

WEBER'S THEORY OF INDUSTRIAL LOCATION

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Material Index and Labour Cost Index

Material Index - Weber has given a material index to show the tendency of industries to get located either at a place where raw materials are easily available or where the markets are closer.

Material Index = Weight of Localized Gross Material/ Weight of finished commodity

If the index number is greater than unity, industries will have a tendency to localize at the place of raw materials; in case of its being less than unity, they will get located near the places of consumption or markets. In case of unity, industries may get located at any of the places of raw material or markets depending upon discretion of the entrepreneur and his convenience.

Labour Cost Index - Labour costs also affect the location of industries. If transportation costs are favourable but labour costs unfavourable, the problem of location becomes difficult to have a readymade solution. Industries may have tendency to get located at the place where labour costs are low. But labour and transportation costs should be low for an ideal situation. Labour cost is measured in two different ways:

- 1. Labour Cost Index = Labour Cost / Weight of Product**
2. Labour coefficient which is the ratio between labour cost index and locational weight (weight to be transported during the process of production). Weber concluded that higher the labour coefficient, greater is the tendency for a plant to be located near the centre of cheap labour supply.

If labour coefficient is higher, the industry will get located at the place where costs are low and if labour the coefficient is lower, transportation costs may influence the decision.




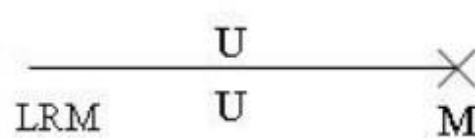
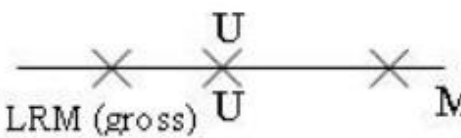
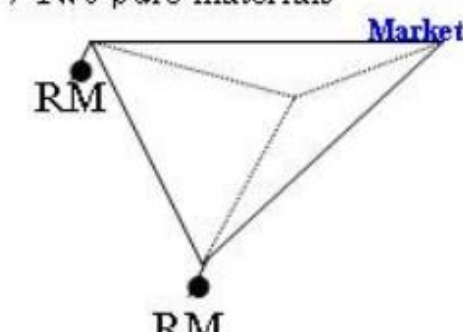
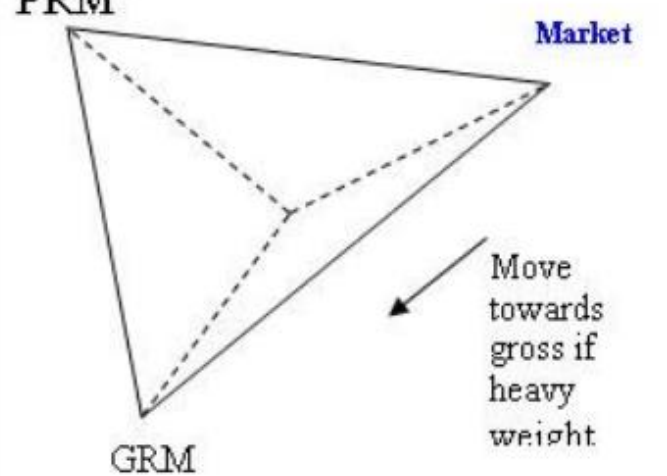
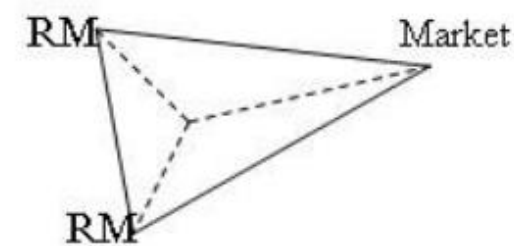
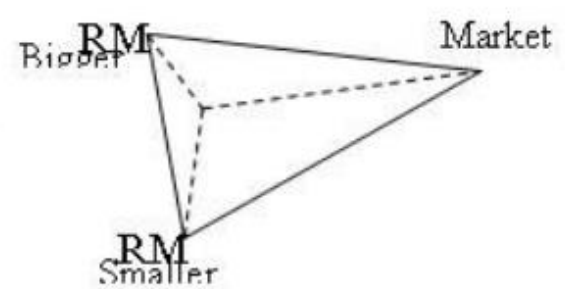
Secondary Factors

Secondary factors lead to concentration or dispersal of industries. They are:

- **Agglomerative factors** are the external economies which result from concentration of industries at a particular place.
- **Deglomerative**

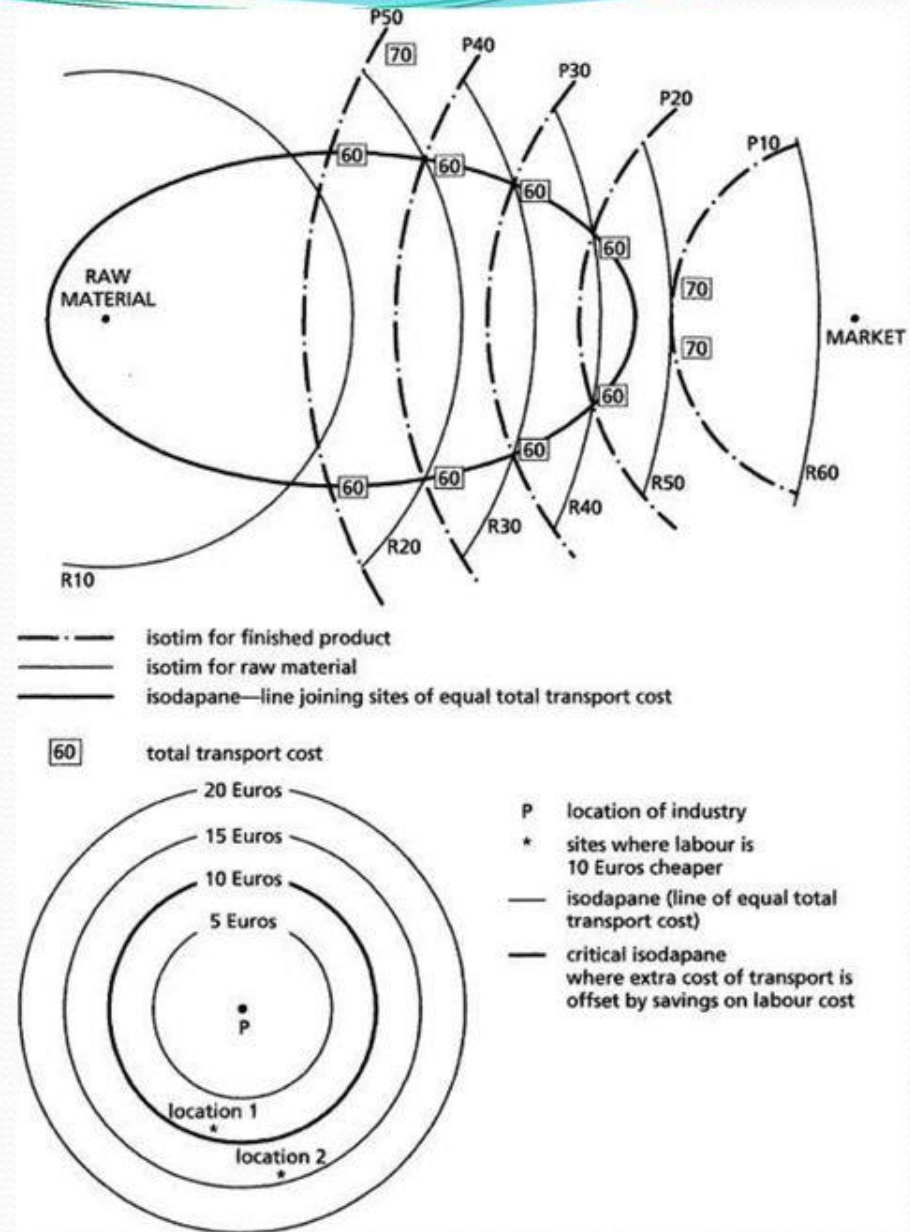
Agglomerative factors make industries centralize at a particular place. Such factors may include banking and insurance facilities, external economies and the like. The tendency of centralization is influenced by the manufacturing index which indicates the proportion of manufacturing costs in the total of production. If the coefficient of manufacture is high industries will have a tendency to centralize, if it is low, tendency of decentralization may be visible.

Deglomerative factors are those which decentralize the location of industries. Examples of such factors are: local taxes cost of land, residence, labor costs and transportation costs. Such factors decentralization because the cost of production stands reduced due to decentralization of shift in location.

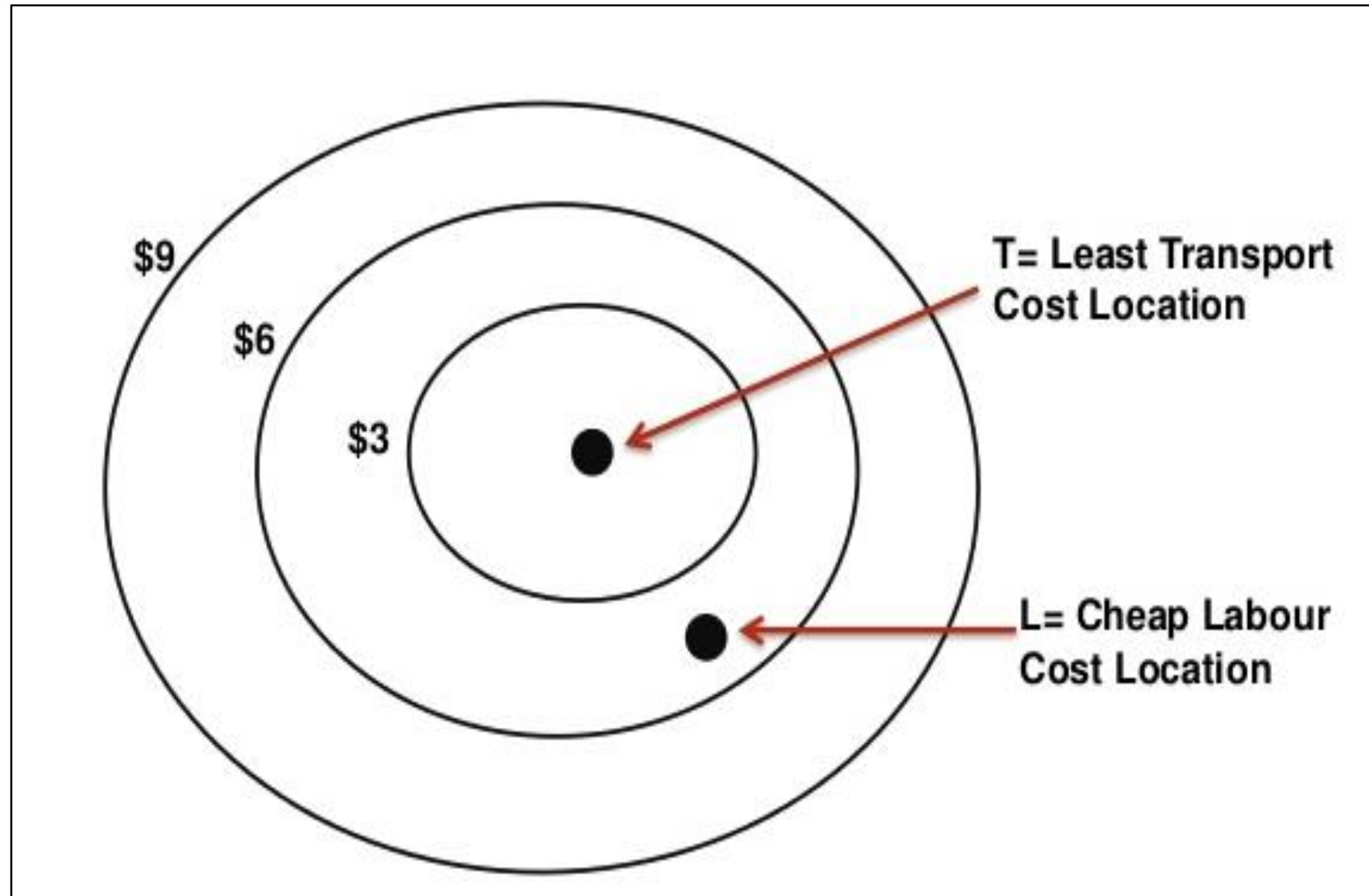
<p>1 Gross and localised giving an $MI > 1$</p> 	<p>2 Either ubiquitous or gaining weight in manufacture $MT < 1$</p> 	<p>3 Pure and localised</p> 	
<p>5 One Ubiquitous and one pure</p> 	<p>6 One Ubiquitous and one gross</p> 	<p>7 Two pure materials</p> 	
<p>8 One pure, one gross PRM</p> 		<p>9 both gross</p> <p>(1) Equal weight loss for both RM</p>  <p>(2) One RM more weight than other.</p> 	

ISOTIM: Lines joining points of equal transport costs of commodity.

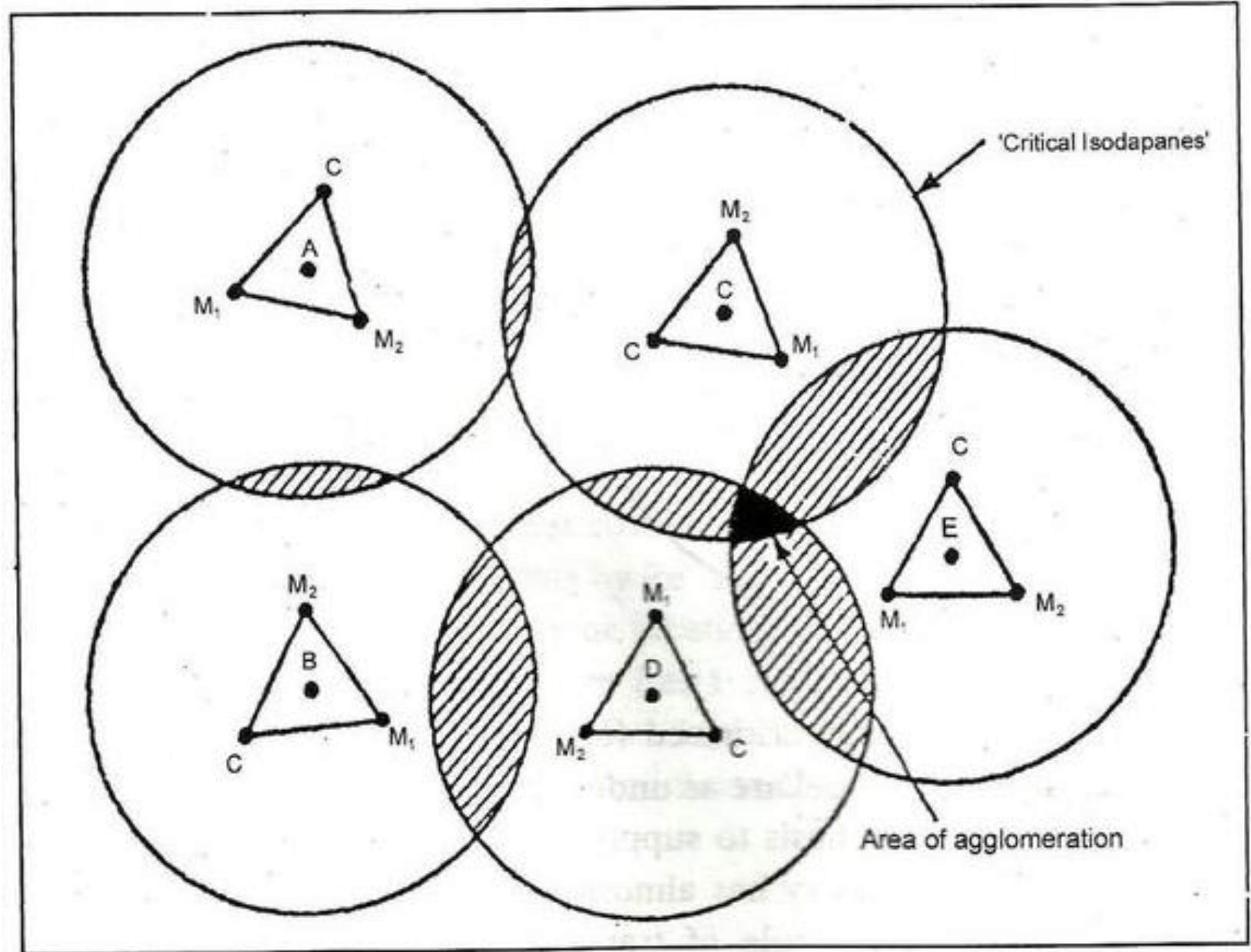
ISODAPANE: Lines joining points of equal total transport cost



Role of cheap labour in location of industry



Role of agglomeration of industries



Criticism of Weber's Theory

The main criticism against Weber's theory is that it is too simple, unrealistic and imaginary because it does not throw sufficient light on different factors and circumstances having a bearing on location.

The following points are important in this regard

- 1. Inadequate analysis of transportation costs**
- 2. Omission of important causes of location**
- 3. Mathematical expressions**
- 4. Categorisation of raw materials**
- 5. Historical factors ignored**
- 6. Consumption centres**
- 7. Overemphasis on labour costs**