

**Kerala Dinesh Beedi:
The Dynamics of Work and
Democracy in an Indian
Industrial Cooperative**

by Richard W. Franke
Professor of Anthropology
Montclair State University
Upper Montclair NJ 07043
USA

e-mail: franker@mail.montclair.edu

Presented at the
1997 Socialist Scholars Conference
Radical Alternatives on the Eve of the Millennium
Panel 119: Workers' Cooperatives Today
Borough of Manhattan Community College
30 March 1997

Kerala Dinesh Beedi:
The Dynamics of Work and Democracy
in an Indian Industrial Cooperative
by Richard W. Franke

Kerala State is located in the far Southwest corner of India. In 1969 in and around the city of Kannur (Cannanore) in the Kerala District of Malabar there has developed an important experiment in industrial democracy: The Kerala Dinesh Beedi Workers' Cooperative. This paper is a summary of some of the main points in our forthcoming book about this experiment, Kerala Dinesh Beedi: The Dynamics of Work and Democracy in an Indian Industrial Cooperative. The book is co-authored by Dr. T. M. Thomas Isaac, Dr. Pyaralal Raghavan of the Centre for Development Studies in Kerala, and me. Inspired in part by the Whytes' study of Mondragon it will be published later this year by Cornell University Press.

Workers at Kerala Dinesh Beedi manufacture beedis, or poor people's cigarettes. The main work is rolling beedis, which engages 95% of the work force. The rollers cut wrapper leaves for 2-3 hours in the morning, and then roll into each leaf a pinch of tobacco, push in the ends, and bundle the beedis for the packing and shipping departments. An average worker rolls 900 beedis per day. The work is boring, repetitive, and traditionally low-paid though highly skilled.

India's 1.5 million private sector beedi workers are among the most exploited workers in India. Desperately poor and mostly unorganized, they are subject to low wages and fraudulent exactions from contractors who can claim almost any percent

of the beedis are below quality and refuse to pay for them. Beedi workers across India work in filthy, disease-causing conditions, breathing in tobacco fumes, often assisted by child workers who must be paid by the adult workers they help. Asthma, bronchitis, and tuberculosis are widely reported. More than 50% of beedi workers are women. Many roll beedis with infants on their laps, both mother and child smeared with tobacco and breathing in tobacco fumes. Many are subjected to sexual harassment and abuse by the mostly male contractors. Many beedi workers accept putting out work in their homes, subjecting the entire family to tobacco fumes and working all hours of the day and night to fill the contractors' demands. At about age 45, the skin on their finger tips begins to thin and they can no longer roll beedis effectively. Thousands end up as beggars.

Benefits of KDB

At Kerala Dinesh Beedi, workers also roll and package beedis. They cut wrapper leaves for two or three hours in the morning, then shift to rolling and tying. KDB workers have a one hour flexible schedule: they can work 7:00 to 4:00 or 8:00 to 5:00. Lunch and tea breaks are guaranteed. Unlike workers at most other beedi establishments, they sit on bamboo benches with cement backrests. Their work sites are clean and recently painted, fluorescent lamps light the work area fairly well, and they have more free space to move around without bumping neighbor workers. Just outside the work shed are sanitary, water sealed latrines. At the end of the day, KDB workers can wash up at faucets located at the work sites, cleaning themselves of the smell of tobacco and putting on fresh clothes to greet their children in. The children have been in school, not working to assist beedi rollers.

KDB's wages are set by a Kerala-State minimum wages committee and are therefore officially the same as for private sector beedi workers. In reality, KDB workers receive wages and benefits substantially greater. The beedi rollers at KDB do not suffer from unethical deductions. The "maistry," or immediate supervisor, cannot falsify the amount of tobacco, nor can he deduct from alleged defective

beedis. If defects are claimed, he must show them to the worker and assign another worker to help him or her upgrade skills. If the worker is not satisfied with the procedures, he or she can take the matter up with the trade union committee. This committee has real power to prevent abuses. KDB's workers are much less likely to be in debt to money lenders than other beedi workers in India. At KDB, workers can borrow from the cooperative's own "thrift fund" at no interest, with repayment automatically deducted from their pay over an extended period.

KDB workers get Sunday off with pay and can take an additional paid personal leave day for each twenty days of work. They also have off fifteen paid national and local holidays. KDB workers and their families are protected by a death benefit of Rs 5,000 to be paid to the family if the worker dies while still at working age. If the worker works on to age 58, and has 12 years employment, he or she can take a lump-sum pension of Rs 3,000. Otherwise, the worker can choose to retire at age 55 and receive a lifetime monthly pension of Rs 150, enough to cover costs of food if living with one of the children. KDB's female workers can be pregnant without fear of loss of employment. They are entitled to three months leave with a one-time payment of Rs 400 to Rs 600 and the right to return to their jobs after taking pregnancy leave. KDB workers do not, however, have day care centers at their work sites.

Why are conditions so much better at Kerala Dinesh Beedi? KDB's 32,000 workers and 14,000 retirees own and manage the company themselves with a small government role. Twenty-two production cooperatives are united in a federated structure with a central management cooperative that performs raw materials purchase, marketing, and financial services. The production cooperatives contain from 340 to 3,116 workers. Workers in each of the 22 production cooperatives elect a 7-member board of directors from among their own ranks. These directors hire technical staff as needed for day-to-day operations.

Workers also directly elect one representative from each production cooperative to the General Body which elects 5 of the 7 directors of the Central Cooperative.

Elections are held every 2 years; one worker has one vote no matter how many shares. Only KDB workers can own shares and every worker must own at least one share. All 5 current worker-elected directors are experienced shop-floor beedi rollers and union activists. The state government appoints the other two directors.

The worker-elected director board negotiates benefits with KDB's trade unions. KDB's wages are set by the state government, but the directors have been able to distribute substantial amounts of surplus in the form of benefits, including an annual bonus that reached 17% in 1995. Unlike private beedi producers, KDB has sought to expand employment at high wages. Contrary to the Vanek self-extinction hypothesis and to other theoretical predictions that worker ownership leads to a rapid dispersal of the surplus, a consequent lack of investment capital, and a short-term management orientation, KDB's worker directors have kept the cooperative in profit in all but 4 of its 28 years of existence. Today, KDB is a major employment-generating institution on the Malabar economic scene and has indirectly pushed up wages even in the private sector. The coop's 46,000 members have improved their material lives immensely.

Empowerment and Supervision

KDB workers have also made significant advances towards genuine workplace democracy. In economics, the degeneration hypothesis predicts that worker-owned businesses in a capitalist economy have an inherent tendency to degenerate into capitalist-like companies no matter what their intentions. In sociology, a companion theory predicts that "goal displacement" or the "iron law of oligarchy" will reassert capitalist style hierarchy after a few years or a single generation of radical or utopian worker management and egalitarianism.

KDB has so far outflanked degeneration tendencies through a creative mix of workplace empowerment and workplace supervision. Supervisors mostly emerge from among shop floor workers. They are paid only slightly more than the workers they supervise. They are subject to effective union grievance procedures and are

themselves under the supervision of directors elected by the workers they supervise. (The directors receive pay slightly below that of shop floor workers, and some directors continue to roll beedis as their main source of income.) Management might thus seem too circumscribed to be effective.

In place of the fines and fraud of the private sector, KDB has evolved a system of prizes and limited wage inequality to engender sufficient supervision to maintain an adequate amount of shop floor discipline. In addition, a radical workers' culture that developed in the union movement that led to KDB's founding, limits corruption and instills a community and company spirit that makes workers proud to be part of KDB and mostly eager to work as team members.

Problems and Challenges for the Future

KDB's remarkable successes face two major challenges at present: the integration of female workers and the need to diversify out of tobacco production. In the mid-1980s, KDB became a female-majority workforce. It might be the largest woman-owned cooperative in the world. Despite its pathbreaking introduction of maternity leave, KDB has not developed day care, and faces problems in maintaining productivity among women workers who are more likely than men to arrive late, leave early, or take days off for sick children. With 60% female workers in 1995, the coop had only 10% female representation on the director boards. KDB recognizes the need to improve conditions for female workers, but has not moved rapidly in this area.

Diversification also poses problems for KDB. Health awareness of the dangers of tobacco is beginning to spread in India – paradoxically along with the rapid introduction of Western style cigarettes – to threaten future sales of beedis. KDB has conducted extensive research into the possibilities of shifting into agro-processing. Current plans are to shift 25% of the workers into nontobacco production over the next 10 years. Already the coop has invested some of its substantial financial reserves into training workers in the manufacture of curry sauces. Meetings have been held in the production cooperatives where lists of

volunteers were drawn up among workers willing to shift out of beedi production. Many details remain to be worked out, but it can be said that KDB is attempting a humane and democratic shift away from tobacco while maintaining the incomes of its workers. No one will be laid off.

How did KDB emerge in this faraway corner of India? What historical developments led to its founding? How did it survive the hostility of private sector competition? How did the workers manage to fashion their creative mix of empowerment and supervision? How does KDB's story impact on theories of cooperatives, including some not mentioned above? I'm afraid my 20 minutes have elapsed, but you can find all the answers in our forthcoming book.

Thomas Isaac, T. M., Richard W. Franke, and Pyaralal Raghavan. 1998. *Kerala Dinesh Beedi: The Dynamics of Work and Democracy in an Indian Industrial Cooperative*. Ithaca.

Cornell University Press
Sage House, 512 East State Street
Ithaca, New York 14850
Fax: 607-277-2374
