Indian union leaders open the door for tough austerity measures in Kerala

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The decision by trade union leaders in the southern Indian state of Kerala to shut down a 32-day strike by more than half a million state government employees and teachers has given the green light for the state government headed by Chief Minister A.K. Anthony to press ahead with its far-reaching austerity measures.

On March 25 the High Powered Committee (HPC) of the ruling United Democratic Front (UDF) approved proposals to proceed with externally-aided projects, including an Asian Development Bank project, through which economic restructuring is to take place.

The HPC recommended the reduction of pension rights and other employee benefits and paved the way for the wholesale retrenchment of “excess staff” in “loss-making public sector enterprises”. The committee also called for the closure of “uneconomic schools”—that is those with less than 50 students. It is expected that about 60,000 jobs will be destroyed and 1,200 schools shut down.

The announcements come hard on the heels of the end of the strike on March 9. The industrial campaign was led by the Joint Convention of Trade Unions (JCTU), which included unions affiliated both with the UDF parties, including Congress (I), and the opposition Communist Party of India-Marxist (CPI-M) that previously held power in the state.

The strike erupted on February 6 after the Anthony government announced a package of 28 restructuring measures in mid-January. These included: the retrenchment of “excess employees”, the abolition of all temporary positions, the closure of “uneconomic schools”, no protection for teachers in “uneconomic schools”, a so-called voluntary retirement scheme for government employees, no housing or vehicle loans for this year and a peg on the pay of new recruits to the base level for the first two years.

In order to cut the costs of funding retirees, the government lifted the pension deduction rate from 4.75 per cent to 8.75 percent, introduced a three-year delay for retired employees to claim the full pension and imposed a new contributory pension scheme for new recruits.

Chief Minister Anthony reacted to the strike by rejecting any negotiations and resorting to police repression. “Striking unions will be isolated and forced to withdraw the strike if they try to continue it for a long period,” he warned on the first day. More than 400 striking employees were jailed under the Essential Services Maintenance Act, which was used for the first time in the state’s history, and hundreds more were arrested on various other charges.

Anthony also tried to set the rural poor and small farmers against the striking public sector workers. “We should not allow the employees and teachers alone to live happily while others are suffering,” he said, promising to use some of the 5 billion rupees ($US103 million) saved through the austerity measures to assist farmers. The Kerala police chief also appealed for people “to confront the strike” and assist strike-breakers.

Despite these provocative actions, support for the strike grew. The United Forum of Bank Unions, expressed solidarity and rejected moves to conduct treasury transactions through the banks. The unions at the Kerala Water Authority staged demonstrations against the suspension of four employees in cases related to the strike. Hundreds of vehicles were stranded at various check posts in areas bordering the states of Tamil Nadu and Karnataka as Sales Tax officials joined the protest. Offices and educational institutions remained closed for days.

On March 4, the Kerala High Court ordered striking employees to end the strike. The government's allies also sought court measures to enable the sacking of striking workers while the administration attempted to employ their political supporters to replace striking teachers. State Governor Sukhdev Singh Kang warned that a body of legal experts would be established to revamp "moribund" labour legislation in order to curb "unlawful labour practices" with a view to making Kerala a more investor-friendly destination.

These measure failed to intimidate the strikers, however. The Congress (I) led unions joined several others who had pulled out of the strike. But the remaining union leaders were compelled to call a 24-hour general strike combined with a bandh (broad protests) on March 5 against the repressive measures. The industrial action shut down state-run industrial enterprises, banks, insurance companies, postal services and telecommunication companies throughout the state as well as many other shops and offices. Medical staff also threatened to extend the campaign.

The continuing strike action, which had the potential to trigger industrial unrest in other states, provoked deep concern in ruling circles. Former Congress (I) Chief Minister Karunakaran warned on March 6: "It is not advisable to let the strike continue as everything has come to a grinding halt." He called on the state government to "take immediate steps to resolve the strike by taking the trade unions also into confidence."

Congress (I) dispatched one of its senior national secretaries, Gulam Nabhi Azad from New Delhi to Kerala to meet with the state government and union leaders, who played the key role in aborting the campaign. Anthony abandoned his previous refusal to negotiate before a return to work and called for talks. Within hours, the Congress (I) and CPI-M trade union officials rushed to the negotiating table and agreed to the terms set out by the chief minister.

Anthony agreed to several minor amendments—a reduction in the proposed rise in pension deductions and the deferral or reduction of planned salary cuts—and promised further talks on other issues. These flimsy pledges provided the pretext for the trade union bureaucrats, who were as anxious as the government about the spreading industrial action, to call off the strike.

None of the union leaders, including the CPI-M Stalinists, have any fundamental disagreements with the state government's economic restructuring program to create "a climate for foreign investment".

A recent study of 10 Indian states commissioned by the Confederation of Indian Industry in association with the World Bank concluded: "The investment climate in Kerala is not satisfactory when compared to that in other Indian states." According to the study, Kerala was far behind its direct competitors—the other southern states, Tamil Nadu, Karnataka and Andhra Pradesh.

Making Kerala "more competitive" has been a major concern in the state's ruling circles—both the UDF government as well as the opposition CPI-M and Left Democratic Front (LDF). A recent CPI-M document produced in West Bengal, where the party has held power for more than two decades openly points to an orientation to foreign capital. Entitled *The Left Front and our Tasks*, it calls for a "blue print for the industrial revival of Bengal based on the Chinese model of 'People's Capitalism'".

The CPI-M initiated the process of economic restructuring in Kerala last year before being voted out of power at the assembly elections. Their administration summarily sacked 20 workers at the state-owned Kairali Channel because of "financial difficulty and excess staff", thus setting the precedent for the current retrenchment plans. Moreover, the LDF government lobbied for the Asian Development Bank loan which set the stage for the Anthony austerity measures.