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**INTERNATIONAL LABOUR OFFICE**

**STUDIES AND REPORTS**

Series B (Economic Conditions) No. 29

# **PROBLEMS OF INDUSTRY IN THE EAST**

**with Special Reference to India, French India, Ceylon,  
Malaya and the Netherlands Indies**

BY

**HAROLD BUTLER**

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## PREFACE

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The following pages contain some personal impressions of social and economic conditions gathered during a journey of three months in Middle Asia during the winter of 1937-1938. These impressions have been to some extent amplified, corrected and verified by reference to documentary information obtained en route or already available in the International Labour Office. They do not claim to be comprehensive or exhaustive. They make no pretension to scientific profundity or completeness. Their aim is to call attention to problems, not to propose solutions for them. Many points worthy of attention have been omitted, because they did not come sufficiently under the writer's notice or because to have followed them up would have led too far afield. The result is not a treatise, but a descriptive sketch which may serve as a first introduction to Eastern social conditions for those who have not had the opportunity of studying them personally.

It is, however, permissible to emphasise the outstanding conviction left by this journey that no international institution can hope to perform its task adequately unless its higher officials acquire first-hand information as to conditions in all parts of the world. The Office is equipped with all the documentary sources—Government publications, books, periodicals, newspapers—from which the facts and figures can be gathered relating to the labour conditions in all parts of the globe. But the most complete mastery of the documentation is utterly insufficient, and may easily give rise to mistaken conclusions, unless it is supplemented by personal experience. Even a fleeting first-hand view affords a perspective that paper research can never give. That is the real justification and the real necessity for official travel. To those who have lived for years in a country, a visit of a few days or weeks may seem incapable of teaching much, but, however short, it gives an insight into realities which cannot be attained by remaining in Geneva.

A fairly long experience has convinced me that the policy of personal contact and investigation initiated by my predecessor

was indispensable. No country ever resembles one's imaginative picture of it derived from reading. It is impossible to understand the mentality of any people or their approach to social problems or the reasons for that approach, unless one has seen their way of living and talked with their leading personalities. Only by using the knowledge and sympathy thus acquired can the Office fulfil its duty of being a really international institution with a truly universal outlook.

In a preliminary report presented to the Governing Body of the International Labour Office in February I gave a complete account of my itinerary and acknowledged the admirable arrangements made by the Governments of India, French India, Ceylon, Malaya and the Netherlands Indies for rendering my journey instructive and profitable. I also acknowledged the great debt of gratitude incurred to numerous individuals, and particularly to prominent employers and trade union leaders, for the readiness with which they supplied information and afforded facilities for studying labour conditions. I do not propose to repeat these acknowledgments here, beyond saying that without the lavish co-operation which we received everywhere it would have been impossible to have obtained even a bird's-eye view in the time available.

I was fortunate in having travelling companions who helped me to obtain information which I could not have obtained unaided—Mr. P. W. Martin, who accompanied me throughout my journey and whose economic experience was invaluable, Mr. J. Woudstra, who has a long official experience of the Netherlands Indies, and Mr. R. Rao, who has a wide knowledge and understanding of the problems and aspirations of India. Moreover, in India I had the able and devoted help of our Delhi office under Dr. P. P. Pillai, who played a considerable part in drawing up my programme and in facilitating its execution. To them all I owe a great deal in the formation and compilation of these impressions. The I.L.O. has already made some contribution in the East. If this report helps to make its problems better known and more sympathetically understood, it will have fulfilled its purpose.

HAROLD BUTLER.

*10 May 1938.*

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## INTRODUCTION

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Within the last few years the rest of the world has gradually become aware of the growing importance of the East as an economic area. Until the end of the last century it was regarded as an extensive market for the manufactured products of the West in exchange for spices, precious stones, China tea, Indian cottons and other specialised produce of the Orient. From the 16th century onwards English, French, Netherlands and Portuguese enterprise had opened up and developed commercial relations between Europe and Asia. In the 17th century their trading posts dotted the coasts of India, Ceylon and Java. In the 18th century commercial was followed by political penetration. In the 19th century the same process was extended to the Malay peninsula, Sumatra, Borneo, New Guinea and Indo-China, and in the form of "Treaty Ports" to China itself. It was only in the latter part of the century, however, that the idea of growing foodstuffs and raw materials on a large scale for the world market took shape and was applied by European capital and European management.

At the present time India and the Netherlands Indies produce about one-quarter of the world's supply of cane sugar, over a quarter of the tobacco and together with Ceylon five-sixths of the tea. The Netherlands Indies and Ceylon produce well over one-third of the copra, the Netherlands Indies over one-third of the palm oil and the Netherlands Indies and British Malaya a full 80 per cent. of the rubber. To these must be added the enormous expansion of cotton, cotton-seed, jute and linseed in India, of tin in Malaya and the Netherlands Indies, of petroleum in Sumatra and in Borneo, both Netherlands and British. It is not too much to say that in the last century Asia has become the main source of supply of a number of the world's raw materials. Owing to its unlimited reservoirs of labour and the fertility of much of its territory, its future productive capacity is incalculable.

It is, however, subject to one serious limitation—that of the consuming power of the world. Already the tremendous results

achieved by the application of science to tropical culture and the control of disease, particularly in the Netherlands Indies and Malaya, have brought about a state of more or less acute potential overproduction in tea, sugar, tin and rubber. International systems of Government control have had to be established for all these commodities. Though both Governments and planters were strongly opposed to such unorthodox economic experiments, both were in the end compelled to accept them by the disastrous collapse of prices during the slump. Most of the planters with whom I discussed the matter agreed not only that the control schemes were inevitable and had saved them from worse disaster, but that once established, they could not be removed without peril to the stability of their market. Only in the event of a great expansion in world demand could the restriction machinery be safely scrapped—a possible but not a proximate contingency. Moreover, to render control unnecessary, the growth of demand will have to be large enough to absorb not merely all that could now be produced by the plantations, but also the greatly increased output which they expect to achieve in a few years' time. Thanks to the scientific selection and grafting of rubber trees, up to fourfold the present yield per acre has become a practical possibility. With other plantation products, notably tea and sugar, the possible yield per acre has also been vastly increased by scientific research and cultivation. That the world should quadruple its consumption of rubber in the course of a decade is highly improbable, even if the present prices were halved. The same is true for other products. The outlook for the immediate future is therefore uncertain. The pioneers encountered and overcame enormous difficulties with amazing energy, ingenuity and scientific application. No one can fail to admire the foresight and system with which at great expense the planters in Sumatra exerted themselves to stamp out malaria, hookworm, cholera and other tropical diseases which undermined the health of their workers; and at the same time enormously improved the methods of cultivation. Similar efforts have been made in Malaya; but in both countries the triumph of science has brought with it a superabundance almost as hard to meet as the previous shortcomings caused by the ravages of disease and the lack of scientific method.

The economic significance of Asia is not, however, confined to its capacity as a purveyor of raw materials. Since the beginning of the twentieth century Japan has shown that the East is also capable of competing with the West in the field of industry. By

dint of intelligent organisation, great application to the problems of scientific management and marketing, and the careful training of a well-educated people in the various skilled occupations, Japan has become an industrial State of the first magnitude. Since the beginning of the century, while population has increased some 60 per cent., the output of industrial products is estimated to have risen to anything from twelve to fifteen times what it was. Already in 1930 the numbers engaged in industry in Japan amounted to well over 5½ millions, with another quarter of a million engaged in mining and well over a million in communications. Agriculture and fishing accounted for slightly less than half of the total working population of 29½ millions, while 4½ millions were engaged in commerce. The index of Japanese industrial production in 1937 showed a 75 per cent. increase over the years 1929-1932, so that it is reasonable to suppose that the numbers actually engaged in industry have considerably increased since the census was taken.

There has not been this same rapid process of industrialisation in the other countries of the East, but in some, particularly India, progress has been made. India, like Japan, ranks among the eight States of chief industrial importance, and as such is allotted a permanent seat on the Governing Body of the International Labour Office. Both in dimensions and character it is a sub-continent rather than a country. The 1931 census revealed a population of 352,786,000 persons, twice as large as that of the whole U.S.S.R. and nearly three times that of the United States. It had increased by 100 millions during the previous fifty years owing to the elimination of internal war and of famine and to the introduction of modern hygiene. By 1941 it is expected that India will have a population of about 400 millions and will be, if it is not already, the most populous country in the world. Nearly 90 per cent. of its people live in rural areas<sup>1</sup>, and the vital economic problem for India is whether the production of agriculture can keep pace with the growth of its teeming millions. In Europe it is usually held that the land cannot sustain more than 250 persons per square mile. In India large agricultural districts contain over 600 persons per square mile<sup>2</sup>. But although India is still overwhelmingly agricultural, it is nevertheless, judged by any absolute standard, an industrial country of great importance and still greater potentialities. Though it is difficult to ascertain the extent of industrial expansion with

<sup>1</sup> ANSTEY: *The Economic Development of India*, 1936, p. 42.

<sup>2</sup> *Ibid.*, p. 40.

complete accuracy, some indication of the increase in manufactures during the last twenty years may be found in the rise in the export of articles wholly or mainly manufactured in India from Rs. 506.1 millions in the period 1909-1910 to 1913-1914 to Rs. 895.9 millions in 1928-1929. The rise in the import of raw materials during this period from Rs. 100.8 millions to Rs. 255.2 millions<sup>1</sup> is also significant. Though India was affected by the slump like the rest of the world and prices have fallen since 1929, there has been no serious setback in the industrial output. The index of the volume of industrial production increased from an average of 100 for the years 1920-1921 and 1921-1922 to 151 for 1930-1931 and 1931-1932<sup>2</sup>.

In the absence of reliable statistics, to assess the industrial population is by no means easy. The Indian Franchise Committee, which in 1931 carried out special investigations in connection with the arrangements for bringing the new Constitution into operation, reckoned the total number of non-agricultural workers to be twenty-five million. The Committee also came to the conclusion that a fifth of this number is engaged in industrial establishments regulated by labour law. It has been estimated on the basis of the latest population census, held in 1931, that not less than twenty-six million persons, including both wage earners and their dependants, obtain their livelihood from industry, trade, transport and mines, domestic service accounting for another eleven millions<sup>3</sup>. The most important of the organised industries, those employing a hundred thousand persons or more, are tea plantations (864,503), cotton spinning and weaving mills (436,771), jute mills (279,290), collieries (173,175), railway workshops (124,981), cotton ginning and pressing (178,128) and metal and engineering workshops (103,395)<sup>4</sup>. But in addition to the organised industries, there is a very large number of small factories and workshops employing many millions, which from a social point of view represent a special problem.

In China industrialisation has not yet attained such proportions; but a beginning has been made and, so far as can be judged, the rate of increase is rapid. Already in 1930 an enquiry made by the Ministry of Industry and Commerce showed that in 29 of the principal industrial towns there were 1,975 factories employing

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<sup>1</sup> *India Analysed*: Vol. II: Economic Facts: A series of articles edited by Freda M. Bedi and B.P.L. Bedi, p. 79.

<sup>2</sup> P. J. THOMAS: *Population and Production*, p. 8.

<sup>3</sup> *Census of India, 1931*, Vol. I, Part II, pp. 206-217.

<sup>4</sup> ANSTEY: *The Economic Development of India, 1936*, p. 523.

30 or more wage earners, amounting in all to some  $1\frac{1}{4}$  million industrial workers. Nearly 50 per cent. of these were employed in the textile industry. At present the total of factory workers lies probably between  $1\frac{1}{2}$  and 2 millions. Over and above this there are some 800,000 mine workers. Among the industrial towns Shanghai comes easily first with over 345,000 workers; Wushi is credited with some 70,000; Tien-tsin and Tsingtao with between 30,000 and 40,000 each; and Hankow with about 10,000. It is noteworthy that in 1935 the spindleage of Chinese cotton mills in China was four and a half times what it was in the period 1909-1913, representing an aggregate of approximately 3 million spindles. Similarly, the net value of imports of machinery into China more than doubled over the decade 1926-1935. In the present emergency the Chinese Government is doing its utmost to increase the industrial power of China, the establishment of heavy industries being among its principal objects.

But if Japan and India and China can adapt themselves to modern industry, there is no reason why other Eastern countries should not follow their example. It is reasonable to suppose that what the Indian can do can be equally well done by the Javanese, and that what has already been accomplished in a small fraction of China can be vastly extended. Though industry is still in its infancy in Ceylon, Malaya and the Netherlands Indies, it obviously has a future in all of them. The Goodyear tyre factory in Buitenzorg and the General Motors plant at Batavia are plain indications of what is coming. With sufficient education and technical training Oriental labour can produce most of the articles which the West has been accustomed to regard as its own monopolies. At present the products of the industrialised East are mainly destined for Oriental markets, in which Japanese goods have already obtained a predominant position in many branches of trade; but once home needs are satisfied, there is nothing but tariffs and quotas to prevent the export of Eastern manufactures to other continents.

It is therefore of some importance to estimate what have been the economic and social consequences of Eastern industrialisation; how far the standards of protection which have been embodied in the Conventions of the International Labour Organisation have been and can be applied; what is the relative efficiency of Eastern as compared with Western labour; what are the factors determining real and nominal wages; what is the system of industrial relations; how far trade unionism or other influences are tending to raise the wage levels and improve the conditions of employment. Save

as far as the plantations are concerned, all these questions could be far more satisfactorily answered if Japan and China could have been included in the tour upon which this study is based. As the conflict in the Far East made that impossible, only incidental reference will be made to those two countries. India furnishes in itself, however, an immense field for the study of industry under Eastern conditions, while the plantations in which food-stuffs and raw materials are produced under industrial rather than agricultural conditions are to be found principally in the Netherlands Indies, Malaya, Ceylon and Assam. The five territories which I visited may therefore be considered as presenting fairly typical conditions of Asiatic industry apart from Japan, which differs from all of them and from China in the vital respect of popular education. On this ground Japan is more comparable to Europe than to the rest of Asia, and in the subsequent chapters the enormous advantage which she derives as an industrial country from the foresight of her statesmen in determining to abolish illiteracy will become abundantly apparent.

## CHAPTER I

### INDIA

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Industry and industrial conditions in India cannot be compared with those of any European country. The enormous extent of its territory, three times the size of France, Germany and Italy put together, the fact that nine major languages are recognised in addition to innumerable lesser tongues and dialects, the variations in climate and custom from one region to another, make it impossible to judge Indian problems by European standards. Closer analogies can perhaps be found between India and the United States. In both countries uniform legislation and administration are rendered difficult by the wide divergencies that exist between the various parts of the country. In both, the national organisation of employers and workers is hampered by the difficulty of communication. The distance from Delhi to Madras or to Bombay is further than from New York to Chicago, while the direct line from Calcutta to Karachi, or from Peshawar to Trichinopoly is twice as far. As in the United States, the growth of trade unionism has been further hindered by language difficulties. To this must be added additional complications in the shape of the barriers of religion and caste, and, above all, the general illiteracy. Less than 10 per cent. of Indians can read and write, a factor of immense importance in raising the standard of life. One further resemblance may be found between the India of to-day and the United States of ten years ago in the absence of collective bargaining in most industries. Though trade unions are numerous and most of them duly registered, they are seldom strong or coherent enough to secure effective recognition, while the employers, who for the most part resent any interference, and are at best lukewarm in their attitude towards collective bargaining, are often alleged to hinder the growth of unionism by active or passive discouragement <sup>1</sup>.

India differs wholly from Western Europe, however, and still more from the United States in regard to the standard of living,

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<sup>1</sup> See, for instance, WITHLEY COMMISSION : *Report on Labour in India*, pp. 323 et seq.

upon which industrial life and wages are based. India is predominantly an agricultural country, and even to-day when in most industrial centres the population is tending to become more and more urbanised a large proportion of the industrial workers still look upon their villages as their real homes. The standards in the cities are necessarily influenced by conditions in the countryside. Whereas only a few years ago it was said to be difficult to obtain labour in industry, that complaint is not heard to-day. On the contrary, during the recent boom in the cotton trade, Bombay, Cawnpore and Ahmedabad were able to recruit the tens of thousands of additional workers needed to run a night shift with no difficulty whatever. At Jamshedpur, remote though it is from the large centres of population, the steel works turn away hundreds every day. The number of men wanting to go to sea is so great that the unions have been urging a system of engagement by rotation on the shipowners of Bombay and Calcutta. In fact, there is probably no industry in the country that could not recruit all the unskilled labour it required within a few days or weeks. This is primarily due to the low wages, the under-employment and the poor conditions of life in the villages. The standard of cultivation is for the most part very low. The Central Government through the Imperial Council of Agricultural Research is making great efforts to devise and spread more scientific agricultural practices. It is being energetically seconded by most of the new Provincial Governments, seven of which are pledged to the Congress Party's programme of agrarian and social reform. It may well be hoped that these official efforts will be aided by the propaganda work of voluntary agencies, without which the knowledge of better farming methods can hardly be disseminated sufficiently swiftly and widely among an illiterate population, until recently at any rate extremely conservative in thought and outlook. But the spread of agricultural lore is in itself inadequate unless accompanied by simple education, the beginnings of rural hygiene and the construction of better houses. As long as the village remains as backward in these respects as it is at present, it is difficult to see how the wages and manner of life of the urban worker can be substantially improved. His standard of living is constantly threatened by the influx of fresh workers from the country, anxious to get a job at almost any price, prepared to lodge in the most insanitary hovels and unaccustomed to any form of modern social organisation.

It is against this background that industrial life in India has to be viewed. In a report of limited dimensions, it is impossible to

survey it thoroughly or in detail. The ground was moreover covered admirably by the Royal Commission on Labour in India, known usually as the Whitley Commission, whose report was published in 1931. Its findings have not lost their force to-day. Some of them have already been embodied in useful legislation, but the fundamental reforms suggested in the recommendations on education, industrial relations, health, housing and the standard of life still remain for the most part to be carried out. These things cannot be done by legislation alone. They depend mainly upon the desire for betterment among the people themselves and the recognition of its necessity by educated public opinion. Neither of these conditions existed until recent years, but both are now being gradually realised. The Whitley Commission "rejoiced at the evident signs of the awakening of the general conscience, which greater knowledge and the ferment of thought in India are combining to produce"<sup>1</sup>. To-day as the result of the constitutional reforms the ferment of new ideas is still more pronounced and the demand for social reform still more insistent. The nation-wide political campaign of recent years, which served to turn the attention of the country to economic and social issues, has produced a perceptible quickening of public opinion. Labour, health and agriculture are now in the hands of popularly elected Provincial Governments, which are setting about their task with great energy and earnestness. Though they have only been in office a few months, results may already be discerned, such as the attempts made in some of the provinces to tackle the problem of rural indebtedness. Many years of unremitting effort and unselfish social leadership will be required to transform the present state of affairs, but since the war a great deal has been accomplished and the outlook for the future is hopeful. With these grounds for encouragement in mind, a few of the outstanding features of the industrial situation may be briefly touched upon.

#### LABOUR LEGISLATION

Since the war a great deal of labour legislation has been enacted by the central Legislature and in some of the provinces further social reforms have been introduced. There was a general consensus of opinion among Government officials, employers and labour leaders that the chief impetus for this progressive movement had

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<sup>1</sup> *Report on Labour in India*, p. 207.

been derived from the Conventions of the International Labour Organisation. It is true that up to date India has only ratified fourteen Conventions, but legislation has been passed which has been directly inspired by others, and in framing its recommendations the Whitley Commission had the Conventions constantly in mind. Their report gave a further stimulus to social progress, which has resulted in the adoption of 18 Central and 13 Provincial Acts in the last six years, 1932 to 1937<sup>1</sup>. As will be seen in the succeeding section, the regulation of working conditions so far as large factories are concerned is as a consequence fairly advanced—more so perhaps than in any other Asiatic country. There is still a number of Conventions which might be adopted with advantage, but owing to the new Constitution Indian ratifications may involve some delay. As the Provincial Assemblies are elected by popular franchise and possess concurrent powers of labour legislation, the tendency to leave the initiative to the Provinces is already perceptible and indeed natural. In the long run this may prove advantageous. If some of the Provinces give a strong lead in building up better systems of legislation and inspection than exist at present, their example will exert pressure on the less progressive Provinces, or may stimulate a demand for legislation bringing the whole of British India to a higher level in order to prevent unfair inter-provincial competition. Already leading employers are urging upon the Government of India the necessity of ensuring uniformity between the Provinces by setting up some suitable machinery such as the national industrial council advocated by the Whitley Report. It is evident that ultimately the general conditions of employment such as hours of work must be settled upon a federal rather than on a provincial basis. As the Whitley Commission remarked “to divide India into a series of units which could only progress independently would be a definitely retrograde step”<sup>2</sup>. That is not, however, the intention of the new Constitution. The initiative is passing to the Provinces, but this is by no means to be regretted as it forms a fitting prelude to the introduction of federal arrangements which will preserve a fair balance between central and provincial activities. In this respect, India is likely to undergo the same experiences as Australia, Canada and the United States where the tendency towards federal action has been greatly accentuated in recent years.

<sup>1</sup> Indian Labour Legislation, 1932-1937. *Bulletin of Indian Industries and Labour*, No. 61, pp. 53-54.

<sup>2</sup> Cf. *Report on Labour in India*, p. 458.

The maintenance of uniformity is not only necessary as between the eleven Provinces, but the demand is becoming increasingly vocal both from employers and workers for the establishment of some measure of uniformity between the Provinces and the Indian States. The latter comprise some two-fifths of the territory and more than one-fifth of the population of India. Hyderabad, the largest, covers an area nearly as large as that of Great Britain and has a population of over 14 millions. These States are autonomous in all matters relating to their internal administration and, unlike British India, have made no more than a bare beginning in introducing any representative element in their Government. In some of them labour legislation has been introduced on the model of the British Indian code, but on the whole their pace of social advancement would seem to be markedly slower than that of the autonomous Provinces. As a result there is a tendency for factories to be established in States where the standards enforced in British India do not apply<sup>1</sup>. Complaints have been frequently voiced on this score by employers' organisations, as the Whitley Report points out. Provision is made under the new Constitution, however, for these States to have their own representatives in the Federal Legislature, which will offer the possibility of setting up uniform standards for the whole of India. There are, moreover, indications of a growing realisation, at least in the larger States in which industrialisation has begun, of the need for regulating labour conditions. These efforts will doubtless be redoubled in the coming years by the statesmen responsible for the government of these States, who are keenly alive to the requirements of the times. Even so, the ratification of International Labour Conventions is likely to be a slow process. These formal difficulties may, however, be counterbalanced by an intensified interest in the work of the Organisation and a more lively desire to profit by its wide and varied experience. The keen interest in social questions now becoming manifest in India seems to justify this expectation.

#### PRESENT CONDITIONS OF WORK

The conditions prevailing in large-scale industry in India do not compare unfavourably with those in many European countries. As industry is of recent growth, factories are as a rule spacious,

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<sup>1</sup> Cf. *Report on Labour in India*, pp. 472-473.

clean, well-lit and well-ventilated. In view of the intense heat of summer particular attention is paid to air-cooling in the textile mills, some of which have introduced air-conditioning with considerable benefit to themselves and the workers. Hours of work are limited by law to 54 per week, and employers testified almost unanimously that the reduction first to 60 hours under the Washington Hours Convention and later in 1935 to 54 hours has resulted in an improvement rather than in a reduction of output. Many enterprises have already gone further. In all the dockyards, some of the larger engineering and almost all the railway workshops as well as in a number of textile mills, a 48-hour week is in operation. In the Tata Iron and Steel works eight-hour shifts seem to be the general rule<sup>1</sup>, while in at least one large cotton-mill in Bombay three shifts of 7 hours have been adopted.

This progressive reduction of hours has tended towards greater intensity of work. When the ten-hour day was in operation, employers used to complain that operatives spent a good deal of time smoking or idling during working hours. The shortening of nominal hours has not reduced the actual hours of work in the same proportion. Like the Whitley Commission<sup>2</sup>, I did not hear it suggested that it would be better to lengthen the working day and lower the standard of concentration. Both employers and workers seem on the whole to prefer the shorter period of more intensive work, of which experience has shown the Indian worker to be perfectly capable.

The safety and health provisions relating to factories are generally well observed, and the introduction of workmen's compensation since 1923 has no doubt helped to improve the standard of safety. Maternity benefits have been introduced in Bombay, Madras, the Central Provinces, Delhi and Ajmer and are likely to be extended in the very near future to Bengal and the United Provinces. The night work of women and of young persons has been abolished since 1922 and child labour is not permitted under the age of 12. Owing to the earlier maturity of Indians, this is regarded as equivalent to 14 in Europe, and it has to be remembered that Hindu girls are frequently married at that age.

Leaving aside the question of wages, it may be said that the conditions of employment in large-scale factories, though capable

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<sup>1</sup> *Report on the Conditions affecting the Labourers of the Jamshedpur Works of the Tata Iron and Steel Co. Ltd.* October, 1937, p. 34.

<sup>2</sup> *Report on Labour in India*, p. 42. — Cf. ANSTAY: *The Economic Development of India*, 1936, p. 303.

of further improvement, are in reasonable correspondence with India's present stage of industrial development. It is important to realise, however, that the provisions of the Factory Acts and the limitation of hours of work only apply, as a rule, to power-driven plants in which twenty or more persons are employed. In 1935, they comprised 8,831 establishments employing over 1½ million persons, 229,726 of whom were women, 33,018 adolescents between 15 and 17, and 15,457 children over 12 and under 15<sup>1</sup>. There are, however, innumerable small factories and workshops all over India employing many millions of persons. Their number is estimated at more than 10,000 in Calcutta alone. In these places, as I had opportunities of observing, no provisions as to health, sanitation, lighting, ventilation or safety apply. Child labour is permitted, and in some industries extensively employed. Hours are unlimited and are usually long, though there is a great deal of casual absenteeism and the concentration of effort is much less than in the large factories.

The immense difficulty of regulating the small factories and workshops is fully discussed in the Whitley Report (Chapter VII), and is sufficiently patent to anyone who has seen them. The imposition of the smallest financial burden upon concerns which are totally devoid of reserves, the loss of the minute earnings of children to parents on the lowest scale of poverty, the enforcement of any regulations upon people whose habits of work are utterly unorganised and intermittent, are certain to encounter resistance and evasion. Nevertheless, the Government of India is consulting the Provinces as to the application of the health, safety and child-labour provisions of the Factory Acts to all establishments employing more than 10 persons. If the provincial response is sufficiently favourable, there is reason to hope that the Government of India may be able to ratify the Minimum Age (Industry) Convention in the near future. The Government of the Central Provinces has already adopted legislation to regulate the labour of women and children in non-power workshops employing 50 or more persons engaged in *bidi* (cigarette) making, shellac manufacture and leather tanning<sup>2</sup>, and the Government of India has recently suggested to Provincial Governments the desirability of adopting central legislation excluding children from workshops in which certain "objectionable" industries are carried on.

<sup>1</sup> *Statistics of Factories subject to the Factories Act, 1934, for the Year ending 31 December 1935*; pp. 2-3.

<sup>2</sup> The Central Provinces Unregulated Factories Act, XXI of 1937.

In addition to the small establishments there are other considerable tracts of the industrial field, which are wholly or mainly unregulated. Of these the most important are the docks, the building industry and shops. In all these industries no safety provisions exist, and as might be expected accidents are said to be numerous, though unrecorded. The application of the Conventions regarding safety in docks and building (Nos. 32 and 62) is under consideration and would go far to remedy the present state of affairs. As regards docks, the Government of India has announced its intention of ratifying the Convention and the Indian Legislature has passed the necessary legislation in the shape of the Indian Dock Labourers Act 1934, but the regulations for enforcement are still in preparation<sup>1</sup>. Some legal difficulties as to the enforcing authority under the new Constitution may have to be overcome, but the early ratification and application of this Convention might be expected. In the case of building, difficulties no doubt exist, but any measures to secure elementary precautions would be an improvement, even if the more detailed provisions of the model code annexed to the Recommendation accompanying the Convention cannot be immediately applied.

Hours of work in docks, though unregulated, are now generally 9 per day<sup>2</sup>, but in building, including Government work under contract, there are no statutory or general limits. In shops there are at present no hours or other regulations, but the whole question is now being taken up in some of the Provinces. The question of the recruitment of seamen engaged the attention of the Government and the Legislature when the Convention on facilities for finding employment for seamen, adopted at Genoa in 1920, came under consideration. A committee to examine the methods of engagement and suggest remedies for existing abuses was appointed in 1922. Although not all the recommendations of this committee were given effect to, certain improvements were carried out in the ports of Bombay and Calcutta. The main grievance of the seamen, however, has been the prevalence of bribery and they allege that there is no improvement in the situation. The large volume of unemployment amongst seamen is, as the Whitley Commission have observed, one of the basic causes of corruption; "so long as this remains, the temptation to offer a bribe is not likely to be

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<sup>1</sup> Indian Labour Legislation, 1932-1937. *Bulletins of Indian Industries and Labour*, No. 61, 1937, p. 3.

<sup>2</sup> *Ibid*, p. 4.

diminished, and, quite apart from its connection with bribery, the reduction of unemployment appears to be essential if labour in this industry is to be placed on a satisfactory footing" <sup>1</sup>. One of the recommendations of the Whitley Commission to abolish corruption of this kind was that the licences granted under Section 24 of the Indian Merchant Shipping Act to brokers for the recruitment of seamen should not be renewed. The Central Government has accepted this recommendation and "a start has been made by withdrawing licences of shipping brokers at the Port of Calcutta" <sup>2</sup>.

Finally, the mining industry is subject to special regulation. The importance of coal mining may be judged from the fact that it produces about 21 million tons a year and employs over 160,000 miners, though as most miners do not work throughout the year, the number of persons more or less dependent upon the industry is much larger. As the seams are usually thick and the pits shallow, working conditions are relatively good. Hours are regulated by the Mines Act, which prescribes a 54-hour week on the surface and a 9-hour day underground, calculated on a bank-to-bank basis. The Select Committee of the Legislative Assembly which reported on the Bill in which the daily limits were first laid down reckoned that "the hours actually available for work in any large mine are likely to be less than eight and only a proportion of these hours can be spent in actual work" <sup>3</sup>. As regards the employment of juveniles, the law of India is now in advance of that of most European countries, as no person under 15 may be employed in or about a mine, and no person under 17 may be employed underground without a medical certificate. The employment of women underground was extensively practised in the past, and its prohibition gave rise to acute controversy, as it was argued that the elimination of women would very seriously curtail the small earnings of their families. During the last eight years however, the exclusion of women from underground work has been gradually effected, so that the Government of India is now prepared to ratify the Convention on the subject <sup>4</sup>. Though some hardship was no doubt caused by the displacement of the women, no one familiar with the conditions appears to doubt that in the long run it is a salutary measure which tends to raise the general standard

<sup>1</sup> *Report on Labour in India*, p. 177.

<sup>2</sup> *Vide* p. 12 of the Report showing the action taken by the Central and Provincial Governments on the recommendations made by the Royal Commission on Labour in India requiring administrative action; 1936.

<sup>3</sup> *Ibid.*, p. 31.

<sup>4</sup> Since this was written the ratification in question has been received.

of civilised living among the mining population. Among the other steps taken as a result of the recommendations of the Whitley Commission may be mentioned the abolition of the system whereby in carpet factories the labour of young children was pledged in advance to the weaving masters, the curtailment of the possibility of continuous attachment of the wages of industrial workers as a cure for indebtedness by reducing their capacity for borrowing, and the fixing of the maximum limit of a month to wage periods as well as the regulation of fines and deductions.

### INDUSTRIAL RELATIONS

Notwithstanding the extensive reforms which have been carried out by the Indian Legislatures during the past fifteen years, there are signs of acute discontent in most industrial centres. Strikes have been and continue to be frequent, most of them short and sporadic, but some bitter and prolonged. In fact, the problem of industrial relations may perhaps be considered to be the chief problem confronting Indian industry at the present time, and one upon which further industrial development to some extent depends. The prevalence of labour conflicts has been marked, taking into consideration the relatively small number of industrial workers. Over the last ten years there have been about 150 disputes each year, involving on the average some quarter of a million workers, and resulting in a loss of working days ranging from one million to 32 millions per annum and averaging about six millions<sup>1</sup>.

The remedy for this state of affairs cannot be found wholly or mainly in legislation. Without the reforms already carried through by Government the situation would no doubt have been still more acute, but a peaceful atmosphere in a factory cannot be made by law. It is the product of the day-to-day dealings between management and workers, and it is by these that the flow of production is mainly determined.

The origin of all the troubles of Indian industry is frequently ascribed to political agitation or to communist propaganda. No doubt both have played a part. The advent of the Congress ministries, for example, would appear to have been the occasion of many strikes for better wages or conditions, which the workers hoped to secure with the assistance of Government. But these

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<sup>1</sup> Industrial Disputes in India, 1921-1936. *Bulletins of Indian Industries and Labour*, Nos. 43 and 62.

stoppages would hardly have occurred if no ground for economic dissatisfaction had been felt. Similarly, I found that high police authorities were inclined to question the influence of "communism", except where it was able to work upon solid grounds of discontent. In fact, there seems to be a good deal of support for the view of the Whitley Commission, who stated that "although workers may have been influenced by persons with nationalist, communist or commercial ends to serve, we believe that there has rarely been a strike of any importance which has not been due, entirely or largely, to economic reasons" <sup>1</sup>.

The main causes which produce friction and discontent are cogently and completely set out in Chapter XVIII of the Commission's Report, but their suggestions seem so far to have received little attention. It may, however, be useful to recapitulate some of the points which must strike an outside observer most forcibly.

In most establishments there appears to be little attempt on the part of the management to get into touch with the individual worker. Even such important operations as engagement or dismissal are usually delegated to an intermediary known variously as a "jobber", "mistri" or "sirdar", or automatically approved on his recommendation. It is notorious that these intermediaries exploit the workers in multifarious ways and that their influence is extremely difficult to eradicate. The Chief of Police of a large industrial city went so far as to assert that 75 per cent. of all labour trouble in his area was due to the malpractices of these intermediaries. In European-managed mills it is sometimes claimed that owing to ignorance of the language and the people the employment of intermediaries is unavoidable, but a number of European mills may be found where they have been entirely dispensed with. In such mills a regular system of personnel management is in operation, with a well-organised employment office, careful attention to the allocation of each individual to the work best suited to his capacity and rigid control over dismissals by the manager himself. It was claimed that the expenditure of time and money involved by such a system was amply compensated by the absence of stoppages and the smoothness of operation which it procured. This does not seem an extravagant or unlikely claim in view of similar experiences in Europe and America.

It may further be noted that troubles due to the employment of intermediaries are by no means confined to European-managed

enterprises. In Ahmedabad, for instance, where the mills are almost all Indian-managed, a substantial proportion of the complaints dealt with by the trade unions relate to alleged wrongful dismissals at the instance of jobbers. On the other hand, there are Indian-owned mills, where excellent arrangements have been made for the care and welfare of the staff with admirable results from a business standpoint.

In the past, personal contact with the workers may have been less necessary, though where established it no doubt paid, as in one European mill where very little trouble had been experienced over a period of 40 years. At the present time, however, the Indian worker has become more assertive, which means that labour management has become as important an element in the successful administration of an industrial enterprise as technical, financial or commercial management. The establishment of the human touch between employers and workers seems all the more necessary when the latter are illiterate. They are unaccustomed to the disciplined rhythm of industrial life, have yet to acquire the aptitude for handling machinery, and are for the most part unable to grasp the main principles upon which an industrial undertaking works. They are thus liable to all sorts of unjustified suspicions and misunderstandings, and are at the mercy of misleading statements and promises. At this point as at every other lack of education is the fundamental weakness of Indian industry. Nowhere is it more dangerous than in the sphere of industrial relations, where lack of attention to the human factor may have far-reaching consequences. In some centres, past neglect seems to have created a state of tension, which makes the work of the agitator easy and which will take much trouble and patience to remove. If only on this ground, employers are beginning to consider the view that the establishment of settled relations with a well-organised trade union would be desirable in the interest of steady business, but the obstacles which have to be overcome on both sides are considerable.

#### COLLECTIVE BARGAINING AND TRADE UNIONISM

Here again the lack of education raises a tremendous barrier. Employers are apt to demand that on the one hand no "outsider" should have any part in any union with which they deal, while on the other it is admitted that as yet the rank and file cannot produce men capable of conducting the administration and the finances of a properly organised union. This dilemma, from which there is no

escape, can obviously be used as a pretext for not recognising any trade union however constituted. In fact, the remark of the Whitley Commission respecting the railways that some of them "expect a higher standard of efficiency, responsibility and organisation from the trade unions than can be reasonably expected at this stage of their development"<sup>1</sup>, is probably of wider application. At present, most of the trade union leaders are more or less educated men, which implies that they have only very rarely emerged from the lower ranks of the workers. It is alleged that some of them are "bosses" rather than leaders, more intent on personal gain or political advancement than on the welfare of the workers. Whether this be true or not, there are many who are trying to do sound and unselfish work and who would probably prove their capacity if their unions were properly recognised. The great obstacle to Indian trade unionism is the absence of the guild tradition, for in India, unlike Europe and the United States, there was not the same gradual transition from the old to modern methods of industrial production. There are as yet few well-knit bodies of skilled craftsmen such as formed the backbone of trade union development in Western countries. At present, railway workers, seamen and dockers as well as Government printers and employees have fairly effective unions, but in the textile industry, in particular, there is little permanent organisation. Most of the unions are "strike unions", expanding rapidly when a dispute arises but dwindling equally rapidly when it is over. An outstanding exception of a well-organised union is the Labour Textile Association of Ahmedabad, which has about 30,000 members. Since 1920 it has practised a system of joint conciliation and arbitration of disputes with the Millowners' Association, and for the last fifteen years no serious strike has occurred in the mills recognising the Association. It may be doubted whether this admirable system would have been initiated or would have worked so smoothly without the influence of Mr. M. K. Gandhi, under whose auspices it was founded. But there is no reason to suppose that what has been done in Ahmedabad could not be imitated in other places, provided that there was the spirit of mutual goodwill. The Whitley Commission made a number of suggestions as to how such an atmosphere could be created<sup>2</sup>, but for a matter which depends largely upon personal leadership and determination to reach a working agreement on

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<sup>1</sup> *Report on Labour in India*, p. 166.

<sup>2</sup> *Ibid.*, pp. 339-348.

both sides, there are no rules. In each industry or city the issue depends on the personalities of the protagonists, which cannot be shaped by Government. In the absence of collective bargaining, however, Government can do much to prevent disputes and to settle them when they arise. In Bombay, since the Commissioner of Labour assumed the duties of Chief Conciliator and the appointment of a Labour Officer was made, consequent upon the passing of the provincial Trade Disputes Conciliation Act in 1934, many disputes, small and large, have been successfully settled. The Labour Officer acts as the guardian of the workers' interests, examining their individual grievances and keeping close contact with them. He may apply for conciliation proceedings and may himself appear on behalf of the workers where they have no representatives of their own. The appointment of conciliation officers by Local Governments was recommended by the Whitley Commission and their utility cannot be doubted. It is now recognised in India that the old policy of "keeping the ring" and preserving order is no longer a sufficient method of dealing with industrial conflicts. Hence the tendency to take conciliatory action through qualified officers is growing, and there would seem to be greater inclination on the part of Provincial Governments than in the past to conduct investigations under the Trade Disputes Act when strikes actually break out. All these various expedients help to canalise and settle industrial disputes, but they are likely to be of periodical occurrence until a strong trade union movement imbued with a professional spirit has been developed and collective bargaining established on a solid foundation.

In this connection, attention might be drawn to the value of the statistical work of the Labour Office at Bombay. Its creation set a new precedent which other provinces are trying to follow. The utility to Government of an expert staff, whose duty is to gather objective information on wages, hours, working practices, the economic conditions in industry, etc., is immense. Indeed, it is difficult to see how Government can intervene effectively and impartially in industrial disputes unless armed with knowledge of this kind.

#### WAGES AND LIVING STANDARDS

As might be expected in a country so vast with no trade union movement capable of negotiating national wage-scales, there is a very wide variation of wages and earnings in India. Moreover, it is only in the Province of Bombay that wage data are system-

atically and scientifically collected. It is therefore impossible to make any general computations of Indian wages or earnings. Even in a single city like Bombay or Cawnpore there are no standard wage-rates in the textile industry. As for "real wages", they are equally incalculable, as no reliable cost-of-living statistics have been published, except by the Bombay Labour Office. The labour organisations at Bombay and Ahmedabad reckon that Rs. 44 per month (70 Swiss francs) should be regarded as a reasonable minimum for the maintenance of a man, his wife and two children in decent comfort. This estimate postulates a two-room house (which, judging from prevailing habits, few workers, even those who could afford it, would be likely to take) in a city where rents are high, and is probably based on requirements above the average in other respects. Exceptional local circumstances may no doubt be pleaded in justification, but a sum of Rs. 44 per month is certainly far in excess of the average income of an Indian family. Even in Ahmedabad and Bombay, where wages are higher than in other textile centres, such earnings can only be attained by skilled workers. The Whitley Commission found that jute-workers were earning from Rs. 17½ to Rs. 38 per month in 1929, cotton ginnerers in Madras Rs. 13 per month, coal cutters Rs. 10 to 15 per month, while unskilled men were rarely able to earn more than Rs. 15 a month regularly and earnings were sometimes as low as Rs. 10<sup>1</sup>. I was told that in the unorganised trades wages are sometimes under Rs. 10 a month. It is evident from these figures that the general standard of living is very low, even in the towns. In the villages, the level of money incomes is still lower. It is significant that in Bihar a scale of Rs. 5-10 per month is officially recognised for the lowest grade of village school-teacher, while in the United Provinces for Rs. 25 per month it is possible to procure a high-school master with a university degree. In judging Indian wage-standards these figures must be kept in mind. It is true that owing to the climate the Indian worker needs no heating and little clothing, except for two months in the year in Northern India. Against this must be set the fact that owing to lack of rain in many parts of India, food cannot be produced with the same ease and abundance as in the Netherlands Indies. It is also true that the diet of the great mass of the people is of necessity very simple and very cheap. But when every allowance has been made, there is no doubt of the general poverty among the workers, both agricultural and

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<sup>1</sup> Cf. *Report on Labour in India*, pp. 199-203.

industrial<sup>1</sup>. Of these the most important single cause is probably the phenomenal growth of the population during the last fifty years which has absorbed if it has not exceeded the corresponding increase of national production.

From this statement it should not be supposed that the Government has been idle. Great efforts have been made to extend cultivation. Since 1895, the area under irrigation has been doubled and now amounts to 50 million acres—two and a half times as much as the irrigated area in the United States. But production remains low in comparison with some of the countries facing a similar population problem. The annual yield of rice per acre in India is only 55 per cent. of that in China and less than 40 per cent. of that in Japan. The production of wheat, cotton and sugar has been enormously increased during this century and particularly during the last ten years, but the improvement in agricultural output has still not kept pace with the vast growth of the agricultural population<sup>2</sup>.

#### INDUSTRIAL EFFICIENCY

It is beyond the scope of this report to consider the colossal problem of Indian agriculture, but it is difficult to avoid some general consideration of the economic condition of the Indian worker in relation to his efficiency. It is frequently maintained that his output is small in comparison with that of European workers. This shortcoming is ascribed by many people in India to the climate, by others to the natural indisposition of the Indian to work regularly and uninterruptedly or to his poor physique and stamina. All these statements no doubt contain some element of truth, but none of them can be accepted without reservation, nor do all of them taken together go to the root of the matter.

In the first place, the inefficiency of the Indian worker as compared with the European is by no means a fixed quantity. In most textile mills, for instance, the rule is one loom per weaver as against four, six or eight in Europe, though the quality of material used is sometimes inferior to that provided in European factories. Mills exist in Ahmedabad and Bombay, however, where weavers mind two, four or even six looms. In such cases, wages are higher and

<sup>1</sup> *Ibid.*, p. 207.

<sup>2</sup> *An Enquiry into Certain Public Health Aspects of Village Life in India*, by Major-General Sir John MEGAW, Director-General, Indian Medical Service, pp. 8-9.

hours shorter, but the managements energetically rejected the allegation frequently made in some quarters that workers were indifferent to higher wages or preferred longer hours at a slower pace. In another mill the management claimed that they were obtaining 85 per cent. of the average individual output in their Lancashire mills; but they were paying wages in excess of the usual Indian rates and only engaged educated workers. In an Indian-owned mill where similar conditions were given, the standard of efficiency was said to be much above the average. The labour coefficient in the Tata Steel Works is estimated to reach about 75 per cent. of European or American efficiency in some departments, though the general level is much lower.

It appears therefore that the ratio of comparative inefficiency is far from being uniform. It may vary from 25 per cent. to 85 per cent. of the European standard. This suggests that the simple explanations relating it to climate or physique are too simple to be adequate. The truth is that efficiency and inefficiency are largely determined by a combination of the factors of poverty, ill-health and illiteracy, which are so widespread in India that they seem often to be regarded as being as indigenous as the climate itself. These three factors are really inseparable, as ill-health is mainly the accompaniment of poverty, and illiteracy is largely the cause both of poverty and ill-health. All these factors are, however, within the range of human control, and to a large extent within the power of the individual employer to eliminate. Some employers have actually gone far towards eliminating all three among their workpeople. In return they have obtained greater efficiency—and in all probability, higher dividends. As an understanding of these three factors is fundamental to an appreciation not only of the Indian industrial problem, but of the Asiatic problem as a whole, some attempt may be made to estimate them briefly.

#### EDUCATION AND EFFICIENCY

Every observer of Indian industry is agreed that its greatest handicap is the ignorance of the workers<sup>1</sup>. In the words of the Whitley Report, "in India nearly the whole mass of industrial labour is illiterate, a state of affairs which is unknown in any other country of industrial importance. It is impossible to overestimate

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<sup>1</sup> See, for instance, ANSTEY: *The Economic Development of India*, 1936, p. 229; HUBBARD: *Eastern Industrialization and its Effect on the West*, p. 285.

the consequences of this disability, which are obvious in wages, in health, in productivity, in organisation and in several other directions. Modern machine industry depends in a peculiar degree on education, and the attempt to build it up with an illiterate body of workers must be difficult and perilous " <sup>1</sup>. Although labour is superabundant and low-paid on Western standards, it is true that industrial success has been won " in spite of rather than on account of low-paid labour " <sup>2</sup>. What is really surprising is not the width of the efficiency gap between Indian and Western industry, but its comparative narrowness, which is diminishing further every year. Many Indian textile manufacturers would now agree that thanks to low wages, up-to-date machinery and constantly improving management they can meet European and American competition in their own market. They cannot, however, compete on equal terms with Japanese textiles, a fact which they usually ascribe to the greater adaptability and dexterity of the Japanese operatives—due mainly to education. In most Indian factories it is noticeable that the workers are not the masters but the servants of their machines. They do not understand them, and as a result of negligent tending cause more rapid deterioration than in countries where the operatives are mechanically minded. Indeed, it is impossible to imagine adequately the bewilderment of the Indian worker drawn in from his village, where life has moved sluggishly along grooves of custom and tradition for centuries, and hurled into the vortex of factory life with its insistence on speed, precision and punctuality. It may not be altogether fanciful to suppose that a part at any rate of the industrial unrest is the expression of an unconscious revolt against mechanical civilisation. Mr. Gandhi's insistence on a return to the old handicrafts has had the effect of emphasising this attitude. His doctrines have won many adherents in India, and there is no doubt that some of the cottage industries are making a valuable contribution towards providing employment and a subsidiary source of income to the villages. In Bihar, for instance, a million people are employed largely in producing cloth, which is finished by machine processes at Patna and subsequently marketed by a sales organisation with branches in London and New York. Such efforts are laudable and useful. But in a country such as India the march of modern industry cannot be held back: nor can this development be regarded as undesirable, provided the social implications and

<sup>1</sup> *Report on Labour in India*, p. 27.

<sup>2</sup> DEPARTMENT OF OVERSEAS TRADE: *Report on Prospects and Conditions of British Trade in India*, 1919, p. 18.

consequences are adequately met. On the other hand, the expansion of industry is likely to be conditioned by the spread of education. Much is already being done by Government to provide technical education for the higher staff. Unemployment among the educated classes is acute and endeavours are being made to find outlets in commercial and industrial occupations. Some employers have organised regular courses for their employees in order to train foremen, charge-hands, etc. But without a foundation of general education among the masses the training of the higher personnel must be expensive and difficult, while the efficiency of the rank and file, to whom promotion is often unattainable, must remain at an unduly low level. Moreover, apart from the question of operative skill, lack of education is at the bottom of many other troubles, which afflict both employers and workers in India. The prevalence of bribery and indebtedness is largely due to the worker's inability to reason or to calculate sufficiently to protect himself against exploitation. The complications and antagonisms provoked by differences of religion and caste are not likely to be diminished except by the growth of education. The capacity to form coherent trade unions and to throw up leaders capable of directing them honestly and wisely can hardly be expected of an illiterate working-class. Comprehension of the sources of disease and the means of combating them cannot be inculcated until the people, and particularly the women, have reached a higher level of instruction. Finally, the will to attain a higher standard of living is in itself largely the outcome of education, which alone can dispel the atmosphere of fatalism and inertia produced by centuries of confinement to the limits of caste and the isolation of village life.

The importance of the problem of primary education is being realised in India. Its solution presents a task of formidable dimensions. This may be readily judged from two facts. In 1931, not more than 8 per cent. of the population were literate, leaving some 260 millions over 5 years of age without the most rudimentary knowledge of letters <sup>1</sup>. The second fact is that there were at that date 645,000 <sup>2</sup> towns and villages with a population under 2,000, each of which would require at least one teacher and in many cases, owing to caste difficulties, more than one. Many qualified people consider that this enormous problem can only be solved by some such mass-movement as was initiated to eradicate illiteracy

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<sup>1</sup> *Census of India, 1931, Vol. I, Part I, p. 324.*

<sup>2</sup> *Ibid, Part II, pp. 12-13.*

in Russia and Turkey. What seems certain is that money and enthusiasm expended for this purpose will in time produce a tremendous harvest, always provided that the educational effort is conceived and executed on sound and sensible lines<sup>1</sup>. Already something is being done to provide elementary education by municipalities, by individual employers and by other voluntary agencies. It is particularly interesting to find big industrial enterprises such as the Tata Iron and Steel Company, the Buckingham and Carnatic Mills, the Delhi Cloth and General Mills and many others providing free education for the children of their workpeople, partly in discharge of a civic obligation but partly also with the legitimate aim of creating a source from which a better type of labour may be obtained in the future. The planters in Java, Sumatra, Ceylon and Malaya are following the same principle. In other words, it is becoming recognised by capitalists throughout the East that illiteracy is the greatest obstacle to efficiency with which they have to contend. As a cause of backwardness in comparison with Western nations, it is far more potent than climate, especially when adequate health services have been established to deal with disease. It may be said, therefore, that a system of compensations tends to equalise competitive conditions between East and West. The low wages of the former are generally offset by low productivity due to want of technical and general training. Where education is introduced in the East, it enhances output, but that is usually counterbalanced by the demand for higher wages and a better standard of life. Where, however, as in Japan, industry benefits from the advantages derived from education while maintaining a low wage-level in terms of international currency, it is clear that it possesses an exceptional position, as long as these conditions obtain.

#### HEALTH AND EFFICIENCY

That poor health is the most potent immediate cause of inefficiency in the Indian worker cannot be doubted by anyone who has seen the slums of the great industrial cities or has given a cursory glance at the morbidity statistics. The latter reveal the fact that about 70 per cent. of deaths are caused by cholera, smallpox,

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<sup>1</sup> On this point the reports on vocational and general education made to the Government of India by Messrs. A. Abbott and S. H. Wood of the British Board of Education (Government of India Press, Simla, 1937) and the Report of the Wardha Education Committee presented to Mr. M. K. Gandhi (*The Harijan*, Poona, 11 December 1937) are illuminating.

plague, "fevers", dysentery and diarrhoea<sup>1</sup>. Of the "fevers", by far the most formidable is malaria, of which the Director of the Malaria Survey estimated that there were 100 million cases a year in India<sup>2</sup>, while hookworm (ankylostomiasis) also claims many millions of victims annually. Until recently it was believed that these diseases were endemic in tropical countries and constituted a source of death and debility, which could not be combated effectually. Modern hygiene has entirely exploded this belief. The experience of Malaya and the Netherlands Indies has shown that all these diseases can be greatly reduced, even if they cannot be entirely stamped out, by the expenditure of sufficient money and by organisation on the right lines. It has also shown that their subjugation has an enormous influence in increasing labour efficiency and reducing labour costs. Surveys have also shown that tuberculosis has increased rapidly during recent years, and is now causing a heavy mortality, particularly in the urbanised and industrialised areas. It is active not only in the overcrowded urban centres, but also in various groups of the rural population where there exists a high degree of susceptibility to attack<sup>3</sup>. Diseases such as these constitute a reliable index of the standard of life of the population among whom they are prevalent; they spread rapidly among under-fed and badly-nourished populations, and the wide occurrence of typical "deficiency" diseases, such as rickets and night blindness, shows that dietetic insufficiency or unsuitability is one of the causes of the poor physique of the Indian.

These facts are of course perfectly well known in India. As one recognised authority has put it, "if the laws of health were regarded in India to the same extent as in England and the same proportion of money was spent on public health, the death-rate in India would be no larger than in England"<sup>4</sup>. The Industrial Commission, which reported twenty years ago, urged the imperative necessity of improving the health and housing of the industrial population. "The problem, not only on moral grounds but also for economic reasons, must be solved without delay, if the existing

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<sup>1</sup> *Annual Report of the Public Health Commissioner with the Government of India*, 1935, Vol. I, diagram facing p. 20.

<sup>2</sup> *Ibid.*, 1934, Vol. I, p. 59.

<sup>3</sup> *Ibid.*, 1935, Vol. I, p. 2.

<sup>4</sup> Lt.-Col. C. L. DUNN: "The Economic Value of the Prevention of Disease", *Indian Journal of Economics*, January 1924.

and future industries of India are to hold their own against the ever-growing competition. . . . No industrial edifice can be permanent which is built on such unsound foundations as those afforded by Indian labour under its present conditions " <sup>1</sup>. In the plantations of Assam a good deal has been done to eliminate disease with the same good results as in Java, Malaya and Sumatra; but the importance of health as the essential foundation of efficiency has not been so fully grasped in the industrial areas. It is true that employers have made some contribution to better housing, which is the root of the health problem, by erecting lines or tenements in Ahmedabad, Bombay, Calcutta, Cawnpore, Delhi, Madras and elsewhere, while the Tata Iron and Steel Company have set up something like a model city at Jamshedpur with a large hospital, canteens, recreation centres and so on. Admittedly, the housing erected by employers varies considerably in quality. By no means all of it is on the standard set by the Buckingham and Carnatic Mills at Madras, by the British India Corporation at Cawnpore or by the Delhi Cloth and General Mills at Delhi. It may be said, however, with a good deal of confidence that the worst one-room blocks constructed by employers are far superior to the slums which municipalities tolerate. In every industrial city back-to-back lines, which are by no means ideal, compare favourably with the collections of tumbledown corrugated iron sheds or leaky insanitary mud-huts permitted by some municipalities. It is argued, no doubt truly enough, that many prejudices have to be overcome in India (as in most other countries) before hygienic modes of living can be inculcated. It is also evident that without better nutrition, a subject to which the Government of India is now devoting a good deal of attention, hygiene alone is not enough to check the ravages of tuberculosis and other diseases. But wherever a real effort has been made to provide better housing or to spread the knowledge of hygienic living, it has been reflected in the health, happiness and output of the workers. The connection between the two is so obvious as to need no emphasis, and yet it is astonishing to find how seldom any attention is paid to the health factor when the efficiency of the Indian worker is discussed. Even those vices so often alleged against him—addiction to drink and opium or even plain laziness—may be traced back ultimately to his poor physical condition. Every credit must be given to the many far-sighted and public-spirited employers who have made

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<sup>1</sup> *Report of Indian Industrial Commission (1916-1918)*, 1919, pp. 179-180.

a notable contribution by providing dispensaries, medical attendance, sick benefits, and in some cases private hospitals and maternity treatment. But valuable and necessary as such efforts are, the health problem is far too vast to be tackled by the employers alone, nor can they fairly be left with the main responsibility. With wages as low as they are, the obstacles in the way of establishing sickness insurance on European lines are considerable, though nowhere is it more needed than in India. The Whitley Commission outlined a scheme adapted to Indian conditions. The Province of Bombay is trying to work out another. It is by experimental attempts of this kind, by trials, however full of errors, rather than by inaction that the problem will be solved, and in such attempts the State is alone qualified and equipped to take the lead. In the course of their masterly survey of the whole question the Whitley Commission (Chapters XIV and XV) sum it up concisely and completely in these words: "Expenditure on public health, besides yielding an immense return in human happiness, is bound to produce great economic advantages. There are few directions offering such great opportunities for profitable investment on the part of the State. The economic loss involved in the birth and rearing of great numbers of children who do not live to make any return to the community, in the sickness and disease which debilitate a large proportion of the workers and in early death, with the consequent reduction of the earning years, is incalculable. Even a small step in the prevention of these ills would have an appreciable effect in increasing the wealth of India; a courageous attack on them might produce a revolution in the standards of life and prosperity. We feel that the time for inaction and delay is past and that, particularly in regard to housing, it is imperative that an immediate beginning should be made. To those who assert that India cannot afford to spend more on public health, we would reply that she can no longer afford to do otherwise" <sup>1</sup>.

#### THE STANDARD OF LIVING

Along with education and health, the outstanding question in India, as in the other countries of the East, is how can the standard of living be raised. In India, where the population is increasing at the rate of some thirty or forty millions every decade, this problem takes on a rather special aspect. For, as experience in

<sup>1</sup> *Report on Labour in India*, pp. 243-244.

other countries has shown, only when a people has attained a certain level of material well-being is adequate consideration given to control of reproduction. From a double point of view—to obviate the present misery and to ease the pressure of population upon resources—a rise in the standard of living is essential.

Fundamentally there are three main elements that tend to improve the standard of living: increased production; the exchange of goods to mutual advantage; and the distribution of income in such a way as to reach the poorer strata of the population. All three of these methods may be very briefly considered.

In the main, an improvement in the standard of living must depend upon increased production. India differs absolutely from the highly industrialised nations of the West in the manner in which this can be brought about. In the United States and other countries with massive capital equipment, the problem is essentially one of monetary purchasing power. The means to produce—men, money, materials and machines—are ready to hand, but from time to time they cannot be fully utilised because effective demand is lacking. In India the situation is otherwise. There is no great accumulation of wealth seeking investment, no massive capital equipment, no immense capacity to produce ready to spring into action the moment the necessary effective demand comes into operation. On the contrary, the capacity to produce, though large in the aggregate, judged on a *per capita* basis is meagre in the extreme.

To some extent this meagre capacity can and will be improved by increased industrialisation and by the growing efficiency of industrial labour. But, as already noted at various points in the foregoing pages, the crux of the situation is agriculture. India is a land of 700,000 villages, and directly or indirectly the overwhelming mass of the population depends for its livelihood upon the soil. It is because this livelihood is so scanty that the general standard of living remains low. Competent authorities estimate that by means of better methods of cultivation, such as the rotation of crops, the growing of green manure, the banking of land to prevent erosion, agricultural output could be improved a full 25 per cent. without any increase in capital expenditure. By other measures—use of improved seed, fencing, the consolidation of holdings—a further 25 per cent. could be added, at very little cost. From these and other sources there is the possibility of a marked amelioration in the standard of living of the great mass of agricultur-

ists. The advantage would not only be to the farmers. Such an improvement, it would seem, is essential to any further considerable advance in industry. Until the peasant is able to buy the products of the factory, there is not much prospect of any great increase in industrial output finding the necessary market. Furthermore, so long as the income of the agriculturist remains at its present low level there is a perpetual drag upon industrial wages. There is but slight possibility of securing Rs. 44 a month for factory workers, when in many places the income of a family working on the land barely amounts to that for a whole year. With an improvement in agricultural efficiency and income the foundation for an all-round improvement in the standard of living would be laid; and it is difficult to see how it can be done otherwise.

The second principal means by which living standards may be raised is by the exchange of goods to mutual advantage. India's foreign trade is considerable. In gold value it ranks eighth or ninth among the countries of the world. But the *per capita* value is exceedingly small—some 3.4 rupees of imports per head, as compared with nearly ten times that amount in Japan and more than fifty times in British Malaya. This, however, does not mean that India's foreign trade is unimportant. On the contrary, it indicates rather that there are large unexploited possibilities of raising living standards once the output of India and its absorptive capacity have been increased.

The third means by which the standard of living may be improved is by making it possible for a larger proportion of the total national dividend to go to the poorer sections of the population. This opens a wide field which cannot be explored here. But in one particular direction there is scope for immediate action. This consists in the reduction of indebtedness and the provision of cheaper credit to the agriculturist. Agriculture by its very nature needs credit facilities to carry the peasant over the crop cycle and to provide the minimum of farm equipment. For the great mass of the cultivators the village moneylender is the only recourse. The peasant has little security to offer and a by no means unusual charge for loans is at the rate of one anna per month for every rupee lent, which comes out to interest at 75 per cent. per annum. The attempt made in recent years to furnish agricultural credit along co-operative lines has so far done no more than scratch the surface, only some 3 to 5 per cent. of the credit required being provided through this agency. These two questions of the reduction of indebtedness and the provision of credit to those on the land are preoccupying most

of the Provincial Governments at the present time. Upon their solution depends very considerably any immediate hope of raising the standard of living by a more equable distribution of income.

The problem of bringing about the essential improvement in the standard of living is thus open to attack from a number of angles. But underlying them all is the need for education in its broadest sense. It has been said that education should have a threefold aim: to get a living, to live a life and to mould the world. For the thousands of years over which its history and literature extend, India more than any other country perhaps has borne in mind what many of the Western nations have forgotten: that an essential aim of education is to enable a man to live a life. It needs now to emphasise that part of education designed to help a man to get a living. How rapidly and how completely it can do this will go far towards determining the part it plays in the third and final aim of education: to mould the world.

## CHAPTER II

### FRENCH INDIA, CEYLON AND MALAYA

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In this chapter it may be convenient to group together three colonial territories in spite of the wide divergencies between their economic, political and ethnological structure. All three, however, have one important point in common, namely, that almost the whole of their economic development has been due to European capital and enterprise. They therefore afford interesting examples of the effects of modern industrial ideas upon Eastern conditions.

#### FRENCH INDIA

The French establishments of India comprise five settlements in different parts of the country with a population estimated in 1935 at 282,000. Of these, by far the most important is the province of Pondicherry, which comprises about two-thirds of the inhabitants of the colony. The town of Pondicherry, which is the capital, is agreeably reminiscent of Paris in the 18th century and contains the principal industrial enterprises of the colony, of which three cotton mills employing about 10,000 persons are the most important. Until 1936 the regulation of labour in the French establishments of India was limited, in the words of the Minister of the Colonies, to "elementary measures for the health and safety of the workers and the protection of women and children. These provisions have proved themselves inadequate and no longer respond to the needs created by the development of industry in the colony and to the legitimate aspirations of its working population. It appeared accordingly that the evolution of the working class in these territories entitled it to claim the benefit of the social reforms carried out in the mother country"<sup>1</sup>. Considerable unrest manifested itself in Pondicherry, which it may be supposed

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<sup>1</sup> "Report of the Ministry of Colonies to the President of the French Republic", Paris, 6 April 1937. *Journal officiel des établissements français dans l'Inde*, 15 May 1937.

was partly a reflection of events in France and partly the outcome of the industrial and political disturbances which had troubled British India during the previous years. A number of strikes occurred, sometimes resulting in serious violence. In the winter of 1936 the French Government sent Mr. Justin Godart to investigate the conditions in the colony, and as a result of his mission a Decree was issued on 15 May 1937, establishing a Labour Code for the colony, a Code more elaborate and more advanced than can be found in any other territory in the East. Its principal features may be briefly noted. The payment of wages was carefully regulated. The employment of children under 14 in factories and workshops and of juveniles under 18 without a medical certificate was prohibited. Hours of work were limited to 9 per day until 1 January 1938, and to 8 per day thereafter. This provision has been applied to the textile and building industries, the two principal industries of the colony, by subsequent regulations of a detailed character. Night work was prohibited between 9 p.m. and 5 a.m. in factories and workshops without special permission of the Governor, while women and juveniles under 18 could not be employed between 6 p.m. and 6 a.m. Weekly rest was provided, special arrangements were made for maternity care, while regulations issued by a Decree of 6 August 1937 laid down comprehensive requirements as to cleanliness, lighting, ventilation and fencing in industrial establishments. Finally, recognition was granted to registered trade unions and a system of conciliation and arbitration on the model of the French law instituted. Where conciliation fails, two arbiters are required to be appointed by the parties concerned, or if they fail to agree, a third arbiter must be nominated, whose findings are signed by both parties.

This Code had only been in force for a few months at the time when the writer visited Pondicherry in December 1937, but it was evident that it had contributed substantially to reduce the tension which had previously existed. Nevertheless, a serious strike, mainly due to a question of dismissals, was still proceeding, which illustrates the point already made above that labour legislation is not by itself sufficient to prevent industrial unrest. In French India the same difficulties exist as in British India in regard to the relations between employers and workers. Trade unionism is still inexperienced and employers view it with considerable reserve. Moreover, the same need exists for careful control on the part of the employer of matters such as engagement and discharge, if the abuses resulting from the

activities of native foremen are to be avoided. It would be too much to expect that such an advanced Code as that now operative in Pondicherry could be introduced and applied in its totality without difficulties arising. It attempts for the first time to apply strict provisions in establishments where little regulation had previously existed. It is not surprising therefore that problems have been encountered and that time should be necessary to allay the unrest which previously existed<sup>1</sup>. A bold experiment is, however, being made in French India as in Indo-China, the results of which deserve to be followed with sympathy and attention. It may be anticipated that when the initial difficulties and misunderstandings have been removed, it will be found that great improvement has taken place in the working conditions prevalent in the colony, resulting in greater contentment among the workpeople and better relations between them and their employers.

It is, however, impossible to judge the results of French colonial administration or the great efforts which have recently been made to improve the conditions of the people in all the French colonial territories by reference to the establishments in India. Unfortunately through lack of time the writer was prevented from accepting an invitation from the French Government to visit Indo-China. This extensive territory, three times the size of the United Kingdom, with a population of over 22 millions, is of especial interest and importance at the present time by reason of the recent application of a labour code, applying to native workers as well as to Europeans. The Office has, however, just published a comprehensive report on social conditions in that colony<sup>2</sup> which furnishes many interesting points of comparison with the Netherlands Indies and Malaya and without which no attempt to draw a picture of the results of European economic enterprise in the East can be regarded as complete.

### CEYLON

Throughout its history Ceylon has been famous for its natural beauty and its precious stones, but its economic importance is mainly due to the scientific cultivation of tea, coconut-palms and rubber during the last hundred years. These products, which are

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<sup>1</sup> See speech by Mr. Crocicchia, the Governor, at the opening of the General Council, 20 November 1937. *Journal officiel des établissements français dans l'Inde*, 27 November 1937

<sup>2</sup> INTERNATIONAL LABOUR OFFICE: *Problèmes de travail en Indochine*. Studies and Reports, Series B, No. 26. Geneva, 1937. An English version of the study will be available in the autumn of this year.

for the most part grown under plantation conditions, are the principal source of wealth of the island, though rice is extensively raised for home consumption and various other crops such as cocoa, cinnamon, citronella and tobacco are produced in smaller quantities. The total population of the island, which is about equal in area to Belgium and the Netherlands together, is under 6 millions (5,312,548 in 1931).

Until recently the Ceylonese confined their activities almost exclusively to agriculture, preferring to live on their smallholdings or on "share-cropping" rather than to work on the plantations or in the towns. Hence the estates were mainly dependent on immigrant labour from Southern India, which offers an inexhaustible recruiting ground owing to its abundant population. The higher wages and higher living standard in Ceylon offer an inducement to Indians to immigrate, of which they have readily availed themselves<sup>1</sup>. The extent to which Indian labour is employed is known exactly for the plantations but can only be estimated for other occupations. At the end of 1936, 659,000 Indian workers and their dependants were located on the estates, while about 200,000 were outside the estates. Out of 82,000 persons employed by Government departments, municipal bodies and in industrial or commercial occupations covered by a special survey, 24,000 were found to be Indians. As long as the Ceylonese were able to get a living on the land and the economy of the island was expanding, no great objection was raised to Indian immigration. As the joint result of the growth of the population and the effects of the depression, however, large numbers of Ceylonese are no longer able to earn their livelihood on the land and unemployment has made itself felt. As the export of tea and rubber is now restricted under international agreement, no further considerable development of estates may be anticipated in the near future. It follows that the surplus agricultural population can only be provided for either by opening new areas for agriculture by irrigation and other methods or by finding employment on the estates or in the towns. In the absence of statistics it is impossible to make any estimate of the number of persons who can be properly regarded as unemployed,<sup>2</sup> but there is no doubt that unemployment is sufficiently

<sup>1</sup> Mr. Ormsby Gore reckoned that in 1927 real wages on the estates were 100 per cent. higher in Ceylon than the wages of rural labourers in Southern India. The Rt. Hon. W. G. A. ORMSBY GORE, M.P.: *Report on Malaya, Ceylon and Java, 1928*, p. 79.

<sup>2</sup> *Unemployment in Ceylon. Report of an Informal Committee to the Minister of Labour. 1937.*

felt to have become a social problem of some acuteness and would in all probability be considerably aggravated by another depression. This is evidenced by the fact that the demand for the restriction of immigration has become very vocal. The Ceylon Labour Party and other bodies have been urging this measure upon the Government with the result that an enquiry was recently instituted, and the organisation of a complete census of the unemployed is now proceeding.

It would be beyond the scope of this report to go into the details and difficulties of the immigration question. It has become additionally controversial owing to the passage of an Act by the Ceylon State Council excluding Indians from the village franchise, even when born in the island, an action which moved the Government of India to prohibit all emigration to Ceylon. The point of general interest lies in the fact that Ceylon is moving along the same path as India and Java, though its population problem is still very far from having reached the same degree of acuteness. Nevertheless, the first signs are beginning to appear which indicate that the existing standard of living cannot be maintained much longer on the old basis. That the existing standard is itself low is demonstrated by the admirable survey made by Mr. M. M. Wedderburn, the present Chief Secretary, in 1934 in connection with the proposal to introduce statutory poor relief <sup>1</sup>, and by the interesting reports issued by the Ministry of Labour, Industry and Commerce on the economic conditions of the country districts. Mr. Wedderburn's conclusions are no doubt applicable to other parts of Asia besides Ceylon. In his own words " investigation shows. . . that in the rural areas in Ceylon there is widespread poverty; that the way to combat this evil is to increase general prosperity by every possible means and at the same time to endeavour, with the assistance of the Health and Education Departments, to raise the standard of life among the village poor " <sup>2</sup>.

#### ESTATE WORKERS

As in Malaya, elaborate arrangements have been made between the Governments of India and Ceylon under the Indian Emigration Act, 1922, to safeguard the welfare of the Indian workers on the estates. Recruiting is organised and controlled by the Ceylon

<sup>1</sup> *Report on the Proposal to introduce Statutory Provision for Poor Relief in Ceylon.* Ceylon Government Press. 1934.

<sup>2</sup> *Ibid.*, p. 79.

Emigration Commissioner, who is a Government officer and who is also head of the Ceylon Labour Commission, an unofficial body maintained by the Ceylon Planters' Association. His headquarters are at Trichinopoly and he has a number of assistants likewise stationed in Southern India, including three medical officers. In Ceylon the Government of India maintains an agent, whose duty is to supervise the conditions of employment and to investigate complaints from the Indian workers. Penal sanctions and long-term contracts do not exist in Ceylon. A worker is free to leave an estate at any time on giving one month's notice. Until 1924 advances were made to workers, but these have since that date been abolished as liable to give rise to abuses. Every estate worker is entitled to 6 days' work in the week paid at the rate of wages fixed under the Indian Labour Ordinance, No. 27 of 1927. During the depression when production had to be drastically curtailed, this requirement gave rise to considerable difficulty, as employers were not always able to provide the requisite amount of work and wages, while being reluctant to discharge men where it could be avoided. In the view of the Indian Agent, "it must be said to the credit of the Superintendents that they . . . tried to do their best for their labourers in a difficult situation" <sup>1</sup>. With the return of normal conditions the strict enforcement of the Ordinance has been resumed. The legal minimum rates at the beginning of 1936 were from 41-49 cents per day (about 12-14 rupees per month in Indian currency) for men and from 33-39 cents for women according to the district. The working day is 9 hours, including a period not exceeding 1 hour for the midday meal <sup>2</sup>.

In respect of housing and sanitation, however, many estates are apparently still defective. In 1936, 21,844 out of the 70,181 rooms inspected in the lines were pronounced as below Government standards by the Medical Inspectors, while the sanitary accommodation was declared inadequate in 207 estates out of a total of 459 <sup>3</sup>. Malaria, hookworm and dysentery are still fairly common. In 1934 and 1935 a malaria epidemic swept through the island causing 2,209 deaths on the estates, and even in 1936, a more normal year, there were 114,013 cases on the estates, of which 419 proved fatal. The number of cases treated for hookworm was

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<sup>1</sup> *Annual Report of the Agent of the Government of India in Ceylon, 1936*, Government of India Press, New Delhi, 1937, pp. 5-6.

<sup>2</sup> *Administration Report of the Controller of Labour for 1936*, p. 25.

<sup>3</sup> *Annual Report of the Agent of the Government of India in Ceylon, 1936*. Government of India Press, New Delhi, 1937, p. 13.

311,856, but treatment was as a rule prophylactic rather than curative. That steady improvement is being made in the health of the estate workers may be judged, however, from the fact that whereas from 1924-1928 the death rate on estates was higher than the rate for the island as a whole, from 1929 onwards it has been consistently lower <sup>1</sup>. The Government maintains 70 hospitals and 107 dispensaries in districts where Indian labourers are employed, while the estates maintain 85 hospitals and 733 dispensaries <sup>2</sup>. As regards education, there were 653 registered schools on the estates attended by 39,647 children out of 72,858 children of school age, a proportion of 54.42 per cent <sup>3</sup>.

### INDUSTRIAL LEGISLATION

In Ceylon as in Malaya and the Netherlands Indies the labour problem has until recently been mainly a plantation problem. The vast majority of employed persons is to be found on the estates, and industry has not acquired any great importance. Nevertheless, about 347,000 persons are engaged in industrial occupations, including Government and municipal services. A great deal of attention is being devoted to industrial conditions, and a considerable volume of information is available with regard to them. In pursuance of Article 35 of the Constitution of the International Labour Organisation, legislation concerning the following Conventions has been adopted in Ceylon: Night Work (Women); Minimum Age (Industry); Night Work (Young Persons); Minimum Age (Sea); Unemployment Indemnity (Shipwreck); Workmen's Compensation (Agriculture); Minimum Age (Trimmers and Stokers); Medical Examination of Young Persons (Sea); Workmen's Compensation (Occupational Diseases); Equality of Treatment (Accident Compensation); Minimum Wage-Fixing Machinery; Forced Labour.

In consequence, women and female young persons under 18 may not be employed at night, while no child under 14 years may be employed in any industrial undertaking or on ships <sup>4</sup>. Although school attendance is compulsory between the ages of 6 and 14, sufficient schools are not everywhere available, which makes enforcement difficult. The Committee on Factory Legislation

<sup>1</sup> *Administration Report of the Controller of Labour for 1936*, p. 22.

<sup>2</sup> *Ibid.*, p. 25.

<sup>3</sup> *Ibid.*, p. 26.

<sup>4</sup> Ordinance No. 6 of 1923.

reported that many children were still illegally employed and recommended the extension of the inspection system<sup>1</sup>. Compensation is payable in respect of accidents, of specified occupational diseases, and of anthrax incurred by any workman employed on the estates, in industrial undertakings or on board ship under the Workmen's Compensation Ordinance of 1934, which is modelled on the Indian Act. This measure is now becoming generally understood and the number of applications is accordingly increasing.

The whole field of factory legislation was carefully reviewed in 1935 by the Committee referred to above, which made a number of far-reaching recommendations for the improvement of the protection of workers against accidents, disease, fire and structural defects. Their most important proposals related to hours of work, which are at present entirely unregulated except on Government work and on the estates. The Committee considered that if the spinning and weaving mills, where a 10-hour day was in operation, could not be successfully operated on shorter hours, it was "an indication that such a business is unfavourably situated in Ceylon and should be removed elsewhere". The Committee recommended a 9-hour day and a 50-hour week with overtime payment at the rate of 25 per cent. above the normal rate<sup>2</sup>. The Committee further proposed the restoration of the post of Chief Inspector of Factories and Mines with two or more assistants<sup>3</sup>. Since this report was presented, it has been under careful consideration by the Minister of Labour and his staff with a view to the framing of a Factory Bill. A first draft has already been discussed by the Executive Committee on Labour of the State Council, and an amended draft will come before the Council for adoption during the present year. It provides for an 8-hour day, a weekly rest-day, further restrictions on the employment of women, juveniles and children and for the ensurance of safety both as regards structural requirements and the fencing of machinery. If this Bill is adopted, it will do much to establish good working conditions in Ceylonese industry. In the preparation of this as of other measures adopted, the standards set by the Conventions have exerted considerable influence, as prescribing the method and setting the goal, even in matters where it is not immediately attainable.

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<sup>1</sup> *Report of the Committee appointed to revise the "Mines and Machinery Protection Ordinance" (No. 2 of 1896)*. May 1935. Ceylon Government Press, Colombo, pp. 7-8.

<sup>2</sup> *Ibid.*, pp. 9-11.

<sup>3</sup> *Ibid.*, p. 5.

Steps have also been taken for the registration of trade unions and the settlement of industrial disputes. Under the Ordinance of 1935 twenty-eight trade unions are now registered and the machinery set up by the Trade Disputes Ordinance of 1931 has been useful in preventing or settling industrial conflicts.

From this very summary account of the past and present activities of the Government of Ceylon in the social field it will be seen that a considerable effort has been made to deal with the labour problem on enlightened lines. There is no doubt that the new Constitution introduced seven years ago has had the effect of concentrating attention upon the social and economic problems of the island. Democratic institutions have once again proved their value in this connection. Moreover, a progressive spirit is very evident among Ministers and officials, which gives good promise for their success in meeting the economic and social problems with which the island is now attempting to deal.

#### MALAYA

Malaya is the geographical term applied to a peculiar collection of political units, comprising the British Colony of the Straits Settlements with its capital at Singapore, the four Federated Malay States of Perak, Selangor, Negri Sembilan and Pahang administered by their respective Sultans with the aid of a Federal Council and an Executive under the British Chief Secretary, and six Non-federated States whose Sultans have their own State Councils and a British Adviser. The variety of the constitutional relationships between these eleven units and the Governor on the one hand and between each other on the other hand naturally tends to complicate administration and to render uniformity of legislation difficult to maintain. It may, however, be said that broadly speaking the principal provisions regarding labour are applicable throughout the Malay Peninsula.

Until the end of the last century Malaya was of little economic importance. Its tin had been mined in a small way by the Chinese for centuries, but in 1870 the annual production amounted only to about 2,000 tons. Sugar cane, coffee, coconuts and other crops were planted without any notable success. It was only with the advent of the motor-car that a tremendous demand was created for tin, for which the peninsula had always been famous, and for rubber, for which it proved peculiarly adapted. From the beginning of the century onwards the mining of tin and the cultivation of

rubber have progressed with astonishing rapidity, so that to-day nearly half the tin and half the rubber of the world are produced in Malaya. By 1926 the exports of the country were valued at £147,000,000 and imports at £117,000,000, a total external trade greater than that of all the other British colonies put together <sup>1</sup>. The slump produced a disastrous effect upon the prices of both commodities, the production of which is now restricted under international control schemes; but recovery has largely restored the prosperity of the country.

That prosperity was not built up upon the labour of the Malays, who are able to earn all they need without undue exertion as small farmers and fishermen, but who do not take kindly to mining or plantation work. The planters and the mine-owners, many of whom are Chinese, had therefore to seek labour abroad, and proceeded to import thousands of Tamils from Southern India mostly for the rubber estates, of Chinese from Southern China mostly for the tin-mines, and some Javanese. The conditions under which this foreign labour was recruited and employed will be mentioned later; but these imported workers soon began to multiply and now actually outnumber the natives of the country. In 1935 it was estimated that there were 2,105,000 Malays, 1,772,000 Chinese, 638,000 Indians and 21,000 Europeans out of a total population of 4,611,000 <sup>2</sup>. Of the immigrants, the Chinese are by far the most active element. Mr. Ormsby Gore, the present British Secretary of State for the Colonies, went so far as to say that "it is to the individual enterprise, industry and thrift of the Chinese merchant and petty trader, the Chinese craftsman, the Chinese coolie and above all the small Chinese contractor with his "Kongsi" or guild that the great wealth and development of British Malaya are mainly due <sup>3</sup>". It follows that with so small a population in a country almost the same size as England and so richly endowed by nature, the standard of living is relatively high. Having an adequate revenue at its disposal, the Government has been able to develop health and education to a point attained perhaps nowhere in the East, except in Japan. Free education is provided in the vernacular for all Malays, both boys and girls, while generous financial aid is given to the vernacular Chinese and Tamil schools, of which there are about 1,200 in the country. The great

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<sup>1</sup> The Rt. Hon. W. G. A. ORMSBY GORE, M.P.: *Report on Malaya, Ceylon and Java*, 1928, p. 21.

<sup>2</sup> *Malayan Year Book*, 1936, p. 37.

<sup>3</sup> *Report on Malaya, Ceylon and Java*, 1928, p. 11.

majority of children are thus taught to read and write, and a cheap system of higher education enables them to pursue literary and scientific studies up to University standards. Thanks to the expenditure of large sums by the public authorities and the planters, the tropical diseases have been reduced to relatively small proportions. The considerable success of the anti-malarial campaign and the elimination of hookworm as a prevalent disease has largely changed the outlook for future generations. The combined progress of popular hygiene and popular education should enable the people of all races in Malaya to compare favourably with any other country in the East as regards intelligence and physique—a matter of no small importance for the future development of the country.

#### LABOUR ON PLANTATIONS

Almost since the rubber development began, the control of the importation of labour has been efficiently organised. More than thirty years ago the Department of Labour was constituted to ensure the observance of proper standards of employment on the estates, where the bulk of the labour has always been drawn from South India. In 1907 the Indian Immigration Fund was set up by statute under the management of a Committee presided over by the Controller of Labour and comprising representatives of the medical service, the planters and the Indians. This body, which is maintained by a compulsory levy on the planters, is responsible for the recruitment and transportation of Indian labour, which is subjected to various conditions and restrictions by the Indian Emigration Act of 1922. In addition, the Government of India maintains an agent in Malaya, whose duty it is to ensure that the agreements between the two countries as to recruitment, wages and conditions of work are duly observed. The whole question of recruitment is very carefully regulated to prevent exploitation by the kanganis (workers licensed to recruit new workers). It is, however, significant that a growing proportion of the estate workers come from India spontaneously without any recruiting pressure, in some cases paying their own travelling expenses. This is the result of the free labour policy pursued over the last thirty years. The contract system for unskilled Indian labourers was abolished in 1910. Penal sanctions were finally abolished in 1921 and 1923. The only exception was in respect of workmen recruited in Java under the Netherlands Indian Labourers' Protection Ordinance of 1908, which allowed contracts of 900 days' duration prescribing the rate of

wages and conditions and specifying the penalties, including imprisonment, to which the worker was liable in case of desertion or refusal to work. The continued need for penal sanctions does not, however, seem to have been felt in Malaya, for as far back as 1925 no Javanese were employed under this Act in the Straits Settlements<sup>1</sup> and only 819 in the Federated Malay States<sup>2</sup>. This Ordinance was repealed in the various Malayan territories in 1932 and subsequent years.

But although the labourer is under no contractual bond, his welfare is constantly supervised by the Labour Department on the one hand and by the Government of India on the other. The latter has, in fact, insisted upon conditions being guaranteed to Indian workers on Malayan plantations which are not applied to the plantations of Assam. Of these perhaps the most important is the fixing of a minimum wage in certain key areas for estate workers. In April 1937 the rate fixed was 50 cents for men and 40 cents for women. These wages compare very favourably with agricultural wages in the Presidency of Madras, from which the Tamils are drawn. Mr. Srinivasa Sastri, who conducted an official enquiry on behalf of the Government of India into the conditions of Indian labour in Malaya, found that as in the Netherlands Indies the housing of the workers is in transition, no new "lines" of the old type being now built but cottage accommodation being provided. He also found the medical arrangements satisfactory on the larger estates, though deficient on some of the smaller ones, and urged that the teachers and the premises for the schools provided on the plantations should be improved<sup>3</sup>.

Mr. Sastri's report, made after a thorough investigation, may be taken as showing that the conditions under which the Indian works on the estate have been brought to a satisfactory level. In the matter of health, housing, education and wages, his position has steadily improved over the last thirty years. A further step in the same direction is the spread of co-operative societies under the impulse of Government. There are now 253 societies with a capital of 4,200,000 Straits dollars<sup>4</sup>. The effect of thrift on the self-respect and social status of the workers is remarkable. The savings organisations, such as now exist on many plantations and in many of the big businesses in Singapore, afford them protection against the

<sup>1</sup> *Colonial Reports Annual*, Straits Settlements, Report 1925.

<sup>2</sup> FEDERATED MALAY STATES: *Annual Report of the Labour Department for 1925*.

<sup>3</sup> *Report on the Conditions of Indian Labour in Malaya*, pp. 7-10.

<sup>4</sup> Governor's Address to the Legislative Council, 1937.

moneylender, who is the bugbear of Indian existence, and the burden of debt under which the workers previously suffered has been greatly reduced. The Wage Earners' Administration Order has further contributed to discourage moneylending at exorbitant rates.

### LABOUR IN MINES

In the tin mines, where the workers are for the most part Chinese, supervision is probably less effective than on the estates where conditions are mainly determined by the agreement with the Government of India. It is true that the payment of wages, housing and health are subjected to Government inspection, but the contractor system with all its abuses is still almost universal and deeply rooted. The Government of the Federated Malay States is seeking to provide an alternative by its technical school, in which Asiatics can obtain training in mining and can thus qualify themselves for posts of supervision in the mines. In contrast to the plantations, no wage-fixing machinery exists for the tin mines. Much of the work is paid by results, a system which is favoured by the Chinese, who regard higher earnings as the reward for extra skill or effort as preferable to a fixed remuneration. At the same time, the lack of some method for adjusting wages is becoming felt. Serious strikes occurred at the end of 1936, because the drastic wage-cuts effected during the slump had not been restored, although the price of tin had risen very considerably. The Government succeeded in negotiating an agreement which provided for an increase of wages, but it is evident that some regular system of wage settlement is desirable if further troubles are to be avoided in the future. The Governor has emphasised "the great advantage that may be derived from negotiating with organised bodies of employees" and has announced the preparation of legislation to facilitate it<sup>1</sup>. In addition, an Advisory Committee on Chinese Labour has been set up for the whole of Malaya with functions similar to those of the Indian Immigration Committee in respect of wage-fixing but without statutory powers.

### INDUSTRIAL LEGISLATION

Until recent years there was little industrial activity in Malaya apart from the plantations, the tin-mines and the transport undertakings (railways, docks, tramways, etc.). Factories are now

<sup>1</sup> *Address to the Federal Council*, 3 November 1937, p. 7.

to be found in Singapore engaged in pineapple-canning, oil-pressing, engineering, sawmilling, the production of gum, sago, etc. The tin-smelting plant is the largest in the world. Finally, the naval and air establishments have now created a large avenue of employment under industrial conditions.

Though a fair number of Indians are employed, the bulk of the industrial labour is furnished by the Chinese, who are admirable skilled workmen both in wood and in metal. Wages are, of course, considerably higher than on the plantations, running from 80 cents to \$1.20 per day for men. Factories and workshops are regulated by a series of Labour Ordinances from 1923 to 1935, which have enabled a number of International Labour Conventions to be put into effect.

Reports from the British Government indicate that, in pursuance of Article 35 of the Constitution of the International Labour Organisation, legislation concerning the following Conventions has been adopted in Malaya: Night Work (Women); Minimum Age (Industry); Night Work (Young Persons); Minimum Age (Sea); Unemployment Indemnity (Shipwreck); Workmen's Compensation (Agriculture); Minimum Age (Trimmers and Stokers); Medical Examination of Young Persons (Sea); Workmen's Compensation (Occupational Diseases); Equality of Treatment (Accident Compensation); Minimum Wage-Fixing Machinery; Forced Labour.

Hours are limited to 9 per day, any excess being paid at double the normal hourly rate. No person is bound to work on more than six days in the week, but there is no statutory weekly day of rest. The fixing of such a day encounters opposition owing to the existence of four major religions in the Colony and to the preference, particularly among the Chinese, for irregular working periods rather than a rigid week. Though mines, plantations and factories, except Government establishments, usually work seven days a week, the average worker often does not average more than five days' work per week, if account is taken of the numerous religious feasts and holidays. Such opinion as exists in favour of a regular weekly rest-day is probably to be found among the employers rather than the workers. Women and children under 18 may not be employed at night. Children under 16 may not be employed in places where power-driven machinery is used and no child under 12 may be employed anywhere outside an estate. With Chinese workers particulars of wages, whether by time or by piece, must be affixed and any dispute may be referred to the Controller of Labour, whose decision is final. The truck system is prohibited and priority

for wages is secured in case of bankruptcy. Inspection is carried out in order to ensure sanitary and healthy conditions; but less attention seems to have been paid to safety. In most of the factories which I visited machinery and belts were unfenced, safety posters were entirely absent and little or no facilities for dealing with accidents existed. On the other hand, the Workmen's Compensation Ordinance of 1932 has on the testimony of several big employers whom I saw produced excellent results without any marked tendency to malingering. The administration is largely in the hands of Commissioners to whom workers can and do apply directly for advice or for the settlement of their claims without going through the formalities of a court of law. In case of bankruptcy, claims for compensation are given legal priority over other debts. This Ordinance has certainly tended to improve safety standards and to protect workers against accident without imposing any serious burden on industry.

A good deal has, in fact, been done to ensure reasonable conditions of employment in industrial establishments. Mr. Sastri suggested, however, that the interests of urban workers "do not receive from the Labour Department the same care and attention as those of estate labourers"<sup>1</sup>. Owing to the much smaller importance of industry as compared with rubber-growing and mining there is probably substance in this suggestion. Moreover, the division of inspection into Chinese and Indian departments, though justified on linguistic and other grounds, is apt to cause complications in the administration when Chinese and Indians are employed in the same factories. The existing Labour Code has, however, succeeded in preventing serious abuses and is now under revision with a view to the promulgation of a Factory Ordinance, which will promote a higher standard of health and safety in factories.

Unemployment is hardly felt at the present time<sup>2</sup>. As the country is in full development, the demand for labour tends to exceed the supply. This is particularly true of skilled labour owing to the increased demands of the naval and military establishments. The Government is endeavouring to meet the demand by organising apprenticeship and expanding the facilities for technical education, of which full advantage will certainly be taken by the population.

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<sup>1</sup> *Report to the Government of India on the Conditions of Indian Labour in Malaya*, p. 18.

<sup>2</sup> Since this was written, however, the reduction in the rubber and tin quotas has led to unemployment amongst plantation and mine workers.

The time has not been forgotten, however, when large numbers of Indians and Chinese were repatriated to India and China owing to the tremendous shrinkage of tin and rubber production during the depression. Unfortunately, the world is far from having reached a state of economic balance, and Malaya is primarily dependent on two products, whose market is mainly determined by the demand for motor-cars, particularly in the United States. The international restriction schemes have succeeded in creating greater security both for the planters and their workpeople. Nevertheless, the International Rubber Committee has been obliged to cut down the export of rubber from 90 per cent. to 60 per cent. of the basic quota in the last few months, while the price of tin declined from £311 per ton in March 1937 to £175 per ton in the last quarter of the year, which led to a reduction of the quota from 110 to 70 per cent. These fluctuations naturally make the problem of regular employment extremely difficult, and as the vast majority of workers are foreigners, they have little chance of gaining a livelihood except in the industries for which they were engaged. For this reason the conviction is growing that some form of settlement must be organised, particularly for the younger generation who have spent all their lives in Malaya and would be completely *dépaysés* if they had to go to India or China. As in Sumatra, where somewhat similar conditions exist, it may be found that the solution lies in a combination of subsistence farming (which needs far less time and labour than in colder and less humid climates) and plantation work, the ratio between the two varying with the state of the rubber market. Generally speaking, however, it may be said that Malaya is in a fortunate position. Owing to its natural riches, which are no doubt destined to further development, and owing to the outlay of considerable sums on health, education, housing and communications, the country can afford to its inhabitants a standard of living, using the term in its broadest sense, substantially higher than in most Eastern countries. Indeed, Malaya like Sumatra is an admirable example of what can be done to raise the level of civilisation in the East, when scientific methods can be applied on a sufficiently large scale to a country possessing a rainy climate, a fertile soil and mineral resources, and containing a population well within its capacity to provide not only with a bare subsistence but with the facilities for physical and cultural development.

## CHAPTER III

### THE NETHERLANDS INDIES

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The Netherlands Indies is one of the richest as well as one of the most beautiful areas in the world. Being endowed by nature with abundant rainfall and a soil which is largely volcanic, Java and Sumatra are islands of extraordinary fertility. To these natural advantages for agricultural production are added considerable mineral resources—oil in Sumatra and Borneo, tin in Banka and Billiton, coal in Sumatra and Borneo, and gold and silver in Sumatra, Borneo and Celebes. Under Netherlands administration these immense stores of raw material have been exploited not only in a highly scientific but also in a liberal spirit. Until the recent slump made some restrictions inevitable, foreign capital was encouraged and no hindrance was placed on exports or imports to or from any country in the world. Ten years ago Mr. Ormsby Gore, now Secretary of State for Colonies in Great Britain, stated that Java “certainly affords the most remarkable example in the world to-day of the application of science to the development of the tropics”<sup>1</sup>.

Although since that date Netherlands science has constantly advanced and Netherlands administration has certainly not deteriorated Java, and its sister islands have nevertheless suffered intensely from the depression, perhaps as much as any part of the world. Although prosperity is now returning, the texture of their economic life has been considerably modified and the general standards of the country have been lowered<sup>2</sup>. How is it that a country of unmatched fertility and exceptional resources developed and administered on a high level of efficiency and enterprise should nevertheless be exposed to such striking reversals of fortune ?

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<sup>1</sup> The Rt. Hon. W. G. A. ORMSBY GORE, M. P.: *Report on Malaya, Ceylon and Java*, 1928, p. 110.

<sup>2</sup> Public expenditure, for instance, was 515 million guilders in 1929 and 317 millions in 1936.

To answer this question fully would require a volume which would go to the roots of the social and economic troubles from which the world as a whole is now suffering, but it may nevertheless be worth while to sketch the outlines of a suggested reply.

### POPULATION AND PRODUCTION

In order to obtain the elements of the problem, it is necessary to give a few figures. The total area of the Netherlands Indies is 1,904,000 square kilometres, five times the size of Japan. The total population in 1930 was 60.7 million people, of whom 59 million were natives, 1.2 million Chinese and 240,000 Europeans. Its distribution was, however, extremely uneven. Whereas Java and Madura with an area about one-fourth that of France contained 41.7 million people, an average density of 315.6 per square kilometre, the population for the remainder of the islands did not on the average exceed 10.7 per square kilometre. The greater part of this population is illiterate (94 per cent. natives, 71 per cent. Chinese) and all but a small fraction (8.5 per cent. in Java and 5.2 in the Outer Provinces) live under rural conditions. Agriculture, either native or on the estates, is the predominant occupation. In Java the census of 1930 showed nearly 8 million engaged in the former and 960,000 in the latter, while 1.6 million were employed in industry, a term which comprehends not merely organised industry, of which there is little, but native factories and workshops engaged in the manufacture of native clothing, cigarettes, etc., under more or less primitive conditions. It will be seen from the above figures that the pressure of the population on the land is already very intense in Java. This problem is greatly exercising the administration of the Netherlands Indies, which is taking energetic measures to solve it. A good deal has been done to increase the area under cultivation by irrigation and other methods and to educate the native in the better use of the soil. It is not thought, however, that the situation can be met by these means. It is calculated that only about 300,000 hectares of new arable land remain in Java—enough to carry the increase of the population for three years. On the other hand, immense tracts of undeveloped land exist in the Outer Provinces. Anyone who has flown for hours over the virgin jungle of Sumatra becomes quickly aware of the vast extent of territory available. It should not be imagined, though, that this land is merely waiting for suitable tenants. Converting the tropical jungle into land appropriate for agriculture is long, arduous

and costly. During the next three years the sum of three and a half million guilders will be spent for preparatory work alone, more particularly the exploration of suitable land. Until that has been done colonisation is impossible. In Southern Sumatra the Government is already actively engaged upon this herculean task and is carrying on a comprehensive scheme of subsidised settlement. During the last seven years, some 65,000 Javanese have been established under excellent conditions on land recovered from the jungle, and it is calculated that if 150,000 persons mostly consisting of young families could be transferred to Sumatra every year, the annual increase of the Javanese population could be neutralised. The Government is not satisfied with the present rate of settlement and is seeking to accelerate it despite the heavy cost.

In addition to the emigration of farmer-settlers from Java, the island is also obtaining some relief from the departure of workers to the Outer Provinces either on their own initiative or under contract. The latter are mainly employed on the plantations on the East Coast of Sumatra, where a proportion of them tend to remain when their contracts have expired. In this area about 200,000 Javanese were found to be living outside the estates in 1930 and the number is probably larger to-day. On the other hand, these settlers and their children constitute a supply of free labour for the plantations, which they are already beginning to use. If the planters can obtain suitable workers on the spot, they will no longer require to import labour from Java at considerable expense. But it is evident that the more the estates can do without workers from Java, the less will they contribute to solving the island's demographic problem, which hitherto they have certainly done something to alleviate.

The other method by which the Government is trying to cope with the population problem is industrialisation. The progress of industry, to which reference will be made later, is less systematic and less rapid, but its importance and possibilities are being increasingly recognised as a means of relieving the pressure of population, which as in India is accentuated every year by the improvement of sanitation, the repression of tropical diseases and the reduction of infantile mortality. In the absence of an energetic Government policy for meeting the problem, the progressive lowering of the standard of life in Java would be inevitable despite the immense natural productiveness of the soil. Though no accurate statistics are available, it is freely stated that already a

decline has taken place during the last generation. However this may be, the difference between Central and Western Java on the one hand and the East Coast of Sumatra on the other is patent to the most casual observer. In the former the countryside is an unending village surrounded by its laboriously tilled little fields and groves, save where the plantations intervene, whereas in the latter villages are scattered and open spaces frequent. Java, in fact, is almost suburban in appearance, Sumatra entirely rural. On the other hand, the natives in Sumatra clearly enjoy a higher standard of living. Goods are rarely carried in tiny quantities with great effort for an exiguous reward on human shoulders as in Java, but are transported by bicycles, pony-carts and even motor-cars. The general appearance of houses and children and parents suggests a state of life above the harsh struggle for mere existence so characteristic of India and even of Java. The Netherlands Indies possess the necessary room for expansion and are using it to solve the population problem, of which the application of Western science to Oriental life has been the principal cause.

It is something of a paradox that the application of this same science to agriculture has created as many problems as it has solved. The danger for the future is not a shortage of any of the products which the East Indies produce so lavishly, but a glut brought about by the combination of the ingenuities of modern science with an already bountiful nature. Of this truth the case of rubber is the most striking, of which the Netherlands Indies supplied 36 per cent. of the world's exports in 1936. Until the slump the Government of the Netherlands Indies set their face against any attempt to depart from the old economic canons and to restrict production by international agreement. When the price of rubber fell from  $10\frac{25}{32}$  d. in 1928 to  $1\frac{11}{16}$  d. in 1932, there was, however, no alternative but international limitation of exports to save the industry in Sumatra as in Malaya from complete ruin. Something like stability has now been attained, at any rate for the time being, but only at the cost of drastic variations in the export quota. Between October 1937 and January 1938 it was successively cut down from 90 per cent. to 70 per cent, for the first quarter of the year and 60 per cent. for the second quarter, as the result of the decline in business and particularly of motor-car manufacture in the United States. And yet through the latest discoveries in the shape of scientific bud-grafting and tree selection, a well-run plantation in Sumatra and Malaya, if freed of all restrictions as to replanting, could quadruple its present output in the next 10 or 15 years. Unless undreamt-of

uses of rubber are discovered it is difficult to see how the adaptation of supply to demand will be effected otherwise than by continued restrictions.

But rubber is only one of many crops which have been successfully cultivated in the Netherlands Indies, as may be seen from the subjoined table. With the exception of sugar, the export of all these products was well maintained in relation to the world's totals.

SHARE OF THE NETHERLANDS INDIES IN THE WEIGHT OF THE WORLD  
EXPORT OF CERTAIN CROPS <sup>1</sup>

	1925	1929	1932	1936 <sup>2</sup>
	Per cent.			
Cinchona <sup>3</sup> . . . . .	92	94	91	90
Kapok . . . . .	79	73	81	77
Pepper . . . . .	72	69	76	92
Rubber . . . . .	36	30	30	36
Copra and copra equivalents	28	29	35	27
Agava . . . . .	15	22	27	22
Tea . . . . .	13	17	19	18
Sugar <sup>3</sup> . . . . .	10	11	10	2
Palm oil, kernels . . . . .	1	5	11	17
Coffee . . . . .	5	6	8	6

<sup>1</sup> *The Export Crops of the Netherlands Indies in 1936* (Bulletin No. 149 of the Central Bureau of Statistics, Batavia), p. 23.

<sup>2</sup> Provisional figures.

<sup>3</sup> Share in world production.

Owing to the disastrous fall in prices, however, their value contracted from 1,078,000,000 guilders in 1929 to 362,000,000 guilders in 1936. These figures are eloquent enough of the instability of agricultural prices, which was the most serious phenomenon of the depression. As a consequence of this decline in the value of exports, coupled with the cheapening of Japanese products resulting from the depreciation of the yen, extraordinary changes took place in the value of imports into the Netherlands Indies and the percentage drawn from the different countries.

The following table shows to what considerable extent goods from Japan replaced those coming from the great manufacturing countries of the West. This movement was especially noticeable for textiles. Whereas the percentage of textile imports from Japan was 30.8 in 1928 as against 52.7 from Great Britain and the Netherlands, it had risen to 83.1 as against 10.1 in 1934.

VALUE AND PERCENTAGE OF IMPORTS INTO THE NETHERLANDS  
INDIES <sup>1</sup>  
(000,000's omitted)

	1928		1932		1933		1934		1935	
	Gul- ders	Per- cent.	Gul- ders	Per- cent.	Gul- ders	Per- cent.	Gul- ders	Per- cent.	Gul- ders	Per- cent.
EUROPE:	496	50.5	145	39.3	113	35.4	102	35.1	97	35.4
<i>Netherlands</i>	197	20.0	58	15.8	39	12.4	37	13.0	35	12.8
<i>Great Britain</i>	120	12.2	36	9.6	31	9.7	29	9.9	24	8.6
<i>Germany</i>	105	10.7	28	7.7	24	7.6	21	7.3	21	7.8
ASIA:	350	35.7	183	49.6	175	55.0	157	53.6	144	52.5
<i>Japan</i>	94	9.5	78	21.3	99	31.0	93	31.9	83	30.3
<i>Singapore     and Penang</i> }	128	13.1	54	14.5	39	12.3	37	12.6	34	12.5
AMERICA	101	10.2	26	6.9	17	5.5	19	6.7	22	7.9
AUSTRALIA	26	2.7	12	3.3	10	3.2	10	3.3	8	3.1
AFRICA	5	0.5	2	0.6	2	0.7	2	0.8	2	0.7

<sup>1</sup> Adapted from: Dr. Cecile ROTHE: "The Economic Situation of the Netherlands Indies from 1928-1935". *The Asiatic Review*, January 1937.

Statistics might be cited showing a similar if less marked development in Malaya and Ceylon.

These figures could no doubt be interpreted as affording a striking illustration of the menace of Japanese competition to European industry. Yet such an inference would only be partially true. Owing to the tremendous shrinkage in the value of the exports of the Netherlands Indies, it was impossible for the colony to purchase anything like the same quantity of goods, whether from Europe or elsewhere, as in times of prosperity. In any event, therefore, whether Japanese industry had existed or not, there would have been a drastic reduction in the imports from Europe. But as Japanese articles were cheaper, they inevitably took the place of more expensive European goods. Whatever disadvantages may have resulted for the European manufacturers and the European workmen whom they employed, there is no doubt that the ability to purchase Japanese goods at prices within the reach of their reduced buying power was a great boon to the native population. It was thus enabled to maintain its standard of living to an extent which would not have been possible had it been dependent on European sources for its textiles, bicycles, tyres, umbrellas and other articles. For this reason the influx of Japanese goods was

at first approved by the authorities, but in 1933 the Crisis Import Ordinance was brought into force regulating about 40 per cent. of the total imports of the islands. Its announced purpose was to aid manufacturers in the home country to maintain their position against Japanese competition, to serve as a bargaining weapon for securing reciprocal trade agreements and to protect and encourage the development of domestic industries.

The last of these objects may perhaps be regarded as the most important. Before the depression industry had only been very slightly developed, but the combined effects of the tremendous loss of exports caused by the slump and the need for finding employment for a rapidly growing population induced the Government to take active steps to promote industrialisation. Its main effort was to stimulate small industrial undertakings for supplying the local market with such articles as glass, earthenware, bicycles, toys, rubber articles, etc. At the same time, however, the establishment of large-scale enterprises has by no means been discouraged. Great firms like Unilever, General Motors, the Goodyear Rubber Co., the National Carbon Co., have started plants in Java, and there is no reason to suppose that other similar enterprises will not take root in the near future, as the capacity of Javanese labour to adapt itself to industrial conditions becomes increasingly evident. A special effort is, however, being made to develop the textile industry for which there is a very considerable market in the Islands. In 1934, the native industries already produced woven and batik goods to the value of 18 million guilders. In the following year about 12,000 textile workers were employed in Java, while 6,000 handlooms and 700 power looms were in operation. The Java Textile Company has now been established and is expected to employ eventually about 10,000 workers<sup>1</sup>. In the same way, the tobacco and chemical industries are also being developed, and in time it may be expected that Java, like so many other parts of the world, will tend to become increasingly self-sufficient for its primary needs. Though as yet still on a modest scale, industrialisation has become established in the Netherlands Indies as in Japan, India and China. It represents one of the methods of dealing with the population problem and of increasing the standard of living of the native population. Its future expansion is therefore not only inevitable but desirable. Though it entails serious

<sup>1</sup> Geertrui M. van EEGHEN: "The Beginnings of Industrialization in Netherlands India". *Far Eastern Survey*. American Council: Institute of Pacific Relations. 9 June 1937, p. 131.

disadvantages for European manufacturers who have been accustomed to supply the Netherlands Indies in the past, its ultimate economic advantage both to the colony itself and to the rest of the world can hardly be doubted.

### LABOUR CONDITIONS

Having roughly sketched the economic structure of the Islands, some impressions may be given of the labour conditions under which they are being developed. Broadly speaking, the working population may be divided into three categories: firstly, the agriculturists working in the villages either on their own holdings or for other cultivators, who form the vast majority of the population; secondly, workers employed on the estates; and thirdly, workers employed in industrial occupations. Agricultural conditions as such fall outside the scope of this report. It may, however, be remarked in passing that great efforts are being made by the Government, with a considerable degree of success, to raise the output of the native cultivator by teaching him scientific methods. Care has also been taken to prevent the permanent alienation of land from the natives, a policy which has undoubtedly been of great benefit to them and to the island generally. But interesting and important as the study of the agrarian problem undoubtedly is, attention must here be confined to the workers employed on the estates and in industrial occupations.

It is characteristic of the Netherlands Indies, as it is of Ceylon and Malaya, that labour regulation was first introduced to prevent the exploitation of the workers on the estates in the Outer Provinces. Until very recently official attention has been limited to them, with the somewhat paradoxical result that at the present time the conditions of employment on the estates are carefully regulated and controlled by Government authority, whereas there is little legislation for the protection of workers employed in building, docks, factories and workshops. Indeed, it may be said that apart from the fact that he is working under contract and is not therefore free to leave his employment, the estate worker in the Outer Provinces enjoys considerably better conditions in respect of health, housing, hours of work and security of wage payment than is usually the case for the industrial worker.

### ESTATE WORKERS

Labour regulation may be said to have begun in the Outer Provinces in the year 1880, while in 1904 the Labour Inspectorate

was created to prevent abuses which had come to light on some of the estates on the East Coast of Sumatra. Practically the whole of the labour employed in Sumatra was recruited in Java or China under contract for three years, at the end of which time the workers were entitled to be repatriated at the employer's expense. As the cost of recruitment and transport was considerable, the Government allowed these immigrant workers to be engaged under contracts which provided for penal sanctions, that is to say, they were liable to arrest and punishment in case of breaking their contract or leaving their work. As a counterpart, however, they were protected by a series of provisions prescribing their conditions of living and employment and enforced by the Labour Inspection Service. This system continues at the present time, but in recent years it has undergone considerable modification. By an Ordinance of 25 February 1931, provision was made for the progressive substitution of labourers under free contract for labourers under penal sanction, while a further Ordinance of 10 October 1936 is designed to bring about the almost complete disappearance of the penal system not later than 1946. As a matter of fact, the number of labourers employed under penal contract has already been reduced to small dimensions. In 1935 only 16,636 labourers, or 6.4 per cent., were so employed out of a total of 259,290. On all the estates which I visited penal sanctions had completely disappeared, and managers were unanimous in stating that good rather than bad results had followed their abolition. While some maintained that criminal penalties were still necessary to keep workers to their contracts when engaged in the rough work of clearing the jungle, others who had had experience of clearance work considered that it could be done at least as well by free labour. The necessity of the penal sanction system may therefore be regarded as being disproved, and it is in any case doomed to disappearance. It has been found in the Netherlands Indies as in Ceylon and Malaya that estate work can be performed as well, if not better, by free labour, provided that reasonable conditions of employment and remuneration are provided. In other words, the ordinary economic incentives operate in Asia as in the rest of the world with the result that the plantations are now endeavouring to make their service sufficiently attractive to secure all the labour they need. In this they appear to have been successful, at a cost which has not proved by any means uneconomic.

The principal conditions of employment, namely, health, housing, hours of work and remuneration, are all regulated by Ordinance in the case of workers under penal sanction and to a

lesser extent in the case of free workers. Of these perhaps the most important of all is health. Until 50 years ago the population of the Netherlands Indies, as of all other tropical regions in Asia, was exposed to the ravages of the endemic diseases—dysentery, malaria, hookworm and smallpox. When hundreds of workers and their families were housed at close quarters in coolie lines on estates, the morbidity from these diseases became extremely high. It was therefore natural that from the institution of labour regulation in the Outer Provinces considerable attention should have been paid to the health of the workers. In the case of those employed under penal sanctions, the employer was and is still obliged to provide free medical treatment and nursing, including the necessary medicaments and dressings, in a suitable hospital for the worker and his family. While the worker is in hospital, not only he but his family are entitled to food free of charge. Though the free worker is not entitled to all of these benefits, he nevertheless enjoys them in practice, as the system which operated during the penal sanction period has now been continued on most estates, even though no workers are now employed except under free contract.

Although such legal provisions exist, it would be a mistake to suppose, however, that official pressure was the only, or even the most powerful, agent in bringing about the immense improvement in the hygienic conditions that have been effected during the last 40 years. In the last decade of the 19th century employers had generally come to realise that apart from any humanitarian considerations a solution of the health problem was essential if the estates were to be profitable. At that time the death rate among labourers on the estates of the East Coast of Sumatra was as high as 74 per thousand per annum, but by the systematic efforts which have been made by the Health Organisation established by the planters' associations, tropical diseases have been either completely stamped out or reduced to insignificant proportions, with the result that the death rate of estate workers is now less than 8 per thousand. No one can fail to admire the thoroughness with which the medical services on the estates are organised and administered on the East Coast of Sumatra, nor can their economic value be doubted for a moment. It is calculated that although their health services cost the planters' associations about 1,357,000 guilders per annum per 100,000 workers, they have nevertheless reduced their labour costs by about 670,000 guilders per annum per 100,000 workers. That a worker should produce more when he is well than when he is sick is, of course, a self-evident proposition,

but it is one which employers often fail to recognise even in Europe. In tropical countries efficient production was out of the question until hygienic conditions had been established. This could only be done by the expenditure of money, first on research and secondly on the prophylactic measures which research had discovered to be effective. The amazing progress made in tropical medicine during the last two generations has been put to admirable use on the estates in the Netherlands Indies and is kept up to date on the East Coast of Sumatra by the pathological laboratory which is maintained by the two planters' associations at Medan at a cost of about 100,000 guilders annually. As a result, the working population which was previously ravaged by disease is now probably as healthy as many working populations in Europe. This result does immense credit to the foresight of the planters and to the efforts of the Government of the colony to protect the workers.

It is a somewhat curious anomaly that health conditions should be better in the Outer Provinces than in Java. In the latter the employers are not subjected to the legal requirements which have been applied for the protection of the health of the immigrant worker in the Outer Provinces. This is partly explained by the fact that on many of the plantations operations are seasonal and are performed by the local villagers. An obligation to provide medical assistance would therefore involve the provision of medical care for a large part of the local population. As a result, although workers resident on estates usually enjoy free medical treatment and hospital care, the general standard of hygiene on the estates is probably not so high in Java as in the Outer Provinces.

Closely allied to the question of health is the question of housing. Here too, the Government intervened to ensure the provision of suitable housing accommodation for penal sanction workers and their families. After five years they used to be entitled for any further period of employment to the use of a self-contained dwelling consisting of a separate or semi-detached cottage. It is significant, however, that although this provision has never been applied to free workers, employers are now substituting single or semi-detached cottages for the old coolie lines on most estates. It is reckoned that about 25 per cent. of the estate workers are now housed in cottages. In 1936 there were 12,164 one-family cottages, 15,339 for two families and 814 for three or four families. This policy has been generally adopted, because it is realised that the provision of good housing conditions induces workers to remain on the estates and

contributes to improve their health, efficiency and contentment. In Java and Madura, however, the employer is under no obligation to provide housing, though he frequently does so in order to keep a nucleus of good workers.

Hours of work, rest days and remuneration are also regulated by Ordinance in the case of the penal sanction worker. The length of the working day on the estates is 9 hours, and overtime rates are fixed by law at least 50 per cent. higher than ordinary rates. The manner in which wages are to be paid is stipulated in the contract the execution of which is strictly supervised by the inspectorate. Wages are required to be sufficient "to provide adequately for the normal necessities of life", and the cost of living is periodically established by the Inspection Service after careful enquiry into prices. At the present time, wages amount to 30 cents per day for men and 25 cents for women. In the case of free labourers the rates are 32 cents for men and 27 cents for women during their first contracts, while on re-engagement they become entitled to an extra 3 cents per day. It may be said therefore that in the case of penal sanction workers conditions of employment and remuneration are carefully controlled and supervised. As has already been said, their conditions tend to set the standard for workers under free contract. Legally, however, the latter are not afforded the same degree of protection. In some cases experience has shown such protection to be desirable and the revision of the Free Workers' Ordinance of 1911 is now under consideration with a view to affording them the same standards as those enjoyed by workers under penal sanctions. At present, however, it may be remarked that the free workers on the estates in Java are less favourably situated than those in the Outer Provinces. The depression forced them down to very low levels, so that on various estates in Central and East Java weeding was paid at the rate of 4 to 6 cents a day, plucking from 5 to 8 cents and sorting from 6 to 9 cents. On estates dependent on resident labour, on the other hand, wages were from 50 to 90 per cent. higher. At the request of the Government, wage-returns were made by the estates from October 1936, but the reports of the labour inspectors during the subsequent months showed little improvement in the rates of remuneration on most estates. Accordingly in September 1937 the Government circularised the planting community and suggested that wages should be improved, not merely to compensate for the increased cost of living but also to reflect the better situation which had resulted from the economic revival. Recently, the

Minister for the Colonies stated in the States-General that up to November 1937 a general increase in wages had taken place, amounting to as much as 25 per cent. for factory labour on the sugar estates; but as adequate figures of the cost of living are not available, the real importance of these increases cannot be estimated. At present the Government has no statutory power to determine minimum wage rates in Java nor is the necessary machinery available. Although the Java Labour Inspection Service, which was only instituted in 1930, exercises some supervision over the conditions of employment on estates as well as in industrial occupations, the number of inspectors is small and their work consists of suggestion rather than enforcement.

#### INDUSTRIAL LABOUR

As has already been pointed out, labour regulation in industrial occupations is still in a very early stage. The Government of the Netherlands Indies gave effect to the Conventions relating to the employment of children and the employment of women at night by an Ordinance of 17 December 1925, subject to certain reservations. Children under the age of 12 may not be employed in factories in which power-driven machinery is used, in workshops habitually employing more than ten persons, in construction work, on railways and tramways, and in the loading, unloading and transport of goods at docks, railway stations and warehouses, with the exception of transport by hand. Children under 12 are further prohibited from being employed between the hours of 8 p.m. and 5 a.m. or from lifting weights in excess of their physical capacity. Women may not be employed between the hours of 10 p.m. and 5 a.m. in the undertakings mentioned above, but an important exception is still legally permitted in the case of sugar factories during the sugar season, in fibre and cassava factories, in oil and palm oil factories and in the salt works in Madura. Employment of a specified number of women during the night may also be permitted by the Chief of the Labour Office under specified conditions in tea factories, coffee establishments, tobacco undertakings, rice husking mills, kapok cleaning establishments, firework factories and batik works. The tendency has been, however, to dispense more and more with these exceptions and exemptions in practice, so that they may now be regarded as obsolescent. The Government of the Netherlands Indies has also applied the Conventions relating to the age of admission to employment at sea, the employment of

young persons as trimmers or stokers, and the medical examination of young persons at sea. Employment in the tin mines at Banka and Billiton, where Chinese workers are mostly used, is also carefully regulated by Ordinances of 1927 and 1932, while some regulations have been issued for mines in general.

Apart from these provisions, however, there is no regulation of industrial employment. Hours of work are not limited by law and compensation for accidents, though it has been under discussion for some years, is at present unprovided. From the absence of legislation it should not be concluded, however, that conditions in the larger factories under European management are generally defective. In the works of the oil companies, the General Motors and Goodrich companies, and so on, the plants are operated under modern conditions, hours are not excessive and the general conditions of health and cleanliness are good. The same may generally be said of the factories on the estates, while some of the medium factories under Chinese management which the writer visited, though not up to the highest standard, were not open to serious criticism. On the other hand, in medium and small factories very long hours are apparently worked on occasions and the same is true, as in India, of the native workshops. The latter constitute a perplexing problem as everywhere in the East. It is very difficult to enforce standards of health and cleanliness, to say nothing of wages and hours, without imposing burdens which the fragile capital structure of such enterprises would not enable them to bear. It is evident that improvement can only be very slowly effected, but the whole problem is under the anxious consideration of the Labour Office in Batavia and it may perhaps be expected that some elementary regulations as regards conditions of health, housing, the payment of wages and the employment of children will shortly be introduced. It must, however, be emphasised that in Java as in India the pressure of a large and increasing population on the resources of the country renders the wages problem extremely difficult. In many small undertakings, such as nut-shelling establishments, batik shops, copra-drying houses, etc., eight hours work was sometimes not remunerated at more than  $1\frac{1}{2}$  or  $2\frac{1}{2}$  cents in 1935 and 1936. According to the report of the Labour Inspection Service, earnings were so low as to give rise to malnutrition and other evils. At the same time, the standard of earnings in the countryside is such that all the labour required can be obtained at very low rates, even in the native workshops where conditions are frequently very unattractive to a European eye. In such

circumstances, the establishment of a minimum wage of general application becomes extremely difficult because its enforcement would inevitably present an almost insoluble problem.

Finally, reference should be made to the Safety Service which has been in existence since 1852 and which has done admirable work in securing the prevention of accidents in factories. It deals not only with the inspection of boilers and steam-engines, but also with the enforcement of the Safety Regulations of 1910 applying to electrical installations, sugar refineries, and factories of various kinds involving dangerous processes. In every factory which the writer visited not only was machinery well guarded but safety posters in the native languages were conspicuously displayed.

#### PLENTY AND POVERTY

The very summary picture thus drawn of the social and economic situation in the Netherlands Indies furnishes the material for a partial reply to the fundamental question raised at the outset: how is it that an area as rich as this should nevertheless have a standard of living which, judged by Western criteria, is low?

Certain obvious factors at once suggest themselves. One is that until recently disease was rampant. Hale and enterprising human beings are the first requirement if a high standard of living is gradually to be built up, but only in the present generation has a healthy working force become available. Another is that although the area as a whole is not overcrowded, the population is exceedingly dense in Java where pressure upon the land is perhaps more severe than anywhere else in the world. Here again, action is being taken; but the full reward in the shape of higher living standards is only beginning to be reaped in a few areas in the Outer Provinces. A third reason consists in the relatively small amount of industrialisation so far achieved. This, there are grounds to expect, will proceed with increasing rapidity; but here, as in India, the high percentage of illiteracy is likely to prove a severe handicap, particularly in competition with a literate nation such as Japan.

These are all, as it were, domestic matters lying more or less within the competence of the area itself to correct. As already seen, the necessary action is to a considerable extent being planned and executed. But a further major cause of economic instability and social deprivation lies outside the power of any single country to remedy. So long as plantation products—rubber, sugar, tobacco, tea, coffee, palm oil, cinchona, kapok, copra, pepper, sisal—find

ready buyers among the other countries of the world, there is prosperity in the Netherlands Indies. When they fail to find buyers or have to be disposed of at prices which mean no more than a starvation living to those working on the estates, the colony, though it may be counted rich in resources, is in fact poor. The drop in prices of plantation products during the period 1929-1932 was nothing less than catastrophic. The quarter of a million tons of rubber exported annually from the Netherlands Indies fetched 10d. a pound in 1929 and less than 2d. in 1932. The 70,000 tons of tea sold at 0.75 guilders the half kilo in 1929 fetched only 0.28 guilders in 1932. Similarly throughout the whole list: the return on plantation products was reduced on the average to something like one-third or one-quarter of what it had been.

Fluctuations of these dimensions render orderly economic and social progress practically impossible. To meet them there are now the elaborate restriction schemes by which output can be diminished and the adoption of improved methods slowed down. That these represent the lesser of two evils cannot be doubted; but the fact remains that poverty will never be banished by reducing production and impeding increased efficiency. What is true of the Netherlands Indies is no less applicable to Malaya and Ceylon. The fundamental difficulty consists in the intermittent failure of effective demand for goods in general in the great industrial countries. This falling off in the volume of buying is felt with special severity by the producers of raw materials. They suffer not only from the actual diminution in demand for finished goods but also from the fact that, in time of depression, manufacturers draw upon their stocks in hand and for a while practically cease buying from the primary producer. It is these enormous swings from high to low in the economies of the great industrial countries that impoverish the plantations and with them all the countryside around. Prosperity in countries such as the Netherlands Indies, Malaya and Ceylon depends not only upon rich resources and efficient operation but also upon access to a steady market; and a steady market depends in the main upon the success achieved in the world as a whole in preventing the disastrous downward movement of business cycles. Until this has been done, at least in a larger measure than has so far been achieved, the ability to produce abundantly is liable to prove a dubious blessing.

## CHAPTER IV

### CONCLUSION

It would be tempting to draw some general conclusions from the foregoing summary descriptions of labour conditions in the five territories visited. The immense importance, both to themselves and to the rest of the world, of the industrial expansion of the last fifty years is beginning to be apparent to everybody. Not only has the East become one of the principal sources of the world's raw materials, but it is now rapidly acquiring the manufacturing skills. In Ceylon, Malaya and Sumatra, large numbers of workers, instead of snatching a precarious existence from the soil by primitive and outworn agricultural methods, are now engaged upon plantations which, directly and indirectly, have done much to raise the standards of health and of subsistence. In India the factory worker, though his wages, like those of the estate workers, are still very low by European standards, has likewise risen a step higher in the scale of living than if he had remained tied to his village. Even the traditional native methods of cultivation are slowly beginning to give way to the teachings of modern science. As a consequence, a great change is stirring Eastern society to its depths. The consciousness of misery has been created by the growing realisation that it is not the inescapable lot of the poor and that chances of a better life now exist. The immemorial passivity and fatalism of the Orient are beginning to yield to the desire for higher standards and the determination to acquire them. The rise of a trade union movement in China, India and Japan, the social programmes of the Congress Party in India, of the Social Mass Party in Japan, of the Kuomintang in China and of the Labour Party in Ceylon all bear eloquent witness to the changing outlook of Asia. This tremendous metamorphosis is still in its early stages. The transformation which it foreshadows will probably require generations for its accomplishment; but of its immeasurable

significance to the rest of the world there can be no question. It is perhaps the most revolutionary movement of our revolutionary age.

Unhappily, a visit to China, the most populous, and to Japan, the most advanced industrial and commercial country of the East, was prevented by the present conflict. Without some acquaintance with these two countries, no adequate picture of Oriental economic and social development can be drawn. If they are omitted, any conclusions must necessarily be of a partial and provisional character, more especially as the five territories visited have owed a great part of their economic expansion to European influences. Nevertheless, there are some tendencies which are evidently prevalent in all Asiatic countries in a greater or lesser degree and of which the five territories in question furnish abundant and not untypical illustrations.

It is clear that the introduction of industrialisation is breeding the same problems in the East as in the West, but against an Eastern background their order of importance appears in a different light. The Western mind is mainly preoccupied with questions of wage rates, working hours, unemployment, social insurance, protection against industrial accidents and disease, the safeguarding of women and children against exploitation, the organisation of factory inspection, relations between employers and workers, to which have been added in comparatively recent years the questions of housing, nutrition and vocational training. All these problems have already made their appearance over the Eastern horizon. As has been pointed out in the previous chapters of this report, factory inspection has been initiated, the need for ensuring health and safety in factories is being realised, the limitation of working hours is being introduced, compensation for accidents and industrial disease is spreading, the employment of women and children is being regulated. In Japan health insurance has been established on a national scale. In India it is attracting increasing attention. There is plenty of evidence that the existence of all these problems, which come to the surface as soon as industry takes root, is being appreciated and that they are being attacked. That the International Labour Organisation is making a substantial contribution to their solution is beyond doubt. The foregoing references to the application of Conventions denote the attention paid to them in all the countries mentioned, while in China and Japan similar progress is being made. Moreover, apart from the actual ratification of Conventions, the incipient labour codes of every Asiatic country bear plain traces of the inspiration derived from Geneva. Wherever

I went, I found Government offices well supplied with the literature of the International Labour Office, and Ministers and officials responsible for labour matters anxious to preserve and develop their contact with it.

Nevertheless, although there is a general endeavour to work towards international standards in regard to conditions of employment and a growing measure of success is being achieved, it would be misleading to suggest that these problems, important as they are, dominate the social consciousness of the East. They necessarily yield priority to the fundamental and interlocking problems of population, poverty, illiteracy and disease. The last three existed in Europe during the early stages of the industrial revolution. It is only within recent times that medical science applied by public health administration has eliminated some and repressed other chronic diseases. In the East the same process has begun, but as in the West its success depends to a large extent on the diffusion of education. Similarly, poverty in the West is being progressively conquered by greater production enabling a higher standard of living; but this again could not have been achieved without popular education. If illiteracy had remained as prevalent in England and France as it was in the days of Balzac or Dickens, the construction and manipulation of the intricate machines upon which so much of their present wealth depends would never have been possible. In the East the spread of education is in its infancy, except in Japan, which has drawn enormous benefit in respect of health and efficiency from her early adoption of compulsory schooling. But in addition to these three great enemies of progress—disease, ignorance and hopeless poverty—the East is confronted by a fourth problem in the shape of an overabundant population such as no European country has to face. Already the populations of China, India, Japan and Java are in excess of their available resources, if measured by any Western standard of life. The further increase which is bound to occur over the next twenty years can only be met by intensive measures to increase the yield of the land, to colonise unsettled areas, to exploit undeveloped resources and to enhance industrial production. In Japan, for instance, it is estimated that work and wages will have to be found for 400,000 additional workers every year between 1940 and 1950 and for 450,000 additional workers every year between 1950 and 1960. There is no room for these nine or ten million extra people and their dependants on the land. Already in 1930 every hectare of tilled ground in Japan supported 11 persons, as compared with

8.7 in the Netherlands and 3.0 in Italy<sup>1</sup>. The position in China, in India and in Java is similar. In the absence of complete statistics the exact population of China is uncertain, but that it is vast and that it cannot derive a sufficient living from the resources of the country as at present developed is hardly doubtful. The same is true of India, and it is noteworthy that even where huge tracts of territory have been opened up for cultivation by large-scale irrigation as in the Punjab, the relief to the pressure is countered in a decade or two by the tremendous fertility of the agricultural population. In Java there is reason to believe that the pressure upon the soil is the greatest in the world.

In these circumstances, it is inevitable that industrial wages should be low. The remuneration of the industrial worker is on a higher level than that of the agricultural worker almost everywhere in the world. The East is no exception to the rule. But though there is generally this margin between industrial and agricultural wages, it cannot be stretched beyond a certain point, particularly in countries where there is always a vast surplus of rural labour ready to press into the factories for any wage which will enable it to live. That is the characteristic Eastern problem, which, as matters stand, makes low-wage competition with the West inevitable. It is futile to suppose that minimum wages comparable to those ruling in Western Europe and North America could be set by law and enforced by the State. Evasion would be widespread and in some countries at least the extra money would probably find its way into the pocket of some foreman or intermediary instead of into that of the worker. Even if these difficulties could be overcome, there is the still more fundamental consideration that the agricultural workers would be totally unable to buy the relatively high-priced goods so produced. In other words, industrial wages and with them the living standards of industrial workers cannot anywhere exceed rural levels by more than a certain ratio; and the rural levels are depressed by population increase to a point where they afford only the barest subsistence.

What has been said so far may be usefully summed up at this stage. The East is emerging from the economic lethargy of past centuries. It is becoming industrialised and is rapidly increasing in efficiency. It is subject to a tremendous pressure of population upon resources. Its prevailing living standards are, and are liable

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<sup>1</sup> Cf. Ryoichi ISHII: *Population Pressure and Economic Life in Japan*, London, 1937, pp. 74-76.

to remain, relatively low by reason of the meagre *per capita* output of the agricultural population. This combination of circumstances contains dangerous possibilities. These have already been felt to some extent in the field of international trade. The East is manufacturing at prices attuned to agricultural incomes and in so doing appears as a menace to the great manufacturing countries of the West. The outstanding social and economic problem of the Orient, seen in its world setting, is how this difficulty can be resolved.

In the first place it may be well to point out that the so-called "menace" of Eastern competition is not so formidable nor so generally disastrous in its effects as is sometimes represented. The poor peasant of Asia—and even of Europe—naturally prefers the cheap products of Eastern industry because they are within the range of his purse. Their quality may not be so good but he can afford to buy them; whereas the more expensive products of Europe and America remain beyond his reach. In these circumstances some displacement of Western manufactures by those of China, India and Japan has necessarily taken place. But large numbers of people, and they among the poorest in the world, have greatly benefited from this possibility of buying some of the basic necessities of civilised life. Nor has this been entirely to the detriment of Western producers. The cheap products of the East are opening up new markets in the native populations. Cheap textiles, toys, bicycles, musical instruments, shoes and household goods generally are finding a new range of buyers. At the same time, this increased trade is improving the demand for raw materials, and helping to raise the standard of living of raw material producers generally. It needs to be remembered, also, that Eastern competition is not normally so fierce as the experience of the last few years would appear to indicate. The cheapness of Japanese exports, which made all attempt at equal competition impossible to the countries of the West, was due in large part to the extreme depreciation of the yen. During the great depression most manufacturing countries reduced the gold value of their currencies by some 40 per cent. or less. The yen was reduced by 66 per cent., thereby conferring a competitive advantage upon Japanese exports which had nothing intrinsically to do with their Eastern origin. Nevertheless, while it is true that Eastern competition, in that it opens new markets, is not so detrimental to Western interests as is sometimes imagined, and in any case has appeared during recent years in an abnormal form, there is a genuine difficulty involved. By reason of the excessive difference between the living standards of the East and

the West, coupled with the fact that, as Japan has shown, Eastern efficiency and enterprise can reach high levels, a situation of a type which has not heretofore arisen on any considerable scale has now to be worked out.

The closing of the economic gap between East and West is indeed one of the greatest problems of the present time. The process has already begun, but it can hardly be carried forward peacefully without some effort at international adjustment. As yet the West, aware only of the domestic difficulties caused by the influx of Eastern products into its markets and for the most part ignorant of or indifferent to the urgent dangers arising from the overpopulation and poverty of the Orient, is seeking to defend itself by quotas, tariffs and similar means. On the other side, the East, becoming daily more conscious of its own pressing economic and social troubles, is seeking to find outlets for its industry everywhere with little regard to the disturbance caused to the social equilibrium of Western countries. These methods of economic warfare are likely to defeat their own ends. Only through mutual co-operation and better understanding can a *modus vivendi* tolerable to all parties be gradually worked out and applied.

Clearly the only effective remedy is to raise living standards in the East. This may be expected not only to relieve the situation so far as international competition is concerned, but also to contribute to the solution of the problem of excessive population increase. There are only two known curbs for a growth in numbers in excess of the means of subsistence: one is that of "nature"—starvation, disease, infanticide and exterminatory wars; the other is urbanisation and higher living standards. Experience in the West has shown clearly that, consequent upon industrialisation, the rate of population increase slows down. In Japanese cities similar factors would appear to be already at work<sup>1</sup>.

In order to raise living standards the first requirement is to improve efficiency both in agriculture and in industry. This calls, among other things, for a direct attack upon illiteracy and disease. Once a beginning has been made here, experience has shown that productive efficiency progresses rapidly. But to increase output is only one of the elements in the problem. As already emphasised in the body of the Report, abundant production does not bring with it the assurance of prosperity. There must also be the possibility of selling the goods produced. It is here that the principal

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<sup>1</sup> *Op. cit.*, pp. 74-76.

difficulty arises. Industry in the East cannot depend solely upon the increased markets coming from the improved efficiency of its agriculture. For as rapidly as agricultural output expands, new mouths arrive to consume it; and the margin for the purchase of manufactured goods remains small. If standards of living are to be raised; markets for industrial products must be found abroad. For this reason, international trade is of especial importance in the social and economic development of Asia. So far, relatively little progress has been made. At present, the total value of international trade carried on by the 1,000 million inhabitants of the East is not appreciably greater than that of the United Kingdom, with less than 50 millions. Development in this field has become vitally necessary. Whether it is a question of finding markets for plantation products, of promoting industrialisation so as to provide work for those whom the land can no longer support, of attracting new capital, or of obtaining raw materials for industries already developed, commerce with other countries is essential to the East.

There is, moreover, the further requirement to which reference has repeatedly been made: if goods are to find a ready market the downward swings of business cycles in the great industrial countries of the world must be as far as possible eliminated. This is necessary for two principal reasons. In the first place, because otherwise the depression is passed on in an accentuated form to the producers of raw materials, resulting in the impoverishment of the plantations, of the mines and of all the country around dependent upon them. In the second place, and still more important, because in a world subject to intermittent deficiencies of demand, international trade and international investment cannot develop freely. In time of depression every nation of necessity seeks to protect its own producers, and the whole system of international trade is broken up in a vain attempt on the part of each separate country to deflect the disaster from its own shores.

The promotion of international trade and the prevention of industrial depression can do more than anything else to help the countries of the East to higher standards of living. In this evolution the West also stands to gain in the long run. It is true that there will be difficult and painful adjustments to be made. It is true also that Western countries will no longer benefit as in the past from such exceedingly favourable terms of trade, where manufactured goods were exchanged against relatively large quantities of raw materials produced by the cheap labour of the East. But losses such as these can be much more than compensated by the immense

advantage to be had if Western industry tackles the principal task before it at the present time: the elimination, if only partial, of industrial depressions. Furthermore, once there is a balance in the East between manufacture and agriculture, it is reasonable to expect that what has regularly occurred in the past when countries became industrialised will occur again here. The total amount of international trade available to each country will not be less but greater than before, by reason of the fact that a people with high standards buys more than a people whose standards are perforce low.

These, it would seem, are the central problems of the East in its progress towards higher levels of living, and these some of the means by which the difficulties likely to be encountered may be turned or overcome. Even so brief an analysis as that attempted here indicates how closely the countries of the world are linked together. The explosive force of population increase in Eastern countries is a danger not merely to the East but to the whole world. Conversely, the improvement of conditions of life in the Orient depends to a great extent upon an enlightened trading policy on the part of Western nations, and upon the success with which these nations are able to cope with business cycles.

When it comes to dealing with problems which, though highly important, are less general and fundamental than those just considered, the same interrelationship and interdependence is evident. It is impossible here to enter into these questions, but bare mention may be made of some two or three typical examples. One of the most discussed questions at the present time is the adaptation of the output of the plantations and mines to the effective demand for their produce. The violent fluctuations in the price of tea, tin, rubber and other products have produced two far-reaching consequences, one economic, the other social. On the economic side free competition has perforce been abandoned in order to secure some relative stability of prices by means of the international regulation of exports. Even so, wide and rapid variations in production are still taking place, with the result that estates tend now to be managed on factory lines—that is to say, changes in demand are met by increasing or reducing output rather than by adjusting prices. This procedure involves the same social consequences as in industry, where decline in production is reflected by unemployment. In the past, estate labourers were usually engaged on long contracts, which were little affected by the state of the market. In the future the problem of unemployment and

under-employment among plantation workers is likely to arise. What is true of plantations and mines in Malaya, Sumatra and Ceylon is applicable in a rather different way to factories in India. Formerly, unemployment was rendered less disastrous by the fact that the industrial worker could always fall back upon the village. In future, this is likely to become progressively less possible. In short, the countries of the East in the process of industrialisation are bound to meet many of the problems already encountered in the West and can learn much from the experience there gained; while at the same time the peculiar conditions of the East are likely to demand special adaptations.

Another question which repeatedly arises is the relation between foreign capital and the standard of living in colonial territories. Lack of capital and of capital equipment is one of the causes of Eastern poverty, and one of the greatest obstacles to industrial development. The accumulation of capital by the savings of the masses is only just beginning through the development of co-operative societies and provident funds. Even among the wealthy classes, investment in industrial or commercial enterprise is as yet comparatively rare, except in China and Japan. Gold and precious stones are still for the most part regarded as more secure and desirable forms of wealth than bonds or shares. Hence the introduction of foreign capital has been of immense service. Without it a major part of the new wealth now derived from mines, factories and plantations would never have been brought into existence, and the consequent improvement of the standard of living would not have taken place. On the other hand, a large proportion of the profits of foreign enterprise seems to have gone abroad, though the information available is usually not sufficient to enable any definite conclusions to be drawn.

Again, the question of Asiatic migration as a means of relieving the pressure of population has received little attention. The emigration of Indians to Ceylon, Malaya, East Africa and elsewhere has no doubt been of some assistance in this direction. The Chinese have spread all over the Pacific area. Japan has made repeated efforts to stimulate emigration, but even where no obstacle has been raised by foreign countries, the numbers leaving the country have not appreciably counteracted the increase in the population.

All these and other problems are not merely of Asiatic interest. More and more they affect the trend of world economics and world politics. They cannot therefore be regarded as devoid of international importance. For that reason an Asiatic Conference on

the model of that held two years ago in Santiago might be expected to yield valuable results not only from the standpoint of examining the specifically Eastern aspects of problems of industry and labour, but also of enabling the rest of the world to gain a better understanding of the social and economic conditions of the Orient. That, after all, is one of the principal tasks of the International Labour Organisation. A high percentage of international differences and conflicts, whether economic or political, springs from fears and suspicions bred largely of ignorance. Even a little knowledge is less dangerous than none at all. Though the journey to which this Report relates was too brief and too restricted to afford any comprehensive experience, it may be hoped to have dispelled some of the travellers' ignorance and to have given them an elementary insight into the social and economic realities of the countries visited. It will not, however, have served its real purpose unless it is the forerunner of more systematic efforts to create a better understanding of the Oriental problem within the International Labour Organisation. This can be done in various ways, but none is so effective as personal contact and ocular demonstration. It is to be hoped, therefore, that even if a conference on Eastern soil is for the moment impracticable, the Governing Body and the Office will take steps to ensure closer relations with the countries of Asia than have existed hitherto.

## Labour Problems in Indo-China

The I.L.O. has just added a further contribution to the study of labour conditions in Asiatic countries by the publication of the results of an enquiry into the situation in Indo-China, a country which has an old agricultural tradition, but in which French colonisation had introduced an industrial structure.

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The Labour problem properly so-called has as its corollary the problem of the handicraftsman and of the improvement in the standard of living of the peasant. The study of the I.L.O. stresses the benefits to be obtained in these fields by a properly conceived co-operative movement.

*The French edition of this study has already appeared and the English edition is in course of translation.*

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