Kerala's development experience is marked by the attainment of high levels of social development which indicate that people enjoy high levels of physical quality of life in India. This is reflected in the indices of higher literacy, lower infant mortality, higher life expectancy, etc. But paradoxically, one finds a number of areas in which Kerala is lagging behind. The state experiences low rate of growth in agriculture and industrial sectors. It has a low per capita income and a high rate of unemployment. The level of inflation in the state is so high that living standards are more monetised than the rest of the country. This has been very much more so, due to the foreign remittances of the migrant workers.

Kerala produces very few of the goods that it consumes. It has to meet much of its local demands by inter-state trade.

Kerala economy has been predominantly agricultural. But a noteworthy feature of Kerala is that the proportion of work force engaged in agriculture is the lowest in the country. And interestingly, the proportion has declined from 50.6 per cent in 1981 to 46.7 in 1991, according to the Census data. Similarly, the share of agricultural sector in State Domestic Product (SDP) has been declining while the share of the tertiary sector has been increasing. Kerala is found to be one of the few states where the proportion of tertiary sector in both work force and SDP is relatively high.

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Kerala was Rs.120 as against Rs.180.00 at all India level in 1994–'95. Further, the share of manufacturing sector in net domestic product in the same year was around 16% in the state as against 19% for all India. Again, as against annual compound rate of 11.79 per cent (at 1980–'81 prices) for all India, Kerala has recorded a marginal growth rate of only 1.89 per cent in value added by manufacturing between 1982–'83 and 1994–'95. Kerala's performance is also poor as compared to the achievements of the neighbouring states; the manufacturing sector in Kerala showed a compound annual growth rate of 2.98% (at 70–'71 prices) between 1980–'81 and 1994–'95. The corresponding figures are 6.25% and 7.01% for Karnataka and Tamil Nadu.

But the potential of industrial expansion is great as Kerala has industrial raw materials though of different sorts: forests, cash crops, etc. Kerala's hydroelectric potential is one of the largest in the country. The infrastructural facilities that the state possess are also notable. Above all, the state has educated and intelligent workers who are profitably employed in various parts of India and the world. In spite of all these advantages, Kerala is slow in exploiting these resources, when rapid industrialisation is so necessary to arrest the mounting unemployment.

What causes Kerala's industrial backwardness - remains a puzzling question. A close analysis of the causative factors clearly shows that apart from the general causes, some region specific factors are also responsible for the industrial stagnation of Kerala. But it is not however, easy to identify them. Following conventional wisdom, one may list out some of them and it is found
that they include both demand and supply side factors. On the demand side, the relatively low percapita domestic product at first sight would present Kerala as an unattractive location for industrial investment. The supply side variables like rawmaterials, infra-structure, labour and other factors are found to be more strong. The state does not enjoy the locational advantage for mineral resources. This disadvantage gets compounded by the lack of “agglomeration economies”. Again, Kerala is often cited as a typical case where industrial growth is constrained by a lack of adequate number of entrepreneurs. As pointed out by Raj (1960) there is no clear evidence yet of growth of entrepreneur in Kerala except at fringes; this appears to be less due to the lack of necessary ability than to the other seemingly more attractive alternatives. In Kerala’s context, the government has got a key role to play. Historical evidence shows that the level of private investment in the state has been very low. It is the public sector investment that sustains industrial activity in the state. Indeed, the state government had made many daring attempts to boost the level of industrialisation in Kerala. Joint production ventures with private sector, industrial estates, etc., are some of the notable examples in this line.

One of the most important supply side variables is labour. A significant factor in the development of industries is efficient but also contented labour. There is a strong feeling among entrepreneurs, general public and the media that labour is more restive in Kerala than elsewhere. So they perceive that Kerala is a region lacking industrial peace. Whether this is only a simple perception or it has some factual basis has to be researched for.
Based on the classical ‘least-cost’ theory of location, one will be able to say that industries tend to be located on the basis of maximisation of profit and minimisation of cost. But there are several other factors which may have to be taken into consideration. These factors are pictured by the modern school of location theories. In Weber’s simplified world, three factors influence industrial location. These are the two general factors of transport, labour costs, and local factors of agglomerative or degglomerative forces. He illustrates that a place in which labour is relatively cheap is capable of getting the factory from the least transport cost location diverted. Following Weber, Palander, Hoover and Lösch have explained the location theory by giving much significance to market structure. Later Myrdal (1957), through his ‘cumulative causation models’ has argued that the play of forces in the market normally tends to increase rather than decrease the inequalities between regions with regard to industrialisation. Kaldor (1970) has later translated the Myrdal’s model into a formal one and has made it in to testable hypothesis. Schmenner (1982) through a survey found that the site and plant difficulties such as obsolescent equipments, high labour cost and unfavourable labour climate were the most frequently quoted factors guiding locational decisions. Stoper and Walker (1989) have made it clear that it is not only the direct labour cost, measured in terms of wage rates but also the quality, productivity and managability of labour that are important for determining location of industries.

It may be true that locational decisions of many small scale entrepreneurs are not made on a strict calculus of costs and returns. Some may prefer a
steady return to higher profit and some others may look for a peaceful industrial atmosphere when compared to high profit. In his theory of industrial location, Greenhut (1956) points out the peculiar nature of small firms. They seek a relatively small market area, and will move to a distant point of the market more rapidly than a large firm. They may want a location from which they can serve a major part of the market. In addition to transportation, processing costs and the demand factor, he considers ‘personal consideration’ as very significant because it influences the precise choice of a location that provide the entrepreneur with ‘psychic income’. Again, about this phenomenon, Richardson (1977) comments: “profit maximisation is an unsatisfactory goal for location decision makers for several reasons. For most type of establishments, a location decision, once taken must stand for a long time because of heavy relocation costs.... an entrepreneur may place a great deal of emphasis on security.... There is increasing evidence, though much of it is impressionistic, that the location decisions more than most other managerial decisions, have to take in to account ‘psychic income’ influences and other personal factors, which are not easily compatible with narrow definitions of economic rationality”. So before finalising the location decision, every wise entrepreneur tries to assess the magnitude of psychic costs involved in his investment. In other words, even if there is prospect for a high return due to favourable location of many needed factors, the entrepreneur’s perception of labour in a given region as trouble making may influence negatively his location decisions.
One of the most important requirements of development is the prevalence of a reasonable stable and peaceful industrial relations climate. The emergence of a mature and responsible unionism is regarded as quite essential for maintaining peaceful industrial relations climate. Kerala is often described as a problem State in respect of industrial relations. It is one of the few states in India where strongly organised labour unions do exist. It seems that there is a correlation between trade union growth and growth of industrial disputes in the State. In the report of the High Level Committee of State Planning Board (1984), it is stated that “while employment creation has been slow due to low investment and low rate of growth, especially in industry, trade union movements backed by political parties, organised agitations and successfully pushed up wages and the other emoluments of the labour employed in the organised sector. For many years, the labour agitations in the State and the situations created in the industries as a result of such agitations was cited as one of the main reasons why industrialists both from with in and outside the state were shy to invest in the State”. It is in this context that we propose to conduct this study to examine the questions; whether labour in the State is more restive than in other States, whether they have been able to push up the wages and if so, what is the role of the trade unions in making them so.

1.1 Review of Literature

In this section, an attempt is made to review the available literature and to organise them in a chronological order. For the purpose of convenience, the studies
are classified into three groups; first studies on trade unions having international coverage, second, relevant studies in the context of India, and thirdly, studies relating to trade unionism and industrialisation particularly in the context of Kerala.

The actual impetus for a comprehensive theorisation of the labour movement and the trade unions was furnished by Karl Marx. Subsequently, theories of trade unionism have been developed by various scholars all over the world. The most important question that these theories are trying to answer is "why do workers join unions"?

According to Karl Marx\textsuperscript{18}, capitalism resulted in a free labour market where workers were forced to sell their labour to exist, in turn resulting in the emergence of unions aiming at obtaining a 'fair' wage. Unions developed because as capitalism matured, increased capital would flow into plant and equipment and relatively less into wages. Since, in Marx's labour theory of value, only labour was capable of producing a surplus over costs, profits would necessarily fall, resulting in a decrease in wages as employers attempt to cut costs. Unions would emerge in an attempt to slow down temporarily the Marxian process as well as to sharpen the struggle between classes with the eventual result of the overthrow of capitalism and the establishment of communism.\textsuperscript{19}

Sidney and Beatrice Webb\textsuperscript{20}, the leading British socialists, developed one of the most systematic, influential and comprehensive theories of the labour movement. Like Marx, they used the emergence of a separate working class to
explain the origin of labour movements. They considered the primary goal of labour unions as protecting the workers from the evils of industrial competition. Drawing on their examination of British trade unions, the Webbs developed an evolutionary theory of the trade union as an instrument to extend the principle of democracy into the work place and eventually the whole economic system. They formulated a series of stages characterised by regulations by which unions attempted to improve conditions in the work place.

Following the paradigms of Marx and of the Webbs, J. R. Commons developed his theory of labour movements in U. S., which in turn formed a portion of his general theory of industrial development and used an empirical approach to labour as well as other economic problems. He felt that labour was a unique class with distinct interests that used unions as a means to furthering its interests. The working class emerged when the wage earner replaced the serf. Commons believed capitalism developed in three stages beginning with merchant capitalism that was followed by employer and finally banker capitalism.

A protege of Commons, Selig Perlman formulated a theory of labour "from the concrete and crude experience of the wage earners" that included the "psychology of the labouring man" formulated from the working rules, customs and practices of labour unions. Using a model, Perlman deduced that two factors emerged as basic in any modern labour situation. First, the degree of dominance over the labour movements by intellectuals' 'mentality', which regularly under estimates labour's will to radical change; and secondly, the degree of maturity of
a trade union 'mentality'. As opposed to Marx and Webbs, but like Commons, Perlman did not see the nationalisation of industry as the ultimate outcome of unionism, but rather the effective control of industry via workers' movements.

John. T. Dunlop developed a more generalised theory of labour that included government in addition to workers and managers. Dunlop's model is institution (rule)-oriented. His purpose is to explain why particular rules are established in particular industrial relations system and how and why they change in response to changes affecting the system. Dunlop believed that technological characteristics (the production function) are important in that they go far to determine the size of the work force, its diffusion, the duration of employment etc. He further assumed that working conditions, wages and hours of work are influenced by market constraints faced by the firm. If the firm operates in a competitive output market, it enjoys less latitude with wages and other employee benefits than if the employer operates in a less than competitive market. Therefore, market constraints affect the growth of trade unionism in that competitive firms are faced with failure if they provide a greater than market wage and benefit package.

The movement away from primarily economic interpretations of union behaviour is found in Arthur Ross. By criticising Dunlop's Wage-employment relationship, Ross incorporated three distinct but interrelated goals for unions. They are: 1. maximisation of economic welfare of the membership; 2. the survival and growth of the union itself, and (3) the enhancement of the power of
union officials in an attempt to insure their personal survival. Wallace Atherton\textsuperscript{26} later incorporates Ross’s three categories of union interests to explain and predict the objectives but not the results of collective bargaining. His model incorporates a synthesis of both political and economic variables affecting union behaviour and unlike Ross’s, the variables in Atherton’s maximas for leaders as well as members are subject to an employment-wage constraint recognised by union leadership.

A relatively recent theory of unions has been posited by Richard. B. Freeman and James. L. Medoff.\textsuperscript{27} Freeman and Medoff argue that current union behaviour is best predicted by a combination of a couple of traditional labour union theories; one believing in the role of unions’ success in increasing labour productivity via an improvement in worker morale, increasing skill development, etc., and the other in interpreting unions as monopolies on supply side of the labour market, the effect of which is increasing wages and decreasing efficiency through the substitution of other inputs for labour. They further opine that although unions help their members in attaining a higher than competitive wage, there exists no one union versus non-union wage differential among all socio-economic groups. The effect of unions on wages is greatest in heavily organised and regulated industries. Also, Freeman and Medoff believe that unions increase the equality of income among workers, reduce the cost of worker’ pensions, accident, health and life insurance, increase the stability of the work force by providing arbitration proceedings and in many industries have a higher rate of productivity than non-union establishments.
In the light of the foregoing review of the leading trade union theories, it may be asserted that an important aspect of the study of trade unions has been their impact on wages. Generally, the motive of trade unions is to bargain with employers and try to improve the economic condition of their members. A high degree of unionism would mean that workers are in a better position to bargain and hence increase the wages of the workers. Therefore, unions exert pressure and raise money wages if not real wages.

In India, some studies have empirically tested the impact of unions on wages. The pioneering work was undertaken by A. J. Fonseca. He studied the impact by testing the hypothesis that unions are a factor in raising money wages and analysed Indian data for the period 1939-'56. In his regression analysis, money wages paid to workers was taken as dependent variable, degree of unionisation, cost of living index and productivity were taken as independent variables. His results showed that impact of unionisation is positive but not significant.

Taking the same variables, C. K. Johri re-tested the theory for the period 1951-'61. He used the correlation technique to study the relationship. The simple correlation between money wages and degree of unionism was found to be 0.75. When Consumer Price Index effect was singled out, it became 0.04. He came to the conclusion that the principal determinant of earnings in the manufacturing sector is the Consumer Price Index.

Another study of the same type was done by G. K. Suri for the period 1959-'69. The main findings of Suri are that changes in money earnings are
largely explained in terms of changes in cost of living index and productivity index. He also finds that there is no evidence of the degree of unionism having a positive influence on money earnings. But he has observed that the influence of unionism could perhaps be understood indirectly in terms of union pressure for neutralising the cost of living and there is reason to believe that an increase in the degree of unionism is accompanied by rivalry and factionalism and to that extent it reduces its effectiveness.

Based on the studies of Johri and Suri, Ramjas attempted to study the impact of unionism on wages for the period 1960–80 in the manufacturing sector of the country. The ratio of mandays lost to industrial disputes has been used as a proxy for measuring degree of unionisation. The findings of the paper have rejected the hypothesis that trade unions positively influence the money earnings of workers in the manufacturing sector of India.

There exists a number of studies on trade union movement of the production sector in Kerala. K. Ramachandran Nair attempted to examine the hypothesis that Kerala’s labour and industrial unrest are direct manifestations of the underlying deficiencies of the system of labour-management relations that prevail in the State. The study has concluded that the general view regarding industrial unrest is considerably exaggerated and that the record of labour management relations and practices in the state, properly interpreted, does not lend support to it, though there is considerable scope for improvement.
One may also refer to the work of A. V. Jose, undertaken in the late 70’s on agricultural labour. In his paper, Jose has attempted to unearth the major conditions leading to the emergence of militant labour organisation in the agricultural sector of Kerala till the beginning of seventies. He analysed the factors that led to the growth of agricultural, labour organisations in two selected regions of Kerala, where powerful trade unions among the workers were in existence. The study’s major finding is that the rise of trade unions among the agricultural workers in early forties to sixties is linked to the institutional and technological changes associated with the permeation of capitalism into traditional agriculture. The other concomitant factor that promoted the growth of trade unionism in Kerala was the able and inspiring leadership of the pioneers and the active patronage rendered by the political parties.

The study conducted by M. A. Oommen with a view to find out the causes for the flight of small scale industries, both traditional and modern from Kerala to neighbouring states, especially to Tamil Nadu and Karnataka, found that “if anticipated flow of profits are high in a region due to availability of cheap and non-unionised labour which adds to ‘security’ as against the area of high wage and labour trouble, the mobility of entrepreneurs is likely to be high, especially if there are complementary factors which reduce the social distance even though there may be other compelling environmental and other attractions in familiar areas”. The data used was based on a sample survey, covering the registered small scale units. The work could empirically prove the high labour cost hypothesis in the context of Kerala. It was indicated that cheap labour and peaceful
atmosphere are the most significant factors influencing the entrepreneur's decisions for locating the units outside Kerala.

K. P. Kannan has tried to analyse the process of wage bargaining and its implications on the conditions of labour and the organisation of production in the cashew processing industry of Kerala. He has located the root causes responsible for the emergence of trade union organisation among the Cashew workers and efficiently mapped out its significant achievements in increasing wages and improving the working conditions. According to this study, the out migration of the cashew industries from Kerala to Tamil Nadu is due to high wages (compared to neighbouring states) and organised labour market (due to trade union activities) existing in Kerala. The study has concluded with a note that the existence outside state of a still cheaper and unorganised labour market threatens the prospects of employment to organised workers in Kerala.

Thomas Isaac has studied the development of trade union movement in the coir weaving industry of Kerala. He has attempted to delineate the conditions that facilitated the growth of militant unions in the small scale coir weaving units and mapped out its consequences on the industrial structure. The important factors that emerged are the general political atmosphere of the Alleppey country side and the historical links of trade union movement in the small scale coir weaving units with the militant trade union movement in the large scale coir manufacturing units and the appropriate tactics of struggle that the trade union movements were able to forge in the informal sector.
The growing solidarity of Kerala’s Coir workers (1930-’40) was again studied by Robin Jeffry. Contradicting one strand of conventional wisdom about labour, Jeffry found that the coir workers’ unions grew in strength and militancy during a depression and the unions successfully sublimated the deep caste and religious antagonisms of Kerala society such that by the 1940’s it could fairly describe itself as a class conscious organisation.

In their pioneering work, K. K. Subrahmanian and P. Mohanan Pillai have advanced an alternative hypothesis to explain the industrial backwardness of Kerala. The study focused on examining the empirical basis of the alleged inefficiency of Kerala’s industrial system in terms of labour militancy, high wage cost and low productivity. They used the data from ASI for the factory sector and examined the phenomenon in the context of Kerala’s large scale industries. The analysis brought forth the conclusion that “the high wage cost hypothesis to explain stagnation in industrial growth rate and its regional differentiation process is devoid of empirical support in the case of Kerala. If industrialisation in Kerala has not progressed, the root cause has to be searched not along the labour cost but in other dimensions”. But the study has spotlighted the supply side factors, especially some degree of labour discipline and the creation of a climate of confidence for private investment as very crucial for rapid industrialisation of the state.

C. Radhakrishnan, in his study on productivity trends in Kerala industries has tried to study the wage-productivity relationship in manufacturing industries of Kerala. Based on ASI data, the work analyses both Census and Sample
sector industries. The analysis points out that ten industries accounting for 26 per cent of the total value added in Census sector in Kerala have higher wages while remaining 14 industries mark lower or same levels of emoluments per employee compared to rest of India. Contrasting, in the sample sector, 12 industries, accounting for 52 per cent of the value added have registered higher emoluments per employee. The study has spotlighted the fact that the relatively higher emoluments per employee observed in the case of sample sector (SSI) of Kerala may be mainly attributed to the bargaining power of trade unions which are dominant in the small scale industries than in their counterparts in other states. The work has come to the significant conclusion that the prevalence of relatively high wage rate in the small scale industries of Kerala appears to have important implications for the industrial development of the State.

Thomas Isaac and Michael Tharakan have made an enquiry into the historical roots of industrial backwardness of Kerala. They have centered their study around Travancore region and the study has inferred that the last 15 years of the colonial era in Travancore were characterised by considerable industrial dynamism and growth of modern industries but by contrast, the first 15 years of the post independence period proved to be one of industrial stagnation. Lack of sufficient initiative taken by the new State Government in keeping up the pace of industrialisation due to fiscal crisis, administrative problems and political instability, scant attention that the needs of the state received from the Central Government due to inadequate political pressure, and the drying up of the inflow
of Tamil capital, were identified as the main causes for industrial backwardness in the state during the post independence period.

Vijay Sankar has studied the development of trade union movement and its consequences on an important segment of the urban informal (unregistered) sector in Kerala. The focus of the study was the casual wage labourers in the urban tertiary sector namely the head load workers of Trichur. He argues that unionisation constitutes the single most important difference between the urban casual labour market in Kerala and the rest of India. The study has reached the conclusion that the unions were able to create barriers to entry in the labour market as a whole and prevent the free flow of labour in the labour market through extreme level of labour market segmentation. The heightened bargaining power has resulted in significant improvements in wages and the conditions of work.

The study made by B. A Prakash on the economic causes of unemployment in Kerala is also relevant here. He has pointed out that the ‘restrictive labour practices, imposed by labour and labour organisations had distorted the labour market operations in Kerala. Based on the available literature on traditional and non-traditional industrial sectors of the State, the study has concluded that the unfavourable labour atmosphere arising out of the frequent strikes, confrontations, bandhs, inter-union rivalries and prolonged closure of industrial units due to militant trade union activities have created a bad impression about the industrial climate of Kerala, which is one of the major causes for the low pace of industrialisation in the state.
In his study, S. Mohanakumar has made a descriptive and empirical analysis of the trends and patterns of industrial disputes in the organised sector of Indian Economy covering the period 1951-’85. The analysis is carried out not only at the aggregate level but also at varied levels of disaggregation viz. according to region, industries, and public/private sectors. The study has made the finding that the mandays lost ratio sharply increased from 1978 onwards, while the average duration of disputes, on the other hand, increased only during 1980’s. It is also found that the proportion of lock out to strikes has considerably increased over time, particularly from the late seventies. When compared to the private sector, the share of public sector in total disputes has been rising over time and the number of workers involved per dispute in public sector is larger than in private sector. It is also argued that the industrial deceleration and predominance of crisis-ridden and ‘sun set’ industries in West Bengal and Kerala are responsible for the high incidence of disputes.

Based on a Survey, the Task Force for review of implementation of plan scheme under industries sector has made an important finding that the biggest bottle neck in industrialising Kerala at present is the labour front outside the factory (i.e., construction, loading and unloading workers).

K.K.Subrahmanian and P. Mohanan Pillai, in their recent study on modern small scale industry in Kerala, have made an attempt at reviewing the relative growth and structural change of small industry in Kerala compared to all India. The study, by using the data from the Report on Second All India Census of
Small Scale Industrial Units, has highlighted some of the major problems that the small scale industry in Kerala is faced with. Particular mention has been made here on the relatively small size, low capacity utilisation, low factor productivity and unfavourable wage-productivity relationship. Among these problems, the wage-productivity relationship has been noted as specially relevant. “For average money wages was not what mattered in investments decisions, what would matter to the entrepreneurs was the wage-productivity relationship. The share of wages in the net value added would therefore be the relevant parameter for considering the wage-cost hypothesis. Thus viewed, it was disturbing to find from the Census data that Kerala was one among the few states with high proportion of wages in value added. The share of wages in value added in Kerala was much higher than what it was in neighbouring states as well as in other industrially advanced states including West Bengal. In Kerala, the wage share in value added on an average (42%) was nearly twice as high that of all India (22%) level. Apparently, wage-productivity relationship in Kerala was found relatively unfavourable for prospective investment in the small scale industry”.

The foregoing literature review shows that already there exists a number of studies on the trade union movement in the formal and informal sectors of Kerala. But none of these studies makes an indepth analysis of the interrelationship between trade union growth, industrial disputes and industrialisation of the state. Hence the proposed study is relevant and may fill in the research gap that exists in the area.
1.2 Objectives of the Study

The study tries to probe into the inter-relationship between trade union growth, high labour costs and industrial atmosphere in the state and attempts to analyse the impact of these factors on the growth of small scale industries in Kerala.

The major objectives of the study are:

1. to examine the present industrial status of Kerala.
2. to make an assessment of the growth and characteristics of trade unionism in Kerala.
3. to analyse the industrial disputes in Kerala at both aggregate and disaggregate levels.
4. to study the extent of labour cost difference in the small scale sector of Kerala compared to neighbouring states and all India.
5. to empirically verify the effect of trade unionism on the high labour costs in the small scale sector of Kerala.
6. to examine the perception of entrepreneurs on the industrial relations climate of the state and to find out whether their perception in this regard adds to their psychic costs.
7. to examine whether the high labour costs - both wage cost and psychic cost - discourage small entrepreneurs from investing in Kerala or encourage them to shift their units to neighbouring states like Tamil Nadu.
1.3 Methodology and Data Base

We have attempted to study the impact of trade unionism on the industrial development of the state by making a detailed industry-wise as well as a firm-wise analysis. The industry-wise analysis was based on secondary (time series) data where as the firm-wise study was made using primary data collected through a sample survey.

The chief source of primary data is the sample survey conducted among small scale entrepreneurs. For getting a representative sample, we have decided to take 201 small scale registered units representing modern small scale industries in Kerala. The traditional industries like Coir, Cashew, Beedi, etc., are successfully avoided because they are already covered by certain studies. The main sources of secondary data are the Reports of the Annual Survey of Industries, published by the Central Statistical Organisation, Government of India. The Annual Survey of Industries (ASI) was publishing two sets of industrial data separately, one, on large scale industries (Census Sector) and the other on small scale industries (Sample Sector) till 1971. From 1971 onwards, it started publishing a new set of data covering the entire industrial sector (Factory sector) along with Census Sector and the publication of data on sample sector has been stopped. Again, the data on Census sector was available only till 1985–’86 at the time of our study. Hence the present publication of ASI is covering the entire manufacturing sector and is known as the Factory Sector.

But for the present study, we required the data regarding small scale industrial sector (SSI) and they are not readily available. So they have been computed by deducting the ASI Census sector (which includes only large scale industries) from ASI Factory Sector (which consists of the entire industrial sector). Thus we have got the time series data for the small scale sector (SSI) covering the period 1970–’71 to 1985–’86.
This has been supplemented by the reports of the Industries Division of the Directorate of Economics and Statistics, Government of Kerala. The trade union data for the study is collected from ‘Indian Labour Statistics’ and ‘Indian Labour Year Book’, two annual publications of Central Labour Bureau and from the official records of the Labour Department, Government of Kerala.

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Based on the number and concentration of Small Scale Units, three districts; Trivandrum, Ernakulam and Palghat (the first two representing the two erstwhile princely states of Kerala namely Travancore and Cochin and the third representing Malabar, formerly a part of Madras Presidency) were selected for the Survey. Among the different modern industries, ten were selected for the study. This selection was mainly on the basis of the nature and concentration of modern industries in the State. After locating the ten industries, we calculated the proportion of each group in the district to the State total and thus the number of units in each district were identified. By using the random number table, the exact sample units in each district were selected. Finally, the survey was conducted through personal interview of entrepreneurs with the help of structured questionnaires.
It is understood from the pilot Survey that a good number of SSI units of modern type have been shifted from Kerala to Coimbatore in Tamil Nadu during the last 15 years. So, as a second part of the survey, we covered Coimbatore by selecting a sample of 50 units at random covering the same ten industries.

To collect more details in respect of working condition in the units, and the trade union activities, the workers and trade union leaders were directly contacted by the researcher for discussion. Supplementary information and materials are collected from the published literature.

Data collected from various sources were analysed by using statistical tools and techniques such as averages, percentages, regression and Scalogram.

In this study ‘labour cost’ is defined not only in terms of wages and welfare costs but also in terms of loss and inconvenience due to strikes and disputes and phobia about militant labour. Hence for operational convenience, ‘labour cost hypothesis’ has been split up into two; ‘wage cost hypothesis’ and ‘psychic cost hypothesis’.

For the purpose of our study, we have constructed a phobia index which is not commonly used in industrial studies. Here, by phobia, we have meant the extreme fear of the industrialists to make investments mainly due to the fear of excess trade union activities in the state. As phobia relates to the psychological state of the entrepreneurs, no direct measurement will be pragmatic. Hence we have made use of the Scalogram technique for quantifying the qualitative opinions given by the entrepreneurs covered by our survey. The scaling is the process of ordering qualitative characteristics. The widely accepted
scalogram technique is the 'Cornell Technique of Scaling'\textsuperscript{51} developed by Louis Guttman which mainly deals with a scalable unidimensional universe. Here Guttman considered an area scalable if responses to a set of items in that area arranged themselves in certain specific ways. In particular, it must be possible to order the items such that, ideally, persons who answer a given question favourably, all have higher ranks than persons who answer the same question unfavourably. From a respondent's rank or scale score we know exactly which items he indorsed.  

The mechanism of the technique is that first of all a few questions are put up in an intelligent way so as to catch the respondents' attitude to the problem under study. For each question, different scales are given. For eg: if we have selected a seven point scale, the values are given as 6, 5, 4, 3, 2, 1 and 0; strongly agree - 6, agree - 5, partially agree - 4, undecided - 3, partially disagree - 2, disagree - 1, strongly disagree - 0. Then by adding the scale values for each question, we get necessary quantified data of a particular variable.

1.4 Scope and Limitations of the Study

The area of enquiry of the study is confined to Small Scale Industrial Sector (SSI)\textsuperscript{52} of Kerala and it does not cover the Large Scale Industries. This has been done because the latter has already been the subject matter of many studies.\textsuperscript{53} Moreover, taking into consideration the employment potential, the development of the SSI Sector is assuming greater significance in the face of grave unemployment problem in the state.
The scope of the study is limited to the organised small scale sector (registered units) which is the formal sector coming under the perview of Factories Act of 1948. This is not because of the lack of relevance of the informal sector (unregistered units) in the Kerala economy, but because of the paucity of reliable data on it.

The major source of secondary data for the study is the Reports of the Annual Survey of Industries (ASI). But the main limitation of ASI data is that while all units in the Census sector are enumerated completely, the sample sector (SSI) units are covered on the basis of a probability sample. Hence ASI data with regard to small scale units (Sample Sector) till 1971 may not be useful for comparison. Moreover, The ASI data on Census Sector were published regularly only till 1985–’86. Therefore, only the ASI data from 1970–’71 to 1985–’86 were used for the present study.

For outside State comparison, the primary survey covers only 50 units and that too only in Tamil Nadu (Coimbatore).

1.5 Organisation of the Study

The study is presented in seven chapters. The present introductory chapter provides the statement and significance of the problem, the review of literature, objectives, methodology and the scheme of the study. The second chapter analyses the trends in industrial growth of Kerala covering both Census and Sample sectors. A picture of trade union growth in Kerala and its various dimensions...
are given in the third chapter. The fourth chapter contains a period-wise analysis of industrial disputes in Kerala along with an all India Comparison. This is followed by an industry wise and a firm-wise empirical analysis of the ‘labour cost hypothesis’ in the context of industrial development in Kerala in the fifth chapter. The sixth chapter deals with the psychic cost analysis of the Small Scale entrepreneurs. The last chapter summaries the main findings and provides policy implications.

Notes and References


4. The cost of living index (1970–’71) during 1995 for Kerala is 693, for Tamil Nadu is 526, for Karanataka is 539 and for all India is 487, Economic Survey, 1996, Planning Commission, Government of India, New Delhi.


23. Ibid. P. 5.


35. Ibid, P. 46.


40. Ibid - p 585.


49. On examination of the small scale registered units in Kerala, we have seen that only 60% of the units registered are actively functioning. So, we have taken 2% of these active units (in three districts) and thus reached the sample size of 201 units.


52. Here, the small scale industrial sector (SSI) has been defined as per the definition given by Annual Survey of Industries (ASI). According to the classification given by ASI, the registered Factory Sector is divided into two: Census Sector and Sample Sector. The Census sector covers all units employing 50 or more workers using power and also units employing 100 or more workers without power. The Sample Sector (SSI) comprises of all factories employing 10 to 49 workers using power and units employing 2 to 99 workers without power.