
The Vikasarth Conversations 2022

'THIRTY YEARS OF INDIAN ECONOMIC REFORMS: ASSESSING THE GROWTH AND DEVELOPMENT OF KERALA'

Session 2 Event Report

Emigration, Consumption Boom and Service Economy

22 September 2022

EVENT REPORT

- **About the Event:** The Session 2 of the Vikasarth Conversations by INET & Centre for Public Policy Research was held virtually on 22nd September 2022 at 6:00 PM IST. It aimed to provide insights into the sphere of emigration, consumption boom and service economy.
- **Key Speakers:** The distinguished speakers of Session 2 of the Vikasarth Conversations 2022 were Dr. Abdul A. Erumban and Professor K. P. Kannan. Dr. Abdul A. Erumban is assistant professor and researcher at the University of Groningen, in Netherlands. He is a senior fellow at the Conference Board (Europe). His extensive research centres on the fields of productivity, technological change, structural change, digital transformation and its impact, globalisation, global value chain, and international comparisons of economic development.

Professor K. P. Kannan is the chairman of the Laurie Baker Centre for Habitat Studies. He is a well renowned development economist with numerous publications and books on development studies. Professor K. P. Kannan is member of the editorial advisory boards within two international professional journals, The International Social Security Review, and Globalizations as well as many national journals. He has contributed to multiple missions with the UN and international organisations, specifically operating in Asia and the Pacific region.

The moderator for the event was Dr. Sumeetha Mokkil Maruthur, Research Fellow, Migration Studies, Centre for Public Policy Research, India and and Senior Research Fellow, International Institute of Migration and Development

SUMMARY OF DISCUSSIONS

The Session 2 of the Vikasarth Conversations discussed an overview of the migration and the service sector of Kerala economy. The Webinar brought light on the present scenario & challenges that the economy faces.

Kerala's Economy, insights by Dr. Abdul A. Erumban

1. Dr. Erumban started by expressing his concerns over the priorities that the Kerala government sets on itself. He expressed his concerns over the **Environmental and Geographical planning** in Kerala, and the lack of integration between environmental policies and the implementation service sector of the state.
2. He believes that **Kerala should not worry about the servitization of its economy**, and that there is no need to look for developing other sectors as Kerala is not a place for smokestacks, especially with the presence of a **healthy service sector**.
3. He also cautioned that Kerala needs to concentrate on **enterprises suitable to its geography**. More concentration is required on the service sector itself as Kerala's natural barriers prevent it from being an industrial state. A proper planning & integration into a service economy needs to be undertaken with cooperation of government and the society to tap the full potential.
4. Dr. Erumban was of the opinion that Kerala is **ahead of its competition in servitizing its economy** and 70% of the activities are market based, driving the economy forward. Additionally, he suggested that Kerala should not be concerned about foreign remittances, migration and their potential effect.

5. According to Dr. Erumban, the **agriculture sector has not seen growth** for a long time, unlike the service sector. The growth in the secondary sector is primarily due to the construction sector. Even though there is overall growth in the economy, mainly due to the service sector; there is less subsequent increase in employment.
6. While replying to a question in Q&A, Dr. Erumban said that the global trend in production export is on the decline and service export is on the rise, signalling the potential of globalisation of services. **The future of all economies is digitalization and those economies who equip their resources in the service sector are the future leaders.** The rise in fragmentation of services and the sector being essentially barrier free opens up new avenues that the economy can pursue.
7. Dr. Erumban emphasised that Kerala is not alone in the servitization race, many Indian states & African countries have explored this possibility and are offering a competitive environment, so **efficient policy making is necessary for a sustainable growth.**

Migration and Kerala's Economy

8. Expressing his views on migration to and from **Kerala, Dr. Erumban said that Kerala has historically exported human capital** and is still doing so. The State has assisted an increase of adult male migrants, while females only cover 20% of Kerala's migrating population. Kerala's migrants are spread all over the world, however the highest concentration is in the Middle East.
9. Job nationalisation policies were introduced in the Middle-East, however the foreign workforce in the Middle East is not threatened because the native workforce is not skilled, while migrant workforce is more productive across sectors. So, **replacing migrant workforce with native workforce is not sustainable, especially for the private sector.** Migrant workers are 70% more productive than native workers across industries in Kuwait and Saudi Arabia, even though Dr. Erumban specified that their wages are significantly lower than native workers'.

A proper mechanism to analyse the people, their qualification & experience is necessary to reallocate the migrants who are returning, Dr. Erumban emphasised while answering a question.

Kerala's economy, insights by Prof. K. P. Kannan

1. Prof. Kannan began by saying that **Kerala is a market driven economy and has been historically ahead in successfully servitizing its economy.** Kerala does not benefit from full sovereignty to implement its own policies, but it is driven by national directions. Prof. Kannan observed that often Kerala's economy is compared to greater national economies, which is methodologically unfair since Kerala's economy is a regional model.
2. **Kerala's economic growth goes along with its increasing servitization.** To explain the phenomenon, professor Kannan focused on two important phases: 1960 to 1987 and 1987 to 2020. During the transition from the first to the second phase, at a national level, India was doing well in agriculture, and better than Kerala in the manufacturing sector. While for the service sector, India and Kerala both were going through a **service-led growth**, but Kerala's economy was already more reliant on the service sector.
3. Prof. Kannan pointed out that Kerala's per capita consumption became the highest in India due to high remittances in the state. Even though remittances were not significantly contributing to India's economy itself, the situation has been different for Kerala. Remittances' contribution to Kerala's economic growth consistently increased. During 1975 till 2020, remittances exceeded the value added in Manufacture, in Industry, in Agriculture and the Government expenditure. Prof. Kannan stressed that looking at Kerala's growth performance, national policies have also helped its economy to take advantage of globalisation and liberalisation, however **remittances contribute more than the actual globalised trade.**

4. Prof. Kannan emphasised how most of the job positions in the service sector require employees with a higher education background to fulfil their tasks, therefore **the current job market in Kerala, where the service sector prevails, fails to provide opportunities for less educated candidates. One of the downsides of servitization in Kerala is the job loss.** Since activities and investments in the agricultural and manufacturing sectors are declining, **less educated people are left without employment.**

KEY TAKEAWAYS

1. The Session 2 of the Vikasarth Conversations discussed the Servitization and Migration phenomenon with respect to the economy of Kerala. The conversation sought to provide an overview of trends in the service sector and future challenges along with the domestic and global effect of migration.
2. It laid light on the fact that more concentration needs to be put on providing the right services with the right infrastructure, contributing to the national economy.
3. Kerala's servitization faces a significant job loss in the primary and secondary sectors, while the service sector requires candidates with higher education background. The question about who does not have the resources to gain higher education and satisfy the job requirements in the service sector must be addressed.
4. Where remittances play a crucial role in the economy, we must look at the other side of migrant workers from Kerala. Once they come back, do we have a mechanism to integrate the people and identify their qualifications?
5. It is of high priority for Kerala to investigate the persisting inequality in the state despite the absolute increases in standard of life. A cultural attitudinal change is necessary to reduce the existing societal gaps, specifically in terms of gender and social status.

This report was prepared by **Irene Vettiyadan** and **Kannan PR**, Research Interns at CPPR.

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