

causes to the fullest possible adoption of the principles of payment by result, the system may be charged with a large measure of responsibility for the fact that production per head in New Zealand, as shown by official estimates, is lower than it was in 1911. (This is based on the last estimate available, which is for the year 1924–25.)

9. In this connection it is very desirable that there should be a free and frank discussion of the objections from the labour side to piecework. The objections from the other side to most proposed extensions of the piecework system are difficult to follow, and are, we believe, based on a misapprehension of economic truths. The American practice is suggested as being worth examination, and the following quotation from a report on the American system, which is contained in a book published in 1926, entitled "The Secret of High Wages," written by two English investigators, sets out one of the chief principles in the American system in the following words: "It is better that labour should be rewarded by wages bearing some relation to output rather than by a fixed wage, the amount of wages earned by any one man being in no way limited."

It is hoped that in the course of the Conference a real exchange of ideas will be possible with the labour representatives on the subject of piecework, as on this side we have an honest desire to understand the point of view of the labour men on this important subject.

10. The Court in many awards now lays down a minutely detailed schedule of conditions under which work is to be done. In this way it standardizes and stereotypes industrial methods. It is submitted, first, that this is a departure from the original intention of the legislation; and, second, that it is a serious hindrance to progress in industry and tends to limit production, and in that way is contrary to public and national interests. One authority has compiled a list of seventy different subjects of regulation under the awards in force, and adds that even before the war the Court's awards gave New Zealand the most complete system of State regulation of industry the modern world has ever seen.

11. The legislation was passed with the object of encouraging the formation of industrial unions, and to facilitate settlement of industrial disputes by conciliation and arbitration. The figures published by the Government are thought to show that the Industrial Conciliation and Arbitration Act has not had any great measure of success in settling disputes. We quote only the following figures, summarized from the published figures, and draw attention to the other statistics published on pages 834 to 843 of the current Year-book:—

METHODS OF SETTLEMENT OF DISPUTES, 1922–26.						Number of Disputes.	Number of Workers Involved.
Negotiations under Industrial Conciliation and Arbitration Act	..	..	..	..	..	4	280
Negotiations between parties	..	..	..	..	..	59	8,332
Substitution of other workers	..	..	..	..	..	20	1,528
Otherwise	..	..	..	..	..	200	34,420
Total	..	..	..	..	..	283	44,560

Once stoppages of work had occurred the arbitration system aided in the settlement of little over 1 per cent. of the disputes, which covered considerably less than 1 per cent. of the workers involved. Out of every 159 workers involved in stoppages, only 1 had his dispute settled by the arbitration machinery; the remainder either petered out or were settled by the parties themselves.

12. Published figures show—(a) That the primary industries produce over 70 per cent. of the total production of the Dominion, and provide practically 100 per cent. of the total exports (94 per cent. come from the pastoral industries alone); (b) that the prices of our exports in the world's markets have not increased in the same proportion as our costs of production; (c) that the prices of services and goods produced for local use have increased in about the same proportion as the increased cost of production. These facts create a problem which is known as the problem of the sheltered *versus* the unsheltered industries, a problem which is world-wide, but which we consider has been seriously aggravated in New Zealand by the arbitration system.

13. The justification for this last statement may be shown by attempting to reduce a complicated series of actions and reactions to a simple instance. Assume that the cost of producing an important commodity used by everybody and produced locally for the local market is increased (the reason for the increase does not matter); the local manufacturer by virtue of his sheltered position is able to pass on the increased cost by putting up the price of the article. The increased cost of the article becomes an item in the increased cost of living, and the increased cost of living is the basis on which the Arbitration Court awards increased wages. The farmer, like everybody else, has to buy the article which has increased in cost, and has also to employ labour which, though largely not under awards, is certainly affected by the increased cost of living and by the increased wages granted in other industries. The farmer, whose costs have gone up because of his own needs and those of his men, is unable to balance his increased costs by increasing the selling-price of his products. It is, of course, true that up to a point many primary producers can increase and are increasing their production in many cases, but generally speaking there is no evidence that the increase is sufficient to counterbalance the increased cost. The following figures extracted from one of the bulletins are submitted in support of this argument; they can be verified from the figures published in the Year-book, pages 762–796:—

WAGE INDEXES.

(Base weighted average of all groups, 1909–13=100.)

						All Wages Groups.	Unsheltered (Agri- cultural and Pastoral).	Sheltered Manual Workers).
1926	..	..	..	..	..	170.0	149.4	175.6
Last quarter, 1926	..	..	..	..	..	170.6	149.4	176.2