CHAPTER VII
SUMMARY OF FINDINGS AND SUGGESTIONS

The present study attempted to trace out the governmental interventions by way of policy, control and the supportive measures to protect the coir co-operatives. It also analysed the performance of the co-operative societies in Kerala in terms of its productivity performance using firm level data of selected variables viz; labour, capital, input (raw material), intermediate input and output (Gross Value Added). A production function approach is followed to analyse data adopting a methodology developed by Livinsohn and Petrin in 2003. With the help of statistical software STATA, factor productivity, factor intensity, factor elasticity, total factor productivity and the profitability of firms were measured. The difference in the productivity performance of primary and manufacturing societies and the growth performance in the context of new economic reforms were also discussed separately. The study also considered the socio-economic implications resulted out of governmental supportive measures to protect coir co-operatives vis-a-vis, member coir workers.

7.1. The Major Findings

The Coir Development Scheme was one of the important governmental interventions aimed at rehabilitation of the coir workers on co-operative lines, who had lost employment and means of livelihood consequent on the withdrawal of British industrialists. The declared objectives of the coir development scheme were
to bring more coir workers into the co-operative fold, ensure regular employment and reasonable wages to them.

The coir co-operative sector, with the governmental supportive and protective measures, brought under it more than 60% of workers during the Sixth Five Year Plan period but now they could retain only 20% of the total estimated coir workers in the state. This pinpoints the heavy shift in employment of workers from the co-operatives to other sectors of employment.

The problem of employment of coir workers still continue as a serious issue since the co-operative sector has drastically failed to provide at least 200 days employment in a year on a regular basis. Only 1.3% societies are providing work for more than 200 days. The 82% societies are providing only 100 days or less employment to its workers and that even, a less than 19% of the total member workers of the co-operatives.

The wage earnings of the coir workers are quite inadequate to have better living conditions as it is observed that the average daily earnings of a coir worker found to be Rs.45.54/-. The government have passed the Payment of Wages Act, 1948 and the Minimum Wages Act, 1948 to protect the workers in coir industry during crisis period in coir industry immediately after the Indian independence, but it is quite unfortunate to note that till this date the co-operatives did not paid minimum wages to its workers. The current daily wage in coir co-operatives is Rs.100/- which is less than the wages given under MGNREGS i.e., Rs.164/- per day.

The preliminary discussions of the objectives of the study itself have proved that the coir co-operative societies miserably failed to achieve their objectives such as bringing the workers under co-operatives, ensure regular work
and reasonable wages. This in turn forced the coir workers to leave co-operative sector and sought work either in the private coir producing units or alternate employment.

An indepth analysis of the performance of coir co-operatives based upon micro level field data using Livinsohn pertin model of productivity analysis revealed that the societies provided less days of employment are found to be having high labour productivity and the societies provided more days of employment showed low labour productivity displaying an inverse relationship between days of employment and labour productivity. Interestingly, those societies registered high labour productivity also showed high variability explaining inconsistency in their performance. For example, societies in Kollam region, where labour productivity is significantly high followed by a very high Coefficient of Variation indicate poor performance of the society in that region. The better performance appeared in terms of labour productivity is thus became insignificant.

It also reveals that where labour productivity is high it follows low labour intensity along with high capital and wage intensity ratios explaining a shift from traditional labour intensive characteristic to capital intensiveness of coir co-operatives. This phenomenal situation is quite visible in Kollam region. The opposite of this is happened in Alappuzha region where low labour productivity is registered which showed a high labour intensity accompanied by low capital and wage intensity showing the prevalence of labour intensiveness.

However, this shift has not made any significant positive impact on the productivity performances of many of the firms under study. This shift towards capital intensity happened due to the Governmental intervention for mechanisation
of co-operatives through the ‘Integrated Coir Development Project’ which was not based on the need specific production requirement of the firms.

The societies showed low labour productivity also performed with inconsistency because disguised unemployment prevail in these societies. For instance, Peringuzhy society in Thiruvananthapuram region and the societies in Alappuzha region. This explains that the societies are unnecessarily retaining workers in spite of their inability to provide employment.

It has been revealed that there exists under utilization of existing productive capacity of machines with the fear that it would displace the workers out of employment which has wide range policy implications on labour productivity and employment in the changed national and global scenario.

There are visible variations across the sectors of coir co-operatives in respect of labour productivity. In the manufacturing sector it is higher than that of the primary sector as the firms have an organized nature or factory type set up followed by the use of technology, better tools and better management leading to a consistent performance also.

Capital productivity in both the primary and manufacturing sectors does not make any significant difference explaining its inherent labour intensive character of coir co-operatives. The capital productivity with low variability is observed in Alappuzha region compared to that of Thiruvananthapuram and Kollam regions showing its economic leverage out of the mechanisation process. The governmental support to the co-operatives in terms of mechanization and civil works had resulted only in accumulation of book values of capital assets, thanks to civil works rather than the need specific mechanisation process in the co-operative sector. This is
quite visible in the case of Karichara society of Thiruvananthapuram region and all the societies in Kollam region.

The present study revealed a negative correlation between the labour productivity and the capital productivity explaining that where firms have high labour productivity it follows low capital productivity. This conventional Economist’s view is established in both the sectors; primary as well as manufacturing coir co-operative societies. A striking difference is observed in two primary societies viz., Nedumbrakkad and Anathalavattom where positive correlation between the two ratios revealing its higher Total Factor Productivity with better rate of growth of profitability. This emphasises the better operational efficiency of these firms compared to that of other firms under study. Interestingly the Nedumbrakkad Coir co-operative society which had registered highest TFP adjudged the ‘best performing Coir Primary Societies Award for the year 2009-10’, Government of Kerala. This firm gives a success story among the other firms in providing regular employment (more than 270 days per year) and better wages (on an average Rs.170/- per day) to its employees. Hence this society’s performance in terms of labour productivity, capital productivity, profitability and TFP becomes a guiding spirit to other firms which are experiencing threat to its very existence.

Even now the shortage of raw material husk/fibre continued to be the major problem of coir co-operative sector explaining that the governmental interventions by way of orders like The Husk Control Order, Levy System, Dual Pricing etc., were observed to be inadequate to solve the problem and has a strong bearing upon the present poor performance of the coir co-operatives.
In respect of input productivity performance, primary sector is better than the manufacturing sector because unlike in the primary sector, the manufacturing sector have to purchase raw material (yarn) from the open market where it turned up from far off places causing high cost and price. Where as in the primary sector, they could produce fibre using the locally available husk and with their own facilities lead to low cost and price. This fact is clearly visible in the input performance of the Thiruvananthapuram region which has higher input productivity as well as low input intensity than the other two regions as its continued use of traditional methods of production of retted fibre with geographical indication like ‘Anjengo’ having better quality and greater demand in both internal and external markets. The other two regions show low input productivity and high input intensity as they are to depend on the imported fibre of Pollachi, Tamil Nadu which is inferior in quality to the retted fibre and even have to pay high price. Kerala, a region with high husk production potential experiences, the acute shortage of raw material and the over dependence of Pollachi mills for fibre are paradoxical and needs further research and policy formulations thereon. It is admitted that in Kerala, the holdings are small and scattered, and husk reach the manufacturing firms after travelling through a long chain of intermediary traders is practically difficult and it would not be economical as well. Therefore, there is the urgent need to improve the husk collection mechanism now followed by the societies.

The intermediate input productivity performance of the manufacturing sector is higher compared to that of the primary sector because, the use of intermediary inputs in the manufacturing sector is mostly connected with production activity whereas in the primary sector in many cases it is for
uneconomic activities like repairs of year old buildings, tools and equipments, unused machines etc. revealing irrational mechanisation policies of government and agencies. This is true in the case of the Peringuzhy society in Thiruvananthapuram region. It spends huge sum to maintain and repair their underutilized or unused machinery received by them as governmental support to mechanize the firm. The transport vehicle owned by the society is another item increasing the intermediate input value and this may be one of the causes for less intermediate input productivity. One of the reasons for a low regional over all intermediate input productivity in Thiruvananthapuram is the influence of the high value of intermediate input in Peringuzhy society.

Over the period 1980-1981 to 2009-2010, the GVA had showed a compound growth of 7.84%, in the primary sector and 11.06%, in the manufacturing sector, but this has not accompanied by an employment growth. In the primary sector the employment growth was recorded as 1.84% and in the manufacturing sector it was -0.11% and therefore, this period may be called, the period of “jobless growth” or ‘output growth’ without labour growth as of many economists remarked.

The growth of capital in the primary sector was found to be 14.72% and 14.80% in the manufacturing sector along with positive capital intensity in these sectors. At the same time, the labour intensity moved opposite to the capital intensity. During the overall period of study 1980-1981 to 2009-2010, the primary sector labour intensity was -0.09% and -0.37% in the manufacturing sector. If the capital orientation witnessed in the coir co-operatives were for improvement in technology and for improved production, then the performance would not have been like this. As and when capital intensity rises, the capital productivity rises or
remains the same, and the labour productivity would also rises. This situation is a technology upgradation associated with capital intensity. But with a rise in capital intensity, if capital productivity declines, then it is likely that there has been merely substitution of capital for labour. In the coir co-operative sector it is visible that capital productivity growth and labour productivity growth are not associated with capital intensity growth, so it may be inferred that there is simply a substitution of capital to labour rather than a better performance. This may have a strong bearing upon the dismal growth of employment as well as irrational governmental interventions in the coir sector during the study periods.

The real product wages recorded a higher growth of 8.91% in the primary coir co-operative societies and 7.09% in the manufacturing coir co-operatives in the period 1980-81 to 2009-10. The wage intensity growth during the period was 0.16% in the primary sector and -0.03% in the manufacturing sector which explains that wage orientation is comparatively higher in primary sector than in the manufacturing sector. The low wage orientation in the manufacturing sector may be attributable to the organised nature of that sector (factory set up). It has been observed that the primary sector societies retains workers unproductively in their roll causing to pay benefits to the workers which in turn enhance the wage component of the societies. When a governmental assistance is sanctioned to these societies they would use it to pay for dues. This has witnessed during the reform period, 1990-91 to 2000-01 when investment boom happened in the co-operative sector a sharp growth in wages from 5.57% in pre reform period to 14.98% in the reform period has resulted. But this wage growth drastically declined during the post reform period from 14.98% to 3.91%.
There was an investment boom in the coir co-operative sector in the reform period which has resulted in a faster growth in employment, input, intermediate input and wage but this has not made any positive effect in the performance of all the firms under the co-operatives in terms of sustainability perspective. This is visible from the performance of factor productivities with regard to the identified variables labour, capital, input, intermediate input and output (GVA) which have showed negative growth during this period in the primary sector. The capital productivity growth in all the sub periods registered negative growth in both the sectors of the coir co-operatives. This strongly support the observation that the capital investment from the part of government and agencies were not helped them for better performance.

The TFP growth in the primary sector registered positive growth in all the periods of study whereas the manufacturing sector it has slowed down from the pre-reform period to post reform period and it even showed a negative growth in the post-reform period (-0.15%). This negative TFP growth in the post reform period is attributable to the distorted use of inputs and intermediate inputs. The TFP growth values in the coir co-operatives in both the sectors are greater than zero except, in the manufacturing sector during the post reform period. This explains that the growth of output during the period of study are ‘productivity driven’ in both the sectors barring the performance of the manufacturing sector during the post reform period where the higher GVA growth was ‘input driven’.

When examined profitability of firms, a negative profitability is recorded in many of the firms over the period of study reiterating the fact that the co-operatives are even now constrained to achieve their declared objectives fixed decades ago.
The socio economic profiles of coir workers reveal that they are even now they continue as one of the disempowered social groups both economically and socially. The youngsters do not prefer coir work so their percentage in the coir workforce is only 13.36% whereas 25% workers in the coir co-operatives are in the unproductive age group of 60 and above. Only 22% workers are totally depending on coir co-operatives for their family income all others are doing work in co-operatives as a secondary source of income.

The incidence of deprivation among coir worker households in five basic necessities of well being viz., Education, quality of housing, drinking water, sanitation and energy for lighting are worked out and it is found to be 44.04%. The incidence of deprivation of the coir worker households is much higher than that of the deprivation index of the entire state of Kerala (29.5). This explains that the coir workers’ living conditions have not been improved as expected while formulating policies or projects to protect the workers and the coir societies.

7.2. Suggestions

The micro level analysis of firm level data reveals that the coir industry in Kerala, a traditional industry which support a large number of poor rural workers, is still struggling for existence and heavily depended on governmental support for existence. The Central as well as State governments are spending huge sum to protect the coir societies with the aim to of ensure regular employment and better wages to its member workers. But the foregoing discussion enables the researcher to find a dismal performance of the coir co-operatives and their survival is in question. Considering the social commitment of the government, the co-operatives should be revitalised.
Based upon the discussions and findings of the study, following suggestions / policy questions are put forward to help the coir co-operative societies to continue function and which can remain a bread winner of thousands of poor coir workers.

The coir societies have not even now implemented the Minimum Wages legislation of 1948. The wage of coir worker in the co-operative sector is only Rs.100/- which is much lower than the wage offered under MGNREGS ie Rs.164 per day. So a better wage to the coir workers have to be ensured by strictly following the minimum wages fixed by the government from time to time. This would help the coir co-operative sector to attract youngsters with some dignity to labour and at least to retain the existing coir workers in the rolls.

To resolve the problem of shortage of raw material a complementary relationship with the primary and manufacturing sector has to be developed. If so the manufacturing sector could ensure a regular supply of yarn which would help the primary societies to respond to the demand properly and hence both of them share the short run ‘jerks and jumps’ happening in both the commodity and factor markets of the industry. A network for husk collection has to be evolved by the primary societies with the help of Kudumbasree units or through similar neighbourhood groups.

Selected defunct societies situated nearby areas where coconut husks are being grown extensively may be revived and converted into husk collection and defibring societies. These societies may either rett the husk through chemical processing or mechanical extraction process. This would help to reduce the cost of collection of husks as well as ensure regular supply of raw material to other societies.
The co-operative societies may set up large scale defibring mills wherever possible with large capacity on the similar design as in Pollachi with the partnership of private entrepreneurs. This would ensure continuous operation of Kerala coir industry and regular supply of raw material at reasonable prices and even better quality.

In the changed global scenario, market conditions should be observed regularly and seriously where institutional and organizational changes accommodating professional management can be thought of in all arena of resource and marketing management. The success of the Nedumbrakkad society is the result of proper decision making and resource management.

The traditional methods of production and the products made out of that methods are to be conserved and declared ‘traditional brands’. The ‘Anjengo variety’ coir yarn is such a products one and this brands may be popularised in the external market by which the workers and societies engaged in that type activity may be protected.

The societies functioning only to satisfy the objectives of coir development scheme introduced during fifties should work for optimisation in production employment and profitability to meet the needs of the time and their sustainability.

To compete in the global market, product diversification with quality is must. A new strategy to popularise coir geo-textiles have to be undertaken – tie up with defence, public works dept. environment and disaster management department.

The coir co-operatives though failed to achieve their declared objectives to ensure regular employment and better wages to its workers, the importance of the traditional industry’s cannot be undermined on that basis alone. There are other
factors need to be taken into account. It is true that some of the firms or societies are showing positive performances in certain periods and leaving scope for improved performance with innovative strategies and policies keeping abreast global market in the future. Government has to address the problems of the coir societies with a change in policy, promotion of activities on business lines instead to enhance dependency of societies to budgetary support and protection. The declared objectives of the coir co-operatives should be redefined and revisited in accordance with the global market dynamics where, competitiveness, productivity, efficiency, product diversification with quality, adaptability and flexibility become the buzzwords. A concerted effort from the part of the Central and State governments and the authorities of the coir co-operatives to carve out prudent policies and strategies encompassing a right mix of competition and protection to coir sector, both the primary and manufacturing sectors. This would help to ensure better wages and employment to more than 3.66 lakhs of poor coir workers and at the same time an enhanced contribution to the foreign exchange earnings of the country. Thus a ‘faster and inclusive growth’ of coir co-operatives helping ‘output growth’ with ‘labour growth’ rather than ‘Jobless growth” would be the new direction and mantra of the coir co-operatives.