



White Paper

How Labour Politics Undermined Productivity in Kerala

Labour as a Moral Victory, Productivity as a Missing Conversation

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Kerala's labour story is usually narrated as a moral success. Strong unions, worker protections, and social security are presented as evidence of political maturity and social justice. This narrative is not false, but it is incomplete. What has remained largely outside public discussion is how labour politics gradually displaced productivity politics, creating an economy where workers are protected in principle but constrained in opportunity. The result is a system that safeguards existing jobs better than it creates new ones.

Productivity is not a technical metric meant only for economists. It is the foundation of wage growth, employment quality, and long-term worker dignity. When productivity rises, wages rise sustainably. When productivity stagnates, wage negotiations become political conflicts rather than economic outcomes. Kerala's core problem is not that it protected labour, but that it failed to modernise labour systems alongside protection.

From Protection to Rigidity

Trade unions played a crucial historical role in Kerala, especially during periods when labour exploitation was widespread and informal. However, as the economy evolved, union structures and political narratives did not evolve at the same pace. In many sectors, labour frameworks became rigid, treating flexibility, technology adoption, and scale expansion as threats rather than necessities.

Political representatives often found it easier to defend the status quo than to push reform. Any attempt to modernise labour relations risked immediate backlash. Over time, this created a system where unions functioned less as productivity partners and more as veto points. Decisions about shifts, automation, reskilling, or operational restructuring became politically sensitive, even when economically essential.

Productivity Became Politically Unsafe

One of the most damaging outcomes of this trajectory was the framing of productivity itself as a politically unsafe concept. Linking wages to output, skills, or performance was often portrayed as anti-worker. This created a false binary between labour welfare and economic efficiency. In reality, no long-term worker welfare is possible without productivity growth. By avoiding this conversation, political representatives allowed stagnation to set in quietly.

Enterprises adapted rationally. Large firms limited scale. Medium firms avoided expansion. Small firms remained informal or relocated. Capital does not argue with ideology; it responds to risk. When labour relations become unpredictable, production moves elsewhere. Workers remain protected on paper, but opportunities thin out in practice.

The Manufacturing and Logistics Penalty

The sectors most affected by this dynamic were manufacturing, logistics, and organised services. These sectors depend on predictable labour relations, output consistency, and operational flexibility. Kerala struggled to build scale in precisely these areas. Factories existed, but clusters did not. Ports existed, but manufacturing ecosystems around them did not deepen.

This was not due to lack of talent. Kerala's workforce is among the most educated in the country. The constraint was institutional. When productivity growth is politically discouraged, scale becomes risky. When scale becomes risky, production remains shallow.

Small Enterprises and Silent Attrition

Small and medium enterprises bore the greatest cost. Unlike large firms, they lacked legal buffers, political access, or financial cushions. Local-level enforcement, procedural delays, and labour uncertainty exhausted many entrepreneurs. Second-generation businesses often stagnated or exited, not because markets were absent, but because growing within Kerala demanded disproportionate political and administrative effort.

This silent attrition rarely entered political debate. Closed workshops do not protest. Relocated units do not march. The economic cost accumulated quietly.

Public Sector Employment and Distorted Benchmarks

Public sector employment further complicated productivity norms. Government and PSU jobs became benchmarks of security without corresponding productivity metrics. This distorted aspiration across the economy. Private sector work appeared risky and undervalued, while public employment appeared insulated from performance pressure. Political shielding of inefficiency weakened the cultural link between work and output.

Over time, this eroded performance expectations even outside the public sector. Productivity became an abstract concept rather than a lived economic reality.

Youth Migration and Underemployment

Kerala's educated youth increasingly experienced underemployment rather than unemployment. Degrees multiplied faster than opportunity density. Migration was driven less by poverty and more by constrained ambition. Young workers left not because they rejected labour protections, but because they sought environments where effort translated into growth, learning, and income progression.

This should have been a warning signal. Instead, migration was often framed as individual choice rather than systemic failure.

Remittances as a Temporary Cushion

Once again, remittances softened the consequences. Household incomes remained stable despite weak productivity growth. Political urgency remained low. But remittances do not upgrade factories, modernise labour systems, or create industrial depth. They sustain consumption, not production.

As external labour markets tighten, this cushion weakens. The underlying productivity problem becomes harder to ignore.

Labour and Productivity Were Never Opposites

The deepest failure of Kerala's labour politics is conceptual. Labour dignity and productivity were framed as opposites when they were always complements. A mature economy treats workers as partners in value creation, not symbols in ideological battles. Productivity is not a capital agenda. It is a worker agenda.

Until Kerala's politics re-centres productivity as a labour issue rather than a threat to labour, both worker dignity and economic growth will remain constrained. Protecting labour without strengthening work is not progress. It is managed stagnation.

The choice ahead is not between labour rights and economic growth. It is between preserving the past and enabling the future.