "corporatist patterns of interest representation . . . are frequently the consequence of political structures consciously imposed by political elites on civil society" (Stepan, 1978, p. 47). The process in Kerala has been negotiated: it begins with the mobilization of workers and finds expression through, and not outside of, democratic institutions. The state's role in mediating conflicts between capital and labor was not initiated from above, but rather emerged in response to the political imperatives of managing class struggles in a parliamentary setting. This "democratic," or "left" variant of corporatism bears an important similarity to European social democracy. The growth strategy undergirding class compromise specifically seeks to build on the comparative advantages in labor productivity and social organization that reside in the democratic welfare state, that is advanced human capital resources and a highly developed institutional capacity for fostering cooperative labor-management relations.20

4. ORGANIZING THE UNORGANIZED SECTOR

The organized factory sector of the Indian economy is dominated by state and monopoly capital. The material base for coordinating interests is actually quite large. Large-scale economic units, regularized and permanent conditions of work and a relatively small number of organized actors has facilitated state intervention. Providing a framework for collective action in the unorganized sector (as the informal sector is called in India) has proven far more elusive. Nowhere are the developmental failures of the Indian state in fact more manifest than in the resiliency of this sector of the economy. Out of a total of 285 million main workers enumerated in India in the 1991 census, only 9.3% were in enterprises classified as organized (all public sector enterprises and all nonagricultural private enterprises with 10 or more workers). Even as a percentage of the nonagricultural workforce, the organized sector accounted for only 28.2% of total employment (the figures for Kerala are roughly the same).21 In sum, almost three-fourths of the non-agricultural workers in India are either service workers employed on a casual or semi-permanent basis, manufacturing workers employed in small workshops or unregistered factories (i.e. sweatshops), or self-employed.

While overly vague and even somewhat arbitrary, the organized/unorganized dichotomy does capture the fundamental distinction of the dualistic character of labor markets in the developing world. The organized sector is characterized by the contractual relations of a class-based social organization of production, closely linked with the development of the modern state. Workers in this sector enjoy legal protections and institutional conditions that are favorable to collective action (which may be of a more or less autonomous character). The organization of production in the unorganized sector however is rooted in a configuration of social relations largely beyond the reach of the bureaucratic state and modern political institutions. With large reserves of cheap and untapped labor, workers have little or no capacity for pursuing their collective interests.

Labour relations in the unorganized sector in India are extremely heterogeneous. At one extreme can be found the persistence of extraborne forms of coercion as in cases of bonded or attached labor. Even where labor is formally "free" and has taken the wage form, the inherently asymmetrical social and political relations that condition transactions bettie the formally "contractual" character of exchanges. The spread of the wage form notwithstanding, exchange relations remain fundamentally shaped by precapitalist social institutions or what Migdal (1989) calls the "web of overlapping forms of social control" that define traditional societies.

At the risk of oversimplification, the socioeconomic dynamics of unorganized labor markets in India are characterized by two reinforcing structural features. The first is the deep segmentation of work conditions and entry barriers along caste, gender and regional lines (Mies, 1982; Harris, Kannan and Rodgers, 1990; Singh, 1991; Breman, 1993). The second is the tapestry of vertical forms of dependency that condition the terms of labor recruitment. Because of the sheer oversupply of unskilled casual labor, workers are locked into dependent contractual relations with jobbers, recruiters, gang bosses and other
intermediaries, often kinsmen, caste mates or co-villagers. As Breman notes, "the immobilizing effect caused by horizontal division is increased by the pressure emanating from the need to invest in vertical dependency relationships" (Breman, 1993, p. 210). The social relations in which these labor markets are embedded (Granovetter, 1985) reduce the logistical and information costs of securing "trustworthy" and "dependable" workers in volatile markets by in effect desolidarizing them.

The powerlessness of workers in this sector is matched only by the powerlessness of the state. Rare legislated efforts to improve work conditions or fix minimum wages have been implemented indifferently at best. Out of 1,500,674 establishments covered under the rules framed by the states under the Minimum Wages Act of (1948), only 87,103 even actually submitted returns as required by law (GOI, Labor Bureau, 1984, p. 84). The inability of the state to curb exploitative labor practices is nowhere more visible than in the area of child labor. Despite legislated prohibitions, estimates put the number of working children in India anywhere between 13 and 44 million.22

The capacity of the Indian economic bureaucracy to tightly control product markets (the infamous license-permit Raj) stands in sharp contrast to its near complete failure to penetrate the labor relations of the unorganized sector, a fact captured quite appropriately in the official usage of the term "unorganized."23

The failure of the state to bridge the gap between the organized and unorganized sectors, and the implications for economic and social development, are now widely recognized.24 The availability of large reserves of cheap labor is a disincentive to technological innovation. Depressed wages limit the scope for stimulating growth through effective demand. Finally, by reinforcing traditional economic and social inequalities the unorganized sector has stymied the development of human resources, and hence productivity. The link between the persistence of the dual economy and labor's lack of wage leverage has recently been underlined by the National Commission on Rural Labour:

The conspicuous co-existence of mushrooming high-wage islands in the organized sector on the one hand and miserable conditions of labour in informal urban and rural sector (both farm and non-farm) on the other and the corresponding dualism in capital/labour insensitives and associated levels of productivity are the result of our inability or even unwillingness to implement a sound and firm wage policy (GOI, Ministry of Labour, 1991, Vol. 1, p. 23).

In Kerala the unorganized sector has become something of a misnomer. A large segment of workers outside the public sector and outside the registered factory sector are in fact unionized. Over half the state's two million agricultural laborers belong to the CPM-affiliated KSKTU (Kerala State Karshaka Thozhilali Union), the single largest union in the state. Large segments of workers in Kerala's traditional industries, cashew and coir, and its two largest casual labor markets, construction and headload work, have been unionized.25 In the Beedi (traditional cigarettes) industry — the archetypical labor-squeezing, putting-out industry — unions have organized the largest and most successful producer cooperative in the state with a membership of over 30,000. Even mahouts (elephant drivers) have a union.

The organizational success of unions in this sector is a direct outgrowth of the broad-based character of Kerala's labor movement. As early as the 1940s, the organizing strategies and demands of a small, but militant core of coir factory workers were quickly extended to coir workers in the rural household sector, other nonfactory occupations and agricultural workers. Even before Independence, agricultural laborers and other rural workers were demanding the same benefits granted to industrial workers, including security of employment, fixed work days and the right to bargain collectively (Kannan, 1992, p. 9).

Responding to these pressures from below, the state in Kerala has actively intervened in the unorganized sector. Through a series of direct regulatory and institutional reforms, as well as broader welfare measures, the state transformed traditional labor markets and underwrote labor's organizing efforts. The state actively supported unions in building and financing labor cooperatives for toddy tappers, beedi workers, coir processing workers, cashew-processing workers and handloom weavers (Kannan, 1992, p. 12). Minimum-wage committees were appointed first for the coir and cashew industries and then gradually extended to 45 other industries, including the "handling and care of elephants" (GOK, Labour Department, 1990). Enforcement remains uneven, but labor market interventions coupled with the provision of universal welfare entitlements have, piecemeal, created a social wage. Other measures, such as the regulation of mechanization in the coir industry and the prohibition of cottage outsourcing in the cashew industry, have effectively leveraged labor's bargaining position. Finally, social polices have curbed the most egregious labor practices. Universal primary education has practically removed children from the workforce. The 1981 Census reported a 0.72% work participation rate for children in the 0–14 age group, and 17% for the 15–19 age group, both figures being the lowest of any state. The all-India figures were respectively 4.2% and 34.8%.26

The most discernible impact of increased state intervention and labor organization has been its leveling effect. Government wage data conclusively show that the income differential between workers in unorganized occupations and the modern factory sector has declined noticeably, particularly since the mid-1970s (Kannan, 1990b). Wage gains in one
sector appear moreover to be quickly transmitted to other sectors (Krishnan, 1991), suggesting that increased bargaining capacity and solidaristic wage policies have eroded the asymmetries of traditional labor market boundaries.

Unionization and state intervention have thus fundamentally transformed the traditional character of labor relations. Protective social legislation and horizontal mobilization have supplanted patron-client and despotic relations of employment with more formal and contractual ones. By its very nature, however, this sector does not readily lend itself to the coordination of conflicting interests. The terms of employment are often semi-permanent or casual, production is decentralized, market fluctuations are pronounced and profit margins narrow. In these conditions of both material and institutional instability, managing and accommodating the demands of a mobilized labor force is necessarily difficult. The economic consequences of labor militancy have in fact been dramatic. Between 1970–71 and 1990–91, growth in the manufacturing sector of the unorganized economy (i.e. unregistered factories) averaged a sluggish annual rate of 1.6%, and a number of footloose industries (Oommen, 1979) fled to neighboring states. The militancy of headload workers (unloading and loading of goods) and construction workers is often cited as the most important deterrent to investment in the factory sector (Sankaranarayanan and Bhai, 1994). As an editorial entitled “Tempting the Investor” recently noted, “the State’s labour problem is confined to the unorganized sector (particularly headload workers) and cannot be solved unless their demands—security of tenure, wages, welfare schemes and so— are met.”

The response of the state has been twofold: the first has been to initiate targeted welfare programs to provide these casual workers with some degree of security. Since 1987, the legislature has, with bipartisan support, enacted welfare schemes in all the major unorganized sectors. The second has been to draw on the model of the IRCs in initiating tripartite negotiations and designing new industrial and labor policies.

Coir production, which employs roughly half a million workers in the treatment, spinning and weaving of coconut fiber, is a case in point. Unions have historically opposed mechanization and supported price controls on the supply of coconut husk from which the coir fiber is extracted. In the face of increasing competition from Tamil Nadu and Sri Lanka in the 1980s, the unions, coir manufacturers and the state agreed in 1990 to an ambitious restructuring plan involving mechanization, price deregulation, extension of the cooperative sector and job retraining. The plan’s principle architect has described it as a “social consensus project.” The accord rests on an explicit compromise: in exchange for their support of phased mechanization the unions have been guaranteed a degree of institutional control (through the cooperative sector) over the modernization process.

The most dramatic example of cooperation between the state and unions in formalizing labor relations and containing militancy comes from the headload sector. More commonly known as “coolies,” headload workers have historically been among the most degraded, socially and economically, of all occupational groups. Although physically demanding, the work is unskilled and semi-permanent. These conditions favored the development of spot markets in labor, with few barriers to entry, although hiring patterns were often on communal or caste lines.

Headload workers first organized in urban markets as part of the larger mobilization of laborers in the 1950s. Local unions successfully established a “complex system of work sharing, compartmentalization of the labour market, specification of tasks and elaborate wage schedules . . .” (Vijayasankar, 1986, p. 23). The localized character of unions coupled with the absence of a legally sanctioned bargaining framework however produced particularly disruptive forms of militancy. Because of fierce interunion rivalries, coupled with the fact that headload workers in Kerala have a long history of serving as the muscle-men (goondas as they are known in India) for political parties, agitations were often violent (often pitting CPM workers against merchants with ties to communal organizations) and extortionate practices not uncommon. Strike actions paralysed large markets, closed down factories and had a disruptive ripple effect on the entire economy. The payoff for headload workers was however handsome. Since 1964 real wages have climbed steadily (Vijayasankar, 1986). In the mid-1980s, urban headload workers commanded wages that were 75% higher than those of factory workers (Kannan, 1992, p. 17).

Recognizing, as one government official put it that “the lack of governmental legislative regulation of employment conditions and wage levels was leading to a state of anarchy in the headload labor market all over the state” (Vijayasankar, 1986, p. 120), a CPM-led government acted by legislating the Headload Workers Act (1980) and a companion bill, the Kerala Headload Workers (Regulation of Employment and Welfare) Scheme (1983). The scheme is particularly significant because it represents by far the most ambitious effort of its kind in India. Through state intervention and a tripartite corporatist formula, the scheme aims to institutionalize contractual relations of employment in a casual labor market.

The Scheme regulates conditions of work (work hours, carrying loads), strengthens the arbitration role of the Labour Department, establishes a broad range of welfare measures, and most importantly, creates self-governing local tripartite committees charged with registering, pooling and compensating workers. Constituted in major markets and composed of equal
numbers of Labour Department officials, union representatives and merchants, the committees negotiate wages and bonuses for two-year periods and allocate work to union-based labor pools.

The implementation of the schemes did at first elicit resistance from some unions. While the pooling system has largely been patterned after the segmented labor markets carved out by the unions, there have been fears that this institutionalization will erode the unions’ capacity to enforce entry barriers. Some local union bosses also opposed the formalization of transaction costs because it effectively eliminated their brokerage fees. As one Labour Department official put it, “With this regulatory system, there is less room for unscrupulous practices.” But the committee system has been aggressively pushed by the labor federations, in particular the CITU.35 Welfare Board officers readily credit the CITU with having successfully mobilized worker support for the scheme.

Merchants have also, by all indications, benefited from the dramatic decline in conflicts, the steady and regulated supply of labor and the formalization of pay scales. The Secretary of the Ernakulam Chamber of Commerce noted that with fixed wages, there is less room for arbitrary exactions. “Even in cases where the costs to merchants are higher [because of the 25% administrative and welfare levy] they still prefer the new system because it operates more smoothly.”

As of 1992, committees had been established in 13 major urban markets covering 8,000 workers, and total committee receipts amounted to Rs. 13 million.37 Ten thousand additional workers were slated to be incorporated into the scheme in 1993. The Headload Workers Scheme has been so successful that a government committee has recommended its extension to all casual labor markets (GOK, State Planning Board, 1990).

In a relatively short period of time the headload sector has progressed from a classic case of an informal, unorganized spot market in labor, embedded in patron-client networks, to an open, competitive but conflictual and disorganized exchange between local power groups, to a formalized and bureaucratized exchange relation governed by tripartite corporatist institutions. In the absence of institutional and legal moorings, and rooted as it was in local conditions, militancy originally took a particularly disruptive form. With labor enjoying strategic control over the labor process and capital having no exit option, the returns on militancy were high. Under these conditions of unbounded conflict, the logic of collective action exacted high social and economic costs. This ultimately necessitated the intervention of the state which through legislative and administrative reforms secured an institutional basis for formal contractual relations. State action was facilitated by the support of the CPM which was eager to bring rogue local unions into line.

Formalization and bureaucratization has allowed for the institutionalization of labor gains while reducing externalities. Transaction costs have been reduced. Payoffs to intermediaries, down time resulting from disputes and the costs of negotiation have been replaced by a relatively streamlined administrative system. Because the scheme is entirely self-financing (all administrative costs are covered by levies) the state exchequer is spared further strain. Moreover, the forced savings and deferred wages of the welfare fund guarantee long-term welfare benefits generally reserved for the organized sector.

State intervention has thus helped secure collective goods that were beyond the logic of the previous system of labor relations. But the rationalization of the headload sector does not simply follow from the penetration of a modern bureaucratic state. It was made possible by mobilization from below. The pooling system through which workloads are allocated is thus little more than an administrative revamping of the market barriers the unions had secured. Implementation of the scheme moreover relies entirely on the organizational capacity of the unions. The Chief Executive of the Welfare Board was categorical on this point:

There is no possible way for the Labour Department to supervise the working of the scheme at the field level. We have neither the financial or the administrative capacity. The scheme can only work if it is actually implemented by the workers.39

5. CONCLUSION

The “synergy” of state and class mobilization in Kerala has produced two forms of social capital. The first underwrote the provision of redistributive goods, the second facilitated class coordination.

Mobilization along class lines and democratic institutions triggered a virtuous cycle of collective action. Under the leadership of a Communist party that was committed to building a broad-based coalition of lower class groups, urban workers and the rural poor agitated, built associations and won elections. The instrumental and universalistic character of the movements’ demands invited effective state intervention. The mobilizational resources of lower class groups combined with the legal and bureaucratic capacity of the state to successfully transform the institutions and property relations of a traditional, vertically organized social structure. With this came the “deepening” of democratic structures (O’Donnell, 1993) as the leveling of social forces (in particular the demise of traditional rural elites) saw representation and engagement replace patronage and dependency. The degree to which state-society interactions promoted the expansion of “public legality” and associationalism is most dramatically illustrated by
the successful mobilization of the unorganized sector. The most visible product of this synergy between a society mobilized along class lines and a democratically accountable state has been the efficient and comprehensive provision of social services and the development of human capital resources.

The "embedded autonomy" (Evans, 1995) of the state, however conducive to social development and redistributive reforms, was by its very nature antithetical to the forces of the market in a dependent economy. Financial capital is mobile, social capital is not. The labor movement was faced with the vexing dilemma that too much collective action in an economy governed by private investment is a negative-sum game.

The decline of militancy and the emergence of class compromises, however, suggests that the labor movement has come to terms with the limits of militancy. In the case of severe economic crises social actors in a poorly institutionalized democracy will resort to disaggregated strategies and seek to "privatize" the state, making the formulation and pursuit of long-term collective goals all the more difficult (O'Donnell, 1993). In India, the increasing fragmentation of the polity, the much discussed "deinstitutionalization" of the Congress Party and the resurgence of electoral alliances rooted in parochial loyalties appears to be a case in point. In Kerala, the disciplined and programmatic character of the Party, rooted as it is in the solidaristic politics of class, has allowed for a more strategic and aggregated response to the challenge of reconciling redistribution with growth.

In the factory sector, organized labor has embraced increased productivity as the basis for a positive-sum coordination of class interests. In the unorganized sector, the organizational capacity of unions has been combined with bureaucratic intervention to formalize conditions of work in an effort to stabilize labor relations and provide a more secure investment climate.

The rules of the game that facilitated such strategic actions are a product of the state’s relationship to organized social forces. State actions gave institutional expression to the interests of organized labor facilitating what Cohen and Rogers call an “artful democratic politics of secondary associations” in which “public powers are used to encourage less factionalizing forms of secondary associations” (1992, p. 395). Specifically, this is reflected in the extent to which the industrial relations system in Kerala favors collective bargaining between organized interests groups and tripartite mediations over the “involuted pluralism” and compulsory adjudication of the national labor scene. But how has the interaction of the state with organized working-class interests specifically contributed to increasing the likelihood of positive-sum forms of class cooperation?

First, this interaction has created well-defined interlocutors with whom the state can formulate and negotiate policy initiatives. Second, in its welfare capacity the state has created the material basis for class compromise by providing basic public goods and social protection to the most vulnerable sections of society. Third, a wide range of state institutions ranging from pension funds, welfare boards, labor courts, IRCs, minimum wage committees and so on, have created both the distributional mechanisms as well as the formally defined and legally enforced procedures through which conflicting interests can be mediated. The cycle of iterated negotiations between these groups has made the interdependence of interests more transparent, and outcomes less certain. Overall, this has increased the possibilities for class cooperation.

Whether this will secure future economic growth remains an open question, particularly in light of Kerala’s dependence on both the national and world economy. Nonetheless, what is certain is that the synergy between working-class mobilization and state capacity has directly contributed to building the political and institutional foundations most likely to effectively “manage” the contradictions of democratic capitalist development.

NOTES

1. The retention rate in primary schools — the percentage of children having entered primary school who complete the fifth grade — is 82% in Kerala compared to 26% for India (Weiner, 1991, p. 174).

2. In 1989–90, per capita expenditures on health and education in Kerala was 36% higher than the average for all states (GOK, Kerala Budget in Brief, 1992, p. 59).

3. Jeffrey notes that as early as the 1950s “Education was a commodity that governments could take credit for distributing — or be blamed for withholding” (1992, p. 55).

4. The split was occasioned by the decision of the CPI to favor a broad nationalist alliance with the national bourgeoisie. The CPM categorically rejected cooperation with the Congress and captured most of the communist mase base that same year by winning 21% of the popular vote, compared to 8.1% for the CPI, in mid-term legislative elections. In the 1987 elections, which were won by the CPM-led Left Democratic Front that includes the CPI, the results were almost identical (22.84% and 8.07% respectively).

5. The power of Communist unions in the rural sector is virtually unchallenged. In the industrial sector, the
CPM-affiliated Communist labor federation, the Centre of Indian Trade Unions (CITU), is the largest (415,000) and most disciplined in the state. The Congress affiliated Indian National Trade Union Conference (INTUC) is smaller and more loosely structured. Nonetheless, it is present in most large factories, and as one Party leader noted, "because of the influence of the CITU, only in Kerala is the INTUC a "front" organization for the Congress" (Interview, A. C. Jose, July 7, 1992, Ernakulam).

6. The classic statement of this theory is, of course, Huntington's (1968). Kohli (1987) has given this argument new life and a new twist by arguing that the success of the CPM's attack on poverty in West Bengal is a function of regime characteristics — its organizational coherence and its long tenure in power (since 1977).

7. For a comprehensive discussion see the special issues of Economic and Political Weekly, September 1–8 and September 15, 1990.

8. In 1991, there were 1.62 million workers in Kerala's organized sector (all nonagricultural enterprises with 10 or more workers), or 27% of the nonagricultural workforce (CMIE, 1993, Table 9.5). Of this total, the registered factory sector accounted for 0.37 million workers (GOK, State Planning Boards, Economic Review, 1992).

9. It is also worth noting that efforts to formalize the informal sector in Keral and bring more workers under the purview of the law run counter to the global trend of increasing informalization.

10. Interview, April 3, 1992, Trivandrum.

11. Calculated from CMIE (1993, Table 8.10).


14. In 1962–63 out of 141 work stoppages, 121 were precipitated by the bonus issue (Nair, 1973, p. 85).

15. As one industrialist put it, "unions didn't understand that there is a profit-wages nexus. Profits were seen as the concern of management."

16. At the national level, the Bonus Act (1965), while including provisions for productivity linking, ties bonuses to profits. A series of case studies and commentaries by industrialists and trade unionists collected in Suri (1981) indicates that only a small percentage of factories in India have adopted effective wage productivity schemes. The existing practice of negotiating bonus payments on a yearly basis is generally viewed as being the most common cause of industrial conflict.

17. Interview, Ernakulam, November 12, 1992.

18. CPM Chief Minister, E. K. Nayanar, having noted the recent period of labor peace, gave this sales pitch at a conference of industrialists in Bombay: "... let us work together on the principles of fair wages and fair profits" reassuring prospective investors that "our Labour Department would act swiftly in case of any dispute" (cited in Herring, 1991, pp. 7–23).


20. It is too early to tell if class compromise will successfully underwrite sustained accumulation. A poorly developed industrial base, the geographical concentration of national capital in historical growth centers and lingering perceptions of Kerala as a bastion of labor militancy present formidable barriers. There are, however, some positive indications. In his analysis of total factor productivity in Kerala's registered factory sector during 1976–87 Arun (1992) found a growth rate of 7.11% that was significantly higher than the national figure of 3.9%. Capital moreover, would appear to be responding. After a two-decade long drought of private investments, a number of high-profile, large business houses have recently invested in Kerala, most notably the Tatas, Birlas and BPL group.

21. Calculated from CMIE (1993, Table 9.5 and 9.6).

22. The lower figure is from the 1981 Census, the higher figure from a Labour Ministry study that included children paid in kind as well as in cash (Weiner, 1991:21).

23. Breman actually makes the claim that the informal sector has persisted because of state intervention. "Under government surveillance, unfree labour and capitalist production relations are quite compatible one with the other" (Breman, 1993, p. 189).

24. Drawing on CSO National Accounts Statistics, Sen has calculated that income per worker in India in 1984–85 (in 1970 prices) in the unorganized sector was Rs. 1,324, compared to Rs. 6,300 in the organized (private) sector. The gap moreover has been steadily increasing with unorganized wages falling from 26.6% of organized wages in 1980–81 to 21.0% in 1984–85 (1991, Table 3). In a detailed survey of 16 occupations in Bombay Deshpande found that factory workers earned Rs. 477 per month compared to Rs. 280 for small sector workers and Rs. 181 for casual (unorganized) workers (1983, p. 26).

25. There are no reliable official data on levels of unionization in this sector (only unions in the organized sector submit official returns). There is general agreement that Kerala is the only state in India where a sizeable section of workers in this sector have been unionized (Singh, 1991; Kannan, 1992). Figures obtained from the CITU for the district of Trivandrum however provide a rough measure. Although nominally an industrial trade union federation, over 80% of registered members were in the unorganized sector. Out of a total of 63,031 members, almost two-thirds were headload, construction or coir workers.


27. Indian Express (Cochin) (September 22, 1992).

28. Interview with Thomas Isaac, Chairman of the Task
29. The use of the term headload worker, "chumattu thozhilali," is itself an explicit rejection of the low social status associated with the term coolie.

30. This pattern, as one IAS officer suggested to me, probably has its historical roots in the black marketeering of WWII, when headload workers doubled as hired hands for merchants who engaged in illicit trading activities.

31. "Some sections of these headload workers were holding the business community to ransom by demanding unreasonable wages and not allowing anybody else to work in their areas of operation, especially in the export processing zones and in huge godowns [warehouses] where lightening strikes brought all work to a standstill for days. Export orders have been known to be canceled as a result of expired deadlines and the entire economy of the State was affected adversely by this section of workers" (Indian Express, Cochín, June 23, 1993).

32. While wages in the rural sector are not as high, they are nonetheless closely linked to urban rates (Krishnan, 1991).

33. Following a series of strikes in Bombay, headload workers (hamuls) came under a 1968 law designed to formalize work conditions. A "milestone in the jurisprudence on informal sector labour in West India... in practice, the regulation of head loaders' labour was probably fated to be short, undoubtedly linked to the absence of a strong trade union movement" (Breman, 1993, p. 160). Breman specifically notes that union involvement in Kerala has made regulation of the industry effective.

34. The scheme directly addresses the principle demand of workers in the unorganized sector. In the words of one Party official: "As rightly characterized by the headload workers movement a worker in the informal sector is a Nathan Illilatah Thozhilali, i.e. a worker without a master or a citizen disowned by the society. This movement had declared its primary objective to be to discover or identify a master for the headload worker" (K. Vijayachandran, Interview, Ernakulam, July 6, 1992).

35. In interviews a number of CITU officials candidly acknowledged that the scheme was a means to tame its affiliated local unions which had become "unruly" and "irresponsible."


37. All figures are from the Finance Officer and the Chief Executive of the Kerala Headload Workers Board, Ernakulam, July 14 and November 18, 1992.

38. Not all workers see the new bureaucracy as an improvement. One commented that "the entire staff are maintained with the sweat and tears of the workers." It should be pointed out that the Rs. 2,500 monthly salary of headload workers in the busier markets is significantly higher than the pay for lower division clerks.

39. As originally designed, the labor pools were to be directly administered by staff members. This system proved to expensive, and lacked flexibility. Elected pool leaders have proven to be the linchpin of the pool system, acting as intermediaries between the pools and the committees.

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