

The recent falls in external prices show that both internal prices and labour costs must be reduced. Whether wages must be reduced also depends entirely on the productivity of labour. It is time, therefore, to try the alternative policy for increasing wages. The report quoted states also: "The general level of wages can be raised only if there is an increase in the volume of wealth-production. This is an over-riding consideration to be borne in mind in studying every aspect of wage regulation."

4. THE EFFECTS OF THE SYSTEM.

To this aspect of the wage question—that wages are necessarily limited by the market value of the product of labour—the Arbitration Court has given insufficient attention. In fact, it was never designed to attend to this. The machinery of compulsory arbitration was fashioned to secure industrial peace. To this end unionism was encouraged, and the Court was empowered to grant preference to unionists in the hope that thereby peace might be better ensured. But peace has not been achieved, and it might well be asked how far preference to unionists has justified itself. Over that part of industry where militant unionism holds sway and conflict is frequent, the system is largely inoperative; it operates mainly over a part of industry where peace under any conditions is fairly well assured.

The system was designed to bring employers and wage-earners together for conciliation; the contradiction between compulsion and conciliation was apparently not appreciated. In this connection Professor Clay has written: "Governments should do everything in their power to promote, and even compel, conciliation and arbitration, but they should never, on any account, fix a wage-rate." But our arbitration has developed into State regulation of wages, and that regulation mainly on the basis of an obvious fallacy. Throughout many years precedent, tradition, and practice in the Court have bolstered up this fallacy until it has become an obsession with many unionists that wages as determined by the Court must necessarily depend upon the cost of living. This obsession has distracted attention from the many and manifest advantages to be gained from increased output, and has contributed much to support the futilities of industrial wages.

Further, the Court has been itself perhaps the most potent instrument in causing stagnation of production and of standards of living in the Dominion. In the United States and Canada production has increased greatly since 1914, and it is estimated that the purchasing-power of average wages has increased by 25 per cent.; in New Zealand the official estimates indicate that production per head is lower than in 1911, and improving little, while the purchasing-power of wages has not increased. The function of the Court is to settle disputes. It has occasioned the creation and maintenance of organizations which depend largely on disputes for their existence; hence disputes have not been wanting. In settlement of these disputes the Court makes rigid regulations regarding the minutest details of industrial relationship, each applying to all wage-earners under the particular award, and many of them disregarding local and individual differences and covering the whole Dominion. One authority says that he compiled a list of seventy different subjects of regulation under the awards in force, and added that before the war the Court's awards gave New Zealand the most complete system of State regulation of industry the modern world had ever known. Burdened with the dead-weight of this amazing complex of regulation, harassed by Inspectors whose duty is to see it observed in every detail, faced on the other hand with the ever-present necessity for the maximum elasticity in making internal adjustments to meet the constant flux and change of market conditions, it is little wonder that industry has failed to make progress and to increase productivity under the arbitration system.

Yet there is another side, and something must be said for the system. The Conciliation Councils, which are an integral part, furnish tribunals before which a large proportion of our industrial differences are amicably settled, and it is highly desirable that the fullest provision be made for real conciliation. In its early years it is said the Court did much to eliminate the incipient sweating which had developed, and to protect wage-earners against unscrupulous employers who cut wages below fair rates. It is probable that the Court still gives considerable protection to weak and unorganized workers, who might otherwise be at the mercy of unrestrained competition.

Wage-earners generally are much better off now than they were at the time the Court was established, but the credit for improvement is not due to arbitration alone. Much of it is due to other labour legislation, to Factory Acts, Shop-assistants Acts, &c., to the provision of social services, and to the long period of prosperity which the country as a whole has enjoyed. Further, the improvement has been by no means confined to occupations where wages and conditions are determined by the Court, but has been universal. It is doubtful, too, how far the measure of industrial peace secured is due now to compulsory arbitration, as distinct from conciliation and the Industrial Disputes Act; but there is no doubt that the whole body of industrial legislation exercises a steadying influence on disputants.

5. CONCLUSION.

Summed up, the case for the arbitration system must be judged on the balance of its advantages and disadvantages. There are those who would suggest its entire abolition; there are many more who consider it requires thorough investigation with a view to modification and amendment. It has received much credit for good work in the past; it possesses elements that are still of great value; but at the present time it fails in its primary object, the maintenance of industrial peace; it is responsible for seriously retarding adjustment of the price disparities which are a chief cause of depression in the primary industries and of unemployment; its limited economic vision goes little beyond the sheltered industries which it investigates; its chief basis for wage standards is founded on fallacy, and over the vital internal relations of labour and capital in much of our productive industry it has laid the dead hand of public control.

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1. THE RECORD OF INDUSTRIAL STRIFE.

A survey of the relations between employers and wage-earners in New Zealand reveals several arresting features. In the first place, these industrial relations present an acute problem over a minor part only of the field of employment. Nearly three-fourths of the wage-earners of New Zealand are non-unionists. Some of these are linked up in associations and guilds, but they settle their differences regarding wages and conditions of employment with apparent amity and without resort either to stoppages of work or to any external mediation. Only about one-fourth of the wage-earners are unionists. For them alone the elaborate State machinery of the arbitration system is provided, and over a large part of the field of employment they occupy a fair measure of industrial peace is attained.

Yet industrial warfare is regrettably common, and is becoming more frequent, though it is mainly confined to and is becoming increasingly concentrated in a few industrial groups. These groups are chiefly the wage-earners classified as the shipping and cargo-working, mining, and food and drink groups. Together they comprise 25½ per cent. of the total unionists, or 6½ per cent. of the total wage-earners in the Dominion. But in the five years 1921–25, out of 301 disputes involving stoppages of work, 273, or 90 per cent., were in these three groups. The remaining 74½ per cent. of the unionists, who constitute about 19 per cent. of the total wage-earners, were involved during the same period in twenty-eight stoppages, or 10 per cent. of the total. The official records classify 299 of the total 301 stoppages as strikes and two as lockouts.

The results obtained by these stoppages were by no means proportionate to the cost. During the five-year period the 301 stoppages involved a loss of 578,000 working-days, and of £377,000 in wages alone. The decisions reached are officially classified as follows:—