

## Labour intensive industrialization

### India in an East Asian context

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### What the book is doing

- ▶ European industrialization was not the classical path, but one path.
- ▶ high-wage (low interest) and cheap-energy countries specialized in capital-intensive industry (metallurgy, chemicals, railway transport)
- ▶ low-wage and expensive-energy countries in labour-intensive industry (textiles, toys, craft goods)
- ▶ Within cotton textiles, mills in India and China employed more workers per machine unit than mills in USA or England.
- ▶ valid and useful for Japan, postwar East Asia, India and contemporary China.

### A starting point

Neoclassical trade theory: Adverse factor cost works against industrialization in the poorer world.

W. Arthur Lewis: Economic Development with Unlimited Supplies of Labour: Labour surplus works for industrialization in the poorer world.

Zero marginal cost - removing labour from agriculture does not reduce agricultural output – but manufacturing accesses cheap labour (average cost of labour plus a transfer payment). Remains constant until surplus labour runs out and agricultural wage starts rising, responding to fall in agricultural output as labour leaves.

### Influential on policy

- ▶ No question on the existence of surplus labour in India – wage low, underemployment present.
- ▶ Industrialization and employment generation became identical
- ▶ In 1975 you would find many public sector factories employing a large number of people
- ▶ Low productivity jobs at tax-payers' money
- ▶ Labour surplus shifted from agriculture to the factory floor
- ▶ The policy died in the 1980s after budget crises and criticisms

### Is it relevant for history?

- ▶ Rough correspondence with European history of the 18<sup>th</sup> century – though in England, agriculture also experienced productivity growth and early rise in wages. What happened before industrialization?
- ▶ Marxist historians asked, how did surplus labour form? Friedrich Engels and Karl Kautsky investigated the question for Europe.
- ▶ Was labour used as a resource?
- ▶ Possible – the real challenge was converting a theoretical resource into an actually useful resource.

### Labour as a resource

- ▶ In two distinct ways it became a resource
- ▶ At 1920, India had the 4<sup>th</sup> largest cotton textile mill industry. Employment in factories grown from <100,000 in 1850 to a million or more in 1920 – the challenge was to gather large numbers of people together.
- ▶ Craft industries overall, especially textiles, experienced rise in productivity and a slight fall in employment. This is significant because crafts employed a very large number of people (10 million in 1920) – the challenge was the employ craft skills creatively in the presence of competition from machinery.

#### 4 features of labour-intensive industrialization in India

- ▶ Factories had to deal with diversity of the work-force. Recruitment and training were subcontracted, and contractors empowered.
- ▶ Survival of the crafts owed to consumer preference.
- ▶ The craft story and the factory story in Europe and East Asia came close. In India, these two worlds remained distinct.
- ▶ In India the wage-workers were predominantly male, whereas almost everywhere in the world, they were mainly female.

#### Similarities between South and East Asia

- ▶ The proposition that high-wage (low interest) and cheap-energy countries specialized in capital-intensive industry, and low-wage economies in labour-intensive industry, valid and useful for India.
- ▶ The proposition that trade is important – for market access and to access tradable machinery – valid and useful for India.
- ▶ The proposition that consumption pattern provided variety, stimulated trade, and helped crafts survive – valid for both regions

#### Differences between South and East Asia

- ▶ Craft households in India were not usually rural households. This was not a classical **proto-industrialization**, though there were some common elements.
- ▶ Quality of labour – British Indian mill-owners worried less (not at all?) about quality initially because they could easily hire foremen from Manchester, and because the managers did not do personnel management.
- ▶ Neglect of quality and efficiency → India-Japan competition.