AN ANALYSIS OF LABOUR BANK EXPERIMENTS IN KERALA

Research report submitted to the Kerala State Planning Board for the Internship Programme 2017-18

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KERALA STATE PLANNING BOARD
GOVERNMENT OF KERALA
December 2017
DECLARATION

I hereby declare that this research report entitled "An Analysis of Labour Bank experiments in Kerala" is an authentic record of the research work carried out by me under the guidance of Dr. K. Ravi Raman, Member, Kerala State Planning Board, for the Internship Programme 2017-18, Kerala State Planning Board. No part of it has been previously formed the basis for the award of any degree, diploma, associate ship, fellowship or any other similar title or recognition of any other University or Institution.

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Thiruvananthapuram
December 2017
ACKNOWLEDGEMENT

I am greatly indebted to Dr. K Ravi Raman, Member, Kerala State Planning Board for his valuable guidance, advice and encouragement while conducting this study. I also thank his positive criticism, which has helped me to improve the quality of this work.

I express my sincere gratitude to Kerala State Planning Board and Centre for Development Studies and its administration team for their valuable help in making this internship possible.

I also thank Dr. Vinoj Abraham, Centre for Development Studies and Prof. V Santhakumar, Azim Premji University, who have broadened my vision and thinking by their valuable instructions.

I wish to record my sincere gratitude to Shri. Anoop Kishore (Member, Wadakkanchery Block Panchayat), Mr. Ravi (Agricultural Officer, Wadakkanchery), Shri. Arun H.S (President, Kunnathukal Grama Panchayat) and Adv. Roji Kunnathukal. They gave sufficient information about both the projects and their help was crucial for this study.

I am also very grateful to the department staffs, especially the library staffs, of the Planning Board for their valuable helps and encouragements during the course of this work.

I also take this opportunity to remember the gracious help and support given by my teachers from the childhood and without them I would be nowhere. I also thank my friends and relatives who have given their firm support throughout my life. Finally there is no word to express my indebted to my family who provide love, care and everything for me. Above all, this is a great blessing from the Almighty.

SHIHAS ABDUL RAZAK
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Abstract

In the midst of rapid informalization of labour market throughout the globe, there are some initiations to formalize the same. Green Army in Wadakkanchery Block Panchayat from Trissur District and Labour Army in Kunnathukal Grama Panchayat from Thravananthapuram District are such initiations. This paper analyses these two labour bank experiments in Kerala, both tried to formalize the casual agricultural labours under decentralized planning in the state. There are lots of state sponsored programmes to enhance the welfare of the labours in Kerala. This study analyses the efficacy of these programmes. The labour structure in Kerala with its agricultural backwardness and the structural rigidities makes an analysis of these experiments more appealing. The performance of agricultural sector in the state has not been an impressive one. This demands the need for the analysis of such experiments not only on the aspect of labour welfare but also how it deals with the agricultural crisis in the state. It will also throw some light on the decentralized planning experience of Kerala and its possibilities. This paper starts with analyzing both projects and then tries to figure out constructive insights from both these experiments.
**Introduction**

In last few decades globally there is significant trend of informalization of labour market. The economic growth and trade liberalization in many cases is linked with informalization of labour market. Broadly defined, the informalization of the labour market represents a situation in which the ratio of the informal labour force to the formal labour force—or the share of the informal labour force in the total labour force—increases over time (Chen 2009). It also includes the process of transforming the jobs which were once formal into informal. These informal sector jobs are defined as “non-standard” works in some countries. The standard of work is vital in addressing the living standard of workers. Decline in labour rights and working conditions intensify the poverty. India has also witnessed high rate of informalization in past few decades. With the advent of liberalization this pattern takes over the scene. Earlier there were only a few jobs created with high level of labour rights and large pressure from labour unions but later lot of jobs were created but the labour rights and standard of work faced steady decline. Casual wage workers were always out of these standard works. There are lots of state sponsored programmes and initiations to enhance the welfare of the labours in Kerala. It is not a surprise in the case of a state like Kerala which is well known for its welfarism. Through the local government bodies in the state several attempts were made to increase the productivity and welfare of labour, especially casual agricultural labours, by providing training in machines. Now the question needed to be answered is the efficacy of such programmes. In this context two labour bank experiments from Kerala, Green Army in Wadakkanchery Block Panchayat from Trissur District and Labour Army in Kunnathukal Grama Panchayat from Thiruvananthapuram District, which tried to formalize casual agricultural labour market becomes relevant. Labour bank could be defined as an institution where the workers who are willing to work could register themselves with it and the employers could get workers from it.

The labour structure in Kerala with its agricultural backwardness and the structural rigidities makes an analysis of these experiments more appealing. With the remittance boom to the state and subsequent wage hike along with stagnant labour productivity made casual agricultural wage workers market in glut. The performance of agricultural sector in the state has not been an impressive one. The Kerala economy is characterized by a general stagnation in agriculture associated with a substantial deceleration in area under and production of food crops (Harilal and Eswaran, 2015). This calls for the analysis of such experiments not only on the labour welfare but also how it deals with the agricultural crisis in the state. It will also throw some light on the decentralized planning experience of Kerala and its possibilities.

**Methodology**

The purpose of this study is to use the experiences of two labour bank experiments in Kerala to explore the ways in which labour welfare can be enhanced through formalization. It examines the aspects of both experiments in detail and tries to develop
generalized explanations, which could be used to optimize the labour welfare and agriculture development programmes in the state. Such a method is known as case study approach in the literature (see George and Bennet, 2001). The main objective of the study is to understand the mechanism of labour banks and how it affects both labours and the agricultural activity. The tools used for field work are mainly direct observation of the working of organization and semi-structured interview with the officials of both organizations. In one case direct observation of the working was not possible since it has stopped functioning, there the field work has been completely based on interviews. Information was also taken from different field works done previously and official records. This study starts with analyzing both projects independently and proceeds with contrasting each other and then tries to figure out constructive general insights from both these experiments. The method used to link the case study and general explanation is the one that Burawoy (1998) refers to as reconstruction of theory, in his theorization of reflexive science. In this method the researcher start the work with his/her preferred theoretical assumptions and will modify the theoretical insights as the field work goes on, on the basis of the findings.

**Green Army Wadakkanchery**

Green Army is an agricultural labour bank formed by Wadakkanchery Block Panchayat, in Trissur District of Kerala. It was formed in 2008 and got registered in 2010. Currently there are 300 workers registered as members under this labour bank. At present the Green Army is able to provide job for each of their workers for 100-150 days a year, when there is no rainfall shortage, at wages ranging from Rs. 1200 to Rs. 2200 per day. Wadakkanchery Block Panchayat constitutes of nine panchayats and it is one of the main agricultural regions of the District. Initially the Labour Bank was formed under GALASA scheme (Group Approach for Locally Adaptable and Sustainable Agriculture) by the Block Panchayat. The primary motive for the implementation of Green Army was to overcome the labour shortage in agriculture sector, especially skilled labour. It was also aimed at providing maximum days of jobs and ensuring social security for the rural labourers. It was formed as a part of an Integrated Rice Rejuvenation Programme (which will be mentioned as IRRP here after), which is widely known as “Wadakkanchery Model”. Later the Green Army was registered under Travancore Cochin Literary, Scientific and Charitable Societies Act, 1955 in 2010. In the starting they trained about 150 workers under Kerala Agricultural University. Training was given for scientific agricultural practices, operation and maintenance of wide range of machineries and also for leadership, group management and conflict resolution. Anyone above 18 years old willing to do agricultural work, who is a MGNREGS labour card holder, the central employment guarantee scheme, and resident of Wadakkanchery Block Panchayat can now join the Green Army by remitting a registration fee of Rs. 1000. The joined worker will be given rigorous training by apposite agencies. The wage fixation is incentive based as it is fixed by calculating the previous year’s output. The labourers are graded by a third party agency and wages differs among different grades.
Production and Marketing Structure

The farmers create field collective councils and these farmers are may be the land owners itself or leased land for cultivation. Each field collective council decides on the activities to be taken according to the Agricultural Calendar, prepared by the Block Panchayat under the Wadakkanchery Model. The farmers will get labourers from the Green Army by submitting the details of needed works, its size and the time and place to Green Army along with a payment of 25% of the total charges required for the works. The per unit charges for different works are collectively decided by the Panchayat, field collective councils and farmers and it is done by analyzing previous year’s output. This gives the labourers an incentive to put their best efforts and there will be fewer tendencies to shirk. This charge includes the wages for labourers, rent for the machineries and the commission for the Green Army. The Green Army will do the works requested and the farmers have to pay the remaining amount as the work progresses. The seeds are given free of cost for farmers and fertilizers at a 50% subsidized rate. They uses identical seeds at same time which reduce the attacks of pests and make the works easy to carry out by doing them in every in field at same time. All works other than harvesting, which includes land preparation, seedbed preparation, transplanting, weeding and fertilizing, are provided by Green Army. For these processes Labour Army workers are trained in using machineries like tractors, tillers, transplanters and weeder. Green Army has these machineries with them. Harvesting is done by using Combine Harvesters and it is done by other private parties, as Green Army workers are not still capable to manage a Combine Harvester at their own. The produced rice is then procured by Civil Supplies Co-operation directly from farmers.

Motivation for Land Owners/Farmers

The agriculture sector is declining in Kerala over a long period of time both in relative and absolute sense. Rise cultivation is not an exemption to it, the total area under paddy cultivation is facing a steep decline over decades. The situation in Wadakkanchery was also not different. According to the statistics available, there was paddy cultivation in 4172 hectares of land and declined drastically to around 3000 hectares over a decade. Many farmers were opting out of cultivation and trying to convert land into non agricultural activities due to increasing non viability of economic cultivation. This can be mainly attributed to the shortage in availability of labours and increasing cost of cultivation. The agricultural crisis will be analyzed in detail in a later chapter. But with the introduction of IRRP the situation changed and around 500 farmers who discarded the cultivation has resumed it. The aim of IRRP is to make Wadakkanchery Block Panchayat area with zero fallow fields and they have almost achieved this target within this period. This reverse trend raises the question of what motivated farmers to resume the cultivation. There exist some aspects of altruism in continuing agricultural activities, but it won’t be the sole reason. Also the altruistic aspect would be very limited in case of farmers who once quit the work. Therefore this reverse trend should be mainly driven by improved economic gains by the intervention of IRRP. By the advent of IRRP, the
issue of acute labour shortage was solved by establishing Green Army. The trained workers of Green Army and the mechanization of farming process increased the productivity and also decreased the cost of farming. The total rice production of the area which was stagnant around 3.25 tons has increased to 7 tons on average and using the System of Rice Intensification they were able to produce 10 tons a year. The cost of cultivation per hectare area decreased from Rs. 29990 to Rs. 27359 and the gross income from a hectare area increased from Rs. 47719 to Rs. 70873. It means a leap from 1.60 to 2.59 in Benefits-Cost Ration (see John and Suresh 2016). This gain in benefit can be attributed to the skilled labour provided by Green Army and the mechanization of farming processes. The introduction of scientific Agricultural Calendar also has a major role in the growth of productivity. It helped the farmers to organize their activities at same time and scientifically, which helps in checking the attacks by pests and ensures maximum productivity. Other advantage that farmers get under the IRRP is the scope of doing agriculture without any first hand investment. Under the IRRP each field collective council gets a revolving fund of Rs. 50000 and remaining funds required can be acquired from the Co-operative Bank under the Block Panchayat as interest free loans. Also the collaboration of IRRP with Civil Supplies Co-operation to procure the rice directly from farmers has eased the burden on farmers for marketing the product. Thus the intervention of IRRP made the paddy cultivation in the area easier and more profitable for the farmers which goaded them to resume or continue the paddy cultivation contrary to the situations prevailing in the state.

Incentives for the Labours

Before the starting of Green Army the farmers in the area were facing an acute shortage in labour supply for the agricultural activities. Most of the workers quit agricultural works for construction and quarry works. To tackle this labour shortage IRRP introduced the Green Army. Now Green Army has around 300 workers registered with them. IRRP introduced the labour bank by clubbing it with the MGNREGS and gave intensive training for the registered workers as we discussed earlier. This made the labours more productive and this along with the mechanization of farming increased the total productivity. This led to a significant wage increment for the workers. This made a significant impact on the annual income of the agricultural workers. Beside the wage increment, the workers have monthly bonuses, pension scheme, insurance, medical insurance and aids for education of their children. Bonuses are given if the expense of labour bank is less than certain percentage of the revenue for each unit of work. If expense is less than 60% then workers get a bonus of 5% and it is 3% and 2% for 65% and 70% respectively. Any worker who completes 1000 working days under Green Army is eligible for pension. For this pension, Rs. 40 will be deducted from their wages for each working day towards pension fund and also Green Army will contribute same amount to this fund for each worker for each working day. There is also a Welfare Fund under Green Army from which the workers would get short term loans at a very low interest rate. The workers will also get food coupons in off seasons to purchase food and medicines and this would be retained from the bonuses in other months. Beside this
economic gains and opportunities other sociological and psychological factors have played a great role in incentivizing labours. Through the formalization of agricultural labour they have gained social recognition in the society and the social status of workers has increased dramatically.

**Kunnathukal Labour Army**

Labour Army is a labour bank which was formed under the Kunnathukal Grama Panchayat in 1998. Kunnathukal is situated in Thiruvananthapuram District of Kerala. The Labour Army was instituted to solve the crisis in paddy cultivation in the area. Increasing wages of the labourers and stagnant productivity in the production has resulted in downfall of food crops cultivation in the region. On labour’s side, the increment in wage rates is accompanied with decline in days of available employment; therefore in total their gross income declined over time as decline in employment outweighed the increment in wage rates. The major aim of this labour bank was to organize agricultural labourers and to enhance their welfare. Later it was registered as a co-operative society, Kunnathukal Agricultural Labour Welfare Co-operative Society. There were around 400 workers registered under the labour bank. In the initial years the Labour Army was focused on rice cultivation and agricultural works but within two years it started deviating from agricultural works by taking other works like construction on contract basis from Government agencies. The Labour Army undertook contract for building 400 houses in the Panchayat from the Jilla Panchayat which was part of Tanal Housing Project in 2000. Since then the Labour Army completely turned away from agricultural works. It was due to decline in rice cultivation in the area, there was no demand for agricultural labourers anymore. Landowners started converting their fields to other cultivation; mainly rubber and vegetables which are less labour intensive and thus require very less labour. The paddy cultivation no longer remained as an economical activity in the area; the profitability from the production was very low even with the subsidies from the government. Currently there is only two hectares of land under paddy cultivation in Kunnathukal Panchayat, which has 2335.8 hectares of cultivable land in total. After the housing project Labour Bank went on taking more and more contracts of works from government agencies. In taking contracts they need to first find fund for the work to be done and get the bill passed later after the work done. For financing this, the Labour Army started taking loans in the intention of paying it back once bill get passed. This process continued for sometime but meanwhile some bills didn’t get pass and there was huge delays in getting the payments. This on the other hand increased the burden of labour bank in form mounting interests to be paid on the loan. In 2008, the labour bank stopped its functioning due to its inability to take new projects and it still has debts around Rs. 1 crore to be settled. Thus ironically the co-operative society set up for agricultural labourers stopped its operation due to the loans taken for construction projects.
Motivation for labours and what went wrong

There were 400 workers joined in the Kunnathukal labour Army and most interestingly they were paid less than what they used to get outside. From the low wages and the massive work participation we can make out shortage of casual works motivated labours to join the labour bank. Casual daily wage workers face a shortage of works throughout the year and being unemployed for substantial amount of days in a year; it is always in their interest to take whatever work they find. According to a study\(^1\) in 2000, the motivation for farmers to go for Labour Army was availability of labour and low wage rate and, for labours was primarily regular employment. Even with the advent of Labour Army the trend of farmers and land owners shifting from paddy cultivation to either other crops or non agricultural activities did not cease. The crisis in paddy cultivation continued to persist. No other specific initiation other than cheap labour availability through Labour Army was taken to enhance the productivity of agricultural activity and decrease the cost of production. The increased cost of production in paddy cultivation and decreasing profitability compelled the farmers and land owners to shift the cultivation to less labour intensive crops like rubber and banana. This led to steady decrease in demand for labour for agricultural activities and ironically Labour Army, which was registered as Kunnathukal Agricultural Labour Welfare Co-operative Society, start to undertake construction works and eventually stopped functioning due to the debts arisen from these works.

Crisis in paddy cultivation and lessons from the two experiences

The major cause for agricultural crisis is the low surplus generation from the process. This can be attributed to the high cost of production and relatively less productivity in terms of cost. The provision of subsidies for sustaining agricultural activities and the total social benefits from this provision is ground for a lot of debates and has received a great academic and policy attention. It is not taken up here as both Labour Banks we discussing are not providing any new subsidies in its own. The high cost of production can be attributed to numerous causes. The main causes among them are considered here (see Chart). Direct cost can be divided into wages for labourers and prices of other inputs. There are other costs like supervision costs, transaction costs and costs due to risks. The main risks are non-availability of labours and dependence on rain. The economics of cultivation is not solely relied on the remuneration received from the activity; it is also based on the opportunity cost involved in it. A lot of land owners are not interested in agriculture activities as they would be settled in some other places and there is no one to manage the production. There is also the case of no interest on the part of some financially sound land owners who have a negative attitude against agricultural activities.

\(^1\) This is an unpublished paper, “Labour and Development under People’s Plan; The experience of Kunnathukal Grama Panchayat” by S.Mohanakumar and Girishkumar K.G
IRRP Wadakkanchery and Kunnathukal Labour Army both have tried to address the problem of shortage of agricultural labour availability by bringing the willing workers under the supervision of respective Labour Banks. The problem of high wage rate in relation to the productivity has dealt in different ways in both Labour Banks. IRRP Wadakkanchery ensured a high wage rate for the workers and emphasized on increasing the productivity of the labour through providing the labours training and mechanization of most of the activities in cultivation as we have seen above. On the other hand Kunnathukal Labour Army focused on making sure there is no shortage of labours faced by the farmers at cheap rate. They provided labours at a wage rate less than what they use to get outside. Both experiments were almost same in dealing with the labour sparing the relative wage rate differential. Now the interesting question is what made the Kunnathukal experiment went flaw in paddy cultivation in initial years itself and on the other hand Wadakkanchery Green Army is working smoothly and showing great prospects. Kunnathukal experiment was of great expectations and has received great attention from policy makers and scholars as its implementation has happened in the initial period of decentralized planning in the state. When we contrast both experiments we can notice that the aims of both were same, which is to solve the crisis in paddy cultivation and solve the labour shortage for agricultural works. Analyzing the both projects we could find that to tackle the above mentioned hurdle
both have used different strategy. Both Kunnathukal Labour Army and Wadakkanchery IRRP constituted Labour Banks and provided skilled labours but Green Army, the labour bank in Wadakkanchry was only a part of their more sophisticated and novel IRRP. The IRRP through participatory planning and creating linkages between different institutions focused on the overall economic viability of paddy cultivation. They have designed mechanisms to integrate all the financial resources available from all sources and to use them to achieve the local goals more efficiently. The institutional setup of IRRP on one side focused on capacity building among labourers and making them more productive and at the same time it gave similar importance to the incentives for farmers and landowners to continue paddy cultivation. They have also given much emphasis on the production and marketing structure. We have discussed these in detail before. All together the IRRP project has approached the crisis in a broad and pervasive manner.

Kunnathukal Labour Army, as same as Green Army Wadakkanchery, provided trained agricultural labourers and supervision. Labour Bank structure was almost same in both places but at Kunnathukal no attention was given to the production and marketing structure. Also the case of the farmers and land owners were not taken into consideration, as a result we can see that even when skilled labour was made available, farmers started giving up paddy cultivation and the Labour Army had been forced to take up other non-agricultural works. The availability of cheap labours only solved a section of problems faced by the farmers and it was not enough to sustain the paddy cultivation. This has serious policy implication, only providing skills to the labourers won’t sustain any production activities and thus improve the welfare of labourers. The production activity should be economically viable and made sure it is running smoothly without any missing links in the markets. For instance, some schemes now in the state give training on mechanized coconut tree climbing but on the contrary the coconut cultivation in the state in facing sharp decline. For casual labours in agriculture to reap the full benefits of getting training and attaining skills an overall vision to mitigate the crisis is important and emphasis should be laid on every aspects of the activity not only on the labour part.

**Formalizing casual labour markets and labour welfare**

Bringing casual labour market under formalized setup has serious impact on the labourers’ welfare. Labour welfare is mainly associated with their living standards, so the major question is how much the formalization has helped the laboureres to enhance their living standard. The institutional training provided and mechanization of agricultural activity makes the labour more productive and thereby enables them to earn more wages. Other social security schemes like pension and insurance makes them better off. Aids for education and short term loan availability make the workers less vulnerable and provide an opportunity for the children of workers to pursue higher education. The organizational and institutional setup gives the workers more confidence and self esteem. These psychological factors also play an important role in enhancing overall welfare of the workers.
The role of Planning

From the period of *laissez faire* opinion, where government has very minimal role, the duties and responsibilities of government are increasing as the society is becoming more and more complex. The classical argument for government intervention is market failure, whenever the market fails to deliver the efficient outcome the government should intervene. There are many reasons for market failure and in our case the rationale for government intervention or market failure is missing markets and missing links between markets. There is no market for workers training in agricultural activities and usage of modern agricultural equipments in the state. Therefore the government is providing it with the help of the Agricultural University and other NGOs. Other area where the government and planning plays an important role is organizing the farmers and workers to make the production process efficient through collective effort, without proper planning there would be co-ordination failure. Government also helps in sorting out the missing links between various markets which can be clearly seen in the case of IRRP Wadakkanchery Model. There the Government can play a constructive role by planning pervasively by linking labour, production and marketing. Through the critically analyzing both the experiments we could find that this pervasive planning turned out to be the crucial factor in the difference between the performance of both.

Decisions and planning can be made more efficient through decentralized planning because of more understanding of the issues from the part of planners in root level. Kerala’s radical experiment of People’s Plan Campaign comes at a crucial historical conjuncture itself. The collapse of the Soviet Union and of Eastern European socialism has been followed by a rapidly expanding assault on many of the welfare gains of the mid to late 20th century (Franke and Chasin 2000). Within two decades it has gained great achievements in the state. The case of Labour Banks shows us that root level planning can constructively serve to resolve the issues facing by the state. The agricultural and mainly primary sector backwardness can be answered by efficient root level planning since the possible and suitable primary sector activity varies from place to place.

**Conclusion**

The two labour bank experiments from Kerala clearly shows through formalizing the casual labour market the welfare of labourers can be enhanced but focusing only on labour side would not ensure its sustainability. Pervasive planning is needed for the upliftment of the overall production process. We have seen the role of government and root level planning in these experiments. As the viable primary sector activity varies from place to place, decentralized planning is necessary. This study recommends for finding suitable primary sector activity in each location through Panchayat bodies and to plan efficiently to enhance that particular activity through smoothening the market incentives to both producers and workers, which will result in development of both labour welfare and primary sector activity in the state. Also, as there is calls for passing
law banning the landowners to leave their lands fallow, the Government should focus on motivating and incentivizing farmers and landowners to cultivate rather going for such laws. The IRRP Wadakkanchery project shows us economic incentives will bring back the farmers and landowners to cultivation. For this purpose not only increasing productivity and formalizing labour market but various measures should be considered, such as legalizing leasing agreements, and implemented.
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