

## **The story of social spending : A Revisit to the Kerala model of development - Part I**

A V Jose

Former Director, Gulati Institute of Finance and Taxation, Thiruvananthapuram

In the preceding three issues of Kerala Economy, this column argued that Kerala has a comparatively better track-record in transforming its economy from a rural and primary base towards secondary and tertiary sectors. During transformation, the state made impressive gains in human development compared to other Indian states. Such advances are, by far, the outcome of raising social consumption through a plethora of public spending policies. How did we arrive at this point of increased emphasis on social spending? This note aims to trace the origin of an established culture of redistributive transfers in Kerala. It focuses on the development path that evolved in Kerala from early 20th century onwards, which necessitated a broad-based public spending programme. Towards developing the narrative outlined in this note, the author has borrowed ideas from several scholars of the Centre for Development Studies, Thiruvananthapuram.

### **An overview of the past decades**

This discussion takes us to the antecedents of a distinct development pattern that unfolded in Kerala early on. A pioneering study at the Centre for Development Studies served as a platform to sound out innovative ideas on the nature of public policy interventions required for better quality lives in developing societies (UN/CDS, 1975). The study argued that human development is not necessarily the outcome of high income or faster growth rate, but policy interventions with a redistributive thrust. However, there were some thresholds to cross before public policy measure could become effective. There were notable developments within that took the state close to the point.

Foremost among them was the ascent of a larger geopolitical entity - the princely state of Travancore (Thiruvithamcore) - embracing the southern half of Kerala, which happened early

in the 18th century. Many sequential developments followed, most notably the early arrival of tenancy reforms. The rising monarchic power of Travancore cut the root of rival chieftains by confiscating their landholdings. The monarchy minimized eviction of peasants and reduced their rental obligations. T C Varghese (1970) has narrated the story in a seminal work.

What followed was the breakup of a completely feudal and hierarchical society leading to the ascent of a broad-based class of peasant proprietors. Similar reforms came in the adjoining Kochi and Malabar regions in Kerala though with a time-lag (UN/CDS, 1975, Chapter V). Relieved of the burden of the insecure tenancy and predatory rents, the peasant proprietors started investing their surplus in expanding the arable land frontiers for commercial farming and their own well-being (Varghese, 1970; George and Tharakan, 1985; Tharakan, 1998). Eventually, they converted the economic space conferred on them to a political space and demanded more reforms for change.

The beneficiaries of land reforms, initially from southern Kerala, embarked on availing themselves of more facilities for education and healthcare under the auspices of their caste and community organizations (Tharakan 1984). From the mid-19th century onwards came the rise of powerful social reform movements, demanding an overhaul of many customary rules of Kerala society, so deeply divided along the lines of caste, community, occupation and property relations. The reform movements, led by charismatic leaders, campaigned for a normative approach to equal opportunity for all and gave voice to the traditionally underprivileged social groups. These movements were the fore-runners of left-leaning political parties, which pervaded Kerala from the early 20th century onwards (Isaac and Tharakan, 1986).

As the result of improved access to medical care and education, some distinct changes started appearing in the demography of southern Kerala from early 20th century onwards. The UN/CDS study (1975, Ch. X) points out that in 1921, the death and infant mortality rates were far lower in Travancore compared to Malabar and other states of British India. Concomitantly, the life expectancy at birth was significantly higher in Travancore. Later, the ratios changed faster in Kerala, including the Malabar region. These developments had a cumulative impact on population density, migration of people and a shift of capital to the less densely populated areas of Kerala in the high ranges and the northern districts

(Tharakan,1984a). Such demographic gains were the pre-cursors of advancements in human development and the quality of life in the state.

### **Commercial crops and processing industries**

An unprecedented extension of arable land for commercial farming was in evidence from the early 20th century onwards. Quantitative estimates of the progress in different regions of Kerala that came in the wake of land reforms are discussed in Baak (1997), Varghese (1970), CDS/UN (1975), and Sivanandan et al. (1985). An era of structural transformation in the economy, relying extensively on the use of natural resources and mindless exploitation of such resources continued right unto the mid-1970s. The increase of area under plantations was enormous between 1950 and mid-1970s as the total area under four crops - tea, coffee, rubber and cardamom - increased from 159,000 hectares in 1951 to 704,000 hectares by 2012 (Association of Planters of Kerala, 2014). Rubber recorded the highest increase as its area grew seven-fold to 0.54 million hectares during the same period (Government of Kerala, 2010).

Throughout this period, there were cycles of economic boom and depression, which impacted on the social fabric of the entire state. Commercial crops directly influenced the rise of manufacturing industries that processed the produce, notably: coir, cashew, plantation products, textiles and food products. Manufacturing, in turn, led to the ascent of an industrial proletariat, organized under trade unions affiliated to left-wing political parties.

The Travancore region with an abundance of natural facilities for coir processing has historically had some dominance in the market for coir fibre and yarn. From the 1920s, this dominance got extended to the weaving of coir mats and carpets, when numerous factories, each employing hundreds of workers came up in Alappuzha and surrounding areas (Isaac et al., 1992). Similar growth was there in other labour-intensive industries: cashew, tiles, plantations and beedi making (Lindberg 2001 p88, 2005 p28). Plantations too thrived on an unlimited supply of women workers. With crops such as tea, coffee, rubber and cardamom gaining ground in the high and midland regions of Kerala, employment opportunities opened up in large numbers (Kannan 1988, p54).

The presence of a large workforce in several labour-intensive industries made it possible for trade unions to give voice and representation and defend the economic interests of workers (Nair 2006). The unions derived synergy and support from two significant events of the mid

20th century: one, the advent of Independence and constitutional democracy; and two, the linguistic reorganization of Kerala in 1956, which led to political realignments across the state.

### **The post-Independence years**

With Independence, the economic interests of workers espoused by the unions gained greater legitimacy. These interests matured into the rights and entitlements of workers, constitutionalised at the national level. The state passed labour-friendly amendments to Industrial Disputes Act, Factories Act, Minimum Wages Act, Plantations Labour Act, Payment of Wages Act and the Standing Orders Act because workers in large and small establishments would require protection for safeguarding their employment, wages and working conditions. The legislations strengthened the hands of unions, as they obtained legal immunity while pursuing the interests of workers through industrial action.

Another event of profound significance occurred with the first general election of 1957 held after the linguistic reorganisation of Kerala when the Communist Party came to power and initiated significant land reforms in the state. More importantly, the state government responded to any industrial conflict with a pro-labour dispensation. The political leadership included the union leaders, who handled the labour portfolio and influenced the content of employment relations.

The remaining part of this story of social spending as it unfolded during the post-independence decades, influencing the course and content of development in Kerala will appear in the forthcoming issue of Kerala Economy. Part 2 of the story will conclude an ongoing discussion in this column, which traces the links between some distinct features of demography, employment, wages and incomes in Kerala and the progress attained through social spending.

### **References:**

- Association of Planters of Kerala (2014), *Report of the Executive Committee for the Year 2013-14* (Ernakulam)
- Baak, Paul Eric (1997), *Plantation Production and Political Power: Plantation production in South-West India in a long-term historical perspective, 1743-1963*, Oxford University Press

- George, Tharian and Tharakan P.K. Michael (1985), "*Development of Plantations in Kerala: A Historical Perspective*", Working Paper No. 204, Centre for Development Studies, Thiruvananthapuram, March
- Government of Kerala (2010), "*Report of the Plantation Study Committee (2009-10)*" from the Planters Association of Kerala Office, Thiruvananthapuram
- Isaac T.M. Thomas, P. A.; Van Stuijvenberg; K. N. Nair (1992), *Modernization and Employment: The Coir Industry in Kerala*, Sage Publications, New Delhi
- Isaac T.M. Thomas, and Tharakan, P.K. (1986), "*Sree Narayana Movement in Travancore, 1880-1939; A Study of Social Basis and Ideological Reproduction*", Working Paper No. 214, Centre for Development Studies, Thiruvananthapuram, March
- Kannan, K. P. (1988), *Of rural proletarian struggles: mobilization and organization of rural workers in south-west India*, Oxford University Press, Delhi
- Nair, Ramachandran K. (2006), The history of trade union movement in Kerala, The Kerala Institute of Labour and Employment, Thiruvananthapuram
- Lindberg, A. (2005), Modernization and feminization in India, Kerala cashew workers since 1930, Nordic Institute of Asian Studies, Copenhagen
- Lindberg, A. (2001), Experience and identity: a historical account of class, caste and gender among the cashew workers of Kerala, 1930-2000, Lund University
- Tharakan, P.K.M (1998), "Coffee, Tea or Pepper? Factors Affecting Choice of Crops by Agro-Entrepreneurs in Nineteenth-Century South-West India", Working Paper No. 291, Centre for Development Studies, Trivandrum. November
- Tharakan, P.K.M (1984), "Socioeconomic Factors in Educational Development: The Case of 19th Century Travancore", Working Paper No. 190, Centre for Development Studies, Thiruvananthapuram, April
- Tharakan, P.K.M (1984a), "Intra-regional Differences in Agrarian Systems and Internal Migration: A Case Study of the Migration of Farmers from Travancore to Malabar 1930-1950", Working Paper No. 194, Centre for Development Studies, Thiruvananthapuram, June
- Sivanandan P, D. Narayana, and K. Narayanan Nair (1985), "Land, Hunger and Deforestation: A case Study of the Cardamom Hills in Kerala", September 1985, Working Paper No. 212, Centre for Development Studies, Thiruvananthapuram, October

UN/CDS (1975) Poverty, Unemployment and Development Policy: A case study of selected issues with reference to Kerala, United Nations, New York

Varghese T.C. (1970), Agrarian Change and Economic Consequences: Land tenures in Kerala 1850-1960, Allied Publishers, Mumbai