The institution that came to be adopted in industrial management in colonial India almost universally by the end of the First World War had a pre-industrial origin. After the termination of the American War of Independence, many Europeans came to Bengal either as free merchants or under the free mariners' indentures in the 1780s. The British free merchants joined hands with the servants of the East India Company for the purpose of trading, and some of the Company's servants left their jobs for the sake of commercial pursuits. This collaboration resulted in the birth of European Agency Houses in Bengal, which made their profits in the usual course of trade by commission and by difference of interest in lending and borrowing money. It should be noted here that in the beginning the Agency Houses did buying and selling for others on a commission basis. But, later on, especially after 1793, they started independent trading, besides acting as agents for others. Some of the houses also entered into the domain of banking.¹

The wanton speculation, particularly in indigo, on the part of the big Agency Houses constituted one of the main factors responsible for their collapse in the early 1830s. This collapse did not mean the end of the agency system. A new system of commercial management replaced the old one slowly and steadily. It came to be known as the Managing Agency System.² Though the new system emerged as the dominant system of industrial management in course of time, there was no basic qualitative difference between the old agency system and the new one. The managing agents managed the industrial concerns on a commission

¹ S.B. Singh, European Agency Houses in Bengal, 1783-1833 (Calcutta, 1966), pp. 4, 6, 17.
² For details, see ibid., pp. 276-96, 303-304.
basis. Moreover, in addition to their industrial pursuits, they had other business interests. The fact that a system of commercial management emerged as the dominant system of industrial management in different parts of India over time bears testimony to the common mercantile mentality of entrepreneurs in colonial India. The typical nature of the managing agency firms, as noted by the Indian Industrial Commission (1918), is given below:

A characteristic feature of organised industry and commerce in all the chief Indian centres is the presence of the large agency firms...... In addition to participating in the export and import trade, they finance and manage industrial ventures all over the country and often have several branches in the large towns. The importance of these agency houses may be gauged from the fact that they control the majority of the cotton, jute and other mills, as well as of the tea gardens and the coal mines.

By the turn of the 19th century, joint stock companies became a part of Indian business life. In 1900-01, there were 1,366 registered joint stock companies in India. The number increased to 7,328 in 1930-31. Since the growth of the companies was not accompanied by a sense of business morality, many serious disputes took place between the shareholders and the managing agents of the companies in the 19th century. R.S. Rungta has noted in this context:

It is because of these disputes that we know today that even in the formative years of the managing agency system a close association of a company with an agency house whose business interests were many, and at times conflicting, had led to the abuse of powers, particularly when they speculated heavily in commodities.

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In spite of severe criticisms made by the public against the managing agents in the last century, the Managing Agency System remained the dominant system of company management during the inter-war years. It has been found that 75 per cent of the companies in India were managed by managing agency firms in 1935. The tradition of corruption practised by the agency firms continued in the present century. In 1927, the pioneer historian of the Bombay textile industry, S.M. Rutnagur, noted:

It cannot, however, be said that the industry is yet free from the evils of the Agency system. Instances of malpractices..... would still be found in certain of the Bombay mills whose agents think more of their own gain than the rights of the shareholders and the welfare of the work-people. The powers of the Agents have been misused even in recent times and costly and up-to-date machinery has brought early ruin to investors on account of the collapse that was bound to follow in the wake of greed and corruption.

Since the mercantile mentality of the entrepreneurs fitted well with the modus operandi of the Managing Agency System, the leading industrial entrepreneurs in India extended their support to the system at different points of time. Fazulbhoy Currimbhoy of the business house of Currimbhoy Ibrahim defended the system (in 1913) on the ground that "80 percent of the successful and flourishing industrial concerns are in the hands of firms of managing agents". In 1930, both E.C. Benthall and Victor Sassoon, senior partners of Bird-Heilgers and the Sassoon firms respectively, agreed as to the financial service rendered by the

6 Nabagopal Das, Industrial Enterprise in India (Orient Longmans, Calcutta, 1956), pp. 76-77.
Managing Agency System in the development of Indian industries. Benthall argued: "......a strong managing agency will often see a company through which would otherwise collapse".

It was not only the dominant entrepreneurs in colonial India who supported the agency system of management; the representative associations of the entrepreneurs also expressed the same opinion. In its written evidence before the Tariff Board (17th August, 1926), the Bombay Millowners' Association stated:

The Association does not consider that the Managing Agency System is at all defective in India. It must be remembered that if it had not been for the enterprise of Managing Agents, the textile industry of India would not at present exist...... The justification for the agency system of management is to be judged from the fact that every industry in India and not the cotton industry alone has been built up, and is controlled and directed by Managing Agents.

The same voice was echoed by the Ahmedabad Millowners' Association at the same point of time (26th August, 1926). The Association claimed:

It is our considered view that the system of managing agency is best suited to Indian conditions. To our knowledge no Industry in India has been built up without the enterprise, financial resources, managing ability and identification of interests of the managing agents.

10 ibid., p. 284.
12 ibid., p. 395.
The managing agency firms in India existed in different forms during our period of study. There were proprietary firms, partnerships with unlimited liability, limited companies with shares privately held, and in a very few cases also public joint-stock limited liability companies. Most of the Ahmedabad mill agency companies were more or less family concerns. In Bombay, partnership agency firms predominated. Of the 36 well-known firms of managing agents at work in Calcutta on the eve of the Second World War, only seven were limited companies, all the rest being partnerships. It should be noted in this context that the private limited managing agency companies were nothing but family firms that had converted themselves into such companies to take advantage of the limited liability afforded by the Companies Act. The family firms of the Tatas, Birlas, Currimbhoys, Sassoons and Andrew Yule were converted into private limited companies during and immediately after the termination of the First World War.13

Thus, family firms, in one form or the other, dictated the terms of industrial management during the inter-war years. They framed the managing agency agreements with individual companies in such a manner that it was difficult, if not impossible, to remove them from office by the shareholders. The Indian Tariff Board (1932) examined the managing agency agreements in Bombay, Calcutta and Ahmedabad. It was found that a managing agency agreement in Bombay and Calcutta was usually fixed for a specified initial period at the end of which the discontinuance of the agreement was dependent on an extraordinary resolution of the company to that effect. The usual period in Bombay was 30 to 40 years while in Calcutta it was 10 to 20 years. The majority required for an

extraordinary resolution was invariably three-fourths in Calcutta while in Bombay it was often as high as four-fifths and sometimes five-sixths, including in some cases a provision to the effect that a specified minimum of paid up share capital should be represented. In Ahmedabad, with hardly any exception, the agreements were subject to no time limit and were generally described as being 'permanent and non changeable'.

Though there was a theoretical possibility in Bombay and Calcutta of eviction of inefficient agency firms by the shareholders, actually no such change was possible because of dual identity of the managing agents as managers and leading shareholders. The numerous transfers of agencies of industrial concerns from one firm to another that took place during our period of study were solely guided by financial considerations. This led to the subordination of industrial efficiency to mercantile calculations of the agents.

The dictatorial control of the managing agents over the companies found expression in the composition of their Boards of Directors. The Company Law in India prior to 1913 did not compel the companies to have an elected Board of Directors. There was also no legal compulsion for the creation of a managing director. Though the new Act of 1913 required the constitution of a Board of Directors, the managing agents found no difficulty in such a law. They put a few friends as directors from among their business associates, whose continuance on the Board depended on their loyalty to the managing agents. Thus, the joint-stock

companies with Boards of Directors were more akin to partnerships with
control in the hands of the managing agents. In the jute industry, 15
persons were holding 107 directorships in 1931. In the same year, 11
persons were holding 100 directorships in the cotton textile industry,
and 15 persons were holding 132 directorships in the coal industry.

An examination of the character of the Boards of Directors in the
different industries and regions will help us to understand the
dynamics of the Managing Agency System.

In 1925, it was found that the 64 joing-stock mill companies
working in Bombay were being managed by 41 agency firms under the
supervision of 95 "Agency Directors" and 80 "Outside Directors". Of
these 175 directors, 149 belonged to the merchant class and 15 were
lawyers. Only 11 directors had received technical training and were
practical mill managers or engineers.

The Tariff Board (1927) found 'considerable justification' in the
criticisms made against the constitution of the Boards of Directors of
the mill companies in Bombay and Ahmedabad. The Board noted in this
context:

We have pointed out how few of the directors of the Bombay
mills have any technical qualifications for appointment and we
have no reason to believe that Bombay is peculiar in this respect.
The absence of such qualifications among directors is merely a
reflection of its absence among managing agents for the
directorates of the Bombay mills are very largely composed of

16 Ibid., p. 20.
17 M.M. Mehta, Structure of Indian Industries (Bombay, 1961),
pp. 341-42.
18 Rutnagur (1927), op. cit., pp. 249, 251.
19 Report of the Indian Tariff Board (Cotton Textile Industry
members of firms of managing agents. We consider it most desirable that at least one member of each firm of managing agents should have received technical training.

At the end of the 1920s, it was found that the Tariff Board's recommendation did not produce any noticeable change in the mentality of the Bombay mill agents as to the technical side of mill management. In the context of the management of the textile mills in Bombay, the Bombay Shareholders' Association stated before the Royal Commission on Labour:

In the managing agents' firm......there should be at least one member who should have technical training and experience.

The directors in the Ahmedabad mills had no functions other than approving the decisions of the managing agents. A lawyer in Ahmedabad having close relation to the textile industry complained to the Tariff Board (1927):

......the Directors in the Ahmedabad Mills are mere dummies. They take no interest whatsoever except in signing the balance sheet...... Directors are called only once in the course of a year. When the balance is prepared they are called to sign. In no business of the concern are the Directors consulted. Even if the agent wanted to make any extension, they are not consulted.

In reply to the criticisms made against the composition of Boards of Directors in the Ahmedabad mills, the Ahmedabad Millowners' Board assured the Royal Commission on Labour that they had taken the necessary measures to improve the situation.

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20 Ibid., p. 152.
Association (AMA), in a supplementary statement, informed the Tariff Board that 'the best available men connected with the commercial and industrial life of Ahmedabad' were selected to act as directors. It was also assured by the Association that the 'questions of policy' were always decided in consultation with the directors. It is significant that the Association was silent on the question of technical qualifications of directors.

In spite of such tall claims of the Association, the Tariff Board (1927) noticed serious flaws in the mode of functioning of Ahmedabad mills. It was found on enquiry that the audit of 20 mills in Ahmedabad was carried out by a single auditor who had a staff of two clerks only. Moreover, the audit, in some cases, was found to be carried out by an auditor who was related to the managing agents of the concerned mills. Thus, the mill agents in Ahmedabad acted almost as monarchs in the management of mill companies. The Tariff Board (1932) reported that the hold of the agents over some new companies in Ahmedabad was more, compared to the old ones.

The managing agency firms in Calcutta left no better records in their mode of functioning. Of the 12 coal companies managed by the Andrew Yule & Co. in the early 1930s, four companies, which had been founded before the passing of the Indian Companies Act of 1913, still carried on their business without a Board of Directors. The remaining eight companies had altogether only eight persons who served on their Boards. Similarly, there were only 8 persons on the Boards of 9 jute

companies managed by this firm. Of these eight persons, three were also directors of the firm's coal companies. Practically similar conditions existed in the case of jute and coal companies managed by the other agency firms in Calcutta.

In 1931, G. Godfrey, senior partner of Bird & Co., held directorships in 10 jute companies, and J. Sime, Managing Director of Andrew Yule & Co., sat on the Boards of six jute companies. E.S. Tarlton of Bird & Co. held directorships in 11 coal companies in the same year. This is how the big managing agency firms retained their control over a number of companies. The ordinary shareholders had nothing to do with the management of companies. The shareholders' meetings were often summoned only to say 'yes' to what had already been laid down by the agency firm. One Calcutta firm notified in 1927 the half-yearly meetings of five large jute mills in five successive periods of five minutes each. The same situation prevailed in the coal industry. The Coal Mining Committee (1937) noted in this context:

Shareholders seldom attend the general meetings of these companies in any numbers, two holders of ordinary shares personally present at such meetings constituting a quorum to choose a chairman and declare a dividend, while three persons holding ordinary shares, present either in person or by proxy, constitute a quorum for all other purposes.

The absence of technical qualifications among directors, noticed in mill companies in Bombay and Ahmedabad, was also a part of corporate management in Bengal. Even the prominent members of big European agency

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28 See Buchanan, op. cit., p. 169.  
firms, who held directorships in a number of companies, did not have any technical qualification. While asked about his qualifications, E.S. Tarlton of Bird & Co. informed the Coalfields Committee (1920):

I cannot claim any special qualifications. I have had 16 years' experience of mining and mine management in India and England.\(^{30}\)

In 1930, J. Sime of Andrew Yule & Co. stated his experience in the jute industry to the Royal Commission on Labour in the following fashion:

It covers a very long period. I have been working in the jute mills all my life. I was born in Dundee where my grandfather was owning jute mills.\(^{31}\)

Thus, some sort of practical experience and family heritage in the respective industries, rather than technical qualifications, guided the two big agency firms in Calcutta in nominating members to the policy making bodies of the industrial companies managed by them. A total lack of technical experts among the staff in the agency firms of Calcutta was noticed by the Coal Mining Committee (1937):

So far as we are aware, no firm of managing agents has a technical expert on its Calcutta staff, but it is from Calcutta that the policy of every coal company is directed in detail with primary regard to commercial considerations \(^{32}\).

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Profit Policies:

The notion of profit the managing agents had in mind was a mercantile one. Their earnings were not directly related to the efficient running of the industrial concerns managed by them. In 1913, R.E. Enthoven, Secretary, Commerce and Industries, noted: "Managing Agents admittedly live on commissions of uncertain extent earned in carrying on the business of the managed company". These commissions took different forms in the different industries and regions.

No uniform policy was followed even in a single industry in respect of commissions charged by the agents. An enquiry made in 1904 revealed that of 23 jute companies, whose methods of paying their management were investigated, 15 paid on gross sales and seven on profits, one being a private company. This anomaly continued in later years. A study of the articles of association and Managing Agency agreements of a considerable number of jute mills revealed that, before the Companies Amendment Act of 1936, the system of remuneration varied from one agent to another, even from one mill to another under the same agency firm. The big mill agents charged their commissions mostly on gross sales or profits in the Calcutta jute industry during the

33 For this argument, see Arup Kumar Sen, 'Myth of Corporate Culture and Industrialization' in Economic and Political Weekly, Vol. XXIII, No. 48 (November 26, 1988), pp. 2550-51.
34 Enthoven's assessment of the Managing Agency System (1913) has been reprinted in S.K. Sen, Studies in Economic Policy and Development of India, 1848-1926 (Calcutta, 1965), pp. 199-203. For the above quotation, see ibid., p. 200.
Like the jute industry, no uniform policy was followed by the Calcutta agents in charging commissions from the coal companies managed by them. The Coal Mining Committee (1937) noted in this context:

They [the managing agents] are usually remunerated either by a fixed percentage on the gross proceeds on all coal sold plus a percentage on other transactions, or by a commission on raisings plus a fixed monthly sum for office expenses, or by a fixed percentage on dividends and bonuses paid to shareholders plus a fixed monthly sum for office expenses. All three methods place a premium on high outputs, big sales and large profits, and are generally calculated to focus effort on immediate rather than future gain, it being remembered as well that these managing agents also control mills and other industrial concerns which benefit by cheap fuel.

The commissions charged by the agency firms from the jute companies were also usually supplemented by a fixed sum as office allowance. Some of the mill companies, particularly those under Andrew Yule & Co., had to pay fixed minimum commissions to the agents irrespective of their financial performance. It should be noted here that the office allowance and minimum commission were not always mutually exclusive in the Calcutta jute industry.

In Bombay, unlike Calcutta, a uniform method of charging commission emerged during the First World War in the cotton textile industry. The standard pattern followed was to charge commission on profits. The way this new method of charging commission came into being reflected the get-rich-quick mentality of the Bombay mill agents. The

Tariff Board (1927) noted this change in its report:

The system of remuneration by commission on profits which, since profits increased so largely during the war period, has been the most common system in Bombay...... The commission in Bombay ranges from 7½ per cent to 12½ per cent but, in the majority of cases, it is 10 per cent and the managing agency agreement usually provides for a minimum commission.  

At the end of the 1930s, 69 mills were found to be working in Bombay. Of these mills, 57 paid commissions on profits. Of the rest, five mills paid on sales and four mills paid on production or deliveries. The total included three mills, one of which was a proprietary concern, another was found to pay a fixed sum and a third did not pay any commission.  

A comprehensive survey of 58 mills in Bombay in the early 1930s revealed that as many as 36 mills had to pay a fixed minimum commission to the agents and 30 mill companies were charged a fixed office allowance, which varied from mill to mill. The office allowance was not free from abuses. The Tariff Board (1932) noted 'several cases' in Bombay where the office allowances partially took the form of an additional remuneration to the managing agents. But such abuses were not restricted to Bombay. The above Tariff Board, which made a survey of the operation of the Managing Agency System in Bombay, Calcutta and Ahmedabad (there was no office allowance in Ahmedabad), made the following general observation regarding 'office allowance':

42 I.T.B. (1932), op. cit., p. 79.
We have known of instances where the office allowance is regarded as an additional remuneration for the managing agent while all expenses in connection with the head office are separately debited to the company...... The idea which prevails among some managing agents that the office allowance or some portion of it may be regarded as an additional remuneration for the agent is to be deprecated.\(^{43}\)

Since the managing agency firms in Bombay and Calcutta were not concerned with the long-term interests of the companies under their management, they usually took gross profits, rather than net profits, as the basis for calculating their commissions. To put it in the words of the Tariff Board (1932): "In Bombay invariably, and in Calcutta generally, the profit on which commission is calculated is taken to mean gross profit in the sense of profit before depreciation is set aside."\(^{44}\)

Like Bombay, the mentality of earning quick profits on the part of the Ahmedabad millowners found expression in the way the mill agents changed their method of charging commissions. The change, as noticed by the Tariff Board (1927), is reproduced below:

The system of commission on sales......is the most common system in Ahmedabad...... It practically completely replaced the system of commission on production in 1917 when the era of high prices set in...... The rate of commission is usually 3½ per cent. In this case also, provision is made in the managing agents' agreement for a relinquishment of a portion of the commission.\(^{45}\)

Of the 51 mills in Ahmedabad from which information could be collected at the end of the 1930s, as many as 46 mills paid commission

\(^{43}\) ibid., p. 88.
\(^{44}\) ibid., p. 79.
on sales. Of the rest, three mills paid commissions on production or deliveries, one paid on profits and one did not pay any commission. The provision generally incorporated in the managing agency agreements in Ahmedabad as to the relinquishment of commission was that the agent would forego his commission up to a maximum of one-third if the company concerned did not earn enough to pay a dividend of 6 per cent in any particular year. But the dividend policies of the mill companies were determined by the agents in such a manner that the restriction clause often did not find any meaning in practice. In as many as 41 out of 42 Ahmedabad mills paying dividends in 1938, the rate of dividend was not less than 6 per cent. The rate varied between 6 and below 7 per cent for the largest number of mills (16) paying dividends in that year. In the light of this evidence it is difficult to believe that the dividends paid always had a healthy link with the efficient running of the Ahmedabad mill companies. It seems that the agents were interested in guarding their own commissions, rather than the long-term interests of the mill companies. It should be noted in this context that even Ambalal Sarabhai, the most modern entrepreneur in the Ahmedabad textile industry, did not consider the yearly provision for depreciation to be an essential part of financial management. He expressed the opinion in the late 1930s that the lack of provision for depreciation, if not continued over a series of years, did not inevitably mean financial disaster or the scrapping of the plant.

47 I.T.B. (1932), op. cit., p. 79.
49 Ibid., p. 240.
In addition to the managerial commissions, the agency firms in the different industries and regions had other sources of income from the industrial concerns controlled by them. As early as 1913 Enthoven found a 'very fertile source of abuse' in the way the managing agents supplied machinery and equipment, coal and other stores to the cotton and jute mills, and disposed of their products. He noted in this context how the agency firms earned profits from speculative transactions in jute, cotton, coal and such other commodities and passed the burden of losses on such account to the companies under their management. The Tariff Board (1932) found in its enquiry:

It is an invariable feature of managing agency agreements at all the three centres [Calcutta, Bombay and Ahmedabad] that the managing agent is entitled to work for and contract with the company in respect of various services such as purchase of materials, the sale of finished goods, the insurance of building, plant and stock, etc., and for these services he receives such additional payment as may be arranged between the agent and the directors.

Thus, in spite of differences in the methods of charging commission by the agency firms in the different industrial regions, a common trend was noticed in their actual workings during our period of study; they extracted large amounts of money from the industrial concerns in diverse ways. While commenting on the commission-based earnings of the managing agents, the Textile Labour Inquiry Committee noted in its report:

In other countries, efficiency in management is secured even though payment for the management is on a salary basis. We hold that it will be a reflection on Indian employers as a class to suggest that to induce them to exert themselves to their highest capacity, remuneration has to be offered to them on a basis which is generally recognized as unsound.

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50 Enthoven (1913), op. cit., pp. 199-200.
51 I.T.B. (1932), op. cit., p. 79.
The notion of efficiency the managing agents had in mind was a mercantile one. This was reflected in the policies relating to wages, technology and managerial personnel pursued by them in the different industries during the inter-war period.

Wage Policies:

The Government of Bengal enquired into the conditions of labour in the jute industry at the end of the 1920s. It was found that at no time of the existence of the Indian Jute Mills Association (IJMA), wages and other conditions of work were regarded as an association subject. The enquiry revealed that the individual jute mills followed the practice of determining their own labour policies according to the dictates of 'general trade policy'. Such a mercantile outlook of the mill agents created an anomalous situation in the jute industry. The Government noted in this context:

"......perhaps in no industry in the world, situated in such a circumscribed area, is the wage position more inchoate. The mills grouped under different managing agents, work under wage systems which have developed many local idiosyncrasies during the long or short years of their existence. Even in mills under the same managing agents there are differences which to persons not acquainted with the position would seem incredible."  

It should be noted here that at a conference with the members of the Government of Bengal the Indian Jute Mills Association 'declared its intention of undertaking the question of simplification of wages after the settlement of the strike [of 1929]'. But no initiative was taken.

54 ibid., p. 141.
55 ibid., p. 143.
by the Association in this regard in later years. Even in the mid-1940s 'the absence of standardization of any kind' was noticed in the jute industry by the Deshpande Committee. The IJMA confessed to the committee: "No scientific principles were adopted in the fixation of wages, the only determinants being the excess of supply of labour over demand of workers which has had an important influence on wages throughout the career of the industry up to the outbreak of the present War [in 1939]."

The conditions of labour were more deplorable in the coal mining industry. The Calcutta agents had practically no knowledge of the conditions that prevailed in the coalfields. While giving evidence before the Royal Commission on Labour at the end of the 1920s, the Indian Mining Association had to collect information regarding recruitment and conditions of labour from the raising contractors through whom a large proportion of the output of coal was obtained in the Indian coalfields. According to the testimony of the Association, in the Jharia field these contractors accounted for about 70 per cent of the output and in the Raniganj field they supplied about 40 per cent of the output. The raising contractor received a fixed payment per ton of coal, in return for which he recruited the workers, mined the coal and loaded it into wagons. Some of the major defects of the system, noted by the Royal Commission, were that the colliery manager had 'ordinarily no responsibility for the selection of the workers, the distribution of their work, the payment of their wages or even the numbers employed'. Noting these flaws, the Royal Commission recommended the gradual

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57 Quoted in ibid., p. 17.
elimination of this mode of labour management from the Indian coalfields.\(^59\).

The Royal Commission's recommendation did not bring about any significant change in later years. The Bihar Labour Enquiry Committee (BLEC) found in 1940 that the abolition of the contract system, as recommended by the Commission, made 'deplorably slow' progress. The Committee regretted the failure of the collieries owned by the State Railways to make any endeavour to carry out the recommendation, and came to know from the Secretary of the Indian Colliery Labour Union 'that some managing Agents had under contemplation a policy of reverting to the contract system on account of continued labour unrest in the coalfields.'\(^60\). It is significant that the Indian Mining Association, the managers of the Railway collieries in Giridih and Bokaro, and the Superintendent of the collieries belonging to the Tata Iron and Steel Company, in their evidence before the BLEC, argued for the continuance of the contract system.\(^61\).

The Bihar Labour Enquiry Committee noticed 'a great diversity of wage-rates which correspond[ed] to similar diversity of conditions in the [coal] mines.'\(^62\). The nature of this diversity of wages, as it persisted in the collieries in the late 1930s, is evident in the following observation made by B.R. Seth in the light of his enquiry in the Indian coalfields:

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61 Ibid., p. 189.
62 Ibid., p. 197.
The problem of wages is far more difficult and intricate in the coal industry than in many other manufacturing industries, because of the wide variations not only in the earnings but also in the rates of wages paid to the same class of workers and for the same kind of work. In the Jherria coalfield three collieries adjacent to one another were found to be paying a rate of As.4, As.5 and As.6 per tub of 30 cft. capacity.

The colliery agents themselves, like the raising contractors, determined the wage rates in the collieries directly managed by them quite arbitrarily. The fear of labour scarcity was the 'strongest' of all factors that influenced the wage rates of a particular colliery. But, because of the availability of ample surplus labour in the depression years of the 1930s, the employers were found to reduce the rates of wages drastically. The available evidence does not suggest that the colliery owners in general had followed qualitatively better wage policies than those of the contractors.

Coal cutting and loading were the two main occupations in a colliery and accounted for about 75 per cent of the total labour force in the non-mechanized Indian collieries. The daily work of the coal cutters and loaders during our period of study was measured by the number of tubs of a certain cubic capacity loaded with cut coal instead of by the actual weight of the coal loaded into the tubs, as was the practice in England. Moreover, the tubs varied in size. In 1938, it was found in a Family Budget Enquiry of 80 collieries that 32 collieries were using eight different sizes of tubs; of these, 30 c.ft. and 36 c. ft. were the most common sizes in use. Out of these 32 collieries, 24 were using two different sizes, 6 three different sizes and two five.

64 See ibid., p. 65.
65 B.L.E.C. (1940), op. cit., p. 199.
different sizes. It is significant that very few collieries were found to pay according to the size of the tubs. If a miner demanded higher payment for bigger size of the tub, he would be turned out. The standard load of the common 30 c.ft. tub was also far from uniform. This variation in the sizes and capacities of the tubs was a source of corrupt practices in the coalfields. Deductions were made from wages if the tubs were under-loaded, but no reward was given to the workers if they were over-loaded. The value of surplus coal (coal loaded minus the standard load) used to be distributed among the official and supervising staff in the collieries. In the case of the contract system, the surplus went to the pockets of the contractors. The facts collected from 30 collieries in the Jharia field in 1938 showed that the surplus varied from 2 to 25 per cent of their output.

The above observations reveal that no standardization of wages was attempted in the jute and coal industries in Eastern India during the inter-war years. The wages paid in the individual units were determined in arbitrary ways. Only in moments of crisis such as strike and labour scarcity the wage question became a concern of the employers. But such crisis moments did not lead to any parity in the wages paid by the different employers in the industries under consideration. Now, let us examine the wage policies pursued in the cotton mills of Bombay and Ahmedabad.

After examining the wages paid in the Bombay mills, the Tariff Board (1927) noted:

66 See B.R. Seth (1940), op. cit., pp. 116-17.
We cannot regard as satisfactory the present system, under which the wages in the Bombay mill industry vary from mill to mill, even when the managing agents are the same, and would recommend, for the consideration of the Millowners' Association, the adoption of a system of standardised wages for the same class of work as between mill and mill 67.

In pursuance of the recommendation of the Tariff Board, the Bombay Millowners' Association (BMA) appointed a committee in 1928 'to investigate and report as to the measures which might reasonably be taken towards the standardization of muster rolls and wage rates' 68. Early in 1930, the BMA prepared a standardization scheme for adoption by the member mills. But this attempt at introducing standardization in Bombay was 'infructuous' 69. This incident bears out that the BMA had not control over the millowners in Bombay.

Though the Bombay mills did not opt for standardization of wages, they did not hesitate to cut the wages of the workers arbitrarily. The Government of Bombay conducted an enquiry in 1934 into the wage cuts effected in the cotton textile industry in the Bombay Presidency. It was revealed that the mill workers in Bombay city were getting 17 per cent less remuneration in December 1933 than in July 1926. Almost all the mills had cut the rate of dearness of food allowance, which accompanied the basic wages, according to their arbitrary choices. Of the 49 mills covered in the enquiry, 42 mills made direct cuts in the allowance and 40 mills belonged to the Bombay Millowners' Association. Even the Association mills did not follow any uniform policy in cutting the allowance. Between May 1933 and April 1934, 19 mills cut the allowance

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69 ibid., pp. 99-100.
once, 22 twice and one four times. These arbitrary wage cuts had nothing to do with the standardization of wages. The Government-appointed enquiry committee made this point clear:

Wages in the Bombay industry are not standardized and the basic rates of pay vary from mill to mill, but we have not been furnished with any evidence to show that differential cuts in the allowance have been effected in order to attain uniformity in earnings.

Ahmedabad was the only centre in the cotton textile industry where wage rates were standardized in a number of mill departments during our period of study. Before the First World War, Ahmedabad mills used to be divided into two groups, the Kalupur group and the Raipur group, and the rates of wages in these two groups used to be dissimilar. Prior to 1917, no concerted action was taken by the Ahmedabad Millowners' Association on the wage question and each mill did as it pleased. In the context of a labour dispute, Gandhi introduced the tradition of settlement of industrial disputes through arbitration in the Ahmedabad mill industry in 1918. Gandhi's brainchild, the Textile Labour Association, came into being in early 1920. And a permanent arbitration board was set up in April 1920 with Mangaldas G. Parekh and Gandhi as representatives of the millowners and workers respectively, to discuss the various demands of the workers.

71 ibid., p. 28.
72 ibid., pp. 13, 65.
By an award given in 1920 the wage rates in a number of time-rate departments were standardized in the Ahmedabad mills\(^{74}\). The Tariff Board (1932) found on enquiry that spinners' wages had been standardized in all mills in Ahmedabad\(^{75}\). In 1935, the representatives of workers and millowners agreed on evolving a scheme of standardization of the wages of piece workers. A standardization scheme worked out for the weavers in Ahmedabad mills was introduced by agreement in February 1938. By the end of the 1930s about 70 per cent of the workers in the Ahmedabad textile industry were brought under various standardization schemes\(^{76}\).

In spite of the signing of a number of wage agreements in Ahmedabad during the inter-war period, the millowners were found to violate the awards on a number of occasions. One of the Secretaries of the Textile Labour Association, Somnath P. Dave, noted in the mid-1950s:

> The arbitration system can only subsist when protected by a vigilant union in the absence of any law. Prior to 1939 the award had no legal authority and it was only by trade union action that breaches of the awards had to be rectified. It was, therefore, necessary for the Textile Labour Association, Ahmedabad, to authorize strikes against individual employers on various occasions\(^{77}\).

The Textile Labour Association (TLA) often failed to check arbitrary wage cuts by the millowners. In 1929, the TLA applied for the restoration of the original wage-scale that prevailed before the 15\(\frac{1}{2}\) per cent general wage-cut effected in the industry in 1923. As the two

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\(^{75}\) I.T.B. (1932), op. cit., p. 62.


permanent arbitrators disagreed on the question of wage increase, the whole question went to an Umpire. The Umpire, after hearing both sides, awarded an increase of five per cent to the weavers and eight per cent to the spinners. This award was 'loyally accepted by both parties'. In spite of this formal agreement, many millowners violated the terms of settlement. In 1934, the TLA alleged to a Government-appointed committee that in 'several cases' during 1930-34 breaches of the convention of arbitration had been committed by individual mills. Moreover, it was revealed on enquiry by the Committee that most of the new mills that came into being in Ahmedabad since the date of the award (in 1930) fixed their wage rates at lower levels than those of the older mills. According to the testimony of the TLA, the owners of both the new and old mills, in many cases, were the same. This sort of behaviour on the part of the Ahmedabad millowners was quite consistent with their mercantile outlook.

Some interesting changes took place in the Ahmedabad mill industry on the wage question in the second half of the 1930s. After a prolonged arbitration, the Textile Labour Association had to accept a wage-cut of 6½ per cent in the wages of all time and piece workers in 1935. An agreement, known as the Delhi Agreement, was signed in January 1935 between the representative associations of the millowners and workers. During the arbitration proceedings, there had been arbitrary wage-cuts to the extent of 15 to 20 per cent. The new agreement signed by the TLA with the millowners was resented by the workers, particularly the weavers. And an organized opposition to the TLA's leadership over the
workers started in mid-1935. The 'spectre of left trade unionism' propelled the millowners not only to set aside the wage-cut imposed in 1935 but also accept an increase of nine per cent in wages, as recommended in the Interim Report of the Textile Labour Inquiry Committee in early 1938.\textsuperscript{80}

Since the Textile Labour Inquiry Committee was a Congress-appointed Committee, the millowners did not dare to act against its recommendation in a hostile situation on the labour front. The recommended increment, which was given effect to in Ahmedabad mills from February 1938, was popularly known as 'congress increment'.\textsuperscript{81} The fact that the Congress leadership was not happy with the labour policy of the Ahmedabad millowners was evident in a speech made by Vallabhbhai Patel in 1935. While criticizing the Ahmedabad mill agents, he said: "Millowners take up a discount from coal, cotton, store and machinery purchases and insurance. They do not want to miss their brokerage even from wages."\textsuperscript{82}

Though a policy of compromise with the Congress Government in power in the Bombay Province put a temporary restraint on wage-cuts on the part of the Ahmedabad millowners, the old habits were found to get priority very soon. In 1939, the Ahmedabad millowners obtained the agreement from Patel to a 20 per cent cut in wages, to be implemented


\textsuperscript{81} S.R. Deshpande, Report on an Enquiry Into Conditions of Labour in the Cotton Mill Industry in India (Delhi, 1946), p. 21.

\textsuperscript{82} Quoted in Paresh Majmundar, An Anatomy of Peaceful Industrial Relations (Bombay, 1973), pp. 163-64.
after discussions with the labour union. After the resignation of Kasturbhai Lalbhai (in 1939), because of his difference with most of the millowners who insisted on arbitrary wage-cuts, Haridas Acharatlal became the President of the Ahmedabad Millowners' Association. The new president was so keen on reducing wage rates that for effecting it he did not mind sacrificing the prevalent arbitration system or taking direct action against workers. Along with one or two millowners he approached Patel to seek his advice on the wage question. It seems that Patel 'castigated' them for their attitude and in the fear of antagonizing Patel they 'temporarily forgot all about reducing wage-rates'.

Thus, in spite of the adoption of various standardization schemes in the mill industry of Ahmedabad, the managing agents in that city, like their counterparts in Calcutta and Bombay, preferred the practice of determining wages in arbitrary ways in their mills, whenever they got opportunities.

Technological Policies:

The two types of cloth manufactured in the Calcutta jute industry were 'hessian' and 'gunny'. The latter category of cloth was of a coarse variety. The proportion of hessian looms increased in the industry over time. In 1890, the proportion of hessian looms was 30 per cent of the total. Between January 1915 and January 1932, the proportion increased from about 59 per cent to 62 per cent. But no diversification took

84 Majmundar (1973), op. cit., p. 164.
place in the industry over time. The Bengal Jute Enquiry Committee (1934) found 'the absence of enterprise' among the jute mills in Bengal and noted in this context: "Indeed the Jute mill industry in Bengal has come to be condemned by some critics as the sole industry of importance to-day which knows its business the least". The Committee itself indirectly held the mill agents responsible for the crisis faced by the industry in the 1930s:

Though there has been a remarkable expansion of the jute mill industry in Bengal ever since its inception, a distinct lack of variety in the manufactures has all along remained a most striking feature of its growth. No endeavour appears to have hitherto been made by the local mills to find new industrial uses for jute beyond the manufacture of hessian and sacking cloth. This fact must be deemed significant as the mills on the continent of Europe, which were established much later than the Bengal mills, and have to pay a higher price for the raw material, are not only earning profits for themselves by devising new and more costly uses of jute as a blending material with silk or wool, but also stimulating demand for jute and consequently helping the maintenance of its price.

The managing agents in Calcutta were so preoccupied with earning quick profits from the industry that they shut their eyes to the developments that took place in the outside world. The lack of product-diversification in the industry was the logical outcome of this quick-profit mentality of the mill agents. Even the mouthpiece of British capital published from Calcutta, Capital, took the agents to task for their lack of contact with the customers. It wrote on December 7, 1939:

It is safe to say that few Calcutta mills know what happens to their goods after they have handed them over to the shipper. They do not know, except vaguely, to what uses they are put..... Probably there is no other industry in the world where there is such complete want of liaison between manufacturers and consumers, and this cannot be for the ultimate good of the trade.

86 ibid., p. 79.
87 ibid., p. 79.
88 Capital, December 7, 1939, p. 785.
A British textile scientist, S.G. Barker, was invited to India in 1934 by the Indian Jute Mills Association to investigate the technical side of the Calcutta jute mills. Barker found the technology used in the industry to be a totally stagnant one. To put it in the words of Barker:

Jute being a cheap material producing fabrics for rough usage....the machinery and technique in India became standardised upon an elementary mechanical basis. Simplicity of operation without the necessity for textile science since changes were practically non-existent....soon led to the mass production of the limited range of Indian jute products becoming almost automatic. The conversion of jute fibres into fabrics therefore became a mechanical engineering proposition, a position largely maintained to this day. (emphasis mine).

Thus, the Calcutta jute industry under the management of the merchant entrepreneurs did not go through any product or process innovation during the inter-war period. The responsibility for this lack of technical change in the industry should rest with the dominant Scottish entrepreneurial firms who dictated the policy of the Indian Jute Mills Association. The Marwari merchants who entered the industry after the First World War followed the path shown by their European counterparts. It is significant that Alexander Murray of the prominent Scottish firm, Thomas Duff & Co., confessed in 1938:

This great industry....has hitherto done no scientific research. It is a pity, but it is true.....I believe we have lost markets thereby.

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90 Barker (1935) quoted in ibid., p. 283.

91 Quoted in Dipesh Chakrabarty, Rethinking Working-Class History: Bengal, 1890-1940 (Oxford University Press, Delhi, 1989), p. 39.
The technology policy followed by the Calcutta agents in the coal industry was a disastrous one. A British coal expert, Treharne Rees, who made a survey of the Raniganj and Jharia coalfields at the invitation of the Government of India, advised in his report in 1919 to take into consideration the introduction of coal-cutting and coal-conveying machinery in the Indian mines. But no significant mechanization took place in the industry in the coming years. During the period 1923-1930, the number of coal cutting machines introduced in the Indian coalfields increased from 91 to 202. It is quite significant that the number came down to 103 in 1933. In 1938, only 186 coal-cutting machines were found to be employed in the different Indian coalfields. The quantity of coal cut with these machines was insignificant. Even as late as 1947 only 5.6 per cent of the total output of coal in India was raised with 306 coal-cutting machines.

The coal entrepreneurs in India were found to adopt wasteful methods of production during our period of study. The technique used in mining coal in India, noted by Rees, was known as Bord and Pillar method which consisted of 'driving galleries and dividing the coal into more or less rectangular pillars'. In his survey in the two major Indian coalfields, Rees found that the wastage of coal under the existing methods of production was 'abnormally high'. He also warned that the cutting of the pillars of coal, formed by the driving of the galleries, by the methods then in vogue would be attended by increasing risk and

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higher proportion of wastage of coal. To ensure safety in the mines, he recommended the introduction of 'hydraulic stowing'.

Though the Coalfields Committee of 1920 recommended compulsory stowing with a controlling authority armed with legal powers, the Government of India took no action in this regard. Some stowing plants were installed at mines near rivers with plentiful supplies of sand, but most of them closed down after the general depression started in 1929. A Coal Mines Stowing Board was formed in October, 1939. But it did not have much effect on the 'wider use of sand stowing'.

A degradation of technology took place in the Indian coal mining industry during the inter-war period. Though the same Bord and Pillar method was in vogue over the years, an important change took place in the mode of extraction of coal under this method. The change, as noticed by the Coal Mining Committee (1937), was as follows:

Until 15 or 20 years ago, most of the output was obtained from galleries and comparatively little pillar extraction was attempted. Most colliery managers preferred to delay this final stage of working as long as possible because they foresaw its difficulties and dangers. During the last 15 or 20 years, the percentage of coal obtained from pillars has steadily increased until it now exceeds the percentage taken from galleries.

This rampant cutting of coal from pillars (known as "depillaring"), unaccompanied by sand stowing, led to increasing mining

96 See ibid., pp. 38-39.
disasters involving the lives of the miners and higher proportion of wastage of coal. Rees estimated in 1919 that the quantity of coal destroyed or lost in the process of extraction in the Raniganj and Jharia coalfields was about one third of the total coal in situ. But the Coal Mining Committee (1937) estimated that the average waste in the two fields was about 50 per cent of the total coal in situ. Moreover, the number of deaths of colliery workers due to accidents increased over the decades. This is evident in the following table:

**TABLE - 3.1**

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Total Number of Deaths</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900-1909</td>
<td>832</td>
</tr>
<tr>
<td>1910-1919</td>
<td>1,750</td>
</tr>
<tr>
<td>1920-1929</td>
<td>2,150</td>
</tr>
<tr>
<td>1930-1939</td>
<td>2,209</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,941</strong></td>
</tr>
</tbody>
</table>


Thus, we find that the dangerous methods of production followed in the Indian coalfields resulted in large-scale loss of human lives and rapid depletion of coal resources in India. The essence of the technology policy pursued in the industry during our period of study was captured by the Coal Mining Committee (1937) in the following words:

In short, to use a sporting metaphor, the coal trade in India has been rather like a race in which profit has always come in first, with safety a poor second, sound methods an 'also ran', and national welfare a 'dead horse' entered perhaps, but never likely to start.\(^\text{102}\)

The cotton mills in Bombay and Ahmedabad opted for diversification of their products during the inter-war years. One important form of diversification was the increasing production of yarn and cloth of finer varieties. Ahmedabad took a lead over Bombay in this respect. In Bombay the higher counts (above 30s) in 1931-32 represented 13 per cent of the total production of yarn as against a little under four per cent in 1926-27, while in Ahmedabad counts above 30s represented 22 per cent of the yarn output in 1931-32 as compared with 12 per cent in 1926-27\(^\text{103}\). Similarly, both the centres increased their production of cloth of fine varieties in a significant way since 1926. This fact was testified to by the Bombay Millowners' Association and the labour union in Ahmedabad in 1934. On the basis of information supplied by 42 mills in Bombay and 29 mills in Ahmedabad, it was found that while in December 1933, 40.6 per cent of the mills in Bombay were weaving counts 25 and above, the percentage in the case of Ahmedabad was 75.9\(^\text{104}\).

\(^{102}\) ibid., p. 30.
\(^{103}\) I.T.B. (1932), op. cit., p. 15.
Another aspect of diversification that took place in the Indian textile industry was the introduction of bleaching, dyeing and printing processes in mill production. It was estimated that more than 20 per cent of the output of cloth of Bombay mills was bleached by 1930. The proportion of bleached goods was even higher in Ahmedabad mills at that time. It should be noted here that till the end of the 1920s, dyeing and bleaching work in the cotton mills in the Bombay presidency was generally given out on contract and only some mills had their own dyeing and bleaching plants.

During the 1930s an universal tendency among the composite mills in India was to add to their processing facilities; bleaching and dyeing machines were installed in more than 70 per cent of the cloth-weaving mills. In contrast to bleaching and dyeing, printing facilities within the Indian mills made very slow progress. In 1932, about 15 calico printing machines were found installed in Ahmedabad, a slightly lower number being found in the mills of Bombay. One index of the growth of processing facilities in Bombay in the 1930s was the increase in water consumption by mills in the city. In 1929-30, mills in Bombay consumed 81 million gallons of water. In the course of the next ten years the figure rose to 225 million gallons. It is significant that work in the bleaching and dyeing departments in the Ahmedabad mills was done by contract labour in the 1930s.

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The mills in Bombay and Ahmedabad adopted 'rationalization' schemes in their spinning and weaving departments. These schemes took the form of increasing the number of machines tended by the workers in the respective departments. Bombay took a leading role in this respect. In fact, no systematic rationalization measure was attempted in the province of Bombay till 1926. Before that year, in ring spinning each sider generally minded one side of the ring frame. And, in weaving, the two-loom system had been generally prevalent, although in a few cases three or four looms were given to individual weavers. Out of 51,339 weavers in the province of Bombay in 1923, the number of weavers tending one loom, two looms, three looms and four looms were 2,637, 48,093, 431 and 178 respectively.\footnote{T.L.I.C. (1940), Vol.II, op. cit., p. 185.}

The first systematic attempt at rationalization in Bombay was made by E.D. Sassoon and Co. in 1926 in the Manchester Mill. This agency firm extended their rationalization drive to some other mills under their management during the next three years. The measures initiated in the Sassoon group of mills affected almost all departments, but principally ring spinning, where two sides were given to one worker, and weaving where the three-loom and four-loom systems were brought into force in three mills.\footnote{ibid., p. 186.}

The rationalization measures adopted in Bombay mills did not follow any uniform pattern. Different mills had different ideas as to what constituted the best system. Out of the 49 mills investigated in 1934, 34 mills had not adopted the rationalization system, four had

\footnote{T.L.I.C. (1940), Vol.II, op. cit., p. 185.}
\footnote{ibid., p. 186.}
adopted it partially, while eleven had adopted it both in the spinning department and in the weaving shed. Even the mills managed by the E.D. Sassoon group were found to adopt different forms of rationalization in their spinning and weaving departments. In contrast to Bombay, rationalization in the form of one man minding more machines took place in the Ahmedabad mill industry in the spinning departments only. The labour union in Ahmedabad reported in 1934 that the steady increase in the production of yarn of 40s counts and above in the mills was accompanied by an increase in the number of operatives minding two sides of the ring frames. It was also pointed out by the Union that two mills in Ahmedabad, who tried the system of three or four looms per weaver, abandoned their projects of rationalizing the weaving sheds because of dissatisfaction of the management with the results.111

In the second half of the 1930s more rationalization measures were adopted in Bombay and Ahmedabad mills. But the regional patterns of rationalization, which emerged in early years, remained very much in vogue. In August 1934, the number of weavers employed in Bombay mills under the three-loom, four-loom and six-loom systems were 261, 2,111 and 368 respectively. By March 1939, the respective numbers rose to 556, 2,716 and 501. In ring spinning, the number of workers in Bombay working on the double side system increased from 2,035 to 3,857 between August 1934 and March 1939. In this way, about half of the workers in the ring spinning departments of Bombay mills were brought under the rationalization system by the end of the 1930s. But the single-side-system continued in Bombay in the production of yarn of

counts below 20s. In Ahmedabad, between August 1934 and March 1939, the number of workers in the ring spinning departments working on the double-side-system increased from 792 to 2,002. About 60 per cent of the mills in Ahmedabad were found working on the two-side system, mainly in respect of medium and fine counts of yarn, by the end of the 1930s. The Ahmedabad Advance Mills managed by the Tata group after working on the four-loom system for some time gave it up in 1938, when it took membership of the Ahmedabad Millowners' Association

Thus, we find that a uniform system of rationalization was introduced in Bombay and Ahmedabad mills in the ring spinning department over time. But still many workers in this department were found to be employed on the non-rationalized system in both the textile centres in 1939. Though a section of the weavers in Bombay mills was brought under 'rationalization' by the end of the third decade of the present century, no uniform policy was followed in rationalizing the weaving sheds of the mills.

In spite of the adoption of various measures of product diversification and 'rationalization' by the mill agents in Bombay and Ahmedabad, no basic change took place in the technology of the industry. In their evidence before the Tariff Board (1927), both the Bombay Millowners' Association and Ahmedabad Millowners' Association argued against the introduction of automatic looms in the industry, because they did not consider such a technological change to be commercially profitable. Moreover, none of the associations did see any prospect of training mill operatives in the near future to attend to more spindles

and looms. Though the workloads of the spinners and weavers increased in Bombay and Ahmedabad mills in later years, the introduction of automatic looms was found to be in an 'experimental stage' in the province of Bombay at the end of the 1930s. One of the main reasons as to why automatic looms were looked upon 'with disfavour' by the millowners, noted the Textile Labour Inquiry Committee, was that 'they would involve large capital expenditure'. Thus, the millowners in the two important textile centres in Western India, rather than upgrading their technology with long-term capital investment, tried to reduce labour costs by increasing the workloads of the mill operatives. This technological policy was organically linked with the notion of profit the mill agents had in mind.

Personnel Policies:

The managing agents used to appoint the higher supervising staff in the industrial concerns managed by them. Now let us examine the nature of personnel policies followed by the agency firms in Calcutta, Bombay and Ahmedabad.

At the end of the 1920s, the Indian Jute Mills Association (IJMA) reported to the Royal Commission on Labour:

The managing staffs of the jute mills in the membership of the association are, almost without exception, comprised entirely of Europeans trained and experienced in the United Kingdom. Selection is according to qualification, knowledge and general experience of engineering and of the various processes involved in the manufacture of jute.

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In fact, the 'managing staffs' in the Calcutta jute mills were recruited mostly from Scotland, the motherland of the dominant entrepreneurs in the industry. The personnel policy, which the IJMA claimed on behalf of its members, was not followed in practice. In his enquiry in the mid-1930s, S.G. Barker discovered many crucial gaps in the technical knowledge of the Scottish managers and their assistants. Some sort of family connection with the industry, rather than technical knowledge, was given priority by the Calcutta agents in their staff appointments. D.R. Wallace, the official historian of the industry, highly praised the technical assistants employed in the Barnagore Jute Mills in the 19th century not for their technical competence, but for their 'good health'. From the testimony of Wallace in the late 1920s, we find that these 'hardy pioneers' were 'represented by sons or grandsons both in the commercial and mill departments of the industry'.

No better policy was followed even by the big agency-firms in the selection of their technical staff. The leading agency-firm in Calcutta, Bird & Co., appointed one William Ure in the 1930s who had no special qualifications other than having gone through a course in Book-keeping. But his father, who worked as Cashier in a jute mill, created a family heritage in the industry that helped him to get his appointment. In the context of this appointment, Edward Benthall, senior partner of the agency firm, stated in 1935 that he (Ure) was 'just the normal type' the firm used to appoint in Calcutta.

The way the dominant Scottish firms appointed their countrymen as managers and assistants signifies that racial discrimination was very much operative in their management policies. But, in moments of crisis, cost minimization got priority over racialism. By the mid-1930s, Benthall was planning to increase Indianization in technical and supervisory staff in the jute mills managed by Bird & Co., largely to save on salary costs.119

Since the technology in the jute industry remained stagnant and the operation of the mills did not require any knowledge of 'textile science', the Marwari banias, who entered the industry after the First World War, did not find any problem in managing their mills. J.P. Mandelia, Secretary of the Birla Jute Mill, in his evidence before the Royal Commission on Labour, stated that the 'managing staff' consisting of secretary, assistant secretary and manager were 'generally' promoted from the superior 'supervising staff', that is, departmental overseers in the mill. The departmental heads were either recruited 'from educated and cultured class, and then trained locally for sufficient period to get properly qualified to undertake the responsibility' or selected from amongst the departmental assistants who came 'from educated class.120 It is not possible to know from the above evidence whether the 'managing staff' in the Birla mill were promoted from the technical staff or just nominated by the Birla family. But Mandelia's testimony makes it clear that no prior technical knowledge was needed for getting appointment in the technical departments of the mill. It seems that the

education of the undefined 'educated and cultured class' did not go beyond a rudimentary level.

Since the raising of coal involved many dangers, the Indian Mines Act prescribed minimum qualifications for the colliery managers. In the case of mines with an output of more than 2,500 tons per month, the manager was required to have a First Class Certificate of Competency. A Second Class Certificate of Competency was prescribed for managers of mines whose output did not exceed 2,500 tons per month. But the managers holding only 'permits' were allowed to work in collieries where the output did not exceed 600 tons per month. In the collieries employing more than 10 persons, there were 364 Indian managers as against 224 European and Anglo-Indian managers in 1921. In spite of the presence of such a large number of Indian managers in the early 1920s, the European managers predominated in the larger collieries. The situation remained the same in later years. At the end of the 1920s, the European-controlled Indian Mining Association stated before the Royal Commission on Labour:

The colliery staff, as far as colliery superintendents, colliery managers and colliery engineers - mechanical and electrical - are concerned, consists of men of long technical training and experience, and of high qualifications, and is largely brought out from Great Britain.

The high claims made by the Association about the technical personnel appointed in the European-managed collieries were contradicted

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122 Buchannan (1934), op. cit., pp. 269-70.
by the policies pursued by the colliery agents in actual practice. Siba Kali Bose of the Indian Colliery Employees' Association complained to the Royal Commission:

Europeans and Anglo-Indians without any tickets whatsoever, are preferred to qualified Indians holding mine manager's tickets, even though a European will be paid three or four times the salary of an Indian. A case is on record, where an Indian with British Mine Manager's Certificate and Board of Trade Certificate, coupled with years of experience in Scotch as well as Indian mines, was turned down in favour of a non-ticketed man for an Overman's job in a Railway Colliery.¹²⁴

The European colliery managers, because of their miner background in their own motherland, were often treated with pity by the well-placed European officials in India. This fact did not miss the attention of Michael Carritt, one I.C.S. official who took charge of the Asansol subdivision of the Burdwan district (where the Raniganj coalfield was situated) in the early 1930s: ".....the managers of coal mines who, if they had a white skin, were admitted to the European clubs in the area but only with a degree of condescension since some of them were Welsh miners who had worked at the coal face at home and fitted with difficulty into polite society, as defined in India."¹²⁵

Though the European agency-firms followed a racial personnel policy and gave preference to even non-qualified Europeans in the technical jobs in their collieries, in the crisis years they did not hesitate to opt for Indianization of management as a cost-saving device. By the end of the 1930s, Andrew Yule & Co. employed a number of Indian

¹²⁴ ibid., p. 193
The personnel policy followed by the Indian coal entrepreneurs was no better. In a large number of Indian-owned collieries the colliery management was generally entrusted to an 'agent' who was assisted by a 'technical adviser' called the manager of the mine. The agent used to be appointed to 'represent the proprietor' and the manager was supposed to look after the 'technical aspect' of the mining operations. In actual practice, the technical knowledge of mining was not taken into consideration by the Indian colliery owners in general in appointing their management staff. The Indian Mine Managers' Association brought this fact to the notice of the Royal Commission:

The main consideration in selecting managers in Indian-owned mines is generally cheapness, though some educated owners look to efficiency as well. Agents are generally employed from persons related to or in the confidence of the owners and not generally for any special qualification.

Since the managing agents decided the mining methods to be adopted in the collieries managed by them, the managers having the requisite technical qualifications, even if appointed, did not have any say in the choice of technology. The Indian Mine Managers' Association told the Coal-Mining Committee (1937) that the managers were bound to carry out the orders of the owners who had 'no sufficient knowledge of mining'. Even if the carrying out of these orders would mean 'unsound and unsafe

128 ibid., p. 253.
working', informed the Association, the managers had to act according to the dictates of the owners in the fear of dismissal. Some managers told the Coal Mining Committee in confidence that in their mining careers they faced occasions when they had 'the alternative of adopting unsound mining methods or losing their livelihood'.

The raising contractors, who often took the responsibility of operating the collieries on behalf of the owners, did not have the requisite technical qualifications. Moreover, some of them even did not visit the mines. At the end of the 1920s, Siba Kali Bose testified:

Examples are not lacking, where the contractor himself never visits his working place, but has practically retired, living in comfort in England.

It should be noted here that a Marwari merchant, J.K. Agarwalla, who went to acquire elementary knowledge of mining in Andrew Yule's Katras Jherriah Coal Company in order to operate the collieries acquired by his family just prior to the First World War, emerged as the largest raising contractor for the Company after the war. This contractorship proved so lucrative that he even neglected his family business. Though in the early years of the present century the colliery contractors were 'all Bengalis', they had been 'largely ousted' by the non-Bengalis by the 1930s. By 1939, some colliery

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130 ibid.
contractors made huge fortunes and emerged as 'millionaires'\textsuperscript{133}.

Thus, the managing agents and the contractors appointed by them, without possessing the technical knowledge for 'sound' mining, operated the Indian collieries during the inter-war period with the sole purpose of earning quick profits. The result was disastrous. The Indian Coalfields Committee (1946) noted with grave concern:

Throughout our tours of the various coalfields, we have been impressed with the shortage of technical personnel, particularly as regards senior supervisory staff and also machine operators. We feel that unless prompt steps are taken to remove this shortage, the expansion of the coal industry in India will be held up\textsuperscript{134}.

Most of the technical staff in the Bombay mill industry came from the European and Parsi communities. A rapid Indianization of mill staff took place in the industry between 1895 and 1925. This is evident in Table 3.2. Though the Indians, particularly the Parsis, established their dominance over the Europeans in certain technical departments by the mid-1920s, the Europeans held almost the same number of posts occupied by the Parsis as weaving masters and managers. It is significant that the Muslim and Jew communities, though represented by two giant mill agency-firms in the industry, did not contribute much to the technical departments. The Indianization of technical staff progressed further in later years. But a good number of Europeans continued to stay in the industry. Even as late as 1940, Europeans constituted 16.5 per cent of the mill staff in Bombay, including 26.3 per cent of managers, 23 per cent of weaving masters and 15.2 per cent of spinning masters\textsuperscript{135}.

\textsuperscript{133} M.N. Mookerjee, 'Coal Industry and Trade' in Career-Lectures (University of Calcutta, 1939), pp. 68-69.


\textsuperscript{135} Shirokov (1980), op. cit., p. 44.
### Table 3.2

Composition of Technical Staff in the Bombay Textile Industry in 1895 and 1925

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>27</td>
<td>28</td>
<td>20</td>
<td>32</td>
<td>4</td>
<td>11</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Carding Masters</td>
<td>20</td>
<td>27</td>
<td>24</td>
<td>43</td>
<td>6</td>
<td>15</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Spinning Masters</td>
<td>21</td>
<td>24</td>
<td>24</td>
<td>39</td>
<td>6</td>
<td>17</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Weaving Masters</td>
<td>13</td>
<td>27</td>
<td>12</td>
<td>31</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Mechanical Engineers</td>
<td>23</td>
<td>7</td>
<td>32</td>
<td>56</td>
<td>4</td>
<td>14</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>104</td>
<td>113</td>
<td>112</td>
<td>201</td>
<td>21</td>
<td>67</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>11</td>
</tr>
</tbody>
</table>

The Victoria Jubilee Technical Institute, which started functioning as early as 1888 in Bombay, played an important role in giving technical education to the Indian mill staff. This institution found itself in serious financial difficulties in 1922. With the grant received from the Bombay Government amounting to Rs. 6,80,000, it was able to complete its new building at Byculla to which it moved in 1923. The local Government also sanctioned an annual grant of Rs. 1,25,000 for the development of this technical institute. In response to an appeal made by the Institute in 1922, the Bombay Millowners' Association (BMA) also contributed Rs. 1,04,500 collected from its members. But the annual donation of the BMA to the Institute was only Rs. 2,500. This fact signifies that the Bombay mill agents in general were not prepared to incur a steady expenditure for the development of the technical aspect of the industry. In order to improve the efficiency of technical staff in the Indian Textile industry, the Indian Tariff Board (1927) recommended:

......it would seem eminently desirable that proper training should be insisted on in all cases and that students who have passed through the Victoria Jubilee Technical Institute should as a general rule......be preferred to those who have merely picked up as apprentices what training they can in a mill.

But the Bombay mill agents did not follow any uniform policy in training their personnel in the technical departments. The fact that the mill staff in Bombay had been trained through a number of ways during the inter-war period is evident in the following observation made by Amiya Kumar Bagchi:

137 See the Indian Textile Journal, Special Souvenir Number (1954), op. cit., p. 532.
A sizeable proportion of managers or supervisory personnel in the mills of Bombay had been trained in Lancashire itself; most of them had been trained (in the mills or at the Victoria Jubilee Technical Institute) by men brought up in the methods of Lancashire.

It should be noted here that Frederick Stones, a European having training from the College of Technology, Manchester, was appointed as Superintendent of the E.D. Sassoon group of mills since 1920. Similarly, the Currimbhoy group attempted to remedy its managerial deficiency in the 1920s by appointing a Lancashire-trained man, T. Watts, as Superintendent of the mills under its management.

The number of directors possessing adequate knowledge of textile technology was only a small fraction of all directors in the Indian cotton textile industry during the colonial period. Even in the 1940s, the proportion of mill directors with higher education was found to be fairly small. The chief managerial aim of the mill agents was to strive to employ cheaper managers and masters without themselves understanding a bit of textile technology. There was no scope for promotion for the middle management technical cadres in the industry. This lack of promotion possibilities resulted in high turnover rates among the middle management staff. In the first half of 1933, 90 persons in middle management positions in the Indian cotton mills changed their


Since the Boards of Directors of the cotton mill companies in Bombay were packed with men of mercantile backgrounds, even the qualified technical cadres from the Victoria Jubilee Technical Institute had nothing to do other than carrying out the orders of the directors as well as the mill agents, who in general did not have any technical knowledge. The E.D. Sassoon & Co. controlled 12 mills in Bombay at the end of the 1920s. The technical superintendent of this group of mills, F. Stones, was 'directly responsible to the Board of Directors and Agents of these mills'. The Superintendent in his turn passed 'the Directors' orders and instructions' to the five Assistant Superintendents who worked under him. Though one of the Assistant Superintendents in charge of weaving had received training from the Victoria Jubilee Technical Institute, his services were mainly concerned with establishing personal contact with labour. His ability for dealing with labour, because of the fact that he could speak Marathi fluently, was treated as the 'greatest qualification' in his appointment. In one of the mills of the E.D. Sassoon group, all the supervisory staff from the manager downwards were Indians. The Indian supervisors were appointed not for their technical competence, but with the 'idea' of establishing 'more personal contact' with labour.

Thus, the largest mill agency firm in Bombay, who took a leading


role in 'rationalization', did not consider the question of technical knowledge to be a crucial factor in mill management. The person having the requisite technical qualification was allotted by the top management a function which had nothing to do with his technical training. The hierarchy of management was so framed that the middle management cadres had no other role but to carry out the 'orders and instructions' of the agency firm/directors.

The mill agents in Ahmedabad took an active interest in the management of their mills. They carried out the managerial functions from their offices situated on the mill premises. At the end of the 1920s, the Secretary of the Ahmedabad Millowners' Association stated:

The organisation and administration of local mills are conducted by the managing agent representing the firm of agents. He appoints secretaries, spinning masters, weaving masters and assistants.

In 1921, the Europeans constituted about 50 per cent of the Senior Supervisory and technical staff in the Ahmedabad mills. One mill officer in Ahmedabad testified in that year that the appointment of Europeans in the mill staff was preferred by the agents because of the influence they could exert over the local Government officials who were also Europeans. This mercantile strategy of employing Europeans in the mill departments continued till the dawn of independence. This fact was corroborated by the General Manager of the Kasturbhai Lalbhai group of

mills, Chandraprasad H. Desai, in the mid-1950s:

The right type of technicians has been available to the industry from the start. Ahmedabad used to employ many Europeans in supervisory positions, but with the attainment of Independence their number has been substantially reduced......146.

Among the Indians, many distressed persons joined the Ahmedabad mill industry as middle management cadres. From the beginning of the present century, many members of the Patidar community (an agricultural caste) went to the city of Ahmedabad in search of livelihood from the neighbouring district of Kaira, because of famine and other calamities in the district, and a large number of these persons found employment in the mills as technical and administrative staff 147. Some of the mill staff came from those persons who participated in the civil disobedience movements and found the traditional government jobs closed to them 148. It was cheapness, rather than technical qualifications, that the mill agents in general took into consideration in appointing their supervising staff. R.G. Kautekar of the Textile Brotherhood (Ahmedabad) informed the Royal Commission:

There is no regular system of training supervising staff either superior or subordinate. Majority of them are recruited from practically trained persons and very meagre minority from amongst men of technical school 149.

Both Ambalal Sarabhai and Kasturbhai Lalbhai opted for Indianisation of the mill staff over time in their group of mills. Sarabhai began a programme to attract the brightest of college graduates regardless of their fields of study. For one or two years he put them under the tutelage of his British employees and then he began the change-over. S.A. Kher, who was acting as the general manager of Sarabhai's textile concerns in the mid-1960s, was hired in 1928 after his return from Cambridge where he had studied mathematics. Kasturbhai Lalbhai also followed the policy of giving on-the-job training to the mill staff. Chandraprasad H. Desai, after his graduation with Honours from the university of Bombay in 1929, joined the sales office of the Raipur Mills of the Kasturbhai group in 1931. Subsequently, he was transferred to the Arvind Mills of the same group. In 1942, he was promoted to the post of general manager of the Kasturbhai group of mills. It should be noted here that Desai did not have any technical training before starting his mill career. He was actually hired out of a law school.\(^{150}\)

In spite of diversity of the methods of training and community-wise composition of the technical staff in the cotton mills of Bombay and Ahmedabad, a common characteristic was that all of them were trained in the age-old Lancashire methods of production. The Victoria Jubilee Technical Institute, the only important technical school in India from which the mill staff could get their institutional technical training, was found to give 'very little attention' to research as late as the

\(^{150}\) See Spodek (1965), op. cit., pp. 488, 490 (n. 10); Chandraprasad H. Desai (1954), op. cit., p. 92.
mid-1950s\textsuperscript{151}. Since the mill agents were interested in earning quick profits, they did not provide research facilities to the technical cadres within the mills with the purpose of exploring alternative technological possibilities. The result was obvious. The Textile Labour Inquiry Committee reported in 1940:

The Indian cotton textile industry has not, to our knowledge, any invention or any new process to its credit which represents an advance on the machinery and the methods it has copied from foreign countries\textsuperscript{152}.
