

degree. The benefit derived by the Dominion from the greater measure of industrial peace we have enjoyed has been quite definite.

*Criticism.*—It is obvious that industrial relations are more difficult under unfavourable than under favourable conditions of trade. For the last two years New Zealand trade has had to contend with unfavourable conditions arising from the causes described in the first portion of this paper. These conditions have naturally led to much criticism of the arbitration system, and some of the critics have mistaken effect for cause and are blaming the system for the conditions. New Zealand industries may be divided into four classes—(1) The so-called primary industries, the product of which is largely exported and for which prices are regulated by the world's parity: (2) the naturally sheltered industries, transport, waterfront work, building, and jobbing engineering: (3) manufacturing industries partly protected by tariff: (4) distribution; wholesale and retail trading. These are very largely interdependent, a fact that is apt to be ignored.

It is true that if wages are unduly high, or if other conditions of employment are unduly costly in any of the industries of classes 2, 3, or 4, those engaged in the industries of the first class will be penalized by having to pay prices for the goods and services they require disproportionate to those they receive for their own products. The pertinent question for the purposes of this investigation is, therefore, whether the cost of the products of the sheltered industries is higher as a result of the operation of the arbitration system than it otherwise would be. The answer is that wages and conditions of employment ruling to-day in the transport services (railways and waterfront labour) and in the building and allied trades are the result of mutual agreements and have not been fixed by the Court. It is difficult to conceive any system of regulation which would entirely prevent employers and employees in the sheltered industries making agreements which cannot fail to penalize both workers and employers in industries which are wholly unprotected. The Arbitration Court does exercise a restraining influence upon the sheltered industries. It is one of the chief duties of the Judge to properly proportion the wages paid in the different industries within the Dominion according to the skill required and the hardships involved. Mr. Justice Sim in particular did much good work in this direction during his term of office as Judge of the Arbitration Court.

It is also frequently stated that the effect of the standardization of wages and conditions of employment by the Court's awards has been the standardization of output, and that the result is a low standard of production. In industries wherein all workers are paid the same wage, whether the rate to be fixed by agreement or by an award of the Court, there must be a tendency to standardization of output—as, for instance, on the waterfront. In the skilled or semi-skilled trades, however, the workers are not all paid alike: the rates fixed by awards or agreements are minimum rates, not standard rates—good work and long service are rewarded by wages higher than the fixed minima. Outside shipping, waterside work, and mining, it has been ascertained that over 70 per cent. of the workers are in receipt of more than minimum rates. Standardization of output is not, therefore, an effect of the Arbitration system; in fact, it is most complete in those industries which are not governed by the Arbitration Court awards. Moreover, it is just as noticeable in England, where there is no arbitration system. This difficulty is one which faces managers of industry right through the world, and is one which, in the main, must be solved by them in the manner most suitable to each individual industry. In prosperous times, when profits are easily made, there is little or no inducement for managers to face this problem. It is only in difficult times like the present that the necessity for its solution is brought home to them. If they are fair, managers of industry must blame themselves rather than the Arbitration Court for the present position.

*Dominion Awards.*—In certain industries a Dominion award or agreement is of advantage as compared with local awards; but in some cases there is no such advantage, and the effect of Dominion awards has been to handicap the natural advantages which certain districts in the Dominion have over the remainder in the manufacture or production of certain commodities. The question whether the Arbitration Act should not provide that Dominion awards shall be made only where both parties consent thereto might be considered. Nothing should deprive either employers or workers of the right to negotiate agreements suitable to the needs of the industry in any particular locality.

*Piecework.*—It has also been wrongly assumed by many critics that the operation of the arbitration system has prevented the use of piecework systems, whereas the Court has never inserted a prohibition of piecework in any award except where the employers have recommended it in Conciliation Councils. In many industries it is difficult to apply piecework systems, but there are others in which piecework is the rule. The object of all piecework systems is the stimulation of output and the payment of all workers in proportion to their production. Official unionism is, generally speaking, opposed to piecework systems. This objection has sprung from past abuses, and it will only be broken down by the proper safeguarding of the workers' position. Subject to proper safeguards, piecework is desirable and profitable to industry generally. There is nothing in our arbitration system to prevent the extension of methods of payment by results. All that is required is that employers and their employees should co-operate in devising suitable means and putting them into effect. Indeed, without such co-operation there will always be difficulty in their effective operation.

*Unnecessary Disputes.*—It has been realized by all organizations of employers for many years that the Arbitration Act has developed in a way not intended by its sponsors. It was originally intended that the Court of Arbitration should be used only to settle serious industrial disputes, but it has led to the periodical creation of disputes between employers and workers merely for the purpose of bringing before the Court an application for a change in the provisions of an award. The word "dispute" used in connection with the Arbitration Act has acquired a new meaning. It does not mean anything more than that either the employers or the workers in an industry desire the Court to amend the existing award in their own favour. It may be, and probably is, true that in this way the workers are provided with an opportunity at regular intervals of thoroughly ventilating any