

PLEA FOR IMPARTIAL

**THE
BOMBAY TEXTILE**

G.I.R.E.

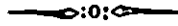
Plea for impartial investigation
into the Bombay Textile Industry

Pamphlet No. 3

PLEA FOR IMPARTIAL INVESTIGATION

INTO

THE BOMBAY TEXTILE INDUSTRY



All-India Trade Union Congress Office.

(1) Esplanade Road, Opposite National Bank of India,
Fort, Bombay

(2) Servants of India Society's Home, Sandhurst Road,
Girgaon, Bombay 4.

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PLEA FOR IMPARTIAL INVESTIGATION INTO THE BOMBAY TEXTILE INDUSTRY

I

INDIAN MILL SITUATION.

FACTS AND FIGURES.

Mr. B. J. Padshah of Messrs. Tata Sons, Limited, has published in the press in August some interesting and instructive comparative statements showing the production of Indian textile mills for the past 15 years and contrasting them with Japanese imports of yarn and cloth, and he makes a strong plea for placing the data before an impartial Court for speedy adjudication of the dispute between the Bombay mill-owners and the operatives over the question of the reduction of wages. The conclusions which Mr. Padshah draws from a study of these statements are that India has been producing an increasing quantity of yarn which it is increasingly converting into cloth; and in the process India has relinquished foreign markets for yarn and is slowly pushing her cloth into foreign markets and has pulled down foreign imports of cloth.

The net imports of foreign yarn in 1924-25 were 55 million pounds, against Indian production of 719 million pounds, of which 36 million were exported; the net consumption of yarn in India was 738 million pounds for the conversion of cloth. At the rate of 4 yards to a pound, and 7 pounds of yarn to 8 pounds of cloth, this yarn was converted into 3,374 million yards of cloth, of which 1,970 million yards was manufactured in cotton mills and 1,400 million yards on handlooms. The import of cloth

was 1,770 million yards, or 60 per cent of what it was 15 years ago, and only 52 per cent of the present Indian production. There was an export of 180 million yards and therefore the Indian consumption stood at 4,964 million yards—larger by 25 per cent than 15 years ago.

HIGH PRODUCTION.

Of the 719 million pounds of yarn produced by mills, only 25 million, or $3\frac{1}{2}$ per cent, were above 30's; of the 55 million pounds of yarn imported, 47 million, or 85 per cent, were above 30's, and 8 million were below 30's. Thus imported yarn below 30's. was just 1 per cent of the Indian consumption of yarn. There were thus 72 (=47+25) million pounds of yarn above 30's converted into 329 million yards of cloth. Indian manufactured cloth from coarser counts was thus a trifle above 3,000 million yards. The whole foreign import of cloth under 30's is apparently much under 180 million yards (or 50 per cent of Indian production) and is balanced by Indian export of cloth to the extent of 180 million yards. The Indian production of finer cloth is 10 per cent of the whole Indian production, and competes against 1,600 million yards of finer cloth imported, or five times the Indian production of fine cloth. But 25 years ago Indian mills scorned fine cotton, fine yarn and fine cloth because the coarser articles paid ever so much better.

Therefore, Mr. Padshah asks, are foreigners butting in into the Indian's market or Indians butting in into the foreigners' markets? The reduction of foreign imports from 2,800 million yards 15 years ago to only 1,770 million now would seem to point to the latter alternative.

INDIAN CONSUMPTION.

Indian consumption of cloth then has grown 25 per cent and Indian production in mills has nearly doubled in these 15 years; and foreign imports of cloth as a whole

diminished by 40 per cent. The whole Japanese import of cloth into India is 155 million yards, or under 5 per cent of Indian manufacture, and is chiefly felt to grow in one special class of goods in which India does not particularly compete and where, even so, Indian manufacture exceeds Japanese imports. Enormous advantages are assigned to Japan for competition in the Indian market; never did so much bolstering-up produce so little result. Are the advantages as real as they look plausible? Is Japan doing a disservice to our country offering finer and cheaper yarn for Indian looms to work up? Are foreigners doing this service to be penalised for the protection of Indian incompetence? Or is Indian skill to be stimulated into competitive service to supply yet cheaper and finer yarn to serve Indian looms? Surely here is something to examine, to clear up and to base action on to be submitted to a court of enquiry.

THE EXCISE DUTY.

Proceeding, Mr. Padshah says the same court will not accept without investigation that the non-repeal of excise has driven the mills to seek to reduce wages. Mills cannot pretend that the excise of $3\frac{1}{2}$ per cent is iniquitous in face of a duty of 11 per cent; members of the Executive who assent to this are neither fair to their own reputation for frankness, nor fair to their franker predecessors. If the duty is to be established, the repeal of excise is a wrong to the tax-payers. If the Treasury can afford to forego these two crores of rupees, let the money be ear-marked for great benefits to those who suffer incompetence protected by duties. For example, the agriculturist is mulcted by the duty on imported cloth; the agriculturist renders great services and bears all the risks of wind and weather which the townsman thrusts on him to endure alone; if there be money going why not institute agricultural insurance, to which also the beneficiaries of duties might contribute a substantial fraction of excess profits.

It seems clear that all industries cannot be simultaneously and equally protected; the fund from which all boons are to flow is the produce of industry itself; all cannot dip their hands in this till and grow rich, any more than a village of washermen can live on each other's washing. Benefits, to be boons at all, have, therefore, to be special; and special benefits cannot be asked or given without a special deserts. Special pleading of merit ought not to serve; such pretensions ought to go to be sifted by a special court. What special services can the millowners pretend to, except that they have got used to fat living without toil or trouble and cannot exert themselves now either to contrive a continuance or adjust themselves to the needs of abstention?

USEFUL SUGGESTIONS.

The Chairman of the Millowners has been suggesting, and his suggestions deserve to be explored by the committee. One is that Government are silent partners in industry. What consequences are to be drawn from this undoubted fact? That Government, in their own interest, cannot be silent spectators of industrial distress. Only, since in a season which seems to have enveloped all industry in distress, care has to be taken that help is given at points where there is the greatest need of the community, not where there is the greatest clamour. Further, the present recipients of help, should undertake, specially to replenish the general fund in their seasons of prosperity, Present help by the community, should be a means of enriching the community's resources of future helpfulness. Again, all this should be worked out by the collective mind of an impartial committee, which would show that industries have the power of self-insurance by themselves, instituting such funds in help of their own expected distress.

The Chairman's second suggestion invites even greater sympathy. A tax of Rs. 5 a bale on the export of cotton would be only 1 per cent of value, could not limit export.

of cotton, could not be held up as economic aggression; yet it would give revenue equal to the yield of the excise duty. The committee would examine this not with the view of substituting this tax for the excise duty—for, as argued here, the repeal of a harmless source of revenue, where so much in aid of industry and agricultural insurance can be done by the money available, would be a crime against the State. The committee would recommend ways of ear-marking the excise duty and cotton export tax for purposes of insuring agriculture and industry.

II

CAUSES OF DEPRESSION.

Mr. N. M. Joshi issued, soon after his arrival from Europe in August, the following statement to the press regarding the mill industry crisis :—

I have been closely watching the situation regarding the reduction of wages in the Bombay mill industry. I have been regularly kept informed of the happenings in Bombay in this connection. Although I generally approve of the course adopted by my colleagues in the labour movement in Bombay I feel that they misjudged the temper of the millowners of Bombay. The very fact that the representatives of the workers sought the receiving of a deputation by the millowners made the latter feel strong in their position. If the initiative for a joint meeting had come from the millowners the reception which the views of the representatives of labour had got, would have been different. However, under the present weak position of the labour organisation in Bombay, perhaps my colleagues could not act otherwise than they did.

I cannot say whether the strike will take place or not. But as the mill owners have chosen to take the most unjustifiable course against the advice of the entire public opinion in Bombay I shall not make any effort to prevent

a strike to take place. A strike may be disastrous even from the point of view of the workers. But can I suggest any other course to prevent the reduction of wages which may be less disastrous merely to be successful? And if I cannot suggest any such course I feel I have no right to advise the workers not to resort to the only course which is available to them. That the mill workers should accept an unjustifiable cut in their wages without a struggle may prove a greater disaster in the future. Although in a strike the workers suffer the most, let it be clearly understood that the lossess will not be only on one side.

At the same time, I shall not take the responsibility of advising the workers to go on a strike in as much as I am not in a position to render them any substantial financial help which a strike will make necessary. Of course if the workers go on a strike they will have our fullest moral support as well as whatever little financial help we can give them. We shall certainly appeal to the English and the International Trade Union movements for their support although even these cannot give anything more than their moral support. If the workers do not go on strike but submit quietly to the inevitable, we shall not blame them; but we shall ask them to take heart and do our very best to strengthen their organisation to safeguard their position in the future.

APPEALS TO THE POLITICIANS AND THE PRESS.

The only people who are in a position to help the workers in the mill industry are the Indian politicians and the Indian press. The mill owners under the present conditions have to depend upon the support of both of these in securing the protection which they want from the Government. At present the millowners can count upon the support even though they badly treat their employees. But if the Indian politicians and the Indian press make it clear to the millowners that the support for the protection

of mill industry will be conditional upon the millowners being fair to their employees, the latter's treatment to the employees will have to be changed. I will not ordinarily recommend this course which takes the appearance of a threat to our politicians and the press. But its justification is the present recalcitrant attitude of the millowners who at least in their time of difficulty should show greater consideration to their employed. Let the politician and the press remember that protection to an industry includes protection to the workers. It may be said that if the industry is not protected even on the terms of the millowners the workers will suffer more. This view takes it for granted that the millowners will forego the support of the politicians and the press if it is made conditional. I do not think that there are any grounds for making an assumption that the millowners will adopt this dog-in-the-manger policy. Secondly, if the politicians and the press give their support to the millowners for protection through the removal of the excise and other ways what is the guarantee that they further will not reduce the wages if they find the workers weak enough to resist the reduction. I hope our politicians and the press who have given their unstinted and unconditional, and I may even say indiscriminate, support to the millowners will consider my point of view out of sympathy to the helpless workers in the industry.

I suggest that we should strongly suggest to the Government the necessity of immediately appointing a committee to enquire into the position of the mill industry and suggest measures for its being placed on a sounder footing. It is an admitted fact that the industry requires to be reorganised and the sooner it is done the better for all.

WHY IS INVESTIGATION NEEDED?

The first point that requires immediate attention is the necessity of fixing the rate of dividends to the shareholders.

It is a notorious fact that most of the industries in the country have made fabulous profits during the last few years. If these profits had not been squandered in huge dividends the industry would have been in a better position to go through times of depression without making the workers suffer. At present there is a strong tendency amongst the industrialists to approach Government for help in a period of depression. But if an industry wants help during its difficulty no body can challenge the right of Government to control the affairs of that industry during the period of prosperity. Industrialists cannot treat their industry as a private property during prosperity and claim public help on the ground of being national when bad days come. Moreover, as some of the industrialists build up reserves to equalise dividends, they must be asked to build up reserves to equalize wages. If the wages of capital want to be equalised there is a greater necessity for the equalization of the wages of human beings. Another point to be considered is how far the prosperity of the past was utilised to build up auxiliary industries such as securing mill stores in the country. If the millowners want the people to consume any Swadeshi cloth we expect the millowners to use Swadeshi mill stores only. It will be found out if an enquiry was made that the millowners have completely failed in this matter. If an industry is to be helped by the nation, the nation has a right to expect the industrialists to be Swadeshi in their spirit. In order to estimate the degree of the present depression it is necessary to form a correct estimate of the over-capitalisation of the industry. It is well known that mills which before the war were only valued at 5 lakhs of rupees are now over 40 lakhs. Under these circumstances it is impossible to get a proper return on these bloated figures. If the industry is to be placed on its proper basis the present bloated values will have to be ruthlessly reduced. If a searching enquiry is to be made in this matter many scandalous transactions will see the light of the day. Many share-holders may undoubtedly suffer as

the price of their speculative transactions by the reduction of the capitalised value of the mills. But they must remember that otherwise the poor workers have to bear the burden of other people's speculation. The system of the management of the industry through managing agents has been found to be against the interest of the industry. I am told the preposterous system of paying the Agents commission on production is now practically abolished. The practice of the managing agents themselves in their other capacities selling to the mills all the necessary stores has undoubted evils. These questions require a close scrutiny.

Although the cotton textile industry is considered to be a national industry it is mostly still in the hands of European managers and officers. If the Government of India is expected to Indianize their superior services why should not the industrial superior services be also Indianized. We must also investigate how far efforts have been made to increase the efficiency of the workers by means of technical education. As far as I know there are very few efforts made in this direction. Of course the need of private education to the workers is recognised by all, but it is also recognised that the efforts made to provide the compulsory education are very poor. It is also necessary to find out what efforts are made for the scientific research in the present method of production and the use of machinery, the methods of finding and nursing the market. My view is that the millowners have done precious little in these directions and before they deserve the help of the public they must show that they are not behind the other competing countries. It is easy to talk of the Japanese competition but we have not yet known whether our industry is as efficiently managed as the Japanese industry is. I do not wish to go into the details any further. It is a very happy augury that the public opinion in Bombay is becoming alive to the necessity of

an inquiry of this kind. My only suggestion is that before the public sympathise with the millowners and give them support in seeking relief from Government it should insist upon an inquiry to be made into the various questions involved in the present depression of the industry. As for the attempt of the millowners to throw the whole burden of the present depression upon the working classes who are in no way responsible for it, I strongly feel that if the public of Bombay tolerate this scandal without even an inquiry being made it will not do credit to its mind and heart.

III

THE IMPASSE.

(*Servant of India, August 20, 1925.*)

The present labour crisis in Bombay, though as grave as the one of last year and even the one which occurred in 1919-20, has attracted far greater public attention and public sympathy than either of the two previous ones. The reasons for this welcome change are not far to seek. In the first place, this crisis is not the creation of labour; it is the creation of capital—the latter having decided to reduce wages by 11½ per cent from 1st September next in order to alleviate the very acute and almost unprecedented depression of the textile industry in Bombay. In the second place, the initiative of labour and the courtesy of capital have created a precedent, the first of its kind in Bombay at any rate, of the two partners in industry sitting together for the purposes of trying to avert an impending common catastrophe. Lastly, there has been admirable co-operation and unanimity of opinion among all the active labour organizations in Bombay, which has enabled the spokesmen of labour to put their case before the millowners, the public and the Governor with frankness and force coupled with restraint and moderation. It is no

wonder, therefore, that the combination of these factors should invest the present crisis with that attention and sympathy which its gravity justly demands.

None can deny that the textile industry in Bombay is in a most precarious condition and unless some drastic steps are taken its future is imperilled. The Bombay millowners attribute the present plight of the industry to Japanese competition, the exchange policy of the Government of India and cotton excise duty. I refuse to believe this in its entirety. I recognise that Japanese trade with India in yarn and piece-goods has in recent years increased with amazing rapidity ; but it has not become so alarming as to threaten the very existence of our industry. The Japanese imports in yarn and piece-goods form only 1.5 and 5 per cent respectively of the home production. To the balance of piece-goods available for home consumption after deducting the total exports from production and imports, the Japanese piece-goods bear a proportion of only 4.2 per cent. Can it be seriously contended that this proportion of Japanese goods brings down prices to such an extent that even after they are disposed of, there should be no demand for Indian cloth ?

With almost one voice India has demanded the abolition of the cotton excise duty and none will be gladder than labour if it is abolished. The duty has a bad political history behind it and whenever an attempt is made to consider it on its merits, feeling is roused and the main issue is sought to be obscured. Every time the question of the improvement of labour conditions in Bombay is raised, the excise duty is held forth as the greatest impediment in the way. Labour is, therefore, convinced that unless and until this duty is removed, there is hardly any chance of its condition being improved. It is mainly for this reason that it has supported the abolition of the duty. Otherwise, its existence now when there is a higher import duty of 11 per cent cannot be objected to

on the score of being a tax on the Indian industry for the benefit of Lancashire. Moreover, it is doubtful whether its abolition, while it will give some relief to the millowners, will benefit the industry as a whole. Another point to be noted in this connection is that when for some years the import duty and the counter-vailing excise duty were at the same level, *viz.*, at $3\frac{1}{2}$ per cent, not only was our industry making profits but also it developed considerably its productive capacity by adding to its spindles and looms. It is, therefore, all the more surprising that with a protection of $7\frac{1}{2}$ per cent over imported goods, the Indian industry should not be able to support itself. The excise duty, if abolished, will bring relief to the millowners to the extent of about Rs. 1.65 crores; but their net losses amount to Rs. 2.80 crores. Its abolition, therefore, will not suffice.

The real causes which have brought the Bombay cotton industry to its present deplorable state lie in its system and administration. The agency system has created vested interests and placed the industry in incompetent hands. The fact that India has lost her great market in China and is losing some other markets also is a most damning comment on the administration of our mills. The system has given rise to corruption and bribery to an alarming extent. The sooner it is overhauled or abolished, the better for the industry. If it is contended that the agency system is based upon legal contracts of three generations old, then all I can say is that it is high time the contracts were drastically revised or wholly done away with. They are not unalterable like the laws of the Medes and Persians. Only recently we have had the proposal that the Permanent Settlement of Bengal must be upset if that province is to progress in various directions and surely the agency system in mills is not more sacrosanct. The internal administration of the mill industry is so rotten and has become so obsolete that its continuation will only hasten the ruin of

the industry. It is astonishing that an industry which professes to claim seventy years' experience behind it, should not have foreseen the coming of bad times after the war and have made no provision against them, especially when it had, only a short time ago, an era of fabulous profits, which in 1920 reached the staggering figure of 1822 per cent over the pre-war year (1913). The present conductors of the industry ought to have known that the modern system of industrialism has its periodical cycles of prosperity and depression and that the latter have to be provided against in the prosperous condition of the industry. Nothing has been done in this direction. The machinery in several mills in Bombay is as old as the industry itself and it was not replaced even in those times when their total profits in three years had reached the modest figure of Rs. 36.41 crores—an amount greater by Rs. 16.41 crores than the total capital invested in the industry. Is it any wonder that the average yield of the spindles and looms should diminish and reduce the productive capacity of the mills? Then there is the difference between the price at which cotton is actually purchased from the cotton grower and the price at which it is charged when calculating the total cost of production. This difference, owing to the middleman's profits, going however under the name of local taxes, is, we know, very great and when it is borne in mind that the purchase of raw material forms over 60 per cent of the total cost of production, we can well realise the extent to which the middlemen's profits must be adding to the total cost. Similarly, the heavy brokerage and commission charges also swell the cost of production. Then there are the overhead charges. The superior staff are much more numerous than necessary and their salaries are disproportionate to the work they do. For these and other reasons the industry is steadily going down and it will surely reach the verge of extinction if matters are not soon mended

To avoid the catastrophe, the whole system and administrative machinery of the industry must be completely overhauled and reorganised; nothing short of it will improve the situation. It is surprising that knowing as they do the condition of their industry, the Bombay mill owners should have sat so long with folded hands and done nothing for setting their house in order. Long ago they should have taken courage in both hands and started an expert enquiry into the whole situation. Instead, they remained content with receiving their interest, commission and profits; only now when they have no money to run their concerns, they send up a wail and quickly lay the blame for the present plight of the industry at others' doors. They not only do not want to reorganise their industry and effect retrenchment and economy but they want to perpetuate the present system and administration and the consequent extravagance by securing protection to their industry by higher import duties on foreign cloth and export duty on cotton. Those who have followed the debates in the Legislative Assembly will recall the admission made in the last Delhi session by the Hon. Sir Charles Innes, the Commerce Member of the Government of India, that the method of giving protection to the steel industry by a high tariff wall had broken down owing to the dumping of cheap continental steel in India and that, therefore, Government were forced to give some more protection to that industry by means of a bounty. A high tariff wall is always a questionable remedy for preventing dumping and for protecting an industry; while its surest effect is that it puts a most unwarrantable burden on the consumer—a burden which is greater than the protection the industry gets. The export duty on cotton means less demand for cotton, which again means a serious loss to the cotton grower. The net effect of these two proposals, if adopted, will, therefore, be, on the one hand, to put an unbearable strain on the consumer's poor purse and, on the other, to help the perpetuation of a wrong and ruinous system on which the Bombay mill

industry is being run. The only effective remedy is, in my opinion, to institute immediately an expert enquiry into the condition of the mill industry and adopt measures which will place it on a sound basis.

In conclusion, just a word about the attitude of the Government, both central and provincial. I quite recognise that the Bombay Government have no statutory powers for intervening in the present struggle but surely they can provide against unemployment in case a general strike breaks out. There is plenty of time for them to find out ways and means for making this provision and I feel confident that the Bombay Council, whatever its complexion, will vote any such amount as may be necessary for unemployment relief measures.

As regards Simla, it is now understood that the mill-owners are sending a deputation to the Viceroy asking for the abolition or suspension of the cotton excise duty. Labour has always supported this step, but on this occasion, when the millowners have unceremoniously rejected all its proposals, it can support this abolition or suspension only *on the clear understanding* that the savings resulting therefrom will be first utilised for restoring the proposed wage cut. While, therefore, we wholeheartedly support this abolition or suspension we with equal emphasis simultaneously must demand the cancellation of the wage cut. I trust that the Viceroy will not ignore labour's claims on this vital occasion and I fervently hope that the Government, both of India and of Bombay, will not at this supreme moment fail to prove by deeds to the broad labouring masses of our country that sympathy, which they have always maintained to be of their very *raison d'être*.

R. R. BAKHALE.

IV

THE IMPASSE AGAIN.

(*Servant of India, August 27, 1925.*)

Last week I dealt with the general condition and the real remedy for the improvement of the textile industry in Bombay. The *Impasse* still continuing, I may be forgiven for reverting to it and dealing with one immediate problem that confronts the industry, viz., the accumulation of heavy stocks. The only recognised solution of this problem is to reduce output, which can be done only by reducing the working hours. The operatives, who are as anxious to save the industry from ruin as their masters, had themselves suggested this course in spite of the fact that the loss which would entail upon their wages by reduction in working hours would be more by about 5.1 per cent than the actual wage cut now proposed by the millowners. But this voluntary offer made with the object of helping them in their hour of difficulty was scornfully rejected by the millowners. They seem to have forgotten the law of demand and supply. In recent years in upper India and other parts of the country, new cotton mills have been established and the imports have shown a tendency to remain stationary after they had risen once a few years back. Naturally, therefore, and especially when the consumption of cloth has not increased in proportion to the supply, there is now less demand for Bombay goods than formerly. But the Bombay supply, instead of being reduced considerably, has remained what it was. There is again the trade depression which should also have impressed the millowners in Bombay with the urgency of reducing the output. Over-production in times of depression and slack demand is always a dangerous proceeding. But the agency system which pays them their interest, commission and profits and allows them to roll in luxury on the sweated labour of their poor and helpless operatives, has obscured the vision of the Bombay millowners and made them blind to

the consideration of what is in the best interest of the industry. Short hours not only means less output, but in the present case, it would have reduced wages to the extent of $16\frac{2}{3}$ per cent and brought them more relief, with the consent of the operatives, than the proposed wage cut of $11\frac{1}{2}$ per cent. But they do not want to adopt this reasonable course for the obvious reason that they are not anxious to reduce output. What they want is to keep the output as it is to-day and reduce wages alone. This, I think, explains their strange diagnosis of, and the stranger remedy for, the cure of the mill industry.

One would have understood their determination to cut down wages alone if that course had brought them immediate relief. But does it really do so? I am afraid not. According to their statement, the millowners lose every month Rs. 24 lakhs; the wage cut of $11\frac{1}{2}$ per cent will give them only Rs. 6 lakhs. By a simple mathematical calculation, therefore, they will have to bear a loss of Rs. 18 lakhs a month. If, however, these figures are analysed a little more closely, it will be seen that the real relief to the industry will be much less than Rs. 6 lakhs and the final losses much more than Rs. 18 lakhs. It is stated by one of the industrial magnates in Bombay—and that statement has not been contradicted—that nearly half the mills in Bombay are making profits and the rest are losing. The net loss of Rs. 24 lakhs is, therefore, the difference between the profits of the prosperous mills and the losses of the losing mills. It is obvious that the latter must be losing much more heavily than Rs. 24 lakhs. But how much will they gain by wage reduction? Only Rs. 3 lakhs. The other three lakhs will go to the prosperous millowners as a kind of windfall and will only add to swell their profits. The industry, therefore, will get only Rs. 3 lakhs, which means that it may get relief to the extent of only 5 or 6 per cent of its aggregate losses—indeed only a drop in the sea.

What, however, is a drop to the millowners is enough to drown the mill workers in misery and hardship. The $11\frac{1}{2}$ per cent cut, though small on paper, is a serious one to them. The present wages secured after waging hard and bitter fights and undergoing great sacrifices, are barely enough to maintain themselves and their families. Their occasional visits to the liquor shops are pointed out as a sign of their prosperity and of their getting higher wages. But if anything, these visits are an index of the sweated condition in the mills and of the many other miseries they have to endure. Like all other human beings, they want to forget for a time all their worries and anxieties and they can, under the present circumstances, do so most easily by visiting the liquor shops. I do not mean to suggest that they are right; nor do I justify their conduct. All I mean is that they cannot help it. As long as the *status quo* continues, no amount of picketing and moral persuasion will, I am afraid, dissuade them from going to the liquor shops. They will do so, as they do now, by incurring debts. It is, therefore, clear that the mill workers' visits to the liquor shops are no criterion by which to judge of their higher wages or their prosperity. Any reduction in their wages is bound to add to their hardship and suffering. Moreover, a cut once made is hardly ever restored. The men have no confidence in their masters and that is why they agreed to work short time in spite of the fact that they lose more thereby. But a wage cut is not the only way in which poor labour is being penalised. The compulsory wage cut which is made as a measure of concerted action on the part of the Mill owners' Association is to be followed, if circumstances necessitate it, by short time, retrenchment or closing down the mills altogether. Each individual mill is at perfect liberty to act as it likes. The wages of the unfortunate men in those mills who will work short hours in addition to a wage-cut, will be reduced by $28\frac{1}{6}$ ($16\frac{2}{3}+11\frac{1}{2}$) per cent. A few mills have already been working short hours and many will follow as that is the only

way to clear off their stocks. The Chairman and some other members of the Millowners' Association told the Textile Workers' Deputation that waited upon them twice last month, that they had proposed a wage cut *in order to* avoid unemployment. But have they achieved their object? Five mills have so far been closed down having thrown out of employment over five thousand men and a few hundreds have been retrenched in a few other working mills—a fact which is an eloquent proof that the millowners' remedy was entirely wrong. In short, the wage cut has not helped the mill industry to any appreciable extent; nor has it stopped unemployment. It has only added to the profits of the prosperous mills and put the operatives to heavy and unbearable losses.

Such is the position. Realising the gravity of the situation, all the textile and labour organisations in Bombay made common cause, approached the millowners and offered them, on behalf of the men, in a spirit of compromise, that the latter would willingly work short hours for such period as would be necessary. But the millowners summarily rejected our proposal and decided upon a wage cut of $11\frac{1}{2}$ per cent. The Textile Workers' Deputation then waited upon His Excellency the Governor of Bombay and urged upon him the necessity of his intervention. It requested him to appoint, or ask the millowners to appoint, whichever may be found feasible, a small committee of experts to investigate into the present condition of the Bombay mill industry and persuade the millowners to suspend their notices of wage cut till the report of the committee was out. His Excellency was very sympathetic, expressed his agreement with much of what was stated in our statement submitted to him and gave out as his considered opinion that the cut was a serious one and that it alone could not bring the industry back to prosperity. From what I saw of him during over one and a half hour's discussion with him, I felt convinced that

His Excellency would have, even in the absence of any statutory powers possessed by him or his Government, gladly intervened in the struggle had he seen the slightest prospect of the millowners taking a more reasonable attitude or been willing to come to terms. He, therefore, expressed his regret that he could not do anything without consulting the other party. As a result of our discussion with him, the Governor of his own accord seemed to have invited the representatives of the Millowners' Association to meet him to discuss the present situation. But nothing seems to have come out of this conference which took place in Poona on Saturday before last. The millowners seem to have refused to withdraw their notices and only reiterated their former vague statement that "if the situation improves and other conditions remain the same, they would seriously reconsider the re-instatement of the present cut."

Thus the *impasse* has been created. Labour has tried its best to avert it and has 'gone more than half way to meet the other party in its difficulty. It is sad that it has lost all along the line. The millowners have rejected our proposals in sheer perversity and the Government on the score of absence of any statutory powers. The responsibility of any incidents that may happen hereafter is, therefore, the millowners' and the Government's. In spite of the best efforts of the labour representatives, it almost seems certain that the strike is coming; and with it the economic equilibrium and the peace and tranquility of the city are bound to be disturbed unless the Government take those relief measures I spoke about last week. But it is satisfactory to note that labour is free from responsibility for any catastrophe. It has done its level best to avoid it; but it has failed. It is now driven to the conclusion that nothing will do but legislation for a minimum wage and compulsory arbitration. Let the general public recognize the justice and helplessness of our position and force the hands of the Government for the immediate enactment of such legislation.

R. R. BAKHALE.

THE BOMBAY LABOUR CRISIS.

*Mr. R. R. Bakhale's Speech.**

"I confess I am a little dissatisfied with the way in which this resolution has been placed before you. I should have been very glad if clause (a), on the one hand, and clauses (b) and (c), on the other, had been placed before the Conference as two separate resolutions for the simple reason that the subjects they deal with are absolutely independent of each other. The cotton excise duty, its existence, reduction, suspension or abolition has no connection whatever with the wages of the mill operatives. I may at once tell you that I whole-heartedly support each clause of the resolution. But my objection is to the grouping together of two independent subjects in one resolution. To try to link together cotton excise duty and the wage cut, as is done in the present resolution, is, in my opinion, susceptible of the interpretation that the excise duty and the wages are interdependent and that, therefore, there is some justification for the mill-owners to reduce wages if the excise duty is not abolished or suspended. I know this conference emphatically repudiates any such interpretation and, therefore, I was all the more anxious that its condemnation of the millowners' action should be unambiguous. But I am sorry to say that I could not succeed in carrying the Subjects Committee with me in my endeavour of separating clause (a) from the other two clauses. I have, therefore no other alternative but to express my dissatisfaction for the grouping together of the three clauses before I give my support to each individual clause of the resolution.

* This speech was delivered in the fourth session of the Bombay Liberal Conference held in Poona on 29th and 30th August. The resolution which this speech supports was in three clauses—the first of which expressed disapproval of the decisions of the Government of India against the immediate repeal of the excise duty, the second urged Government to appoint a committee of enquiry into the textile industry and the third characterised the millowners' decision to reduce wages as harsh and unjust.

I do not think it is necessary for me to emphasise the support that labour advocates have given to the demand for the abolition of the cotton excise duty. Mr. N. M. Joshi in the Assembly and Mr. S. K. Bole in the Bombay Council have joined the millowners in asking for the repeal of this duty. Unfortunately, this duty has a bad and odious political history behind it. Whenever an attempt is made to improve the condition of labour in the City of Bombay, the existence of this duty is thrown into the face of those who make such attempt. Feeling is roused and the whole issue is sought to be obscured. Labour is, therefore, convinced that unless and until this duty is removed, it has hardly any chance of its condition being improved to an appreciable extent. Moreover, it is also convinced that so long as this duty remains on the statute book, for so long it is difficult to persuade the public to consider the question of higher import duties on cloth and countervailing excise duties on their merits. It is mainly for these reasons that labour has decided to support the demand for the abolition of the cotton excise duty and I have, therefore, no hesitation in according my support to clause (a) of the resolution.

Clause (b) requests Government to appoint a Committee for the investigation of the textile industry in Bombay. This is a demand which the Textile Workers' deputation in Bombay that has been organised in connection with the present crisis, made a few days ago. We recognise that the textile industry in Bombay is in a very precarious condition and that unless some drastic steps are taken, its future will be anything but hopeful. Now, ladies and gentlemen, I request your indulgence for a few seconds in my endeavour to place before you a few of the most salient causes which have brought the cotton industry to its present condition. Let me first take the three causes which the millowners allege are responsible for today's deplorable state. First, the Japanese competition; second, the cotton excise duty; and third, the exchange policy of

the Government of India. Taking the last reason first, I confess I feel myself incompetent to deal with it adequately especially when I have to attack my powerful opponents, the millowners. I have already dealt with the second reason, viz—the excise duty. But I may add that the abolition of this duty will not bring the industry any appreciable relief. The duty, if abolished, will give the millowners only Rs. 1.65 crores while their total losses are very nearly Rs. 3 crores per annum. It is also interesting to recall here the fact that for some years in the past, the import duty on foreign cloth and the countervailing excise duty were the same, viz., $3\frac{1}{2}$ per cent; even then our mill industry was not only making profits but it added considerably to its productive capacity by increasing its number of spindles and looms. Now while the excise duty is the same as before, the import duty has been raised to 11 per cent. In other words, our industry has secured protection over foreign cloth to the extent of $7\frac{1}{2}$ per cent. It is, therefore, astonishing that with this substantial protection, our industry should not be able to maintain itself. I, therefore, believe that the excise duty is only a superficial ground brought forward by the millowners to account for the present plight.

Now what are the facts about Japanese Competition? I recognise that Japanese imports in yarn and piece goods have increased in recent years with amazing rapidity but I refuse to believe that they are such as to threaten the very life of our industry. The proportion of the Japanese yarn and piecegoods to our home production of the same commodities is only 1.5 and 5 per cent respectively. Can it be seriously contended, ladies and gentlemen, that this very small fraction of Japanese goods should bring down the prices to such an extent that even after the Japanese goods is disposed of, the Indian goods should have absolutely no demand? Are 1.5 per cent yarn and 5 per cent piece goods quite enough for the consumption of the whole of

India? It is indeed absurd to put before the public such ridiculous propositions.

There are one or two more points which deserve notice. It is alleged that Japan undersells in India because of her long working hours and cheap labour. I will give you a few figures just to show how wrong these allegations are. In India we work 26 days a month and they in Japan work 26.3 days a month. In India we work 10 hours per day they in Japan work 18.50 hours a day in two shifts, *i.e.*, 9.25 hours a day. They work in two shifts because they want greater production. In India there is nothing to prevent our mills from working in two shifts if there is a demand for so much production. What our Factory Act lays down is the maximum hours beyond which an operative shall not work; it does not preclude the working in double shifts. Now a word about wages. In Bombay a man gets Rs. 1-7-2 per day, in Japan he gets Rs. 2-3-6. A woman in India gets only Re. 0-12-5, she gets in Japan Rs. 1-12-1. The wages in Japan, therefore, are very much higher than those in India. Moreover, Japan has got certain natural disadvantages which, in the case of India, are distinct advantages. Firstly, Japan has to import her raw material from India, America and other countries while India has her own raw material. Secondly, Japan has to find out markets for her manufactures while India has her own extensive market. This will, I am sure, convince you, ladies and gentlemen, that the Japanese competition is not really so menacing as it is made out to be.

The real causes of the present deplorable condition of the mill industry are the system on which the industry is based and the way in which it is being conducted. The agency system which is now three generations old, is responsible for bribery and corruption and has put the industry into incompetent hands. The fact that India has lost her market in China and is gradually losing other markets

also is, in my opinion, a most damning condemnation of the agency system. Under this system, several mills in Bombay were only till recently charging profits on production and even today a few mills are continuing this pernicious method. Now, if the cotton excise duty being the tax on production is novel and has no parallel in the world, the system of charging profits on production is equally novel and has, so far as I am aware, no parallel in the world. Our publicists and politicians condemn times without number the cotton excise duty; but have they ever raised their little figure in protest against this most objectionable method? If they have not, I want to know why. The sooner, therefore, the whole agency system is completely overhauled or even abolished, the better. Secondly, there is the purchase of raw material which forms 60 per cent of the total cost of production. It is interesting to know the price at which cotton is purchased from the cotton grower and the price which is actually charged when calculating the cost of production. If an enquiry is held into this question, I am sure startling revelations will come out. Thirdly, you have the commission and brokerage charges which must be inquired into. Fourthly there is the machinery which is as old as the industry itself. It has not been replaced during the last 70 years. It was not impossible for the millowners to do so especially when they had made fabulous profits during the war time. In six years, from 1916—1921, the Bombay mills made profits to the extent of over Rs. 46 crores—Rs. 26 crores more than the total capital invested in the industry. But instead of replacing the machinery and making other modern improvements in the industry itself, our capitalists squandered their profits in giving fat dividends. Is it then any wonder that our mills should lose their productive capacity? Fifthly, there is the highly paid superior staff which contains a very great proportion of non-Indian element. We are asking our foreign bureaucratic Government to indianise their services. But have our Indian capitalists, who join in this

demand, done anything in this direction? You will remember, ladies and gentlemen, that last year the Indian Legislature gave the Tata Iron and Steel Company protection to their industry first by the increase of the tariff duties and secondly by giving bounties. What was the reward that the Jamshedpur labour got for the protection that their masters received in times of difficulty? Not only were their just and legitimate grievances not redressed, but about 1700 men were dismissed from service as a measure of retrenchment? (Shame). Not only that; but soon after the Company appointed 300 Americans or Europeans with fat salaries on their staff. Is it, I ask you in all seriousness, Indianisation or Europeanisation? (Rao Bahadur Chinmulgund—It is Americanisation). Well, that hardly makes any difference so far as Indian labour is concerned. Sixthly and lastly, you know, ladies and gentlemen, that our industry professes to claim an experience of 70 years behind it. But even with this experience, it is still to learn that under the present system of industrialism, there is a regular and periodical cycle of prosperity and adversity and that to meet the contingency arising out of the latter, provision has got to be made during the more prosperous days. Did they do anything of the kind when they were making huge profits? Did they build any reserves? I leave you to answer these questions.

Such is the position and, therefore, the Textile Workers' Deputation had requested His Excellency the Governor of Bombay to appoint a Committee to enquire into the whole industry. I readily recognise that His Excellency was very sympathetic to labour and showed his earnestness and even anxiety to do something for it. But he said that neither he nor his Government had any statutory powers to interfere; and as regards the appointment of a Committee he directed us to request the millowners to that effect. I regret very much the Governor took so halting an attitude. This is not the first time that a demand is made for the

appointment of a committee for the investigation of a labour question. So many commissions and committees for the investigation of factory and mines conditions had been appointed in the past by Government that I do not know why only today the absence of statutory power should be brought forward as the reason against the grant of our request. Only three years back the Government of Assam appointed a Committee to investigate into the labour conditions on the tea plantation in Assam and I know it made some useful recommendations. If the Bombay industry is contended to be a private concern and, therefore, unapproachable by Government without statutory powers, the Assam tea industry is ten times more a private concern. But there the consideration of the absence of powers did not weigh with that Government; why should it weigh with our Government here. I really do not know. I am, therefore, all the more glad to find that the labour demand for the appointment of a committee has been supported by this Liberal Conference.

Clause (c) of the resolution condemns the decision of the millowners in cutting down wages and asks them not to carry their decision into action. The present wages are secured after very hard struggles and bitter fights and they are indeed only just enough to maintain the operatives and their families. Any reduction in them is bound to affect them very adversely. But the 11½ per cent cut is not the only penalty to which they are put. This cut was decided upon as a concerted measure in order to avoid unemployment. But has it stopped it? Uptill now five mills have been closed down with over five thousand men thrown out of employment and several hundreds have been retrenched from the working mills. It is also very likely that many more mills may be closed in the few months to follow. When I placed these facts before the millowners in our second interview with them and asked for some guarantee that there would be no more unemployment and retrenchment, I was told by Mr. N. N. Wadia, the Chirman of the

Millowners' Association : " My dear friend, necessity knows no law ". The woeful tale does not end here. You know that the immediate trouble with the Bombay mills is the accumulation of heavy stocks. The real remedy for the trouble is to reduce output which can be done only with the reduction in working hours. This remedy had been suggested by the mill workers themselves; but it was not accepted and a wage cut was decided upon. However the Millowners' Association has given complete liberty to each mill to shorten its working hours if it thinks necessary to do so, in addition to the wage cut. Now short hours being the only effective remedy to meet the situation, many mills have adopted it and many more are bound to follow suit. Short hours mean a reduction in wages to the extent of $16\frac{2}{3}$ per cent. In those mills, therefore, in which short hours will be worked, the wages of the operatives will be reduced by $28\frac{1}{2}$ per cent ($16\frac{2}{3}$ p. c. by short hours and $11\frac{1}{2}$ p. c. by wage cut). Besides, there is the sword of Democles hanging over their heads in the form of retrenchment and unemployment.

But, leaving aside for a moment the consideration of this question from the labour point of view, let us see for a moment whether it has solved the immediate problem of over-production or brought any substantial relief to the mill industry. I have just stated that the wage cut cannot solve the problem of accumulated stocks. you must reduce the output if you want to clear off the stocks. Over-production in times of depression and slack demand is always a dangerous experiment; but I am sorry to see that our millowners are still playing with it. We are given to understand that the total losses that the Bombay mills are incurring every month are Rs. 24 lakhs and that the $11\frac{1}{2}$ per cent wage cut will give them relief to the extent of only Rs. 6 lakhs. How are the millowners going to make up the remaining Rs. 18 lakhs; and can it not be possible for those who bear Rs. 18 lakhs to bear the other Rs. 6

lakhs also? But if the figures of the losses are analysed a little more closely, it will be seen that their losses are much more than Rs. 24 lakhs. It is well known in Bombay—and the fact has never been challenged by the millowners—that half of the Bombay mills are running at a profit and only the other half are losing. Therefore, the loss of Rs. 24 lakhs which is shown by the millowners, is obviously the difference between the profits of the prosperous mills and the losses of the losing mills; in other words, the losing mills must be losing much more than Rs. 24 lakhs. But how much are they going to get by a wage cut? Only Rs. 3 lakhs; the other Rs. 3 lakhs will go to the prosperous mills to swell the profits of their masters. It is, therefore, clear that the wage-cut is neither going to solve the immediate problem of reducing the accumulated stocks nor help the mill industry substantially. Its only effect is that it will put unusually hard and unbearable strain upon the financial resources of the poor mill operatives, make their condition worse than what it is today and increase their distrust about their masters.

With these words, I commend this resolution for your acceptance. I thank you, ladies and gentlemen, for the patience with which you were pleased to listen to me."

VI

ROOT CAUSES OF DEPRESSION.

(A)

The following two letters appeared in the *Times of India* on September 21 and 30 respectively which throw a flood of light upon the present mismanagement of the cotton industry :—

The Mill Agents have been able to secure the support of all Indians and some Europeans in the Legislative Assembly to the motion of Sir Purshottamdas Thakoredas.

The pros and cons of this (excise) duty are so much discussed that any repetition of that will be annoying to the readers. I want to draw the attention of the public at large, before they become a prey to the so-called depression and run to the rescue of the Agents who have never cared so long where India is drifting, to a few facts.

I think the best way is to appoint an impartial Commission to have a searching investigation of the Mill management and specially about the following few points :—

(1) In the purchase of machinery or whole mill.—To see whether the exact nett cost price is debited. The mill or machinery is brought at a certain price in the name of a party and the same is sold to the limited company after adding few lakhs of rupees. Every sane man knows what has happened in the years 1919–20.

(2) In the purchase of cotton.—To see that cotton was bona fide purchased for the consumption of the mill directly from the bazar. The cotton is purchased first and the advantage of fluctuation is taken and when depression comes it is given to the mill in the name of a fictitious party or some relative or friend at the highest ruling rate some days back.

(3) In the purchase of stores.—Most of the mill agents have their own store offices or export or import offices. Main purchases are made from this firm for their mills and thus agents pocket a large percentage of profit in the sale of stores to the mills.

(4) In the speculation of their shares.—If they have bought a large number of shares they declare a big dividend and thus raise the price of their shares and pocket a large margin at the time of the declaration of the dividend. If they have got a small lot, they declare a poor dividend and buy the shares from the bazar.

(5) In the sale of cloth.—The same thing is happening in this case too.

Thus we see at every stage the agents have taken an undue advantage of their privileged position. It is quite natural that the poor inanimate machinery and the starving labourers may not be able to give them sufficient margin of profit in lean years after deducting such robberies.

How many mill agents can come forward and swear with hand on their hearts that they honestly managed their mills with an eye for the benefit of the trusting shareholders and for the sake of the Indian industry? If I go in details I can show how they can practise with impunity this window-dressing dealings.

I appeal to all Swarajists, Independents, Liberals and Labourites that they should agitate for a thorough independent enquiry in the management of this national industry. I shall cite in support of my contention following figures :—

Year			Paid up capital in lakhs.	Profit in lakhs.
1910	...	...	6.40	60
1911	...	...	6.80	52
1912	...	...	6.80	2.60
1913	...	...	7.30	1.82
1914	...	...	7.80	89
1919	...	...	13.10	13.06
1920	...	...	16.10	16.58
1921	...	...	16.60	15.39
1922	...	...	18.90	7.27

In the above figures capital invested is nett according to the books of the company but as a matter of fact it is not. And profits are nett after deducting commissions at

every stage. Thus one can see if a man works a mill honestly he can secure 150 per cent in good years and 30 to 40 per cent in lean years.

I appeal to the agents to be patriotic and set their house in order before running to Manchester for help. If Japan with so many disadvantages and after paying 11 per cent import duty can compete with us in our own country there is no earthly reason why our mill industry should be a losing concern.

I see the hand of Providence in this depression. God gave many good bumper years but agents did not conserve energy for lean years, *i.e.* "Hoy tedi idd na hoy to roja." They wasted away in gambling of cotton, shares, buying machinery at top heavy rate and last but not the least stupid extravagance.

God helps those who helps themselves.

PRO BONO PUBLICO.

VII

(B)

I can only conclude from Mr. Sawyer's letter that he is not fully acquainted with all that goes on in the Bombay mill industry. Were he so acquainted, he would not have given a full dispensation to all mill agents as he has done. What I have said and what I say does not apply to all mills but it is applicable to a sufficient number to mean a real danger to mill industry. Perhaps you will give me some more space to ventilate more facts. If we take up the amount that public has lost in the shares of limited companies from 1919 to 1925, one is sure to conclude that

some overhauling in the Companies Act is necessary. It is quite essential to curtail the power and the privileged position of managing agents. At the time of the South Sea Bubble in England, the public raised hue and cry while in India the public has suffered the equally serious or perhaps stronger blow in silent despair.

It does not require any stretch of imagination to conclude why the agents shun the idea of an independent enquiry into the mill management on the various items enunciated in my previous letter. If their cause is just and if their management is above reproach, why should they fight shy of an open and impartial enquiry? Any amount of vilification or abuse will not solve the grave problem and ease the situation.

The shortest and the surest way out of the present critical situation lies only in the immediate appointment of an independent commission with wide powers to examine in details the account books of all concerned. Meantime I should like to point out four other instances of bad management. Any man having business experience knows these nine commandments :—

(1) Coal—Many of the agents have their own collieries or coal firms in the name of a relative or a friend and every business in this line passes through their hands. In Bombay thanks to Hydro Electric, this business is waning.

(2) Interest—Several agents keep a current account with the mills at a certain fixed rate of interest. From June to January, they give a big amount to the mill because they realise a lower rate of interest elsewhere. From January to June, they ask the mill to accommodate from a bank or elsewhere.

(3) Insurance—Many of the mill agents work as agents to insurance companies. They get a big rebate and give the mill a smaller rebate.

(4) - Yarn—Same as cloth business.

These four and the former five items may be most unpalatable but bitter are tonics and truth must see the light of day. I suggest to the public to take up these data and agitate to revise the powers of the agents of the limited companies and save the starving labourers from the present situation.

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