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THE ARTIFICIAL REGULATION OF WAGES IN AUSTRALIA.¹

THE Legislature of Victoria, in the year 1894, added to an Amending Factories and Shops Act machinery for creating Wages Boards, with power to prescribe minimum wages in certain sweated trades in which women and children were largely employed.

On this modest foundation Australian Parliaments have rapidly built a complex system of industrial regulation which was undreamed of a quarter of a century ago. Courts and tribunals now prescribe minimum wages for nearly all trades and occupations. They issue elaborate schedules controlling the working hours, meal hours, rates of overtime pay, and holiday concessions of workmen. They regulate the employment of juvenile labour, and prescribe the number of apprentices that can be engaged in different industries, and the terms of apprenticeship. In some instances they have regulated the quantity of work to be done by a workman in his daily shift. Where piecework is in force, the rates to be paid have been fixed. The right of the employer to select his own workmen has to a limited extent been controlled by orders giving preference to Unionists.

An interesting award was recently made covering the occupations of employees in flour and other grain mills. This award prescribes that all employees shall be engaged on a weekly basis; that a week's notice of termination of service shall be given on both sides; that certain holidays shall be observed, and that work done on those holidays shall be paid for at double rates; that not

¹ Paper read before Section F of the British Association, Sydney, 1914. The writer of this paper is the author of the Industrial Arbitration Act, 1912 (Beeby's Act), under which the New South Wales system is now worked.

more than one youth or apprentice shall be employed in proportion to four adults. The term and amount of wages payable during apprenticeship are prescribed; meal hours are fixed; employees on the afternoon and night shifts are allowed 5 per cent. more than on the ordinary day shift; the day for payment of wages is prescribed; the schedule of wages fixes different minimum rates for shift millers, roller men, purifiers, topmen, smutter men, sweepers, truckers, storemen, engine drivers, millwrights and others. These wages range from £2 8s. a week up to £3 10s. per week. Wages in some cases are fixed according to the number of pounds of flour made per hour. A miller, for instance, where the output is 3,000 lbs. per hour, gets £3 per week; where it exceeds 5,000 per hour, £3 10s. per week. A purifier, on an output of 4,000 lbs. per hour, gets £2 8s. per week; on 6,000 lbs. per hour, £3 12s. 6d. per week. An engine driver, where the cylinder on his engine is less than 12 inches in diameter, gets £2 17s. per week; where it is more than 12 inches, £3 per week.

This award is typical of many others, and is quoted as an illustration of the detailed control of industry which has arisen under the Court's power to deal with all matters that may be the subject of industrial dispute.

The popular conception is that our Courts and Boards exist only to prescribe minimum wages and maximum hours for various industries. It is important to remember that this original conception of their functions has been long departed from. The attempt to regulate strikes and to substitute judicial awards for voluntary agreements, with the necessary conferring of wide arbitral powers on industrial tribunals, has entirely altered the original scheme. In States where Wages Boards are constituted only to prevent sweating, the Boards keep awards within well-defined limits, but where the duty of the tribunals is to make an award in settlement or in prevention of a strike, Courts have not been able to place any limit on matters which may be regulated. A dispute, for instance, arose in one case as to the number of bricks a hod-carrier should carry. The matter was one which probably would have led to a strike. The Court, therefore, fixed the number of bricks to be carried and the distance. A quarrel arose in a brickyard as to the distance a labourer wheeling bricks from a patent brick-kiln should cover. The Court directed that an extra labourer should be engaged if a certain distance was exceeded. Gas-stokers were in serious dispute as to the number of retorts each man should attend to during a shift; the Court ultimately fixed the number.

This wide exercise of powers is perfectly logical and inevitable where the industrial award is offered to the wage-earner as a substitute for the right to strike. He contends that any matter which may be the subject of a strike should be the subject of an award, and although the Courts have repeatedly announced that they are disinclined to impose regulations interfering with the ordinary business management of enterprises, the tendency has been to steadily increase the ground covered by awards until matters of minutest detail have been dealt with.

In following the heroic efforts of Industrial Courts to exercise these important and far-reaching functions, one is impressed with their bewildered search for guiding principles. Judges have at different times urged that Parliament should give some indication of the manner in which the wide powers conferred upon them should be exercised.

The first President of the New South Wales Court, the late Mr. Justice Cohen, evolved a formula which he attempted to apply to all cases dealt with by him. The minimum wage, he decided, should be based upon the earning capacity of an average workman in the particular industry concerned, but he was unable at any time to work on any fixed principles as to the various other matters that were involved in industrial disputes. He contented himself by dealing with each case according to its circumstances and, as far as possible, avoiding interference with business management in matters of detail.

The present President of the Court, Mr. Justice Heydon, has in many interesting judgments referred to the Court's difficulty in finding some guiding principle. He, however, has laid down one rule, that in every industry coming under the Court's review a man is entitled to at least a living wage. Later on, he decided that a living wage was one which would meet the bare needs of a man, his wife, and a family of two dependent children. As far as hours of employment are concerned, the same Judge has indicated that the normal working day for an Australian workman is eight hours, and that unless it is shown that the eight-hour day is impracticable, it should be prescribed in a given occupation. But when it comes to the many other matters that are the subject of industrial dispute, his Honour has not been able to lay down any defined rule beyond urging again and again that Courts should not interfere with the detail management of businesses. In spite of this, the tendency has been for the regulation of details steadily to increase, and each year industrial regulation has become more complex and inelastic.

There are now sufficient data available to justify a critical analysis of these social experiments, but before setting out on this task it is necessary briefly to survey the field of operation.

It must first of all be remembered that our Industrial Courts have been dealing ever since their inception with a "rising" market. Australia's greatest period of material progress has been synchronous with its era of industrial experiment. With the exception of one or two spasmodic and localised relapses, there have been no years of depression. The demand for workmen has generally exceeded the supply. Our proportion of "unemployables" is smaller than in any country in the world. Much of the general advance in wages and of the general improvement in industrial conditions would have taken place if there had been no Arbitration Courts. This continued prosperity has affected the attitude of employers. They have not combined to any serious extent to resist encroachments. A large proportion of the added labour cost has been passed on to the consumer. A stevedore paying wharf labourers 1s. 3d. per hour for handling cargo has only to increase slightly his charge per ton to the shipowner in yielding to an award which fixes 1s. 9d. as the hourly rate. Up to the present, employers' profits have not been perceptibly curtailed by Industrial Awards. The real test of the system will come when the employer can no longer "pass on" the added labour cost, and must face reduced profits, or when there is a fall in the world's prices for our raw products, or when through financial depression enterprise slackens and surplus labour is again on our market.

The Australian temperament, created by climatic conditions and the huge spaces available for men of nomadic instincts, must also be borne in mind. The Australian workman is free from the restraining influences of tradition; he is not touched with the fatalistic submission of old-world industrialism. He has the widest educational opportunities. He has developed an independence and a resourcefulness which may, under wise control, be our greatest national asset, but which, without ideals, may become our greatest source of danger.

I have, during the last fifteen years, had unusual opportunities of following the experiments that have been made, and now, as a non-combatant in the political world, propose briefly to summarise the conclusions I have come to as to the results of our attempts to regulate wages and industrial conditions artificially. I do not use the word "artificial" in its ordinary sense. I do not subscribe to the idea, which is even yet accepted in many circles, that there is a fixed economic science, and that there are

fixed and inevitable economic laws. The whole social structure is, after all, artificial. It is a device created by man's intelligence, in man's pursuit of happiness, a development of the old tribal rules of conduct. I use the term "artificial" only in deference to the popular conception that the laws of supply and demand are immutable, and any interference with them is misguided, artificial.

The advantages derived from our system can be thus stated :—

The reproach of sweated industries has been removed from Australasia. With slight exception, women and children who work in occupations which lend themselves to oppression and misery are, compared with those in "free" countries, guaranteed decent factory conditions, reasonable hours of labour, and minimum wages. Child labour is strictly controlled and supervised, and, in factories particularly, the tendency is to reduce still further the working hours of women and juveniles.

The unskilled worker, the product of modern industrial methods, is protected from over-competition for employment. Much of his improved condition is attributable to scarcity of labour, but the incentive to organisation, the power to drive a collective bargain, originated with the earlier awards, which gave him a status previously unknown.

The constant open inquiry into wages and working conditions of employees has been of great educational value, and has led to more sympathetic consideration by the public of the workers' agitation for a higher standard of comfort and to a wider public interest in economic problems. No political party, for instance, now ever disputes that industrial regulation of some kind, including the fixing of minimum wages, is necessary and advisable. Parties may differ as to the extent of such regulation and the nature of the machinery for effecting it, but no serious voice is ever heard against the wisdom of interfering with freedom of contract in maintaining a reasonable standard of comfort for wage-earners.

Its effect on strikes has been beneficial in one direction and evil in another. The duration and intensity of serious disturbances have been lessened; but, by facilitating the organisation of workmen in many occupations not previously unionised, industrial arbitration has largely increased the number of strikes. Workmen strike for smaller things, and often without serious provocation. But the compulsory and conciliatory machinery has generally shortened the contest and kept some check on sympathetic outbreaks.

As against these advantages, any honest observer is bound to

admit that in some directions the effect of the system is disquieting, and that ultimately it will be necessary to place limitations on the powers of industrial tribunals in certain directions.

The most important point for inquiry is, what has been the effect on efficiency and national character?

I have been forced to the conclusion that our experiments have not added to efficiency, but have had a contrary effect, mainly owing to fixing of standard wages instead of minima, and to the failure of our Courts to popularise payment by results with reasonable safeguards against sweating or undue "speeding up." The minimum wage fixed generally becomes the standard. In all skilled trades a small proportion of workmen may get rates above the minimum, but the bulk of them, and in unskilled trades practically all of them, work on minimum rates. The Unions have successfully resisted piecework, except in one or two occupations. The result is that incentive to effort is removed. The workman has a feeling of security which does not exist in unregulated communities. He knows that there is no surplus labour, and that a reasonable wage is guaranteed. His incentive to acquire greater efficiency is thus gone, and generally the tendency has been to slow down. There are no reliable figures available on this point. Generally the mechanic has maintained his old standard, but in a few cases he clearly is giving a smaller result. So far as the unskilled labourer is concerned, he clearly is not giving the same average result as a few years ago. It must not be forgotten, however, that the scarcity of labour has been responsible for a good deal of this. In all communities, one of the incentives to effort is the fear of unemployment, but that fear has not existed in Australia for many years past. The only effect that arbitration laws have had on this question has been, by the standardising of wages, to destroy elasticity above a living minimum.

Our system of industrial regulation has had one definitely dangerous result. It has hampered, and is to-day seriously restricting, the production of new mechanics. The Unions succeeded first of all in obtaining restrictions of the numbers of boys who could be apprenticed to different trades. This alone would not have been serious if efforts had been made to persuade employers to undertake the training of the full numbers permitted by awards. But wages of apprentices have been forced up to a high level, and in many ways the control of the apprentice has been interfered with. The Australian boy, at his best, does not take kindly to apprenticeship. He has unusual opportunities for earning money

without binding himself for a term. There are many occupations in which lads of from eighteen to twenty-one can readily earn from 35s. to 40s. a week. Employers have been doing well, and have not worried much about the future. The result is that since arbitration was inaugurated there has, in proportion to the increase in production, been a distinct falling away in apprenticeship, and employers look to immigration to keep up the supply of skilled artisans. One of the most urgent needs of Australia is direct legislative action, to remedy the bad effects which our arbitration system has had on this question of boy labour.

Compulsory military service will in time do good work by making lads more amenable to discipline, but the immediate need is for a readjustment of awards and of the apprenticeship laws on a basis which makes unapprenticed labour less profitable and more restricted in occupations calling for any skill.

The supposed compensation to the community for our elaborate system of regulation is immunity from industrial warfare. But this compensation has not been paid. It is true, I think, that the arbitral and conciliatory machinery provided has been valuable in settling strikes after they have actually commenced, but in this State particularly it must be admitted that little regard is paid to the statutory prohibition of strikes. No Government has ever yet attempted to enforce the law strictly, and the general public looks on the strike penalties with good-natured contempt. At the back of the public mind the idea still lurks that no law can make men work once they become involved in dispute over real or imaginary grievances, and that the limit of Governmental power is to provide methods of conciliation. A large section of workers have honestly accepted arbitration as a substitute for the right to strike, but even with this admission the most enthusiastic apologist must acknowledge that the effort to prohibit strikes by law has failed.

The conviction is growing, even in industrial circles, that we have nearly reached the limit of artificial regulation of wages, and that with the increased cost of commodities, traceable to higher wages, we are moving in a vicious circle. The worker begins to realise that while minimum wages and conditions are necessary and useful up to a point, they react and hamper enterprise when they go beyond that point by preventing men with limited capital from entering the field. It is common even now to hear Trade Unionists asserting that it is not another sovereign they want so much as an increase in the purchasing power of the sovereigns they possess.

There are signs in other directions of change in public opinion. If I might venture into the realms of prophecy, I think that the day is not far distant when we shall abandon our present elaborate system of compulsorily legalised contracts and substitute in its place four enactments :—

- (a) The appointment of a Board of Trade to prescribe a national minimum wage from time to time ;
- (b) The fixing of a universal Eight Hour day, with certain recognised exceptions ;
- (c) The creation of a system for the apprenticeship and industrial education of boy labour ;
- (d) A special Act relating to the hours of labour and minimum wages of females.

Subject to these regulations, which will amount to the prescribing of a universal bare living standard, below which there will be no competition for employment, I believe the old economic forces will again come into play, and that education, with the maintenance of easily accessible tribunals for arbitration, will lead to industrial peace far more rapidly than the compulsory laws with which we have been experimenting.

There are many who regarded our system of industrial regulation as the beginning of the new era in which the problem of the equitable distribution of wealth was to be solved, but who have been disillusioned by the results of the experiment. I remember a very keen American economist, who was making inquiries in Australia a few years ago, stating his impressions of the result of the New Zealand legislation. He remarked that the workers in that State had lost their ideals. Each of them had secured a "full platter," and in contemplating its ingredients had lost sight of other things. I am not endorsing this pessimistic view of the position. There is much that is good in our system—there is some evil, and much that is still doubtful.

I am more inclined to the hopeful view that before long we shall begin "sifting," and while maintaining the fixed principle that every worthy citizen is entitled to a standard of comfort, measured by the communities' total wealth production, will allow fuller play to those individual qualities which make for higher efficiency, thoroughness, and a fuller sense of collective responsibility.

GEO. S. BEEBY