CHAPTER 1

INTRODUCTION

Industrial Revolution of the 18th century brought in its wake basic changes in technology, production and productivity. Despite its positive contribution towards the growth of manufacturing industry and the manifold increase in the wealth of nations, the industrial revolution evoked sharp criticism from different quarters for its impact on society. Industrialisation not only created new classes and strata but also led to concentration of wealth in the hands of a few, the owners of the means of production. At the same time, the conditions of work and levels of living of the working population deteriorated steadily for long period of time in general and industrial workers in particular.

The plight of workers in the new system evoked sympathetic response in the writings of several reformers like Saint-Simon, Charles Fourier, Sismondi and Robert Owen. Owen believed that man is the outcome of his environment. He argued that human character was formed for them by their environment, and
that the evils which moralists found in the poor were due to the degrading conditions under which they were forced to live and work.²

Owen offered leadership to the Rochdale pioneers venture - an alternative form of business organisation - which upheld the principle of co-operation.³ Ever since the establishment of the first co-operative society in England by the Rochdale Pioneers in 1844, the message of co-operation has spread to almost all the countries of the world.⁴

Owen and others of his ilk dreamt of a society based on co-operation and mutual help instead of competition and exploitation of man by man. They set out the fundamental principles of co-operation: association, voluntary co-operation, democratic government of the enterprise and social motive⁵. The founders did not give, however, strong ideological foundation to the co-operative concept; rather, they were concerned only with the removal of misery of the workers and formed societies as a tactical solution for the problem. Thus the co-operative concept was to them only a pragmatic idea; it acquired an ideological base only over time.

Different thinkers have variously defined the concept of co-operation. Horace Plunkett considers co-operation as "self help made effective by organisation"⁶. Calvert defines
co-operation "as a form of organisation wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of their economic interest".\(^7\). International Labour Office defines: "A co-operative is an association of persons, usually of limited means who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organisation making equitable contribution to the capital required and accepting a fair share of the risk and benefits of undertaking".\(^8\)

The concept of the co-operative lies in between two extremes: individualism on the one hand and socialism on the other. It stands for individual rights tempered by consideration of justice, equity and fair dealing as between man and man, and aims at the prevention of exploitation of the weak. Although at the initial stage, the concept of the co-operative was confined to that of helping the workers, it gradually received alternative interpretations and assumed larger meaning. In fact, there arose various schools of thought on co-operatives.\(^9\)

Derek C. John considers the industrial co-operative as an autonomous enterprise in which (a) many workers or (members) own stock, (b) ownership is widely distributed among the workers who own much of the voting stock, (c) working members participate in the enterprises, management and control, and (d) they share in
the distribution of the surplus, usually on the basis of the work.10 According to David H. Wright, it "redefines the worker's job by including him in the policy making and work co-ordination tasks of management, as well as productive processes".11 Thus the responsibility of decision-making and work co-ordination in a co-operative also falls on the workers in addition to their normal work. Industrial worker co-operatives are, in fact, productive firms that are democratically owned and managed by their workers12. This idea is emphasized by Kerr and Harris as well.13 The worker co-operatives are designed to be the type of firms in which where the people working in them jointly appropriate the fruits, whether positive or negative, of their joint labour. The legal structure of the worker co-operative or self-managed firm is defined as the structure that implements the labour principle in its property structure and the democratic principle in its governance structure. Ellerman mentioned that in worker co-operatives, the traditional roles of the employees and owners are abolished. There are only worker members, no employee owners. Workers qualify for co-operative membership by virtue of working in the firm. Further, a worker co-operative or self-managed firm is neither privately owned nor publicly owned; neither a capitalist firm nor a socialist enterprise. It is only a democratic social institution14. Industrial co-operatives assure worker's participation in the enterprise's decision-making and democratic leadership in management.
In short, the worker's co-operative is an enterprise which is owned, managed and controlled by workers themselves. The industrial co-operative emerged in the West as a critical reaction to the adverse consequences of Industrial Revolution.

Though the co-operatives thus germinated in the industrial sector in the western countries, their beginnings in India were in the agricultural sector. During the last decades of the 19th century, the cultivators in Deccan reacted against the money lenders, who levied usurious rates of interest, which led to the widespread riots. The Government was forced to think of an alternative form of organisation for the relief of the farmers; they found the alternative in co-operatives. In consequence, co-operatives were started as a rehabilitation measure to the poverty stricken farming community. This form of organisation soon got acceptance from various other sections of the population and spread to different States of India. Thus during early decades of the 20th century, co-operatives emerged in Kerala also. During the past eight decades, the message of co-operatives has received wide acceptance among the people of Kerala. Consequently, about 60 per cent of the people of the State are now associated with one form or other of the co-operatives. Among these the co-operatives in the service sector, especially, co-operative banks, have forged much ahead of others. The performance of the co-operatives in the producing sectors,
especially, in small scale manufacturing, appears to be much less significant.

Industrial co-operatives have a vital role in accelerating development of small scale industries. In a capital-scarce, labour-abundant country like India, wedded to the twin objectives of growth and social justice, small scale industry is expected to play a vital role in resolving chronic problems of poverty, inequality, under-employment and unemployment. Large scale manufacturing enterprises have naturally their pride of place in the nation's economy; but the small scale sector as a supporting factor has become inevitable, and its importance as an integral part of the industrial system cannot be over-emphasized. Small scale industries have great significance as intermediary stabilisers and as the catalytic agents in accelerating economic development. Both theoretical considerations and the little empirical evidence reported in the literature, suggest that small enterprises are often economically efficient and labour-intensive and that they have a significant role in achieving rapid growth of both output and employment.¹⁷

Even in highly industrialised economies small scale industries contribute a substantial share of the national output.¹⁸ Increasing trends of growth of small business are noticed in most developed countries. The contribution of the small scale sector is about one-third in the U.K., two-fifths in the U.S. and
nearly three-fourths in Japan. In Britain several incentives are
given to the self-employed sector on the assumption that the
encouragement of small business is an effective solution to the
problem of unemployment.\textsuperscript{19} In all countries, small scale industry
provides employment for a substantial proportion of the industrial
work force and accounts for a large proportion of all industrial
establishments.\textsuperscript{20} Small enterprise development is an essential
and important factor for generating employment and encouraging
economic growth in developing countries.\textsuperscript{21} In contrast to
top-down economic planning and implementation, small enterprise
programs are based on several 'bottom up' development premises
which include the need for (a) self-employment opportunities among
the poor; (b) employment which is labour-intensive rather than
capital-, and education-, intensive, (c) economic growth based on
small scale business initiatives, (d) an economic base from which
to foster business expansion, (e) the use of natural resources in
the economic development process; (f) development strategies that
assist in the transmission of economic initiatives and
opportunities from the informal to the formal sector; (g) economic
development opportunities for indigenous populations as opposed to
'alien minorities within a developing country's social and
economic structure; (h) poverty alleviation through new sources of
income (i) technology adaptation to indigenous resources; and (j)
development of entrepreneurial skills and talents.\textsuperscript{22} India's
policy of encouraging the small scale sector as an integral part
of the industrial development programme which lays particular
emphasis on large scale capital-intensive industry, has been lauded as unique by renowned economists. Industrial development cannot be achieved without taking into account two factors: 1) manufacturing industry should be the basis of development and 2) industrial development cannot be achieved without involvement of the small scale industry.

The report of the Steering Committee of the Kerala State Planning Board for the preparation of the VIII five Year Plan on Industry and Mining listed several factors inhibiting and promoting growth of small industrial units. Kerala's educated manpower, the native intelligence of the Keralites best suited for taking up logic-based professions and availability of a well-developed and broad-based physical infrastructure particularly in the transport and communications sectors, are a few of the positive factors identified. On the negative side, may be mentioned high wage rates, preference on the part of the educated for white collar jobs, lack of entrepreneurship, paucity of essential resources for industrial use, high density of population and the distance factor which places Kerala away from the major domestic markets.

In this context, it would appear that the industrial co-operative movement could possibly play a vital role in accelerating the momentum of small industrial development of Kerala which has a wealth of highly educated and skilled manpower.
However, in spite of the encouragement extended by the Government, the movement does not seem to have been picking up in the modern small scale sector. The present study is an attempt to analyse the factors that have affected the performance of the industrial co-operatives in the small scale industrial sector of Kerala.

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Notes and Reference


3. Rochdalers are known as the 'Pioneers' because they were the first to find a successful store, give a final shape to the co-operative principles and propagate the message of dignity of labour and glory of the worker.

4. Pillai, M.V.N. (1971) p.3


6. Plunkett, Horace (1928) p.7


9. Hajela, T.N., (1973), p.4. According to Hajela, the various Schools of Thoughts were: 1) The Co-operative Enterprises. (2) The Co-operative Commonwealth, and (3) The Socialist Co-operatives. According to the followers of the first School, Co-operative Institution is a voluntary association of independent economic units, organised, capitalised and run by and for its members, providing and marketing goods and services on cost to cost basis to their members. The second School of Thought concentrate not only on improving the economic position of members within the existing framework but also aims at eliminating the competitive, capitalist system and replacing it by one, which is based on mutual co-operation. The third School believe that the co-operative movement can be an important instrument in furthering the socialist progress.


17. Cortes, Berry and Ishaq (1987)


23. Little, IMD. (1987), p. IX.
