

## **Labour-intensive industrialization in India**

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W. Arthur Lewis' model of economic development with 'unlimited supplies of labour' is an elegant device that persuaded many development economists in the 1950s that countries facing a high cost of capital need not forgo industrialization, in fact, they can use cheap labour and stagnant wages as a resource to industrialize. Policy-makers in India drew the lesson that if somehow the initial investment capital could be procured from foreign aid or taxes, industrialization would be a self-sustaining process as it made use of an abundant and cheap resource, labour. Inevitably, this led to a neglect of labour productivity in the work-place, and created many public sector firms that produced little output-per-worker.

In the last 30 years the Lewis model as a practical guide to policy has been discarded, because these costs of employment generation in low-productivity jobs with the tax-payers' money are now understood better.

But does the model have any relevance for economic history? The model itself does not suggest a historical trajectory. Some Marxist historians in the 1960s asked how a labour surplus pool form in the first place. And they pointed at de-industrialization or the crisis in peasant production in colonial India in answer. Explaining the origin of surplus labour, however, takes us away from the spirit of the model, which is to see surplus labour as a positive resource rather than as a malady.

In recent years there have been attempts to do that, to show how surplus labour or low-wage labour was utilized in Indian industrialization. Others have pursued similar agenda with Europe or Japan. The India chapter in the book explores the Indian story.

Indian industrialization was the tropical world's biggest in scale between 1860 and 1920. At 1920, India had the 4<sup>th</sup> largest cotton textile mill industry. Employment in factories had grown from <100,000 in 1850 to a million or more in 1920. Craft industries overall, especially textiles, experienced rise in productivity and a slowdown of fall in employment. This is significant because crafts employed a very large number of people (10 million in 1920)

India had high interest rates and low wages. How did these conditions, especially low wages, explain the industrialization?

Low wage labour was no doubt a resource in Indian industrialization. But the really interesting question is how this notional advantage was converted into an actual advantage. The move from the mere existence of cheap labour to a labour-intensive industrialization

can happen via diverse pathways and cannot be taken for granted. So how did it happen in India?

The chapter describes two pathways.

- **Factory:** Gathering a large number of workers was the important challenge for the early factories of Bombay and Calcutta. Numbers were not the only challenge. There was extreme ethnic diversity within the work-force. The factory towns were melting pots of language, religion, community, culture. No other contemporary textile mill centres had to face such diverse workforce as did the Indian one.
- **Handicrafts:** Neither number nor ethnic diversity was a problem in the crafts. But matching craft skills to specific consumer preference was important for their survival. Craft groups formed culturally homogenous communities, this was their strength because training in skills was community-bound.

All late industrializations have these two stories, a factory story and a craft story. Whether we look at Imperial Russia, or Japan, or indeed any part of Europe, the two stories can be found. But way these two stories emerged in India, and the way they interrelated, had four distinctive features:

- The factories had to devise systems of labour recruitment that could address diversity of the work-force. In this way this was done, recruitment and training were subcontracted, and agents like sardars-jobbers-kanganies were given a lot of decision-making power. Elsewhere, the labour-intermediary faded away. In India they did not.
- The survival of the crafts occurred on a very large scale in India. Consumer and cultural preference were crucial variables in the case of the long-term survival or decline of the crafts.
- The craft story and the factory story in some global history contexts come close, especially when the farm household supplies surplus workers to the urban factory and utilizes surplus labour time to craft production, a scenario close to proto-industrialization. In India, these two worlds remained distinct. There were few cases of farm households doing artisanal production. The craft story and the factory story developed somewhat parallel to one another.
- In India the wage-workers were predominantly male, whereas almost everywhere in the world, they were mainly female. This feature derived from the cultural preference for a low age at marriage of women.

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