

# **CAUSES OF UNEMPLOYMENT IN KERALA**

**P V Rajeev**  
**Economic Adviser (Retired)**  
**Government of India**

The rate of unemployment in Kerala is disproportionately high when compared to that of other states in India or compared to the national average. It was 7.4 per cent in Kerala compared to a national average of 2.3 per cent. The rate of unemployment was highest in Kerala among all major states. Among all states only Nagaland and Tripura had a higher unemployment rate.

## **Population Growth**

The rate of growth of population during the early decades of the 20th century was much higher in Kerala than in other parts of the country. Over the period 1901-91, the population of Kerala increased by 354 per cent compared to an increase of only 254 per cent in the country as a whole.

Kerala entered the stage of demographic transition about two decades or so earlier than the other states in India. This was probably due to the fact that Kerala was a comparatively better developed state in fields such as education, medical facilities, and literacy even during the early decades of the century. Due to earlier demographic transition in Kerala, the pressure of population began to be felt much earlier in the state and the decline in the rate of population growth also set in earlier.

The early onset of population explosion in Kerala certainly contributed to growing unemployment in the state. The other states in India which experienced a time lag of about 20 years in demographic transition found themselves in a better position as far as the unemployment problem was concerned. The high rate of population growth in Kerala during the early decades of the 20<sup>th</sup> century is an important factor explaining the high level of unemployment observed in the state of Kerala today.

## **Economic Growth**

The period 1960-90 was a period of comparative economic stagnation in Kerala. While economic growth rate in Kerala was about 3.7 per cent per annum during the 1960s, it declined to 2.3 per cent during the 1970s and to less than 1 per cent during the 1980s. During the recent period growth rates in State Domestic Product has improved in Kerala and rate of population growth has declined. But high population growth in the earlier period and low economic growth created a heavy backlog of unemployment in the State of Kerala. Thus, population explosion during the early decades of the century combined with long term stagnation in economic growth rates resulted in a high level of unemployment in Kerala.

## **Agricultural Growth**

In spite of progressive land reforms implemented in Kerala, the agriculture sector in the state has been characterized by near zero growth rate. Agriculture is looked upon as an unprofitable venture by the farmers in Kerala and agricultural land is fast being converted into residential plots all over the state. Due to prevailing high wage rates in the agriculture sector, paddy cultivation is being rendered unprofitable and farmers are increasingly diversifying towards cultivation of cash crops. Shift in acreages from labor-intensive paddy cultivation to less labor intensive cash crops is also responsible for aggravating the problem of unemployment in Kerala.

## **Industrial Growth**

In the industrial sector of Kerala there is a tendency among entrepreneurs to set up manufacturing units in bordering districts of the state – Coimbatore in Tamil Nadu is an appropriate example. There is also a growing tendency to shift even established traditional industries in the state to neighboring states. One of the reasons for this behavior is the high wage rate and militancy of labor. Such a behavior of Kerala industrialists combined with industrial stagnation also contributes to growing unemployment.

## **Educational Development**

The pattern of progress made by Kerala in the educational field has also contributed to growing unemployment. While educational development has proceeded rapidly, the supply of educated manpower in the state is not matched by equivalent demand for their services. The result has been large scale migration of educated manpower to other states and to gulf countries. Educational development in Kerala has progressed mainly in the non-vocational streams. There was rapid expansion of school and university education and today the compulsions of the job market are such that the majority of graduates and post graduates from the state find it difficult to find a suitable employment. With the expansion of university education in other states of India, migrants from Kerala are today facing increasing competition in the job market.

## **Flight of Capital**

The credit deposit ratio of nationalized banks has been consistently lower in Kerala as compared to the national average. Thus, the banking sector acts as a medium for transfer of net financial resources to other states creating jobs outside the state.

## **Industrial Unrest**

It is well known that the wage rates in Kerala are higher than in the neighboring states. Thus, high wage rate has played a role in the migration of industries from Kerala and is slowing down the state's economic growth. As regards industrial unrest in Kerala,

it has been pointed out in several quarters that, in recent years, industrial climate has turned favorable in terms of man-days of employment lost due to strikes in Kerala.

But what matters, when analyzing the causes of unemployment in a historical perspective, is the traditional view which continues to prevail even today, that the incidence of trade union militancy is high in Kerala. Over a period of time this impression which prevailed among the industrialists of the country could have retarded the process of inflow of private industrial capital to the state, thus contributing to the growth of unemployment in the state.

### **Utilization of Remittances**

The massive inflow of remittances from the migrants to the gulf countries provided a golden opportunity for solving the unemployment problem in Kerala. The inflow of remittances from gulf countries constituted roughly 20 per cent of the state domestic product. But the investment climate was such that most of the money earned was utilized for purchase of land and jewelry, meeting matrimonial expenses, conspicuous consumption and so on. Very little of it was utilized for productive investment and employment generation. The retail trade received a major boost all over Kerala, but most of the manufactured goods sold were produced outside Kerala. While consumption was within the state, production and employment generation had taken place outside Kerala. Thus, the inflow of gulf money turned out to be a missed opportunity not utilized to solve the unemployment problem in the state.

### **Entrepreneurship**

Keralites are considered to be an enterprising lot. They are found in all corners of India and have migrated to gulf countries in large numbers. But, the spirit of enterprise is found lacking among Keralites when it comes to the field of business and self-employment.

The educated job-seekers in the state are on the look-out for secure, well-paid jobs and do not relish the idea of starting industrial ventures on their own. Usually it is only the prospects of not finding a salaried job that finally persuades the youth of Kerala to seek self-employment.