1928.

NEW ZEALAND.

NATIONAL INDUSTRIAL CONFERENCE.

Presented to both Houses of the General Assembly by Command of His Excellency.

TUESDAY, 27TH MARCH, 1928.

THE Conference was opened at Parliamentary Buildings, Wellington, at 11 a.m., the Right Hon. J. G. Coates, P.C., M.C., Prime Minister, presiding.

The delegates were as follows :—

Employees' Representatives :—
Wellington : A. Cook, F. Cornwell, A. Black, J. Churchhouse, W. Nash, J. Roberts, W. Bromley, J. Tucker, R. Semple, E. Kennedy, A. Parlane.
Auckland : O. McBrine, T. Bloodworth, J. Purtell, J. P. John, B. Martin.
Christchurch : H. Worrall, H. C. Revell, F. R. Cooke, R. A. Brooks, C. Baldwin.
Dunedin : W. Herbert, J. Robinson.
Invercargill : T. O'Byrne.
New Plymouth : R. Fulton.

Employers :—
Employers' Federation : Hon. T. S. Weston, W. G. Smith, T. O. Bishop, H. Mainland, A. G. Henderson.
Farmers' Union : W. J. Polson, R. S. Chadwick, F. Colbeck, W. W. Mulholland, J. Carr.
Sheep-farmers : H. D. Acland, R. M. Morten, J. S. Jessep, W. N. Nicholson, C. H. Williams.
Dairy-farmers : A. Morton, J. G. Brechin, H. H. Stirling, J. Fisher, H. J. Middleton.
Chambers of Commerce : D. J. McGowan, H. S. E. Turner.
Manufacturers' Federation : F. Campbell, G. Finn, W. H. P. Barber.

Economists : Professor Murphy (Wellington), Professor Belshaw (Auckland), Professor Tocker (Christchurch), Professor Fisher (Dunedin), Professor Williams (Massey Agricultural College).

Associated Banks : G. W. McIntosh.

Parliamentary Committee : Sir John Luke, R. McKeen (representing H. E. Holland), P. Fraser (representing M. J. Savage), J. A. Nash, F. Waite, G. W. Forbes, E. A. Ransom.

Official Heads of Departments : F. W. Rowley, Secretary of Labour ; H. D. Thomson, Secretary, Immigration Department ; F. S. Pope, Department of Agriculture ; T. B. Strong, Director of Education ; M. Fraser, Government Statistician ; J. W. Collins, Secretary Industries and Commerce ; C. E. Bennett, Public Works Department ; Dr. Marsden, Department of Scientific and Industrial Research ; C. E. Berendsen, Prime Minister's Department.

Manager of Conference : Hon. John Barr, M.L.C.

Secretary of Conference : H. E. Le Grove.

Opening Address by Prime Minister.

The Right Hon. Mr. Coates (Prime Minister), in opening the Conference, delivered the following address :—

I wish, in the first place, to express my pleasure at meeting the members of this Conference, which is, I believe, the first of its kind to be held in New Zealand. Your deliberations will be of a vitally important character, and your comments, and I hope decisions, should have a far-reaching effect upon the welfare of New Zealand. If your work is successful it may lead to incalculable benefit to the people of New Zealand, and I am sure, therefore, that every gentleman present will give of his best. We have present here the selected representatives of the employers, primary and secondary ; we have present also the chosen delegates of the employees : surely the occasion offers a unique opportunity of pointing the way to industrial peace and progress. The Government in calling this Conference have made an honest attempt to bring together what are apparently conflicting interests, in the hope that by meeting face to face and threshing out their difficulties they may succeed in bringing peace and good-will to the industries of New Zealand. It is probably unnecessary for me to recapitulate the events that have led to the calling-together of this Conference. You all know of the Industrial Conciliation and Arbitration Amendment Bill which was introduced last session by the Government, and of the

widely differing opinions which that Bill brought forth. In the circumstances the Government decided to postpone further action on the Bill and to call this Conference, which was made possible, and indeed necessary, by the varying points of view that were expressed in connection with the Bill. For several years past there has been considerable criticism of the functioning of the industrial laws of New Zealand, and this criticism has been especially marked in the primary industries. Few will disagree with me when I say that the prosperity of New Zealand for many years must be dependent upon the output of our primary industries. Our secondary industries, though of vast importance, must in the meantime take second place to our primary development; and one of our principal problems at the moment is the fact that while the primary industries are dependent almost entirely on world prices, their costs are to some extent fixed without reference to this fact. The fact that the surplus products of the farm are sold abroad and are subject to world-wide competition must be recognized, and the Conference should direct its attention particularly to devising some means by which the primary industries can be fostered, having due regard to the country as a whole.

Now, this Conference may be looked upon as a national stock-taking of our industrial relations, providing an opportunity for looking facts in the face and discussing them. This assembly may rightly be termed an industrial Peace Conference which should aim at evolving the best methods of team work to increase the prosperity of all; it should examine our position as a community; general discussion should clear away misunderstandings and should help to smooth out difficulties. The interests of the different sections of industry in New Zealand are various, as must be the case in every country; and yet, paradoxical as it may seem, in the ultimate result they are so bound together that they are practically identical. In our national business, as in any private business, we must take into consideration the interests of three parties, all of whom have their rights and their duties. There are the shareholders, who in the case of a national undertaking are in the last resort the general public; there is the management, and there is labour: all these three are inseparably bound together. In both private and public enterprise it is essential, if the best results are to be obtained, that there should be complete understanding and confidence between all concerned; and what you, gentlemen, are asked to consider is whether and how it is possible to implement this axiom in a national sense. It is clear that while industrial unrest and disturbances occur they affect not only individual enterprise but national interests as well. Every stoppage in industry affects us all; every national loss makes us individually poorer, and puts us in a worse position to meet our competitors in the world's markets. In these days of competition it is vitally important that every citizen of New Zealand should understand these facts, and that every possible step should be taken to avoid national loss. In a modern democracy such as ours, where government by the people is carried to its furthest extent, there are bound to arise from time to time difficulties in the reconciliation of what appear to be conflicting interests, and it will be your task, gentlemen, to endeavour to reconcile these apparent conflicts, and to place the widest interests above individual interests. The public as a whole will be intimately concerned in your deliberations. They are the shareholders of our business, and to some extent all our dividends will depend upon your deliberations. In considering this point of view, however, you will necessarily be obliged to consider also the interests of capital and no less the interests of labour. Capital is of little use by itself, and labour without well-directed effort is largely wasted in modern society. Your problem is to find the correct balance, and care must be taken to see that justice is done both to capital and to labour. While not for a moment losing sight of the standard of living of our people, we must at all times have due regard to the fact that any fictitious position not justified by economic facts must ultimately prove to the disadvantage of all.

Mr. Philip Snowden wrote recently, "No society could hold together if there were unfettered and unregulated competition, and in obedience to laws of self-preservation we have had to substitute co-operation to a great extent for competition. If by industrial peace we mean the substitution of conciliation and arbitration for the folly of fighting, then peace is not only possible under capitalism but has proved to be so in innumerable instances. . . . More cannot be taken out of industry than is produced. Good wages cannot be paid out of an unprofitable industry. The more prosperous industry is, the better are the chances of labour getting higher wages. The sensible policy for labour, then, obviously is to co-operate in making the industry efficient. But the condition of such co-operation must be that labour shares in all improvement. The policy of fighting out differences is being increasingly realized by both employers and union leaders as a foolish and futile policy. The wiser employers have come to see that low wages are uneconomical, and that contented, well-conditioned workmen are more productive." Those are Snowden's words.

Another writer on industrial subjects made the following remarks: "It is an illusion that machines make a man like a machine. It is the man who digs with a spade who is a machine. The man who works with a steam digger is himself running a machine. Every soldier is entitled to good generalship, and you cannot ask soldiers to fight in battle—in war or industry—unless they believe their generals are capable of gaining the victory. There is one asset you never see in the balance-sheet of any company, and yet it is an asset of extraordinary value. Although no accountant recognizes it as existing, it does exist. That is the loyal co-operation and friendship of those engaged in an industry. That is its biggest asset, more valuable than all its machinery and plant and tangible assets, because it enables it to be carried on successfully. Old customs which do not promote this co-operation should be scrapped, because it is fundamental for the future well-being and progress of this country."

Now, I hope, gentlemen, that you will really look upon this Conference as a "get-together Conference"—that every member will approach his highly important labours in a spirit of service for the general good, setting aside all personal, political, and party interests, and discussing each aspect from one viewpoint alone—the good of the whole community. In this connection I would ask you to bear with me if I quote from the remarks of Mr. Ben Turner, a Labour representative at a

similar conference recently held in the United Kingdom. Mr. Ben Turner said, "The Conference should not be a debating society or a mental boxing match, but a serious move made by representatives and responsible men and women to preserve the nation's industries, to find ways and means of getting out of the present industrial chaos, and putting the people and the country's trade on the highway to comfort and prosperity."

The members of the Parliamentary Committee which was set up at my suggestion last session have realized this fact, and all their decisions have been arrived at by mutual good will and after free discussion. Each member of that Committee has recognized the necessity for forbearance and for mutual understanding. I trust that the same spirit will animate this Conference, and that the country will greatly benefit by its discussions, and I hope by its decisions.

The Parliamentary Committee which has had in its charge the details of this Conference has decided, in my opinion very wisely, that the whole of the business of the Conference and its methods should be entirely in the hands of the representatives present. The printed agenda paper which was forwarded to you is intended for your consideration, but you will not, of course, be bound by it. It is hoped, however, that you will take it as a basis from which to work and on which to build.

In conclusion, I wish merely to lay before you the question of the chairmanship of the Conference. That is a matter entirely in your hands; you may elect one Chairman or you may think fit to adopt the course that was taken recently in the United Kingdom and elect different gentlemen to preside on different days.

I earnestly trust that the deliberations of the Conference will be of value to our country and to everybody in it.

Election of Conference Chairman.

Right Hon. the Prime Minister: Now, gentlemen, you have the agenda papers before you. I may say that they are suggestive only—there is nothing hard-and-fast in them—but the Parliamentary Committee thought it would possibly save time if they gave the Conference a lead. I should like to explain here that the Hon. Mr. Barr has been appointed Manager of the Conference: that is to say, he is at your disposal in order to assist in the organization, and to attend to detail matters concerning your comfort and your business, and to arrange for such printing as may be considered necessary by the Conference. You are a self-contained body, responsible only to yourselves. The next business is the election of a Chairman or Chairmen for the Conference.

Mr. Polson: I would like to move, sir, that the Hon. Mr. John Barr be appointed Chairman of this Conference.

Hon. Mr. T. S. Weston: I have pleasure in seconding the motion. I think Mr. Barr is well qualified to hold the position. He has identified himself with the Labour party, he holds very broad views, and is thoroughly conversant with the working of Committees, being the Chairman of a Committee in the Legislative Council. I do not think we could find a more suitable Chairman for this Conference.

Mr. Roberts: I am afraid that we cannot at this juncture agree to the appointment of Mr. Barr as Chairman of the Conference. In your statement, sir, you said that you did not think that any person connected with the Government or with parliamentary life should be connected with this Conference. For that reason we have not considered the appointment of the Hon. Mr. Barr as Chairman, and we cannot at this juncture agree to the motion. We have not considered his appointment to the position because we cut out altogether every person who was taking an active part in parliamentary life.

Right Hon. the Prime Minister: Have you an alternative, then, Mr. Roberts?

Mr. Roberts: Yes. We have the names of three gentlemen whom we would suggest to this Conference, any one of whom would suit us. The first one is Mr. J. A. McCullough, of Christchurch. He has had considerable experience in dealing with labour matters on the Court of Arbitration for a number of years: he knows the employers' side and the workers' side. We believe that he would be able to handle this question as ably as any person whom we know.

Right Hon. the Prime Minister: I think probably it would be better to come to some unanimous arrangement as to the Chairman or Chairmen. Originally the Parliamentary Committee made the suggestion that it would be wise to follow the custom in Great Britain, where they had an alternate Chairman each day—a Chairman chosen from each side alternately. Whether that system would be acceptable to you I do not know. But the Parliamentary Committee finally decided that this matter should be left entirely to the Conference to decide.

Mr. Roberts: We have also discussed the question of alternate Chairmen, and we do not think it would be successful, nor do we think it is necessary. We believe that there are a number of men in New Zealand who could take the chair at this Conference with perfect fairness to both sides. We would like a Chairman to be appointed to carry the Conference right through. Although it was done in Great Britain, the appointment of a Chairman from day to day seems to be against the very spirit of the Conference, because it recognizes parties in the Conference. We would prefer the Chairman to be appointed for all the sittings. I think I can express the opinion of the employees whom I have met as being in favour of one Chairman. We do not think that the appointment of a Chairman from day to day is necessary or desirable: one man should carry out the whole of the proceedings, and I think we can agree upon that man.

Right Hon. the Prime Minister: Is it the general wish of the Conference that there should be one Chairman appointed for the whole of the Conference?

Delegates: Aye, aye.

Right Hon. the Prime Minister: Now, I have one nomination—that of the Hon. Mr. Barr, moved by Mr. Polson and seconded by the Hon. Mr. Weston. Is there an amendment to that, or how would you like to settle the question of your Chairman? I think it is very important that the matter should be settled more or less unanimously: we do not want to have any dispute to commence with.

Mr. Acland: I think the Chairman of the Conference should be an independent person, the nominee of the Government. We want a person to conduct the Conference on behalf of the Government; I think the recommendation of a Chairman should come from them. I entirely agree that we should have a Chairman for the whole of the Conference.

Right Hon. the Prime Minister: I can only intimate to you that the Parliamentary Committee, after giving a good deal of thought to the matter, finally decided that it was a question for the Conference to elect its own Chairman. It is a self-contained body, and as far as the Parliamentary Committee are concerned, they considered that once the Conference started we would not take any part at all. I consider myself bound by the resolutions passed by the Parliamentary Committee. I think it must come back to the Conference to decide as to how it shall proceed in connection with the election of its Chairman.

Mr. Roberts: I would suggest that a committee of three delegates from each side should meet and select a Chairman, and bring down a recommendation to this Conference. The Prime Minister could occupy the chair in the meantime. We think that such a committee could agree upon a Chairman. That would be the best way. The gentlemen here do not know our opinions yet, and we have some names to suggest, to one of whom they might agree. They also might have names to suggest, with one of whom we might agree. I am sure that we could agree upon a man to be Chairman of this Conference. I think that would be the best way out of the difficulty. I move in that direction.

Right Hon. the Prime Minister: Does that meet the views of the employers' side?

Mr. Henderson: That would meet with the approval of most of us here, because we are rather in the dark as to the proposal of Mr. Roberts. The Chairman of the Conference will only have to observe the recognized rules and maintain peace in the Conference. But why there should be any argument as to the question of a Chairman when we have a perfectly competent man available passes our comprehension.

Mr. Roberts: I think that the gentlemen represented by the last speaker have selected Mr. Barr, and the members on this side have selected Mr. McCullough. It is just a matter of opinion. It is essentail that there should be co-operation between the two parties. We ask for the co-operation of three men from their side to meet three representatives from this side. I think that that method would overcome the difficulty quite easily. It may be Mr. Barr or Mr. McCullough, or any member of the Conference, that may be chosen, but we think that neither side should be able to say, "We selected the Chairman this morning." Mutual consideration should be given to the question, and when that has been given I believe there will be a mutual understanding and an agreement upon a Chairman.

Hon. Mr. Weston: We can try Mr. Roberts's suggestion, and appoint three men from each side to confer in regard to the matter. In suggesting the Hon. Mr. Barr, Mr. Polson and others of us thought that he would be just the man for the job. We take it that the duties of Chairman will be to collate the reports, arrange the agenda paper, and attend to the administrative work of the Conference. Personally, I think Mr. Barr is the best man we could select in the room. He is a neutral man, and, above all things, fair. However, if Mr. Roberts would like the matter to be referred to a committee consisting of three representatives from each side, we will agree.

Mr. Polson: It seems to me an extraordinary thing that we should have any difficulty in selecting a Chairman for a gathering of this sort. You, sir, have told us that we were to have an absolutely free hand, and that there was no suggestion from the Government as to how this Conference should be conducted. Mr. Barr would, I am sure, give everybody a square deal: I am sure any Chairman would do that, but he is a man whom we know so well and who I believed would be acceptable to the other side. However, if it is going to hold us up, I am agreeable to the suggestion of Mr. Roberts, although it is an extraordinary method of selecting a Chairman.

Right Hon. the Prime Minister: The motion is that a committee of six be appointed—three from the employers and three from the employees—to confer with regard to the appointment of a Chairman, and to report to this Conference later.

Mr. Jessep: Is the committee's decision to be final?

Mr. Roberts: Oh, no. I suggest on our behalf the names of Mr. Nash, Mr. Semple, and Mr. Bromley.

Hon. Mr. Weston: On behalf of the employers I propose Mr. Polson, Mr. Bishop, and Mr. Acland.

Mr. Bishop: I would like to be excused.

Hon. Mr. Weston: Then I will substitute Mr. Brechin.

The committee, as amended, was agreed to.

Admission of Press.

On the motion of *Mr. D. J. McGowan*, seconded by *Mr. R. A. Brooks*, it was decided that the press be allowed to attend and report the proceedings of the open Conference.

Admission of Visitors.

Right Hon. the Prime Minister: The Parliamentary Committee considered that members of Parliament should be allowed to be present at all times if they wish. They will not take any part in the Conference.

Mr. Bishop: I propose that the issue of visitors' tickets be left to the Chairman, when appointed. Members can then apply to him for any tickets they want.

Mr. Roberts: The Chairman might give tickets to gentlemen we do not want in. I suggest that the secretary issue the tickets to persons recommended by members of the Conference.

Mr. Barber: I think the tickets should be limited to members of Parliament, owing to the want of room in this chamber.

Hon. Mr. Weston: I think we ought to admit a limited number, and leave it to the Chairman to regulate the number. There may be men in the various organizations who have a vital interest in the matter, and they should be allowed to be present if they wish.

Right Hon. the Prime Minister: I agree with the Hon. Mr. Weston, and think the issue of tickets should be left with the Chairman. If left to individual members I do not know where it is going to end. It is quite usual for visitors to be admitted to conferences on the issue of a ticket by the Chairman.

It was decided to leave the issue of visitors' tickets in the hands of the Chairman.

Hours of Meeting.

The hours of meeting of the Conference were fixed at from 10 a.m. to 12.30 p.m., and from 2.15 p.m. to 5 p.m.

Business Committee.

Right Hon. the Prime Minister: The next question is the appointment of a Business Committee, to which may be referred any matter that may be deemed necessary for the efficient working of the Conference.

Hon. Mr. Weston: Is it suggested that two members from each side would be enough to form this committee?

Mr. Roberts: I do not think so.

Hon. Mr. Weston: Would you agree to three each side?

Mr. Roberts: Yes. I think we should make it an even number, and so force the committee to bring in recommendations.

Hon. Mr. Weston: I suggest that the Chairman of the Conference should also be a member of the committee, but with no right to vote. He ought to know what is going on.

The appointment of a Business Committee of six members was agreed to.

Classification of Papers.

Mr. Bishop moved, That all papers, other than those prepared by the Professors of Economics, be referred to the Business Committee for classification, with a recommendation that groups ballot for position.

Mr. Henderson: It is suggested that delegates who have papers to present should hand in the names of the subjects with a brief reference to the contents. I think that would be all that would be necessary to enable the Business Committee to make the required classification.

Professor Murphy: Are all the papers to be read in open Conference, and then distributed to each delegate? It would mean a heavy job where something like twenty papers are involved. I can see no reason why the papers cannot be distributed, and be taken as read.

Right Hon. the Prime Minister: I take it that the Conference later on will order the printing of the papers. Perhaps the Manager will explain what is proposed regarding the submission and printing of the papers.

Hon. Mr. Barr: The recommendation is that typewritten copies of the paper to be read should be distributed by the secretary to the Conference. I understand that in some cases typewritten copies are available. Regarding the papers of the Professors of Economics, I am afraid that there will not be time to print and circulate them before they are read. I am sure, however, that the delegates will listen to those papers with the utmost interest, and in due course the papers will be printed and be available for the discussion of the matters dealt with when in committee. The object in referring the question to the Business Committee for classification is to obviate two or more papers belonging to the one group being scattered all through the proceedings of the Conference. Otherwise we might have a paper by Mr. Bishop on one subject brought on at a different time altogether from a paper on a similar subject read by Mr. Roberts. That is the principal object of making the classification.

Mr. Roberts: I agree with the Hon. Mr. Barr. I am afraid that the Conference will be set a very heavy task in following the addresses of the professors without a copy in the hands of each member. I think the copies should be distributed before the paper is read.

Professor Belshaw: I have arranged for copies of my paper to be available, but they will not arrive until Thursday. I agree with Professor Murphy that to have the papers read as well as circulated is a waste of time. Would it not be sufficient if the paper were circulated, so that each member could read it over at his leisure?

Mr. Bishop: I consider that the papers should be read in open Conference, and I do not agree with the professors that they should be taken as read.

Right Hon. the Prime Minister: I think the professors should read their papers, because it makes a difference if you listen to the man who is delivering the speech as compared with just reading it over quietly yourself. I am sure the delegates will feel very much as I do, and will be greatly interested in the papers, and we believe that the Professors of Economics will give us a useful lead on certain questions, and their papers will certainly form the foundations for a profitable discussion and for thought. The professors can check them over afterwards, if they wish, and the Printing Office can put the printing in hand as soon as they are ready. If we have to wait until they are mimeographed, or printed off, it may mean some delay, and we can readily see that in the early stages it is desirable, if possible, to have the hours filled up with useful information.

Professor Murphy: Sir, I think you may take it that the Professors of Economics will do anything that the Conference desires them to do.

Right Hon. the Prime Minister: So that if the papers are ready we can have them either mimeographed or printed. But, in any case, I think the wish of the Conference is that the professors should read their papers.

Professor Murphy: The professors could read them at any time you wish.

Right Hon. the Prime Minister: Thank you.

Mr. Nicholson: Is discussion to be allowed in open Conference, or has any rule been laid down by the Parliamentary Committee in connection with it?

Right Hon. the Prime Minister: None at all.

Mr. Nicholson: The point is that if we have a thorough discussion of each paper in Conference it will do away with the necessity for much of our committee work. It appears to me that if these papers are of a more or less informative character, placing the views of the different sections before the Conference, the discussion of these papers will be more valuable if taken first in committee; also that the final discussion of the papers in Conference will be of greater value if each committee has first discussed and reported on the various papers referred to it after the papers have all been read in Conference. I am just asking for the ruling of the Conference on that point.

Right Hon. the Prime Minister: I think that is a point that certainly will arise, but I do not think we should take it immediately. After any one of the Professors of Economics presents a paper, it will be for Conference to say that it shall be dealt with as Conference thinks fit. I think it is now time that we should take the report of the gentlemen who met in committee in regard to the question of appointing a Chairman.

Mr. Polson: In the few minutes at our disposal we had not time to fully explore the question, and we ask the Conference to allow us to report after luncheon.

Right Hon. the Prime Minister: Yes; that will be all right. I think, gentlemen, we can now adjourn till 2.15 this afternoon.

At 12.15 p.m. the Conference adjourned accordingly.

The Conference resumed at 2.15 p.m.

Right Hon. the Prime Minister: Gentlemen, we shall have to defer the question of the chairmanship, much to my regret, till a little later on. I propose, therefore, that we adopt the suggestion of Mr. Nicholson, that the papers of the professors be read, but not debated, and be printed if the committee deems it necessary.

Mr. Nicholson: My idea was that the papers were for the information of Conference, and that the reason they were being classified and printed was to enable members of Conference to get the pros and cons of each paper for their own information; that copies of the papers would be given to delegates, and they would then have them for their guidance during their committee work.

Mr. Tucker: I think we might ask questions on each paper after it is read.

Right Hon. the Prime Minister: There is just one point—it might lead to interminable debate.

Mr. Roberts: I am firmly of opinion that to give a paper and have no discussion on it in Conference will leave very much to be considered—very much doubt in the minds of each committee afterwards. Possibly the Conference may desire to hurry on; but it appears to us that the business of this Conference is so important that it cannot be hurried; and it is doubtful indeed, if we say there shall be no discussion or questions on the papers, that that will help the Conference through. I suggest that we have discussion and questions, so that when each professor gives his paper we shall know exactly what it means.

Delegates: Ha, ha!

Mr. Mainland: An excellent suggestion, Mr. Roberts.

Mr. Roberts: I appreciate the humour of the Conference; but, according to my experience, a paper may mean something different from what you anticipate when you read it. I suggest that every paper should be discussed, and that every person giving a paper should be prepared to stand on his feet and say what he means by that paper. It will not delay the Conference much, and everybody should be in a position to know what is meant by a paper. If we agree to the printing of a paper without discussion, we shall need to have a discussion after it is printed and another discussion after the committee concerned has reported on it to Conference.

Mr. Bishop: We feel in regard to the discussion of these papers that the views of each group will be clearly set forth in the papers themselves, and that by the time all the papers are read it will be found that the views of the different groups have been very well ventilated without discussion. I would suggest, following Mr. Roberts's lead this morning, that the matter be referred to the Business Committee, to report to the Conference. We are prepared to submit the names of our three representatives on that committee. If we discuss the matter now in open Conference, we may not arrive at each other's viewpoint; but if three or four of us from each side get together we may arrive at a decision as to what discusson is desirable.

Right Hon. the Prime Minister: Do you see any objection?

Mr. Roberts: No; I quite agree, because I take it that the Conference will wish to discuss in detail some of the points raised by the professors.

Right Hon. the Prime Minister: I think, Mr. Bishop, that is what you mean; but that it be first referred to the Business Committee to decide when each paper shall be brought up, and through what avenue it shall be brought up.

Mr. Nicholson: I do not think it was intended to delay the reading of the papers this afternoon.

Right Hon. the Prime Minister: No; but the question was raised whether they could be asked questions now, and I suggested that it might lead to interminable discussion. The point is where the papers should go, and the suggestion is that they should be referred to the Business Committee for classification and for decision as to the order in which they shall be dealt with.

Mr. Bishop: My suggestion was that the question of allowing discussion or questions should also be referred to that committee.

Right Hon. the Prime Minister: Would that meet with your views?

Mr. Roberts: I agree. The representatives from our side on the committee are Messrs. Bloodworth, McBrine, and Roberts.

Mr. Bishop: From our side the representatives are Messrs. Sterling, Williams, and myself.

Right Hon. the Prime Minister: Is it your wish, gentlemen, that we proceed with the appointment of the committee?

Mr. Roberts: I move that Messrs. Sterling, Williams, Bishop, Bloodworth, McBrine, and Roberts be the Business Committee of the Conference.

Members: Agreed.

Mr. Roberts: There is just a matter we would like some information on: Is it the intention to take a report of the proceedings here, and have that report printed so that we may have copies of it?

Right Hon. the Prime Minister: A report is being taken of the proceedings of this Conference. The printing of the report is entirely a matter for the Conference to decide. If the Conference says that it wishes everything reported a record will be taken of everything that takes place; and if you want it printed, the Manager is here to see that it is carried out for you. You have only to intimate your requests and they will be attended to.

Mr. Roberts: Thank you.

Discussion as to Papers to be taken.

Right Hon. the Prime Minister: Is it your wish, gentlemen, that we hear one of the economists and his paper in the meantime?

Mr. Bloodworth: I think it would be scarcely fair to the economists or to the delegates that that course should be adopted. We are all anxious to hear what the economists have to say; but we cannot follow them properly unless we have the papers before us as they read them, so that we can mark passages at the time and ask them questions afterwards.

Right Hon. the Prime Minister: I understood that it was practically arranged this morning that, in view of the difficulty and the time lost in getting sufficient copies to go round, we should in the meantime accept from the economists a paper, in order that the afternoon's work may be proceeded with. It is impossible to get them for you now, and they could not be prepared before to-night. That is the position.

Mr. Roberts: If the object is to avoid any delay in the Conference, we would be prepared to submit a paper this afternoon on the objective of the Conference. That would enable the papers of the economists to be printed, so that a copy would be available for each member of the Conference. We think it is impossible for delegates to follow them without having the papers, and it would hardly be fair to the economists themselves. The paper I refer to might take up the whole of the afternoon. It is non-contentious, I think, and could be submitted if Conference agrees to that course.

Professor Murphy: The professors have agreed to speak in order of seniority. I have not a paper prepared, but if that is acceptable to the Conference I will give an address on general lines, and it can be taken down and printed. If that will not suit the Conference, I will not address the Conference at all.

Right Hon. the Prime Minister: I understood that we were to take the papers of the economists and defer discussion until copies of the papers were available. Another difficulty has arisen: I understand that Professor Murphy has not prepared a paper, and he has intimated what he is prepared to do. He is prepared to address the Conference on general lines, but his address will have to be reported. We are prepared to report that address; arrangements have been made for that.

Professor Tocker: I would suggest that, as copies of the papers will be available to-morrow, the papers should be taken this afternoon and the discussion to-morrow when the copies are available.

Right Hon. the Prime Minister: But we have decided that the papers shall go to the Business Committee, and that the committee shall decide when the papers shall come up, and so forth.

Mr. Bishop: I suggest that we have Mr. Murphy's address. That will save time, because it is not going to be presented to us in typed form.

Mr. Barber: It is very difficult to hear speakers in this part of the room. We shall be glad, sir, if you will ask some of them to speak up.

Right Hon. the Prime Minister: I know it is a bad room to hear in. I trust delegates will speak up.

Mr. Semple: I take it that Mr. Murphy's speech will be taken down, that copies will be submitted to-morrow morning, and that we shall then have an opportunity of discussing it.

Right Hon. the Prime Minister: It would be difficult to get it by to-morrow morning. We should require to have all the *Hansard* staff at work to-night. As soon as it can be prepared, however, it will be available for the Conference. I put it that we take Professor Murphy's address now.

Delegates: Agreed.

Professor Murphy's Address.

Professor Murphy: Mr. Chairman and gentlemen,—In order to save the time of the Conference, which on present indications threatens to be rather a lengthy one, I propose, so far as I know the minds of my colleagues, to touch mainly on such matters as they are not likely to deal with, and to touch very lightly on those matters which I understand they will devote greater attention to. I am quite certain of this, that if you take four different men from four different parts of the Dominion there will be some difference of opinion apparent. I propose to leave the question of sheltered and unsheltered industries to my colleague Professor Tocker, but I wish to endorse the reasoning of

Professor Tocker in the Canterbury Chamber of Commerce Bulletin No. 28, of May, 1927, and I should like, with the leave of the Conference, to put in an address I gave before the Royal Agricultural Society last year. I quite recognize that the point will be made against all four of us, in greater or less degree, that, as college professors of economics we are academic and our views will have to be heavily discounted because they are academic. But I would suggest that the matter for consideration is not whether the views of university professors are academic, but whether they are valid and based on sound reasoning. If they are valid, the objection I have referred to falls to the ground. It is perfectly true that we professors are not constantly mixing with our fellow men in business or industry, and are not employed in the everyday work of the Arbitration Court, and will therefore miss a number of points that are apparent to the men "in the game" on both sides; but it is also true, I suggest, that onlookers see parts of the game that participators do not see, and that even an academic professor may have something of value to contribute to a discussion of this kind. I am sorry to have to confess that my industrial experience is of a slight nature and dates back a good many years. At the same time I think I can say that I understand the Industrial Conciliation and Arbitration Act well, because it has been a part of my duty to lecture on it for a number of years at one of our colleges. It seems to me that the ideal laid down for the Conference, of securing industrial peace and ensuring to everybody a fair share of the national dividend, is one that every man will endorse in principle but most men will differ over in practice. This opens up the question whether, in a changing world, in a world where processes are not standardized and industry is always altering, and in view of the fact that men have divergent interests, any complete system of industrial peace is obtainable at all. What I think we should aim at is to recognize frankly that, in industry as elsewhere, there is a certain amount of struggle in life that you cannot eliminate. Competition between men you cannot abolish, although you may change the channels through which it flows; and I think the true objective is not to get rid of the conflict of interest amongst men, because that is not possible, but to elevate and moralize the struggle and control its processes in the interests of the community. The problem the Conference has to face, I submit, is "Does the conciliation and arbitration system control and moralize that struggle between the various claimants for a share in the national dividend; whether any alteration of the system is possible and desirable; and whether the good that it does is so valuable that it more than outweighs the defects of its qualities?" I do not think that anybody here would claim that the system is wholly good or wholly bad. A great many points have been made pro and con during the discussions of the last few months; and most of those points are incontrovertible to a great extent, and not a few of them reconcilable. Not so long ago Professor Tocker gave an address in which he said that the system of compulsory conciliation and arbitration was against the best interests of the public; but very soon afterwards Mr. Tucker delivered a speech in which he took an absolutely opposite view. I mention that to show the widely divergent opinions that can be held on this matter, and to illustrate the fact that the system is not perfect. One or two preliminary observations should be made; and the first is that in all these discussions no partisan on either side has attacked in any way the administration of the Act and the Court. We may take it then that the system has been seen at its best. The Act has been in operation during the past thirty years and you have had half a dozen able Judges administering it. It is clear that if the Act shows defects in its operation, that is hardly the fault of the administration of these Judges, which has been on a very high plane. I think too, that a further point might be made, and it is this, That there is a tendency to over-estimate the effects of the Arbitration Court. I do not think that it can really be held to be as valuable an institution as many of its advocates would lead us to suppose, nor do I hold that it has done all the harm that its chief opponents would suggest. I think its influence is a good deal less than most of its antagonists suggest. During the last year or two I have been forced more and more to the conclusion that the principle upon which the Arbitration Act is founded is unsound and against the public interest, and I base that opinion on the following grounds, which I will place before you as shortly as possible. In the first place, I think the principle of arbitration is invalid and defective in two ways: it seems to me that it does not necessarily, or, indeed, usually, study the public interest, or that of anybody save the immediate litigants. That, I take it, is the object of an arbitration tribunal. What is the duty of the Judge? Two contending parties come before him, differing in material matters, and asking for variation of awards in respect to wages, hours, and other matters. The duty of the Court is not to give judgment in the public interest, but to arbitrate between the immediate parties on these problems upon which they fail to agree. If they can come to an agreement the Court will register that agreement, even though it might prove to be contrary to the public interest. It is quite possible for the parties coming before the Court, or before the Conciliation Council, to make arrangements which will be equitable and compulsory as between the immediate disputants, but which will not be in the public interests. No employer would have any serious motive in resisting an alteration upwards in the wage level, if he were satisfied that he could pass it on. It is therefore possible, under this system and some other systems, for two parties to get together and make an agreement which, while satisfactory to them, would be inequitable in the public interest, and to get it ratified by the Court, and to have it given the force of law. Now, it appears to me that there is nothing to prevent that being done by a series of private negotiations between trade-unions on both sides. It seems to me that this is the crucial point in the Act—that it is not in the public interest that a public tribunal should exist with the power and the effect of ratifying and giving legislative sanction to arrangements between two immediate parties that may make for conditions which are not in the interests of the public. That, I think, is one weak spot in the Act, and it really boils down to this, that the Arbitration Court is not a Court in the ordinary sense of the word; it is a legislative body. The function of a Court of law is to ascertain the body of facts, and to apply to that body of facts certain principles of law which are presumed to be known to everybody, and all ready to operate. That is the essence of the judicial

function. The Arbitration Court does nothing of the sort. It has no principles to lay down. If I remember rightly, on more than one occasion, when asked by persons appearing before it, it has refused to lay down principles. It is a legislative body which imposes its views upon the community, or imposes compulsorily upon the whole of an industry just what conditions two bodies may agree upon. It is legislating without any principle to guide it, because it has uncontrolled discretion, and it has the right, uncontrolled by any party, to lay down restrictive conditions affecting the whole of an industry, without power of appeal. I should like to quote here from the address which I mentioned as having given before. I then stated that it is a Court administering a complex system of jurisprudence. It is not sufficiently flexible to accommodate itself sufficiently to the changing conditions of industry. It does not maintain economic principles. As it is a compulsory tribunal it has to provide an elaborate system of inspection and enforcement. It is compelled to deal with matters of trivial importance which should never come before a Court at all. The parties are debarred from any direct action as long as they are working under an award or an agreement. All sorts of petty matters may arise. It is not very long ago since the Arbitration Court had to decide, either in Wellington or in Auckland, whether the spreading of raspberry jam on tarts was skilled or unskilled work. It seems to me preposterous that such trivial matters should come up for decision by a judicial tribunal. Yet these matters have to be dealt with by the Court, for there is no half-way house. If you have a compulsory principle you debar the parties from direct action. If you do that, then the tribunal must settle all disputes between them, however trivial they may be, and in that way I suggest that the Court has been forced to depart from its original function of dealing with major questions, and has been compelled to embody in awards all sorts of trivial details that regulate industry. It may be said—and probably it is true—that that would be the case with collective bargaining between unions, apart from the compulsory system. Possibly it would, but it seems to me that we have the added disadvantage that the whole complicated code is given the force of law, that it lies like a wet blanket upon industry, and takes away all elasticity. I cannot say, and indeed it would be impossible to assert, that the Arbitration Court has very greatly lowered efficiency in industry. Most observers think it has, and I think if industry has to be carried on under all the detailed conditions in this way such regulation is likely to interfere with industry, from the theoretical point of view, by preventing minor adjustments on the spot from being made between the parties. As I understand the situation, an award may not be varied even by consent of both parties. At the present time it can be varied only by decision of the Court. That is quite reasonable, because if the parties could contract themselves out of an award, you might just as well close up the wage-fixing function. There is no doubt that the position of the Court in regard to inflexible trivialities has a hampering effect upon industry. Another point I want to make is that it gives our industrial classes on both sides a wrong angle or slant as to the view they should take of industry. The only way to get an alteration in conditions is by application to the Court to vary the awards when they come up for reconsideration. It is only natural that the leaders on both sides should want to do the most they can for their clients. It is only natural that the men should want as much as they can get. But that seems to me to involve this proposition, that none of us reflects all the time on problems of production. If you have got this constant avenue to improved or altered conditions, it seems inevitable that everybody working under the system—and particularly the workers, for they are the main aggressors since the employers have usually the least to gain by a change of conditions—has his attention directed—and this applies to those who are doing their best to better their fellows—to problems of contention, and not to problems of production. A number of labour men in this city are my personal friends, and I have heard their remarks. I have never heard one of these gentlemen really troubled over problems of production. It is always problems of contention that they discuss, and that seems inevitable when the only method of obtaining an alteration in conditions is through a Court. These conditions will foster the idea that increased remuneration can be got by litigious process, and they will think less and less of the actual production problems of industry. The Act is defended because it secures industrial peace, but I cannot see how you can call a system of perpetual application to the Court anything else but a continual disguised type of industrial war. After all, continued application to the Court in order that that tribunal may give you better conditions, failing which you will take direct action, is industrial peace only in name. I think the effect of the Act is not to produce industrial peace, and your opinion as to that effect will depend largely upon whether you think this litigious process is really peace or is not. In my judgment it is only thinly disguised war. I am satisfied that one bad effect of the Court is to confine the parties to problems of contention rather than to problems of production. They are least interested in this aspect of industry and keep their minds on the question of disputes. This fosters a belief in the contentious process. This is not a good thing: it is national production which sets the limit for what can be distributed, and it seems to me that it would be better for New Zealand if men looked for increased remuneration along the avenue of increased production rather than along the avenue of continued and unending contention, which is ostensibly peace, but which is not in fact true peace. Another point on which an outsider may pass an opinion is this: that the system shifts the responsibility from the parties it fairly belongs to to an outside tribunal. That statement will probably appear to every one in the room, except to my three colleagues, as an absolutely academic point of view. But I would like to stress that aspect to you, because it is very seldom that a professor has a chance, such a chance as I have to-day, to address men in industry. I hold quite strongly that industry is, and should be regarded as, a social function. It would be a good thing for our community, as for others, if both labour and capital regarded their function as a community service, in the way that the best professional men regard theirs. But you never can get that view as long as they can shift the ultimate responsibility for the conduct of industrial affairs from their own shoulders to those of a tribunal. In my judgment the responsibility for industrial progress and peace should rest primarily on the

shoulders of the leaders of both labour and capital. They should shoulder that responsibility, and develop strength and leadership in the process, and I do not think it is in the public interest that the leaders of our essential national industries should have the right to throw their responsibility on to the shoulders of a tribunal. I believe that we have the right to look to the leaders of industry to settle this problem between themselves. I think a better outlook for industry is apparent when we have the leaders on both sides filled with the responsibility of industrial negotiations, industrial peace, and industrial conditions generally placing it on their own shoulders directly, and not on the shoulders of the Court. Some may say that you cannot eliminate the struggle in that way, because there would be temporary disagreements, and probably a certain number of stoppages. To some extent we get them now. Much time now is taken up trying to work points on the Court, putting evidence across the Court, using technical points, and in fact humbugging the tribunal over points and matters regarding which I think our industrial leaders should agree among themselves. Under the present system the men go to Court for an adjudication of their wages, and they are given something a little higher. It is really not very much higher: everybody gets accustomed to the new scale. But there are further applications, and at last the employer can bear no more. No man will put a limit on his desires and the standard of life he seeks to obtain; and I ask any fair-minded labour man, is he not out for all he can get? The answer I should give in their position would be "all we can get." The men will ask a little more, and here and there the Court will grant a little more, and for a long time there will be no prospect of serious trouble, because there is still a little slack to be taken up. The question of a fair wage is ultimately bound up with that of what is fair profit. In New Zealand there is a confusion of ideas. The point is, is it desirable that wages should be fixed by the State—for that is what it comes to with a State tribunal—or is it desirable that they should be fixed, as elsewhere, by bargaining between the different interests? No man can answer that question for another. If you ask a man what wages he should get you are asking him the most profound question outside the spiritual world that any one man can ask his fellows, because you are asking him to estimate the whole value of his relations with his fellow men. In order to better things we should adjust this relationship by a process of bargaining, as elsewhere, by studying supply and demand, which in my opinion cannot be eliminated. The other view is, is it better in the long-run that wages, and finally interest and profit, should be fixed by a State tribunal? My own idea is that it is not better; but I am not answering that question for another man. Another point I think of importance is, that it seems to me that the compulsory arbitration system has been extremely unfortunate, because it has simply resulted in practice, although not in law, in keeping the parties apart, with much harm to the community generally. It has not given them a fair chance of coming together to settle industrial disputes. And the mere fact that we are here to-day, and that there has been so much controversy over the matter, is proof that in themselves our existing arrangements are not pleasing anybody. Theoretically, the Arbitration Court need not be used, which has meant a one-sided policy. The employees can form a union, and drag the employers in, but the employers cannot draw the employees in unless they are unionized. There is nothing in the arbitration system to enable employers and employees to get together except along legal lines. It does not encourage the conciliatory spirit, but encourages the litigious spirit. It has the effect of preventing the parties exploring any other avenue. There are times when academic suggestions cannot do much good, but I might advance one here: it is that ultimate peace will never be obtained unless we are agreed on the principle of social justice, and we are not agreed on that. In an ideal community we should have established a measure of social justice. But we cannot hope for that, and so the best you can do is to recognize that men have different ideas as to what is a fair thing, and different ideals of distribution, which cannot be entirely reconciled. There should be another way, a way out if the parties want it. I suggest that the existing system is not the way, and that it is not possible while we have compulsory arbitration along existing lines for the parties to get together on issues that are non-contentious. You know the difficulties that led to the passing of the Apprentices Act of 1923. We there made an effort more or less in vain to get the problem of industrial training removed from the contentious administration of the Court. It may be possible in theory for the employers and the workmen to take their contentious problems to the Court, and to work out their non-contentious themselves together, but that does not happen in practice, and it will never be possible to settle them while the industrial system stands as at present. Suppose the workers in the iron industry enter into an understanding—an industrial council arrangement—with their employers, and another factory making pig iron were to come into existence, what is to prevent the workers in this new factory from organizing a union and going to the Court and registering, and taking advantage of the other parties who have already made an arrangement which suited them quite well and which they did not desire to change? I cannot see any legal bar to that, and I cannot help thinking that it is a very serious defect. I have not dealt with the problem of the sheltered and the unsheltered industries, which will be dealt with by other people here. I am not forgetful of the fact that some of the unprotected sections of the community feel very strongly that any privileges the sheltered sections obtain are really got at the expense of the unprotected sections. It is a great pleasure to us to recognize that many people are well-off but that pleasure is mitigated when it is reflected in our income-tax or cost of living. Another point is that of the rise in wages consequent on the machinery of the arbitration system. I have been considering tables of figures which Mr. R. M. Campbell has taken out. I have got them here, and they indicate that the real purchasing-power of wages is somewhat lower now than it was in the year 1900. These figures can be quite easily checked. It seems to me that the whole system is more or less futile. You have rising wages, rising costs, rising tariff duties, and rise in the cost of living round and round in an ever widening circle, until the thing is stopped by the non-protected people not having the means of buying the commodities.

To sum up quite shortly, I would suggest that the system is undesirable from the general social point of view, first, because it is legislative and hampering in detail; secondly, because it takes the responsibility from the shoulders of the leaders on both sides and puts it on an outside tribunal; thirdly, because it is futile, in that the wage-rise is probably cancelled out by higher costs of living; and, fourthly, because it prevents industrial experimentation on other lines, and as a result the whole industrial life of the country is more or less grounded upon and bound to the present system. Just one final word, and that is this, that in my judgment those who blame the Arbitration Act for all the ills with which the country has been afflicted within the last few years are claiming a great deal more importance for it than it really deserves. I have always thought it mischievous in principle and bad in practice, and I have never had the slightest doubt that, in conjunction with the protective tariff, any improvements secured for the workers or anybody else by this system were secured partly at my expense—a thing I do not like. But it is impossible statistically to determine the weight to be attached to the various factors in the case. I think we are cursed in New Zealand by duplicated overhead, by overcapitalized and overvalued real estate, by the fact that capital is scarce and dear, and by a generation of public and private extravagance; and now that prices and conditions are coming down, as they seem to be, all the slack has been taken up, and we are feeling a great deal of weight, due to the fact that in thirty years of prosperity we did not save anything but, on the contrary, increased our liabilities. I know of no measure for ascertaining the respective weights of these different factors, nor can I say whether, individually or collectively, they are more important than the arbitration system. But I think that the Arbitration Act is mischievous in operation, involving as it does, State distribution of wealth, the taking away of responsibility from where responsibility rightly lies, and, by compulsory arbitration, the substitution of the fiat of a Court for the decision by the parties concerned of the points that they should decide for themselves. If I were asked to prescribe remedies for this state of affairs, I would suggest, as I suggested in my address to the Royal Agricultural Society, the amending of the Act in such a way that, in so far as arbitration is compulsory, it should be eliminated and arbitration on a voluntary basis provided for, with any consequential amendments that might be necessary. May I ask leave to have my address before the Royal Agricultural Society put in as an exhibit?

The address to the Royal Agricultural Society, referred to above, is as follows:—

In any review of the principles underlying the system of compulsory industrial arbitration, and of the practical effects of those principles, it is desirable to make two preliminary explanations:—

(*a*) Criticism of the system must not be taken as a suggestion that the Act should be flouted, or as an incitement to anybody to disregard its awards and orders. As long as the Act is on the statute-book it must be obeyed by those amenable to its jurisdiction.

(*b*) Criticism of the system does not involve criticism or blame of the administration. This has always been capable and conscientious in the highest degree. The Judge and the Labour Department are not responsible for the system; they have to administer it as it stands, nor are they responsible for any defects it may show. The most arresting feature of the operation of compulsory arbitration has been the uniformly high level of capacity and integrity displayed by the Court itself. In the very trying post-war period, in particular, His Honour Mr. Justice Frazer, has handled an abnormally difficult situation in a masterly manner. If the statute is altered, then doubtless the opinion of His Honour as to how it should be dealt with would receive more consideration from the Government than any other available opinion, because he is best qualified by experience to pass it in review. It is, of course, impossible that he should express any public opinion on the system that he is called upon to operate, and he is also debarred, *ex officio*, from replying to criticism which, owing to the necessary disabilities of an observer from outside, may overlook matters of considerable moment.

It is generally advanced, in defence of the system, that it has performed four valuable services:—

(*a*) It secures uniformity of industrial conditions, standardizes competition, puts all employers on the same level, and prevents "good" employers from being undercut on labour costs by "bad" employers; while by standardizing conditions with certainty for some time ahead (the maximum period of an award or industrial agreement is three years, but it runs on after expiry until superseded by a new award or industrial agreement, or by cancellation of registration) it enables forward quotations to be made with some certainty, and thus eliminates an element of uncertainty and risk from business. No doubt this is so, but at least a fair measure of uniformity of the kind can be secured under ordinary trade-union bargaining without any compulsory provisions at all. This advantage is not exclusive to a compulsory system, though probably more marked owing to the compulsive power conferred by the Act.

(*b*) It throws a useful light of publicity on industrial conditions, owing to the fact that hearings are held in a Court usually open to the public. This doubtless has a therapeutic effect of a kind, but it does not necessarily mean that all the cards are exposed on the public table, nor does it necessarily exclude unobtrusive private arrangements between the parties, though it makes them more difficult and less probable and frequent. It has, however, the drawback of making the parties posture for public support, and angle for public sympathy; and it may cause more heat than light to be focussed on industrial problems; while it also diverts the parties from the essential objective of smoothing out their difficulties, to making out a case before the public, and to raising for that purpose *ad captandum* points of little real relevancy in some cases. Posturing to the public is not an aid in securing industrial peace or industrial harmony and efficiency.

(*c*) It prevents sweating, and has raised the standard of living and the wage level. Here again there is a qualification to add. The effect of the other portions of our industrial legislation in preventing sweating and securing good working conditions are apt to be overlooked; while assuming that because the system in its earlier years was accompanied by rising prosperity for all it was therefore the cause of that prosperity is to fall into the fallacy of *post hoc ergo propter hoc*, and to beg the question. It is true that after the inauguration of the system wages rose and industrial stoppages virtually disappeared for a time, but that was in great measure due to:—

(1) The rise in world prices, which started in 1896, the year when the Court first got into its stride, and went on until 1921. The rise in wages was simply one manifestation of the general rise of prices; it would have come about in any event, and it raised nominal wages more than it raised real wages.

(2) The chronic shortage of labour during that period.

(3) The prosperity of the country due to the effects of refrigeration on our foreign trade.

(4) The prosperity due to huge and continuous imports of capital from foreign loans borrowed for developmental purposes. As the effects of these stimulants have worn off, the potency of the Court as a vehicle for working-class welfare has fallen steadily, and dissatisfaction has steadily increased. The Court registered but did not cause the rise in wages, though it probably brought wage adjustments about more quickly than they would have been made had there been no Court.

(*d*) It abolishes strikes. This is untrue. From the inception of the system up to 31st March, 1915, the total number of strikes in New Zealand was 148; 53 in contravention of the Act, and 95 outside it. From 1906 to 1925 the total number of stoppages was 695, which is rather many for "a country without strikes." Admittedly many of these were trivial, and it is probable, though from the nature of the case it cannot be proved, that there would have been more stoppages, or stoppages of a more serious character, had there been no Act at all. However, the figures make it plain that the Act cannot be defended mainly or merely on the ground that it has prevented industrial stoppages, for it has done no such thing.

The principal defects in the Act seem to be the following :—

(*a*) It lays down no principle of guidance in the light of which the Court is to act. Section 80 provides :—

> " The Court shall in all matters before it have full and exclusive jurisdiction to determine the same in such manner in all respects as in equity and good conscience it thinks fit."

This want of a guiding principle gave little trouble in the years of steadily rising prices and growing prosperity, but it has on occasions since proved somewhat embarrassing, and at one time or another the Court has been guided, as it appears, by the following principles, singly, or in various combinations :—

(1) The standard of living.
(2) Wages of similar groups doing work of similar character in other industries.
(3) What the industry can bear.
(4) The general economic situation.

It is obvious that these principles are not necessarily consistent, and that the application of one may exclude one or more of the others. In these circumstances a compromise has to be effected, but on the whole the Court tends to adopt the standard-of-living basis, because that is most easy to apply, and seems most in accordance with social justice.

> " From the earliest times the major part of the Court's attention has been given to wages, and, failing to find any other definite basis, the Court has gradually concentrated more and more on the cost of living as the standard by which to determine wage rates. The drift towards this standard, strengthened by many judicial precedents, was given legal sanction when, from 1918 to 1923, the Court was authorized to grant bonuses on the basic wage calculated upon changes in the officially recorded cost-of-living index number. It is not surprising, therefore, to find that indexes of wages (mainly award rates) and of retail prices move closely together, and that the estimated purchasing-power of average wages has changed but little."—(Canterbury Chamber of Commerce, Bulletin No. 28).

A difficulty arises when the wage fixed on the standard-of-living basis proves greater than the value of the services rendered by the worker in exchange for the wages either because the management or the work is inefficient, or more usually because prices have fallen, and the industry will not stand the wage. This difficulty the Court endeavours to meet as far as possible, and it certainly does as far as practicable allow for other factors, but not even the Court can apply two inconsistent principles of wage regulation at the same time, and in common with wage tribunals on all conceivable bases, it finds itself unable to solve the insoluble or reconcile the irreconcilable. It is needless to say that the Court is in no way responsible for this state of affairs. It arises from the inherent difficulty of wage fixation. In ordinary times an approximation is near enough, but on the crucial test of a falling price-level the problem of maintaining a fixed standard of living becomes extraordinary difficult, and, if the price-fall goes far enough, would become impossible.

(*b*) Being a Court of justice administering a complex system of *ad hoc* jurisprudence, the Court is not sufficiently flexible to accommodate itself conveniently to the changing requirements of industry. It is, in fact, on the horns of a dilemma. If it does nor develop and maintain both legal and economic precedents, it lands in chaos, since it could hardly be operated with consistency and sanity unless parties could assume that what it had decided before it would decide again the same way in the like circumstances. No tribunal can operate without this basis of rational calculability in its actions, and it cannot help being bound in practice by precedents of its own creation. Moreover, being a compulsory tribunal, it has to provide an elaborate system of inspection and enforcement, and this means inquisitorial interference with the details of private business. Since the Court prohibits direct action between the parties subject to its jurisdiction, and industrial stoppage is made a technical crime, the Court must necessarily interfere to adjust all industrial relations, however minute. There is no half-way house. Again this is not the fault of the Court, but of the system. It is, however, a serious handicap, especially as its psychological effect on the outlook of both employer and worker is to diminish their feeling of responsibility for the conduct of industrial negotiations.

The awards are legislative in their nature, and have to be imposed over the whole area of the dispute without close consideration of modifying individual or local circumstances. This imports an element of rigidity into an area where flexibility is essentially desirable, and prejudices industrial efficiency. Industry should be multiform, and submits uneasily to the strait jacket of a procrustean legal system.

> " 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 it 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."—(Canterbury Chamber of Commerce, Bulletin No. 28.)

It must be noted here, too, that this is the result of the nature of the system, and not of defective administration. The awards of the Court are subsidiary statutes, and must run in general terms imposed on all. Here again there is no half-way house. State regulation of industry necessarily involves this drawback.

(*c*) This leads to the next trouble, that under the system industrial efficiency has not progressed. It does not follow that the Court is responsible, for it might be that the factors making for inefficiency are something over which the Court has no control ; and it might even be maintained, though not, I think, with success, that inefficiency would have been greater had there been no arbitration system. The system, however, seems to me to promote inefficiency in two ways :—

(1) The rigidity and absence of flexibility above mentioned.

(2) The tendency of the men to look for increased reward to contention rather than production. This is not the fault of the Court, and the Judges have frequently issued warnings against it, but it is inherent in the system. The fixation of wages as the result of a contentious process focusses the minds of the men on the Court as the source " from which all blessings flow," and they tend to overlook the close correlation between production and real, if not nominal, reward. A rising wage, unaccompanied by corresponding efficiency, cancels itself out in the long-run either in less employment or a higher cost of living. Employers will not permanently employ men at a loss. Either they pass on the increased cost, or they do not. If they do, it raises the price level ; if they do not, it throws men out of work. Statistics make it clear that *per capita* production is virtually stationary in New Zealand, and has been so for a quarter of a century.

(*d*) It brings the parties together only in an atmosphere of contention, and continuously emphasises the points where they are at variance. The Court gets no jurisdiction until there is a dispute, so that the parties cannot meet before it except when they are at loggerheads. It may be rejoined that it is quite open for them to meet privately to discuss common interests if they so desire, but in fact they do not, because the whole atmosphere of compulsory arbitration on a judicial basis fosters a contentious and litigious spirit. I do not say personal bitterness or enmity. The fact is, however, that the representatives of the unions on both sides are a race of quasi-barristers who enjoy the game for the zest of the chase, and who are often anxious to commend themselves to their unions by pointing to the scalps they have won on the field of arbitration battle. This means that the parties are in effect, if not in theory, prevented from exploring other avenues to industrial peace and productivity. The secretaries are more interested in putting technical points across their adversaries than in improving the productivity of industry. Theoretically, unions need not use the Court if they do not want to, but once in the system it is not easy or safe to get out, as another union in the industry may be registered and an award made, binding non-members.

(*e*) The most serious aspect of the problem, and that which directly hits the farmer, is the maladjustment between wage and price levels and between groups of industries, partly resulting from the system of judicial fixation of wage rates. From this point of view the industries of the country can be divided into two groups, sheltered and unsheltered. Sheltered industries, either because of the market for their services, *e.g.*, baking and tramway transport, or because of legislative interference in the form of tariffs or wage fixation, are shielded from external competition. Unsheltered industries have to compete with foreign commodities either at home or in the markets of the world, and to take the world parity for their products. Their prices are fixed in the world market irrespective of costs of production at home, and they cannot pass on to the buyer any increased cost of production due to special local causes. On the other hand, the sheltered industries subject to the effect of higher prices on demand, can do this. Award rates can be passed on by the sheltered industries, but not by the unsheltered ones. Now farming is the most important unsheltered industry in the Dominion.

It is true that award rates directly affect only somewhat less than 30 per cent. of the workers, but these award rates are mainly fixed in the sheltered industries, and become the standard determining what other workers will regard as the wage to be paid in industries not directly regulated by the Court. It is also true that the Court, under its discretionary power, has more than once refused to make an award covering the wages of general farm hands, but some groups of workers whose wages are a direct or indirect charge on the farmer are protected by awards, and all workers tend, whether under the Act or not, to demand the minimum wages fixed from time to time by the Court.

In the sheltered industries the worker is protected by artificially determined wage rates through the Arbitration Act, and the employer by artificial profits and prices through the tariff. These industries sell their products to the unsheltered primary producers, who are afflicted in two ways:—

(1) By higher costs of production due to the increased price of the products of sheltered industries which they buy and use.

(2) By higher wage rates and labour costs in their own industry indirectly resulting from rates fixed for protected workers and demanded by others.

The farmer cannot pass on this increased cost to his foreign buyer. If then the wage demanded is higher than the added value produced by the labour, the farmer must either stop employing men, or pay to them as part of their wages a portion of his legitimate profit or working capital. This process cannot be permanent.

Wages in the long-run depend on productivity, and are paid out of the product of industry. They should be based on what a man produces, not on what he consumes. The cost-of-living basis of wage fixation is in my judgment economically unsound.

It is the buyer, not the seller, who in the last analysis holds the price situation in the hollow of his hand, and market prices are determined primarily more by what the buyer can afford than by what it costs the settler to produce. If labour costs are not so adjusted as to allow of production within the range of the buyer's demand then production in the long-run will stagnate and cease. In the short-run, however, an industry paying an uneconomically high wage rate is really eating up capital disguised as wages.

Wages then in New Zealand tend to be settled on the basis of investigation by the Court of about 30 per cent. or less of the workers in mainly sheltered industries. It is true that the Court probably does all that human sagacity can do in estimating the effect of its awards on other groups of labour; but it is the special problems of the dispute under consideration that it primarily views, and the effect of the award on other industries is seldom explicitly argued, nor would such an inquiry lend itself to judicial methods of investigation, since it can be elucidated only by reasoning and deduction from facts.

The object of the Court has been to maintain the 1914 standard of living for unskilled workers. This has been substantially attained. No sensible man will quarrel with so desirable an objective, if the national production warrants it; but you cannot get more than a pint out of a pint-pot, and if the national production in conjunction with export prices will not permit of this standard being maintained, then fall it must, sooner or later. Post-war conditions do not permit all industries to bear the pre-war standard of living translated into present-day money values. This is especially true of farming. If this wage level falls on the farmer either directly in the wage he has to pay, or indirectly through the commodities he has to buy, then the burden of maintaining the pre-war standard is passed on to the primary producers as a special tax. It is inequitable that this should be so.

The farmer has to bow to the law of supply and demand in the sale of his products, and he has to submit to the law of supply and demand, also, in the rate he pays for his borrowed capital and credit. He does not object to this, but he thinks that what is sauce for the goose should be sauce for the gander, and considers that if supply and demand rule the price of his capital and commodities, it should also rule the price he has to pay for labour. As things are, he loses on the swings and does not make up on the roundabouts. He is ground between the upper millstone of the world price for commodities and capital, and the nether millstone of an artificially protected wage rate.

If the real wage is thus maintained at an uneconomic level, the farmer is in effect paying over part of his capital in the form of wages, in so far as the wage he pays is higher than the economic value of the services rendered by labour. The farmer will gradually be able to purchase less and less of the products of the sheltered industries, and the resultant stagnation in them will ultimately throw men out of employment, and if the uneconomic wage persists, force it down by a catastrophic process. Tariff protection will not materially retard this process. It can only paper over the cracks in the economic edifice. The pressure of the unemployment that will ensue if the wage is kept at an artificially high level will finally so increase in intensity as to bring the system of wage fixation down to an economic level. The validity of this argument turns upon whether in fact wages in the unsheltered industries are too high in comparison with the value of the services rendered. I have assumed that they are.

These factors cause a disparity between wage rates and the price levels in sheltered and unsheltered industries. The figures given in the Canterbury Chamber of Commerce Bulletin already quoted disclose the following position:—

(1) Export prices—*i.e.*, prices in the unsheltered industries, are about 48 per cent. above pre-war level.

(2) Import prices, and wholesale prices generally, are about 56 per cent. above the pre-war level.

(3) Award wages, and the cost of living are about 76 per cent. above the pre-war level.

(4) Prices in certain sheltered industries (milled agricultural products, textiles, wood products, and coal) are about 91 per cent. above the pre-war level.

It is thus seen that sheltered industries are paying wages about 76 per cent. above pre-war, and getting prices about 91 per cent. above pre-war, whereas unsheltered industries are paying wages about 76 per cent. above pre-war, but getting prices only 48 per cent. above pre-war values. There can be no economic stability in the country until these maladjustments are eliminated. While it would be incorrect to blame the arbitration system for the whole disparity, there is little doubt that (*a*) the maladjustment is in part caused by award rates, (*b*) the readjustment is in great part hindered by award rates.

If this analysis is correct it is obvious that most of the suggested amendments proposed by farmers' meetings recently are futile and useless. The fault is inherent in the system of wage fixation, and cannot be eradicated while that system persists. I take these suggestions seriatim:—

(*a*) Abolition of preference to unionists. This would not relieve the situation, since if an award fixes wages the employer must pay that rate to a worker whether he is a union man or not. Farmers are in error in thinking that the award rate must be paid only to unionists. Section 92, subsection (2) of the Act says,—

> "The award, by force of this Act, shall also extend to and bind every worker who is at any time whilst it is in force employed by any employer on whom the award is binding . . ."

To abolish the right of the Court to grant preference to unionists would take from the tribunal a most useful implement of discipline over recalcitrant unions. It would not seriously hurt the large militant unions of relatively unskilled men, but it would do great damage to the smaller unions of skilled men, who deserve and require encouragement. The problem of separating the bad from the beneficial elements of unionism is engaging the attention of the world to-day, but it cannot be solved along these lines. If the workers surrender the right to strike and co-operate in the orderly settlement of disputes they have a right to expect preference. In any event it is granted only at the discretion of the Court, and can be withdrawn by that body if it is abused.

(*b*) Requirement of a secret ballot preliminary to strike. This is mere nonsense. For one thing, such is required of unions at the present time if they are not under the arbitration system, as part of the Labour Disputes Investigation Act, 1913. Further, what would be the sense of including in the Arbitration Act, under which strikes are penalized as a crime, a provision providing for a ballot before committing an offence against the Act. As strikes are forbidden, they could hardly in the same breath be implicity legalized or regularized.

(*c*) Appointment of a public representative. This seems a futility, unless he is to have the power of veto, which is impossible. The Judge represents the public interest, and the two nominated members represent the conflicting interests. If this safeguard is not adequate, what would be more so ? How should such a representative be appointed ? What would his duties be ? Would he sit as a member of the Court and make it up to four ? What if the four were equally divided in opinion ? The proposal is as impracticable as it us useless.

(*d*) Representation of affected interests. This is informally permitted to the extent that the Court deems it desirable, as such representatives may be allowed to give evidence at present. What limit would there be to this procedure if it were extended ? How many interests are to be heard ? Would a case ever be concluded if every conceivable interest to be affected were allowed to intervene, lead evidence, and address the Court ? Owing to the inter-relation of economic activities all other interests are affected. Where would the line be drawn ?

(*e*) Elimination of the nominated members and appointment of a Bench of three Judges. This would have the effect of neutralizing too pronounced social views of any one Judge. Hitherto it has not been necessary to do this, nor is it now. It would involve much expense. It would have the effect of eliminating those members of the Court at present most in touch with industry on the part of workers and employers, and substituting two more lawyers who would give the system an even more pronounced legal bias than it has at the present time.

(*f*) Provision of a guiding principle in the Act—*e.g.*, that the Court shall take into consideration the effect of its awards on industry generally. This is futile. The Court does it now, or at all events claims to do so. In any case you could force the Court to take such effects into consideration, but you could hardly force the Court to come to any particular conclusion, as a result of such consideration, different from those conclusions to which it in fact comes under the present Act.

Not one of these proposals would affect the real difficulty created by the uneconomic wage level, and the disparity between wages and export prices. My own suggestions are as follows, assuming that alteration of the system is desired. There is no reason in the nature of things why two main functions of the Court of Arbitration should be performed by the same body. These functions are wage fixation and the preservation of industrial peace. They are admittedly related, but may be either consistent or inconsistent. It does not follow that adjustments of the wage rate will bring about industrial peace, and there are many instances where it has not done so. Experience, too, makes it plain that, whatever the law may say, the power to strike exists whatever the right may be, and workers will not hesitate to adopt direct action if they think that it will result in substantial advantages. The figures already quoted show that as a preventive of strikes the Act has signally failed while in the effort to regulate the details of industry it has confined our industrial life in a strait-jacket of minute and inquisitorial regulations. On the other hand, most will agree that there should be a minimum wage below which it is not in the public interest that people should be hired. This minimum wage should be a true, physical minimum, of such a nature that actual wages would range above it in normal times, and it should be removed from bargaining just as factory, sanitary, and safety regulations now are. It is therefore suggested :—

(*a*) That the Industrial Conciliation and Arbitration Act, 1925, be repealed.

(*b*) That, subject to the provisions for ballot, notification, &c., contained in the Labour Disputes Investigation Act, 1913, which should be retained, the right to collective bargaining be restored to the parties, including the right to strike.

(*c*) That the present conciliation machinery on a voluntary basis be enacted as part of the Labour Department Act and placed at the disposal of such parties as care voluntarily to use it. It has proved valuable, and there is a tradition attaching to it that makes it desirable that it should be retained.

(*d*) That a minimum wage be fixed under section 26 of the Board of Trade Act, 1919. Under this section there is ample power to fix wages. It should be done in the first instance by a Commission consisting of the present Judge of the Court of Arbitration, the Government Statistician, and some other person, preferably an economist, after public inquiry and hearing of such evidence as the Commission thought fit. Thereafter it should be varied only at rare intervals to retain it at the same real level, and to allow for variations in the price level, and it should not be immediately responsive to changing prices, nor should it be altered unless the index on which it is based moved a considerable number of points.

(*e*) The other functions of the Court, such as workers' compensation, apprenticeship contracts, and closing of shops should be transferred to other Courts ; the first to the Supreme Court, the others to the Magistrate's Court.

There is the fear that if this were done there would be a larger volume of stoppages. Initially I think there would, but the ultimate results would, I think, be beneficial. It would make the parties more responsible, since they could not shift responsibility for industrial conditions on to the Court, it would get rid of the vexatious minutiæ of regulation that are hampering industry to-day. It would restore the view that wages really depend on production, and not, as they seem to do, on the fiat of a tribunal. It would restore reponsibility to the union officials, since they could no longer blame the Court for the results of their own folly. It would allow of easier and quicker adjustment of price levels and wages.

It is thought in some quarters that it might lead to employers and workers combining against the public. There is nothing to prevent their doing that now, if they want to. In any case, experience of collective bargaining in other countries has shown this fear to be groundless. Doubtless there are other difficulties in the way, but the whole problem is essentially difficult, and retracing the national steps after thirty years of compulsory fixation of labour conditions, if it is ever to be done, could not in the nature of things be accomplished in a hurry or without difficulty.

The Question of Adjournment.

Right Hon. the Prime Minister : Up to the moment I am unable to say anything at all concerning the chairmanship. I should like to meet the committee selected this morning almost immediately, if I may ; but before doing that I would like to get your feelings as to what should be our next course. How do you suggest we should proceed ? It has been suggested to me that we might now adjourn, in order that the Business Committee may get to work, and also the committee selected this morning in regard to the chairmanship. I think two papers will be ready for circulation to-morrow first thing.

Mr. Roberts : I think it would be better to have an adjournment till to-morrow morning. The committees have a lot of work to do, which should be done before this Conference can get to work at all. I move, That the Conference adjourn till to-morrow morning, when the order paper can be ready for us to go ahead straight away.

Mr. Williams : I am rather against the idea of adjournment. There are some of us who have come a long way for this Conference, and in the case of many of us it is an urgent matter to get back again. We cannot neglect our businesses for any lengthy time. I not only think it unwise to adjourn at 3.30 on that account, but I do not think I should be earning the " screw " you are so kindly paying me for this work. I would suggest that Mr. Roberts should read the paper which he said just now he had prepared, if we can be supplied with copies so that we can follow it in a proper manner.

Right Hon. the Prime Minister: I think we agreed early in the day that all papers other than those presented by the economists should be referred to the Business Committee.

Mr. Bishop: That was as to whether they should be discussed or questions asked about them.

Mr. McBrine: Has the motion to adjourn been seconded?

Right Hon. the Prime Minister: No.

Mr. McBrine: Then I second it.

Right Hon. the Prime Minister: Is there any discussion on the resolution?

Mr. Bishop: The suggestion that Mr. Robert's paper should be presented this afternoon came from himself; and we, on our part, are willing to waive in regard to this paper the resolution passed this morning that the papers should be referred to the Business Committee. The Business Committee would still have ample time to meet after the adjournment and deal with the order of presentation of other papers.

Mr. Nash: I would suggest that Mr. Bishop's proposal is quite a good one. This is a paper on the objective of the Conference, and not contentious as other papers might be. It is a paper that should be considered by the Conference before it goes into committee.

Delegates: Aye, aye.

Right Hon. the Prime Minister: Shall we consider the motion for the adjournment dropped?

Delegates: Aye.

Right Hon. the Prime Minister: Then you have to go back on what was agreed to early in the day about the reference of papers to the Business Committee, and make an exception in the case of this paper.

Delegates: Aye, aye.

Right Hon. the Prime Minister: Have you any objection to the committee I named meeting me while the paper is being presented?

Mr. Roberts: No.

Right Hon. the Prime Minister: Then, we will meet in the next room as soon as the paper gets under way.

Mr. Bloodworth read the following report of the Labour delegation, setting out its ideas regarding Conference objective:—

Report of Labour Delegation setting out its Ideas regarding Conference Objective.

The employees' section of the Conference, representing, as it does, the organized workers of the country in agriculture, industry, and commerce, regards the Conference as one of the most important events of recent years, and has thought it appropriate to state briefly what it considers should be the objective of the Conference. First, we may state that the very fact that the Government agreed to call a Conference and give it such a wide order of reference is sufficient proof that there is a feeling of uneasiness regarding the present and future economic and industrial position of this country, and need for an adjustment calculated to give better results than are at present obtained. This adjustment can, in our opinion, only be brought about by a greater degree of co-operation between all the parties who contribute anything essential to the national well-being than has hitherto prevailed; but, having said that, we wish also to state that in our opinion trade-unionism can never make peace with capitalism in the sense of acquiescing in that system. This, however, does not imply a blind destructive fury against the existing economic order. Economic questions such as the Conference will discuss are at once wide in range and subject-matter, and at the same time very specialized in character; but, in our opinion, all sections should recognize frankly that the first need for all—business men, farmers, commercial men, and workers—is that we should get at the facts, not merely as they affect our own particular section but as they affect the national well-being. If we regard the Conference as primarily and essentially a forum of public discussion, designed, indeed, to get at the facts and to facilitate future practical results, but not to achieve them during its present session, the difficulty of the range and complexity of economic questions is greatly reduced, though not eliminated. Various as are the shapes which our difficulties and their proximate causes assume, they are, in our opinion, all forms of disorganization, dislocation, and maladjustment. The objective of the Conference, as we see it, is to discover, if possible, a way by which in this country a greater measure of social justice can be secured. Social justice should not be subordinated to consideration of industrial progress; but we recognize that its attainment very largely depends on securing increased industrial, commercial, and agricultural prosperity, and that prosperity cannot be solid and lasting unless it is based on social justice. Conference should aim at using the organized powers of employers and workers to promote effective co-operation in developing better methods of production, eliminating unnecessary waste, friction, and causes of conflict, in order to increase national wealth and provide for a steadily rising standard of social life and continuously improving conditions of employment for all workers. Whilst the total elimination of such waste, friction, and causes of conflict may be quite impossible, as we believe it is so long as the wages system lasts, the hope of the immediate future undoubtedly lies in the intimate and continuous association of both management and labour for the purpose of adjusting differences and for the purpose of promoting the progressive improvement of these industrial services from which alone the national prosperity can be derived. Both employers and employed are the victims of a system that has organized industry on the lines of a tug-of-war, and permeated the whole national life with sectional habits of thought and outlook. Wherever coercion has been applied by one side against the other, it has called forth a resistance that otherwise might never have arisen, and has led to much sterility and waste. The two sides rarely meet except to make demands of one another or to compromise conflicting claims, and negotiations are inevitably carried on as between two hostile bodies. In this way great powers of leadership and

willing service are diverted from constructive work into the sterile fields of useless controversy. Throughout the whole of the civilized world the story is the same. The parallel rise of trade-unions and employers' associations in mutual opposition has reached a point where it is generally recognized that the "normal condition of the world of industry is one of suppressed war." There is gradually growing, however, a feeling that such a state of affairs is wrong—wrong in that it does not, and cannot, produce the best economic results; and because it does not do that it cannot lead to the greatest possible measure of social justice. We think the time has arrived when it must be recognized that there is no longer in this country any such thing as primary or secondary industries. One could not come into being or continue without the assistance of the other. Practically all industries which are carried on are to some extent essential to the national well-being, and few, if any, of the industries already established could be eliminated without loss and inconvenience to all the others. If it be true—and it undoubtedly is—that to a large extent the economic well-being of this country depends at present, and will for a long time, upon the export of primary products, it is also true that management and labour in industries seemingly far remote from farming are essential to the production, marketing, and export of those products. All render a service, and the person engaged in industry or commerce has as great a right to demand that the actual production of the primary products shall be carried on in an efficient manner at all stages, and with due regard to the national well-being and in the interest of the individuals immediately concerned, as has the farmer to demand similar efficiency on the part of the purely commercial or industrial concern. If Conference will regard its task as part of the permanent necessity to adjust the economic and development policies of the country to meet the condition of a rapidly changing world, then this representative gathering and the help which its discussions can give in getting at the facts may well be regarded as one of the most important events of recent years. We think, however, it must not be regarded as an isolated event, but rather as one which must lead to and show the need for permanent machinery to carry on the continuous work of collaboration on the part of the parties to this Conference, who are also the parties to production and distribution, in the work of influencing and educating public opinion, and in assisting the Government to give effect to the proved needs not merely of any one section of agriculture, commerce, or industry, but to the needs of the country as a whole. Social justice cannot be secured or assured if any one section benefits for long at the expense of any other section or sections. Prosperity comes in proportion as all sections have worked to secure it, and its benefits being the result of the efforts of all, should be shared by the people as a whole, and not denied to any section or individual. The labour section of this Conference is anxious to help restore prosperity to this country; it can only do this effectively if it is assured that those whom it represents will, with other sections, share in the results of this prosperity.

Hon. Mr. Barr: I think you will all agree that, following on Mr. Bloodworth's report on behalf of the labour delegation, we should have a similar general statement by a representative of the employers. Unfortunately, such a paper has not been prepared, but I feel sure that if any representative on that side desires to make a general statement the employees' representatives would have no objection.

The Conference adjourned at 3.40 p.m.

WEDNESDAY, 28TH MARCH, 1928.

The Conference met at 10 a.m.

Chairmanship.

Hon. Mr. Barr: My first business is to report on behalf of the committee to which was delegated the question of the chairmanship. It sat last night and decided to recommend that Mr. A. D. Thomson, who is well known to many of you, should be appointed Chairman of the Conference. I take it that this appointment will be acceptable to you.

Voices: Yes.

Hon. Mr. Barr: I gather from the applause that you approve of the selection. I will now introduce Mr. Thomson to you. I feel sure that you will give Mr. Thomson that attention that the rules of debate lay down.

Mr. A. D. Thomson, after taking the chair, said: Gentlemen, I thank you for the great honour you have done me in inviting me to preside over this Conference. I am fully alive to the very great interests that are involved and to the very many important matters that will come before you. I must confess at present to a very great ignorance on the subject in many of its aspects. However, I am glad that I am not to take part in the deliberations, but I can assure you that I am a very good listener. I take it that what you want is a full and frank discussion of the various matters that will come before you. To attain that there must be mutual forbearance with regard to one another's opinions. That we must ever keep in view. And in order that there may be a full and frank discussion, and forbearance with regard to one another's opinions, I am sure you will agree that there must be a complete absence of personalities of any kind. You will support me, I am sure, in that, so that there will be, as far as possible, nothing of that sort. I read with very great interest the report of the Prime Minister's speech in the press last night and this morning, and I think that if we keep before us the aim and spirit in that address the deliberations of this Conference will have very important results and be of very great benefit to the community as a whole. I trust you will have a very harmonious and enjoyable time together, and I myself look forward to a very substantial increase of my knowledge of this important subject.

Report of Business Committee.

Mr. Bishop: I have to present the report of the Business Committee, which met last night. All the members were present, and the matters dealt with were: (1) the classification of the papers; (2) the grouping and classification of the committees. Another matter which was referred to the committee by the Conference was whether the papers should be discussed or not. It was unanimously agreed that the order of presentation of the papers from the several groups represented in the Conference should be as follows: That the three remaining papers to be delivered by the Professors of Economics be taken first, and following upon these papers the order be—(1) The paper submitted by the Farmers' Union group; (2) the paper entitled "Farming, or Primary Industries," by Mr. Nash; (3) statement from the sheepowners' group; (4) statement from the dairy-farming group; (5) the paper entitled "Apprenticeship, Unemployment, and Immigration," by Mr. Bloodworth; (6) paper on "Employment Assurance," by Mr. Finn; (7) paper dealing with the freezing industry, by Mr. Chadwick; (8) Chamber of Commerce statement; (9) paper entitled "Workers' Compensation," by Mr. J. Roberts; (10) paper submitted by the Employers' Federation group; (11) paper on the Industrial Conciliation and Arbitration Act, by Mr. J. Roberts. These are all the papers of which the committee had any advice. As to the grouping of committees, the suggested grouping of committees contained in the order paper did not commend itself to the Business Committee, and it was unanimously resolved that there should be two main committees, with twenty-five representatives from each side; that these two committees should be a Farming Industry Committee and a Secondary Industries Committee; that a joint sub-committee from these two committees should be set up to deal with the question of shipping and transport, and another to deal with economics and finance. The suggested arrangement regarding the sub-committees on the order paper seem rather cumbersome, and we think that the Farming Industry Committee might be broken up into two sub-committees—that agricultural farming, sheep-farming, and the freezing industry might be grouped under one sub-committee, and dairy-farming might be attached to another sub-committee. We further think that the second main committee—that of the Secondary Industries—might also be divided up into two sub-committees—one for the manufacturing industries, and the other for distribution. It did not appear to the members of our committee that there was any need to set up a special committee of shopkeepers, or one for the timber industry. We think that the timber trade might very well be dealt with under the manufacturing section, and that the shopkeeping can be included under the head of "distribution." As to the third matter considered by the committee—whether the papers should or should not be discussed—we came to the conclusion that the papers submitted by the Professors of Economics did not come under the same description as the others. In the Prime Minister's letter dated the 4th February, appears the following statement: "It is suggested that each group prepare a carefully thought-out paper, stating generally the position as the members of that group view the problem. The advantages and the disadvantages of the present system should be dealt with as succinctly as possible. These papers should all be read, without comment or discussion, in open Conference, so that every one present may be familiarized with the point of view of each group." No doubt the papers submitted by the groups will indicate that that suggestion has been borne in mind, but I do not think it applies to those brought forward by the Professors of Economics. We therefore recommend that the professors' papers, not being the expression of the views of any of the principal parties to this Conference, shall be open for discussion; that they should be read and circulated first, and that the discussion should follow after all the papers have been read. In the discussion we have decided that each speaker shall be limited to five minutes, and shall speak only once. If they so desire, the professors should have fifteen minutes each for reply. Regarding the other papers, the committee decided that relevant questions should be allowed, the questioner not to exceed three minutes in putting and explaining his question; all questions to be asked first, and then the reader of the paper should have the right of reply, limited to fifteen minutes.

The report was adopted.

Memorandum on the Arbitration Court.

Paper by Professor Allan G. B. Fisher, Otago University.

Professor Fisher: We labour under some disadvantages because we do not represent any outside body except ourselves. It is rather impossible to attempt to deal with all the points that arise in discussing the Arbitration Court, and I have attempted in this somewhat broken memorandum to give you what I think of some of the most important points which have been raised, and also with one or two points which perhaps have not been raised to any great extent. It is not necessary to discuss at length the history of the Arbitration Court or the functions which its original founders intended it to perform. If it be found that these original functions have been modified or expanded, the Court will merely have been shown to be similar to most British institutions. It is more important to consider the functions which the Court actually undertakes to-day and those which it might reasonably be expected to carry out in the future.

1. *Prevention of Sweating.*—This, one of the original objects of the Court, has apparently been attained. Sweating is unlikely to be a serious evil in a rapidly developing country, but unless proper control is exercised on principles analogous to those which justify the Factory Acts, it is always likely to crop up in isolated sections of industry. The Arbitration Court probably exercises a useful influence in checking any such tendency, but if it were decided to abolish the Court it would not be difficult to devise other machinery for the same purpose.

2. *Prevention of Strikes.*—Here the Court is alleged to have failed. New Zealand is no longer a country without strikes. It seems, however, unreasonable to condemn the Court because it does not succeed in preventing every possible breach of the law. Even the most efficient Courts seldom

do that, but we do not propose on that account to abolish them. It is very common to exaggerate grossly the losses inflicted by strikes, and it is quite a mistake to suppose that New Zealand is a country peculiarly afflicted by them. Strikes in other parts of the world—in Great Britain, Germany, and the United States—are much more numerous and much more violent than they are here. Statistics of wages lost are not a satisfactory measure of the damage to the workers concerned if, as is often the case, the work which would otherwise have been done during the strike period is merely postponed and not entirely lost. The fact that strikes are most frequent in the freezing industry, in mining, in shipping, and waterside work is not a matter of chance, nor is it the result of any peculiar moral or mental disability among the wage-earners engaged in those industries. For it is precisely in those industries that the normal conditions of work are most irregular, and where it is unusual to have long periods of employment without a break for some reason or other. It is not surprising that men who feel that in any case employment is likely to be intermittent are more ready to interrupt it by striking than are men with assured prospects of regular work. A feeling of insecurity is an unstable foundation for industrial peace. It is significant that industrial conflicts in other countries are also common under conditions similar to these. The direct loss of time due to strikes is certainly very much less than that due to industrial accidents, and probably much less than that due to preventable illness. It is easy to think of a time when wage-earners always worked quietly and were grateful for what they received, but of that time it is impossible to find any trace in history, and there is no reason for believing that industrial conflict is an evil peculiar to our own time. As a preventive of such conflict the Arbitration Court appears to be as efficient as could reasonably be expected. From a different point of view the fact that strikes seldom inflict nearly as much harm as is commonly supposed is perhaps one reason why it is often rather foolish to engage in them.

3. *Judicial Functions.*—The Arbitration Court carries out a judicial function in the proper sense in dealing with disputes under the Workers' Compensation Act and similar legislation. This could, if necessary, be undertaken by other Courts.

4. *Wage Determination.*—The most important function of the Court to-day is however the determination of minimum wage rates, which are legally enforceable. It is impossible to describe with any precision the nature of the ideal machinery for wage determination. Much depends on what the people concerned think about it. If they believe that the machinery will work, it usually does. But that some machinery is necessary is not open to question. The nature of modern industry, especially when carried on on a large scale, makes it impossible for separate and independent contracts to be made between employers and each one of their employees. Either collective bargaining in some form must be practised, or else the employer himself must be allowed to determine the wage he is to pay to his employees. It is sometimes suggested that the latter course is adopted in some American industrial units, but no one seriously supposes that it is possible here, and very few would even suggest that it was desirable. If then some machinery is essential, what type is likely to suit our purpose best? It is impossible, or at least unwise, to make a decision here without reference to the nature of the existing machinery. If we have become used to machinery of a certain type, it would be unwise to alter it unless very good reasons were shown for the change. A conservative attitude, using conservative in its proper sense, is here the correct one. It is therefore necessary to consider in more detail the objections that have been raised against this side of the Court's work.

(*a*) *Increase in Cost of Living.*—It is alleged that by forcing wages up the Court has forced prices up as well, and, therefore, is largely responsible for the increase in cost of living since 1914. It is of the utmost importance that it should be generally understood that this is an entirely inadequate explanation of the changes in the price level in recent years. Economists, who are constitutionally cautious, know that the economic organization is complex, and therefore hesitate to affirm that there is absolutely no connection between price changes and the work of the Arbitration Court, but there is not the slightest doubt that, compared with the influence of currency changes, the part played by the Court is quite negligible. The change in the price level was a direct consequence of currency inflation, it has changed in much the same way in other countries which have never heard of Arbitration Courts, and there is little doubt that our price level to-day would have been substantially the same if we, too, had had no Court.

(*b*) *Excessive Emphasis on Cost of Living as a Wage-regulator.*—There are few people who would deny in set terms that wage movements must be largely dependent on movements in production, but it is no doubt regrettable that we have so much fallen into the habit of discussing wages in terms merely of cost of living. Under some circumstances this would tend to check desirable increases in wages. In the period of currency inflation during and after the War, a cost-of-living sliding scale was a reasonable, if somewhat crude, policy, and was adopted nearly everywhere quite independently of Arbitration Courts. It was unfair that people who made contracts for receipt of wages should lose part of the real income which they had confidently expected because of a diminution in the value of the unit in terms of which their incomes were paid. With a more stable currency, however, the urgency of this need greatly diminished. The Court has indeed always denied that it has been guided merely by cost-of-living considerations. "The Court," it was said in May, 1922, "must first ascertain the movement in the cost of living, and then must look to the general condition of trade and industry and all other relevant considerations." The Court would perhaps have been embarrassed by a request for more precise definition of "all other relevant considerations," but there is no reason to doubt the claim that general financial and economic conditions are considered by the Court in making its awards. The fact that I am assured by intelligent and sincere partisans on either side that the Judge always gives the unions what they ask for, and that he also always gives the employers what they ask for, encourages me to believe that he has succeeded, broadly speaking, in fixing wages very near the level to which they would be directed by the operation of economic forces, but that this has been done with a great deal less friction than would have accompanied any alternative mode of regulation. The

relation between wage payments and production is indeed not a matter for exhortation. It is a matter of plain fact. People who are not doing work equal in value to the wages they receive will soon lose their jobs.

(*c*) *Disparity between Prices received by Farmers for Products sold Abroad and Prices paid by Them for Products purchased Here.*—This, like the general increase in prices, is a world-wide fact, and cannot therefore be explained by merely local conditions. Farmers in England, the United States and elsewhere make exactly the same complaints as farmers do here, but because they have no Arbitration Court at hand, they place the blame on some one else. Nor is it necessary to acquit the Court of responsibility merely on this negative, though conclusive evidence. We can point to a definite cause of the farmers' difficulties, which is of much greater significance than the Court, and which is itself connected with the world-wide changes which have upset the relation between farming and other industries. Everybody now knows that numerous land transfers took place during the boom period at inflated prices, considerably above the real value of the land. The difficulties of the soldier settlements have been repeated in numerous private transactions, and the writing-off of losses by the Government has somehow to be paralleled by a similar writing-off by private persons. Writing off does not of course mean that the wealth so treated disappears. In the case of the soldier settlements it is transferred from the general body of the taxpayers to those persons who were fortunate or astute enough to sell their land at an inflated price. The position of private buyers, who happily are unable to transfer their burdens to the taxpayers, is certainly in many cases unpleasant, but the attempt to shift responsibility to the Arbitration Court proves nothing but the existence of a strong desire, such as we all sometimes feel, to blame other people for our own misfortunes. The present difficulties of farmers are not to any important extent due to the actions of the Arbitration Court, and if the Court were to be abolished or its constitution greatly altered, farmers would be greatly disappointed to find how little difference was made in their situation.

(*d*) *Hampering Restrictions which prevent the Expansion of Industry.*—Complaints similar to those which have been levelled against the Court on this score have been made against every expansion of factory and similar legislation, and though it is quite possible that such regulation may be pushed too far, it is reasonable to expect very definite evidence if we are to be convinced that this time the cry of "wolf" is actually to be followed by the appearance of the animal. We all feel at times that if only we were left alone without interference from meddling people outside, we should get on very much better than we do, but though this common feeling indicates a factor which should not be neglected, in rare moments of calm reflection most of us would agree that much of this feeling is an expression of irrational irritation rather than of a reasoned criticism of the situation. There is certainly no ground for supposing that in the absence of the Court employers would have a completely free hand. They should remember that complaints of this kind are just as common in England as they are here. It is no doubt desirable that wage rates should be a little more elastic in both directions than they actually are. Changes either upward or downward are nearly always made a little late. But an element of rigidity seems to be an inevitable part of any scheme for bargaining about wages, and there is no reason to suppose that it is a greater evil here than in England.

If then these objections to the Court's operations are rejected, the view is suggested that the maintenance in general terms of the existing machinery of wage-determination is the proper course to adopt. This is quite consistent with the view that in a country like Great Britain, where customs of negotiation and trade-union habits are quite different from ours, it would be disastrous to set up an Arbitration Court. The reasons suggested for maintaining our Court are indeed in essence the same as those for refusing to change radically the existing British machinery. In either case, it is desirable to maintain institutions to which the parties concerned have become accustomed. Trade-union secretaries and employers' representatives in New Zealand have no knowledge or experience of the technique of direct negotiation, and it would be surprising if in the process of learning it, they did not make serious blunders, with consequent sad results for industry as a whole. It is, of course, easy to exaggerate the degree to which wages in Great Britain are regulated by direct negotiation. The total number of British workpeople whose wages are regulated by bodies whose decisions are enforceable in the Courts in fact greatly exceeds the total population of New Zealand.

Basis of Awards.—It is impossible to lay down any formula for the guidance of Arbitration Court Judges. No such formula exists. Indexes of Production, to which some attention has been paid in recent years, are unsatisfactory, for, apart from the great technical difficulties in constructing them, it is not always desirable to make wage-movements exactly proportionate to production-movements. Sometimes wages ought to move less rapidly than production, sometimes more rapidly. The adoption of any formula would make difficult proper discrimination between different industries. For there is no reason why the existing relation between wages in different industries or wages for different grades of work should be regarded as fixed and unalterable. The most that can be said is that wages should be fixed at the highest point consistent with the avoidance of an undue amount of unemployment. If they are pushed higher than this, unemployment will certainly follow. This does not mean that the existence of unemployment is necessarily or even usually a proof that wages are too high. The causes of unemployment are far too complex to admit of any such easy solution, and I do not believe that the existing unemployment in New Zealand is to any considerable extent the result of unduly high wages. Nevertheless, fluctuations in the volume of unemployment are probably the best guide we have at present as to when it is safe to raise wages, and it is much to be desired, on this and on other grounds, that we should have a more accurate and complete knowledge in New Zealand on this subject, so that the influence of seasonal unemployment can be measured and proper distinctions drawn between the various industries.

Appointment of Judges.—As compared with Judges in other Courts, the position of an Arbitration Court Judge is certainly unusual. Their function is to interpret the law; his is to determine what the law should be, and his work in regulating wages is legislative rather than judicial. But though this fact should be realized, it does not necessarily imply condemnation of the Court. The selection of a Judge for this important work is probably due to the feeling that in virtue of his office he already enjoys the reputation for impartiality which is essential to the success of the Arbitration Court. There is no fundamental reason why membership of the Court should be confined to Judges. A legal training and experience in interpreting the law does not necessarily fit a man for consideration of the intricate problems—economic, social, and political—which face the Court. But with our small population, it would doubtless be almost impossible to find any one who was not a Judge, who enjoyed anything at all like the general reputation for impartiality which Judges usually possess. It is important that the Judge should have some assistance, either from other Judges or Assessors, who will share with him the responsibility for awards. Even when those who work with him always disagree with each other, their presence is valuable, as even the most strong-minded man will be greatly strengthened if he has others to consult before announcing his decision.

Piece-rates.—The importance attached to piece-rate methods of payment as a stimulus to production is commonly much exaggerated. A great deal depends on the conditions of work, and it is apparently forgotten that piece-rates are already common in some of the industries in which industrial unrest is also common. For the type of work in which I am engaged, piece-rates were at one time frequent; time payments have now been generally substituted, and it is agreed everywhere that the change was a good one. It is probable that in some industries wage-earners would be well advised to look with a more kindly eye on piecework proposals, but employers should also study carefully the basis of the objections commonly made to piecework by trade-unionists, and should not imagine that if only piece-rates were accepted, all their difficulties would disappear. If piece-rates are imposed on unwilling workmen, it is quite certain that the good results which are hoped for will not be forthcoming. Where both parties are agreed about the principle of piece-rates, there is apparently nothing in the constitution of the Court to prevent an agreement being made, provided that the minimum time wage is guaranteed, which in any case is an essential condition of the piece-rate system.

Profit-sharing.—It is also common to exaggerate the advantages to be reaped from a general extension of profit-sharing. There have been many interesting experiments in this direction, and it is quite desirable that they should be continued where the parties concerned are favourable. The objections to the general adoption of profit-sharing, supposing that to be possible, are however grave. There is no reason why the wages of men doing the same kind of work with the same efficiency should be different on account of differences in the efficiency of management. The general adoption of profit-sharing would mean that the less efficient and less favourably situated firms would be able to get their labour more cheaply than their more efficient rivals. This is not in the social interest, which demands that as far as possible work should be concentrated in the most and not in the least efficient hands.

Reaction on Trade-unions.—The Arbitration Court is probably to some extent responsible for the general lack of interest among trade-unionists in the work of their unions. This in itself is not a good thing. It would be to the general advantage if trade-unions were vigorous, progressive bodies, whose members took a lively interest in their work. It would, however, be rash to assume that a diminution of the Arbitration Court's authority would stimulate union members to just that kind of constructive work which would be in both the general interest, and in the interest of trade-unionists. Those who are anxious for more vigorous life among the unions should look in other directions.

Exemptions from Awards.—Claims for exemption from the Court's jurisdiction sometimes reveal an implicit belief that the Court is a handicap to progress. If this is the case, then, of course, the proper conclusion is not merely exemption, but either the abolition of the Court, or a very drastic restriction of its powers. But if, as has been suggested, this is not the case, claims for exemption must be based on other grounds. Where an industry can devise machinery of its own which will satisfy its members without reference to the Court, there is no reason why the Court should insist on exercising its control there. There is little virtue in mere uniformity of machinery, and though there is an advantage in having a central authority in touch with wage-movements everywhere, this advantage might well be sacrificed where both the parties concerned agree that other machinery is preferable. Exemption might also be granted to industries where the grounds on which our case for the Arbitration Court has been built up do not apply, *i.e.*, where conditions do not make collective bargaining of some kind a practical necessity, where there is no danger of sweating, and where the conditions of work are such as not to admit that degree of uniformity which is presumed in an Arbitration Court award.

The Arbitration Court is not an institution about which it is easy to arouse much enthusiasm. Those who looked to it as a potent instrument of social reform have certainly been disappointed—the causes of inequality of income are too deep to be touched by the Arbitration Court—but those who now regard it as the main source of their troubles will certainly find that they have been deceived. Lacking, indeed, the great power which has sometimes been attributed to it, both for good and for evil, the Court carries out with reasonable efficiency the prosaic but useful and essential function of providing machinery for wage-determination. Any suggestion to abolish the Court or seriously to diminish its authority would undoubtedly be interpreted as a preliminary to attempts to lower existing wage-rates. In spite of formal denials, it is difficult to believe that such intentions are entirely absent from the minds of some critics of the Court. Statements that present wage-rates are too high seem to point definitely in this direction. It is possible that the attempt might succeed but it could succeed only at the cost of a great deal of strife and loss and ill-feeling, which I should prefer not to risk, and which would scarcely lead to helpful relations of co-operation in production.

The Arbitration Court has a further potential value as a means of educating the public and of collecting and circulating accurate information of a type that is becoming more and more essential if business is to find a firm basis on which to make its forecasts of the future. There is scarcely a problem to-day for the solution of which a greater measure of publicity and more accurate and general knowledge of the bare facts would not be of the utmost value. So far little has been done in this direction in connection with our Court, but this is a field of work which could with advantage be explored.

Compulsory Arbitration and Economic Welfare in New Zealand.

Paper read by Professor A. H. Tocker, Canterbury College.

Professor Tocker: Mr. Chairman and gentlemen, like those who have preceded me, I would like to say that my paper is an attempt on the part of an academic person to diagnose some of the economic ills from which the country is suffering, and to try and find out what share of those ills is due to our compulsory arbitration system. We have approached the subject along different lines. My approach has been on the lines of a very close study, extending over a number of years, of New Zealand industrial statistics; and these statistics show a drift for which I hold the Arbitration Court largely responsible. I appreciate very highly, I wish to state, the statistics provided for us in regard to industrial matters by the Government Statistician's Department. Josiah Stamp said once that 90 per cent. of politics is economics and that 90 per cent. of economics is statistics. The Government Statistician is, I know, doing his best to provide us with statistics to throw light on this problem, and I think his efforts deserve the fullest support.

1. *Agenda.*—The proposed agenda paper submitted to members of this Conference suggests, amongst others, these points for discussion:—

(*a*) The effects of the present system of industrial legislation on (1) The welfare of the country; (2) the interests of employers; (3) the interests of the workers.

(*b*) The effect of the present system of industrial legislation on the primary industries of the Dominion on which the prosperity of New Zealand ultimately depends.

These are the major issues before the Conference. It appears that decisions regarding the minor points which follow in the agenda paper must necessarily be based upon conclusions formed concerning these major and broader issues. In this paper, therefore, discussion will be confined largely to important factors bearing upon the general welfare of the Dominion, and to the effects of the present system of compulsory arbitration upon that welfare.

2. *Recent Changes.*—The events of recent years have made the problem of industrial relations acute in many countries. Before the war conditions changed relatively slowly, and customary methods answered well enough for the slight adjustments required from time to time. The war and post-war years brought great changes in price-levels, in industrial organization, and in the nature and direction of production and trade. These have necessitated big adjustments in wages and labour conditions, and have taxed severely the machinery for industrial negotiation. In New Zealand the general level of wholesale prices more than doubled by 1920, but by 1927 it fell to about 75 per cent. of this high level. Marked changes have occurred in many industries: some have expanded, while others have declined. Changed and changing conditions have raised new and important questions in industry, trade, transport, and migration, and much maladjustment and dislocation has occurred. During 1926 and 1927 in particular, after the prices of our exports had fallen 20 per cent. below their 1925 level, a measure of depression spread throughout the Dominion, unemployment became acute, and closer attention was directed to the search for weaknesses in our economic organization.

3. *Our Industrial Structure.*—The problem of industrial relations cannot be examined effectively in isolation from the industrial organization of which it is a part. The chief object of economic organization is to support and improve the economic welfare of the community in general, and the machinery for negotiation between employers and employed must be judged in the light of its effects in furthering or hampering the attainments of this object. A necessary preliminary, therefore, to the examination of our arbitration system is some analysis of our industrial structure and of the part played in it by arbitration. Such analysis might also throw light on recent changes and on the causes of more recent depression.

A useful approach to the analysis of our industrial structure is afforded by the statistics of production published annually in the Year-book. These statistics, for the latest year available, 1925–26, estimate the value of net production at £116,000,000. The estimate omits the value of some distributive and other services, and possibly of certain goods as well. The total value of production, of both goods and services, or, conversely, the total national income, is probably between 20 and 40 per cent. greater than the official estimate of production—that is, from about £140,000,000 to £160,000,000. Of this total an extraordinarily large proportion—say, 34 per cent.—is exported. 94 per cent. of the exports are provided by the pastoral industries producing wool, meat, dairy-produce, &c., and most of the remaining 6 per cent. by other primary industries.

4. *Industries and Markets.*—The products and services which make up the total national income all have to be marketed, but they are sold in different markets, and under conditions which differ widely. Further examination of their marketing conditions leads to significant conclusions. Official figures state the total product of the big pastoral industries as £64,000,000, or from 40 to 46 per cent. of the total national income. Most of this amount is exported and sold in overseas markets, where world competition is met, and world prices must be accepted. The pastoral industries are therefore termed unsheltered. They cannot control the prices received for their products in overseas markets, and must therefore adjust their local costs of production and marketing to the world levels of prices they receive.

Practically the whole of the product of other industries—say, from 54 to 60 per cent. of the national income—finds its market within the Dominion itself. But within the home market conditions differ somewhat for various products. A large group of industries, including all internal transport, distributive services, building, the provision of heat, light, and power, repair work, newspaper publications, &c., might be classed as "neighbourhood" industries. Their product is of such a nature that it can be neither imported nor exported, but must necessarily be produced near where it is to be consumed. To these may be added other industries whose products are protected against overseas competition owing to the high costs of transporting bulky goods. Such industries are estimated to produce from 46 to 53 per cent. of our income. They are termed sheltered, for they have no overseas competition to meet, and they are in a position to make prices in the local market conform to their costs of production.

There remains a relatively small group of secondary industries producing goods for the local market, but subject there to some competition from similar imported goods. A fairly generous estimate makes the value of their net product about £11,000,000, or from 7 to 8 per cent. of the national income. These receive some protection from tariffs and from overseas transport costs paid by imports, and are therefore termed "partially sheltered."

The figures given herein for the national income, and for the proportionate shares produced by the various industrial groups, are estimates, and are admittedly somewhat rough. But they are unlikely to be as much as 20 per cent. in error in any case. It is therefore broadly true that, taking middle figures, somewhere about 43 per cent. of our national income is produced by unsheltered industries, about 50 per cent. by completely sheltered industries, and about 7 per cent. by partially sheltered industries. No probable error in these estimates would vitiate the conclusion to be drawn from these proportions. Further, there is strong evidence that these rough proportions are remarkably constant. They appear to have changed but little in the past, and there is no reason to anticipate appreciable changes in the near future.

5. *Expanding and Limited Markets.*—The significance of this grouping lies in the dependence of industries on market conditions, and in the importance of market conditions to the industries concerned. The unsheltered industries, selling the greater part of their product overseas, have a market which is for all practical purposes unlimited. It can absorb any quantity they are likely to produce, but these industries must accept the world prices ruling in their world markets. Practically the whole of the remaining industries of the Dominion are limited to the local market, for they do not export. They cannot therefore expand unless local demand for their products increases. The exporting industries, on the other hand, can expand greatly without any increase in local demand. As they expand or contract, their demand for locally produced goods increases or diminishes, and the sheltered industries expand or contract in response to these changes in demand.

The big exporting industries therefore constitute the chief variable factor in the demand for the products of the sheltered industries. There is ample evidence to show that this has been the case during recent years, and there is no reason for believing that conditions are likely to change greatly. During the war period of rising prices, 1914 to 1920, the effects of monetary inflation overseas were passed on to New Zealand mainly through increasing prices for exports. Higher prices brought prosperity to farmers, and their demand for sheltered goods and services in the local market increased. Thus higher prices and prosperity were passed on to other industries. After 1920 world prices fell heavily. Again the effect was felt first in the unsheltered industries. Farmers, receiving much less for their produce, had to curtail their expenditure; their demand for local goods was severely contracted, and so their depression was passed on to other industries. Similar changes have occurred since. The high export prices of 1925 increased the purchasing-power and the demand of farmers for local goods and services, and their prosperity was thus passed on to the sheltered groups. The fall in export prices, of about 20 per cent., which occurred about the end of 1925, contracted farmers' purchasing-power, decreasing their demand, and so brought some depression to other industries and to the community in general.

6. *Dependence on Primary Industries.*—It is this fact that the sheltered industries are limited to the local market, and are dependent for expansion or contraction on the variable demand of the export industries, that makes the latter the basic, key industries of the Dominion, upon which the prosperity of the whole depends. Experience has shown clearly that when the exporting industries are prosperous prosperity is likely to follow throughout the country; but when those industries are depressed depression is likely to be diffused and general.

As has already been said, this state of affairs is unlikely to change much or quickly. It might be changed somewhat either by big changes in local demand, or by such improvements in efficiency in the partially sheltered industries as would enable them to drive competing imports off the local market and to export their products in volume. These, however, are remote possibilities, and it may reasonably be concluded, therefore, that the measure of prosperity and expansion for New Zealand as a whole has been determined and will be determined by conditions in the unsheltered exporting industries.

If these conclusions are accepted—and it is difficult to see how they can be rejected—attention must be directed to conditions in the exporting industries, whose prosperity or depression determines the prosperity or depression of the community in general. These industries enjoyed considerable prosperity during the war, and up to 1920, but since then, except for a brief period of abnormally high prices in 1924 and 1925, they have been depressed. From 1920 export prices, which determine farmers' incomes, fell heavily, and on average they have remained ever since substantially below the Dominion's internal prices, which largely determine farmers' costs. If the cost of living (all-groups index) be taken as indicating the internal price-level, the purchasing-power obtained from the sale of a fixed quantity of exports has averaged, during the years 1921–27, 12 per cent. below its pre-war

level. For 1927 the cost of living was 61 per cent. above the 1914 base, export prices were 37 per cent. above that base, and the purchasing-power of exports, measured by these indexes, was 15 per cent. less than in 1914. The result of this fall in purchasing-power, due to the disparity between internal and overseas prices, has been a contraction of farmers' demand for sheltered products, and in consequence sheltered industries have suffered contraction of their limited local markets, and have suffered depression in turn.

7. *Costs and Prices.*—The remedy for this depression is to be found in such expansion of the local market as will enable the products of the sheltered industries to be absorbed in full measure. But the local market is likely to expand only with an increased demand from the unsheltered exporting group. Higher prices have been secured for exported produce during the present season, and these will increase the farmers' demand to some extent. But they may not be permanent, and it is unlikely that they will be sufficient. The real and permanent remedy for the depression of recent years lies in a lower level of internal prices, which are kept up mainly by the high prices of sheltered products.

he following official index numbers, equated to a 1914 base, indicate the disparity of prices :—

	Index of 1914.	Index of 1927.
Export prices	100	137
Import prices	100	139
Wholesale prices	100	140
Animal products	100	112
Cost of living	100	161
Three sheltered groups (textile, wood products, and coal)	100	185
Agricultural wages	100	147
Wages (excluding agriculture)	100	163

Because internal prices are relatively so much higher than export prices, the purchasing-power of exporting producers is contracted, and the margin between their produce prices and their costs is unduly narrow. This narrow or negative margin of profit has made farming unattractive, as is indicated by the failure of the area of occupied land to expand, by the decline of 13,500, or nearly 10 per cent., in the numbers engaged on farms between the years 1923 and 1927, and by the scarcity of capital for farming purposes. The sheltered industries of the towns have been since the war much more attractive. Consequently both labour and capital has been diverted to those sheltered industries. But their market is limited to the local demand, and, as the farmers' purchasing-power has declined, the local market has been unable to absorb their full output at prevailing prices, production has been restricted, and they have been unable to absorb the labour supply available. This is the chief cause of the unemployment which has proved so intractable during the past two years.

8. *Lower Costs needed.*—Relief can come only with expansion of the farmers' demand for sheltered goods and services. But since farmers' incomes depend mainly on the prices received for their exports, the farmers' demand is unlikely to expand much until sheltered prices fall. As they fall—and in the long-run they must conform with what the export industries can afford to pay—sheltered industries may become relatively less attractive, and unsheltered industries relatively more attractive. The lack of industrial balance which is the principal cause of present difficulties may then be righted, and both labour and capital be diverted in greater measure to the land, where, in producing for export, it will increase the demand for sheltered local products. Under these circumstances economic balance might be restored, and our normal progress and expansion be resumed.

But whatever way the problem be approached, attention is drawn back to the chief obstructing factor, the high level of internal prices and farm costs. Analysis of the causes of these high prices and costs shows them to be complex. They are mainly legacies of the war and post-war period, when new standards of values were adopted which have not been yet deflated in conformity with world values. They affect both prime and overhead costs. Overhead costs, both in town and country, have been swollen by over-capitalization in boom times, by high taxation and rates, by the rise in interest charges, &c. Prime costs are kept high in many of the sheltered industries by the prevailing high level of labour costs, and in the export industries by the fact that many sheltered costs are passed on for them to bear. Some of these costs are subject to ordinary economic pressure and will, if left alone, adjust themselves to more economic levels. In this way much over-capitalization has been written off, interest payments have been remitted, and nominal capital values have been brought closer to real values. But other costs are protected against this economic pressure. Thus taxation is high owing to the high expenditure of the State and local authorities, and many labour costs are kept high owing to the existing system of State regulation of wages and labour conditions.

9. *Labour Costs.*—Labour costs constitute a large and important porportion of total costs. Many investigations have shown that national wage-bills are at least half of the total national incomes in various countries. For Australia, Sutcliffe estimates that incomes of wage-earners may be as much as 62 per cent. of the total national income. They are likely to be appreciably over half the total income in New Zealand, and therefore constitute the largest factor in average costs of production. It appears, too, that high labour costs in the sheltered industries are passed on, with other costs, to be borne by unsheltered industries and consumers (excluding workers under award conditions, whose standards of living are protected). Index numbers show that in 1927 agricultural and pastoral wages were 47 per cent. above the 1914 level; other wages, mainly award rates, were 63 per cent. above that level; while wholesale export and import prices had risen only from 37 to 40 per cent. above the same base period. Official figures, too, estimate that the net value of total production per head is slightly lower than before the war; the charge on production made by taxation and rates is now about 50 per

cent. greater than before the war, and labour under award rates appears to enjoy a slightly higher standard of living. Some other section of the community is therefore bearing the burden of lower production and higher charges, and much of it appears to fall on the farmers, whence it reacts on the community in general.

No reasonable objection can be raised against high wage-rates and high standards of living—on the contrary, they are much to be desired, so long as they are justified by high productivity of labour. It appears, however, that wages and labour conditions are fixed in New Zealand with very little regard either to the productivity of labour or to the capacity of the country to absorb labour under the rates and conditions awarded. For this the system of compulsory arbitration is mainly responsible. Our system was established as an experiment aiming mainly to promote conciliation and collective bargaining, with the Court as a Court of Appeal to be used in case of emergency. It has developed, in a manner never intended, into a system of State regulation of wages and labour conditions.

10. *Compulsory Arbitration: Objects.*—It is usually stated that the primary objects of the compulsory arbitration system in New Zealand were to prevent industrial stoppages and sweating. No absolute measure of its success in these spheres is possible, for there are no adequate standards of comparison. Statistics are quoted of the incidence of strikes in Britain and New Zealand, and it is inferred that because Britain has more strikes, compulsory arbitration is successful in preventing strikes. The two countries are plainly not comparable. Britain is highly industrialized, densely peopled, with many large and strong trade-unions, to whom, until quite recently, the strike has been a traditional method of industrial negotiation. A much more valid comparison might be made between New South Wales and Canada, for there conditions are more alike. And in New South Wales, where compulsory arbitration is fully used, the incidence of strikes is more than three times heavier than in Canada, where compulsory arbitration is not in force.

But none could claim that the system has freed New Zealand from strikes, and since nearly all strikes during recent years have occurred in industries over which the Court has no effective control, it is at least doubtful whether it has any appreciable effect in reducing the number of stoppages. For in most of the industries under the Court, conditions are such as to make serious stoppages under any circumstances very improbable.

It is very doubtful, too, whether the Court is now needed to prevent sweating. There is little if any evidence of sweating now in occupations quite beyond the Court's influence—for instance, amongst women typists and domestic servants, who are altogether unorganized and unprotected. In their case the demand for their labour is an effective regulator of wages and conditions and a sufficient safeguard against exploitation. The Court was set up in 1894, at the end of many years of falling prices and depression, and it would have been surprising if, under the economic conditions then prevailing, some sweating had not developed. Since then there has been a long period of rising prices, expansion, and prosperity, which created keen demands for labour. In addition, Factory Acts, Shop Acts, &c., have given workers additional protection. Sweating has certainly been practically eliminated, but other factors have probably had much more influence than the Court in achieving this end.

There is, indeed, little evidence that the Court (apart from the Conciliation Councils) is now performing any useful services in connection with the prevention of strikes and sweating. There is much evidence, on the other hand, that it does many things which were better left undone, and other things imperfectly.

11. *The Court's Influence.*—In the first place, the scope of the Court's investigations is limited. It has to deal with disputes between trade-unions of employers and employees. Originally a dispute was intended to mean some serious difference such as might occasion a stoppage of work. Now a dispute might mean any triviality brought before the Court. Normally the Court is approached by workers' unions, occasionally by employers of workers enrolled in unions registered under the Act. The Court then investigates directly the conditions of workers in registered unions. Out of about four hundred thousand wage-earners in the Dominion, slightly less than one hundred thousand, or 25 per cent., are unionists. Of these about eleven thousand are railwaymen, who are outside the scope of the Court. Allowing for other unions which remain outside the Court, and for non-unionist apprentices, &c., it appears that less than 25 per cent. of the total wage-earners desire representation before the Court.

Moreover, practically the whole of the trade-unionists who approach the Court, and their employers as well, are engaged in sheltered industries, where it is comparatively easy to pass on in higher prices the expense incurred by rises in wages and restrictive regulations. But the Court's awards apply not only to trade-union workers, but to other workers engaged in similar occupations, hence these awards tend to prevail over a part of the field of industry considerably larger than the part directly investigated. They have a further indirect influence on wages of other workers quite beyond the jurisdiction of the Court, as on the rates paid to clerical workers whose salaries bear some customary relation to manual workers' wages. In this way the influence of awards becomes widely diffused throughout the sheltered industries, which can pass on their rising costs, with little if any regard to the ultimate effect on the economic life of the country.

It is quite beyond the power of any tribunal to regulate effectively the whole of the economic life of a country. The Arbitration Court was established not to attempt this, but to settle disputes. In the settlement of disputes, however, it has become involved in the detailed regulation of a considerable part of our economic life, and this regulation has important and far-reaching effects on the whole.

12. *The Basis of Wages.*—The chief matter of dispute which our arbitration system has had to settle has always been wage-rates. Having no guiding principle laid down, the Court and the disputants who come before it have concentrated more and more on the cost of living as the standard by which wages should be fixed. As a result the standard of living, as far as the figures will show, has become sterotyped at approximately the level which happened to prevail in 1914. The attempt appears to

have been made to pay workers in accordance with what they consume, whereas all experience and reason show that they should be paid in accordance with what they produce. As a result of the attention given to the cost of living in the Court, many workers have come to consider that their wages must depend upon the cost of living, and this idea has distracted attention from production. Since wages must come out of production, and since general rates can rise only as production increases, it would surely be wiser and more advantageous to the workers themselves to direct attention to the importance of maximizing production and removing all restrictions on output, in order that both wage-rates and standards of living might be improved.

13. *The Regulation of Industry.*—A further disadvantage arises out of the fixation of wage-rates under our system. A wage is a price, and if any price be fixed the conditions of sale must be defined. Hence, in fixing wages, the Court has been led, during many years, into defining more and more minutely the conditions under which labour shall be employed. This definition of conditions, embodied in binding awards, has imposed on industry a mass of detailed regulation which a visiting American described as "the most complete system of State regulation of industry ever known in the modern world." The effect of this regulation is to standardize and stereotype methods of production, to prevent experiment and change in organization, and to hinder development and progress. It has brought about, as Meredith wrote of industrial regulation in the eighteenth century, "cumulative repression of experiment and change, operating partly by direct repression of the new, and still more by steady support and encouragement of conservative prejudice." It is through such regulations that concrete application is given to many fallacious and futile ideas commonly held. Through them we get the demarcation of functions standardized and carried to a degree intolerable in a young and growing country where variety and diversity are the essence of progress. Through them we have limitation of the range of tasks to be performed by one man, the creation of jobs in order that employment may be found, men's wages for boys' work, skilled men's wages for unskilled work, and all the futility of making jobs regardless of their effects on cost of production, on prices, on the market for the products, and hence regardless of their reactions on the wages that can be paid.

It is this aspect of compulsory arbitration that needs most to be emphasized. The general level of wages, and the standard of living as well, depend almost entirely on the productivity of labour. To secure the maximum possible real wages it is first necessary that maximum productivity be secured. But much of our industry is suffering at present from the cumulative effects of thirty years of hampering and cost-increasing regulation. To secure greater productivity and greater efficiency, employers must be left much freer to organize production in their own way. In particular the greatest flexibility in the matter of arranging jobs is essential. Given the elasticity and variety which follows on freedom of organization, competition will secure that the most effective methods will be adopted. Without freedom and variety some measure of stagnation is inevitable. In the unsheltered export industries, and particularly in dairying, freedom from over-regulation has permitted a considerable expansion of output during recent years, despite low or falling prices. But in the industries working under the rigid regulations which awards impose there is less evidence of this. Between 1921 and 1926 the cost of materials used in factory production in New Zealand decreased slightly; the charge made for the processes of manufacture undertaken increased by 27 per cent. The conclusion to be drawn from these figures is not final, but it is suggestive.

14. *Conclusion.*—To sum up: It appears that the direct incidence of our arbitration system is practically confined to those industries which rely on the limited local market to absorb their product. Conditions in those industries must, therefore, conform with demand in their market. In the long-run this means that conditions in the sheltered industries must be determined by what the unsheltered exporting industries can afford to pay, which depends largely upon the prices they receive in their world markets. There is much evidence of a slow steady drift, accelerated during the past two years from the unsheltered to the sheltered industries, which is disturbing, in increasing measure, the normal balance of industry. Farming is not expanding as it should, the numbers seeking employment in the sheltered industries are greater than can be absorbed in production for the limited local market. The result is the unemployment of the last two years, which, despite the increased demand for labour created by heavy expenditure of borrowed money, has proved so intractable. The remedy lies in a restoration of economic balance.

Farmers at present cannot increase their demand for sheltered goods and services at ruling internal prices; their costs are too high when compared with the world prices they receive. It is only the farmers' demand which can expand the local market appreciably and cause labour-supply to be fully absorbed. Other costs have some bearing on the problem, but labour costs are beyond the present capacity of the local market and the local demand. To right the situation labour costs must be reduced. Two ways are open—by reducing wages, or by increasing production and so reducing labour cost per unit of output. The former method might involve a lowering of the standard of living for the workers, and hence is undesirable. The latter method would almost certainly mean an improvement in the workers' standard of living. But increased production at lower cost per unit of output appears impracticable in sheltered industries under the present regulated conditions. Much greater freedom and flexibility of organization is required, and much more emphasis needs to be placed on the fact that real wages can be drawn only from production. It is difficult to see how the industrial conditions essential to increasing production, fuller employment, and rising standards of living can be developed if the traditions built up under our arbitration system are maintained. Some drastic modifications of our present system are needed, and it is for this Conference to suggest those modifications. I would suggest that, however the details may be worked out in the light of general discussion in the Conference, modification should be recommended to proceed as far as possible in the direction of restoring voluntary conciliation and collective bargaining, which might enable employers and employees to

co-operate for their mutual benefit, and as far as possible away from the State fixation of wages, and from the rigidity of standardized and cost-increasing regulations, which bring so much of regimentation and stagnation in industry.

The Economic Position of the Farmer in New Zealand.

Professor Belshaw : I had intended to put in this supplementary memorandum, as Professor Murphy says, as an exhibit, together with the report on unemployment. The memorandum which I had prepared for the Conference has not yet been printed, and is therefore not available. I should first, before reading this memorandum, like to endorse what Professor Tocker has said in reference to the importance of the work done by the Statistical Office. I have heard it said by authorities that the work of the Statistical Office in New Zealand is comparable with the best in any part of the world, and, despite the considerable difficulties which are involved in statistical work, I feel that the figures are as reliable as statistical figures are in most countries. I would suggest the advisability of assisting the Government Statistician when he is out to obtain further information. I think that a great deal of the value of this Conference will depend not only upon its deliberations, but upon the solution of the problems which it refers for special investigation to selected bodies afterwards. I would remind you of the existence of the National Council for Industrial and Scientific Research, and would suggest the advisability of making use of that body and in taking advantage of the service of that body. This particular paper which I have been asked to read this morning has been prepared for the May issue of the *Economic Record*, and will appear shortly. For that reason I should prefer that it should not be released for outside publication until after that date.

Mr. Henderson : How do you think your suggestion will be carried out, in view of the reporting of it to-day ?

Professor Belshaw : I do not imagine that the newspapers will produce the tables, and if they are omitted the publishers of the *Economic Record* will not object to the publication of the other matter The paper is as follows :—

THE ECONOMIC POSITION OF THE FARMER IN NEW ZEALAND.*

By H. Belshaw, M.A.(N.Z.), Ph.D. (Cambridge), Professor of Economics, Auckland University College.

[This paper has been prepared for publication in the May issue of the *Economic Record*. For this reason it is not intended for release until after that date, and the writer requests that the rights of prior publication by the *Economic Record* be safeguarded.]

1. Introductory.

One of the most serious post-war economic problems is the widespread depression in farming industries. From almost every country come disquieting evidences that the remuneration which goes to the farmer is inadequate when compared with pre-war standards. In almost every country, the farmer complains of the shrinkage of his income and of the additional burden which he is called upon to bear. It is the purpose of this article to examine in broad outline the conditions responsible for the post-war depression in farming industries in New Zealand. I shall endeavour to concentrate on general problems. My remarks do not apply to every farmer, nor do they apply to the same degree to every branch of farming. Certain problems, such as those related to depreciated farms, are not discussed, though no doubt the conditions on which they depend are often closely related to those which will be considered. In order to throw into clear light the burdens which are pressing on the farming industry it is necessary to take an earlier period as a basis for comparison, and the years immediately prior to the war are selected. Though it is true that the rewards to farming, as distinguished from the returns consequent on appreciated land-values, have seldom been commensurate over a period with the labour and enterprise expended, yet it will be conceded by most that the years immediately prior to the war were years in which the farmer's position was at least tolerable. The following analysis will show that, apart from improved efficiency, the returns from which the farmer might reasonably expect to appropriate to himself, the present position of agriculture is appreciably worse than in 1914, and is therefore unsatisfactory.

2. Agricultural Net Income.

The problem with which we are confronted is to discover, if possible, whether or not the real net income of the farmer is greater or less than in the years immediately prior to the war, and, if less, to evaluate the importance of the influences responsible for the decline. Neglecting the value of home-grown foods, and the shelter which the farm affords, the real net income of the farmer consists of the things which he can buy with his net money income, and changes in this real net income will be indicated by the formula—

$$\frac{\text{Gross income} - \text{All charges}}{\text{Retail prices.}}$$

The best available index of changes in gross money income is the movement of export prices. In order to obtain an exact measure of such changes we should have to multiply the number of units of produce sold by their price at the farm. It would be necessary to correct the index number of export

* This article has been developed out of a lecture which was delivered before the Auckland Chamber of Commerce and the Hamilton Chamber of Commerce in August, 1927, and repeated later before an audience of Waikato farmers. It has been modified somewhat in the light of the controversy which it aroused, though the main conclusion remains substantially unchanged. I express my thanks to my critics, both friendly and otherwise, and especially to Dr. E. P. Neale, and Mr. Malcolm Fraser, Government Statistician, for useful suggestions.

prices for changes in the volume produced, and for changes in the cost of processing, transport, and marketing. It is unfortunate that, after careful inquiry, I have been unable to discover any reliable bases for such correction. Even if these were available, we should still be faced with a difficulty in estimating the effects of these corrections on our measure of changes in net real income; for we should be forced to make a further correction for changes in the quality of farm requisites used in production. In order to estimate changes in the net income of that mythical person the average farmer, we should have to correct also for changes in the number of farmers.

Although official statistics do not give a very precise answer, it seems probable that the *per capita* production of agricultural and pastoral products has increased of recent years, though by an uncertain amount. Against this increase must be set the cost of increased quantities of manures and other requisites; but, despite this offset, it is likely that as the result of increased efficiency, especially of recent years, the economic position of the farmer is somewhat better than the analysis which follows would suggest. On the other hand, it is probable that, despite the reduction in freights and other charges brought about by the various marketing boards, the farmer receives a somewhat smaller proportion of total receipts at the market than in 1914. I have shown elsewhere that marketing and transport charges tend to lag behind prices at the market, so that the fall in prices at the farm is somewhat greater than the fall in prices at the market.*

It is probable that the errors involved in using export prices as an index of changes in gross income to some extent counterbalance, but it must be borne in mind that this index does not allow for two factors, one of which is likely to improve, the other to injure somewhat the farmer's economic position. Nevertheless, comparison of other factors with the index number of export prices does enable us to set out in order of importance why the farmer obtains a smaller proportion of the returns from a unit of produce than he did before the war. There is abundant evidence that any increased returns due to increased efficiency have certainly not been sufficient to offset the burdens pressing on the farming community; and it is of some use to evaluate the various items on the debit side, even though we cannot express them to the nearest penny.

Examination of column 2, Table 1, shows that the index number of export prices rose rapidly from 100 to 167 in 1919, fell sharply to 114 in 1922, rose to a new maximum of 170 in 1925, and fell appreciably thereafter. It should be remembered that these figures refer to the average of all export prices, and that individual commodities may rise and fall less than the average. It is, of course, a truism that if all prices, including costs of labour, requisites, charges against fixed capital, and retail prices of consumer's goods, moved exactly in the same way and to the same extent, no serious economic and social consequences would result. In fact, however, different prices move at different rates. The present economic position of the farmer is due primarily to a lack of harmony between the movement of different sorts of charges and the prices of agricultural commodities. During the period of rising prices, 1895–1920, especially 1914–20, the farmer stood to gain by the disparity; in fact, there is little doubt that the long continued "bouyancy" in agriculture prior to the war was due as much to this cause as to any other. With the downward trend of export prices since 1920, the farmer has stood to lose by the disharmony.

3. Exchange Value of Agricultural Commodities in Terms of Goods bought Retail.

The first question to be answered is: Assuming that the farmer's outgoings move in exactly the same proportion as export prices, is the farmer better or worse off than in 1914? To answer this, export prices are expressed as a ratio of retail prices by dividing retail prices into (*a*) the export price of all commodities, (*b*) the export price of dairy-produce, the latter being included because of its special interest to Auckland Province. The retail index has been calculated from official figures, and includes groceries, clothing, footwear, and miscellaneous items, but excludes fuel and house-rent. The figures are given in Table 1.

Table 1.—Comparison of Export Prices of (1) Dairy-produce, (2) All Exports, with Retail Prices 1914-26.
(Base prices, 1914 = 100.)

Year.	Export Prices.*		Retail Prices.†	Column 1 : Column 3.	Column 2 : Column 3.
	Dairy-produce.	All Exports.			
	(1)	(2)	(3)	(4)	(5)
1914	100	100	100	100	100
1915	108	119	110	98	108
1916	130	138	122	107	113
1917	150	157	142	106	116
1918	151	162	165	92	99
1919	168	167	190	88	88
1920	174	164	221	80	75
1921	214	152	217	99	70
1922	144	114	189	76	60
1923	156	140	143	109	100
1924	159	159	173	92	92
1925	146	170	168	87	101
1926	136	138	165	82	84
1927	125‡	134‡	164§	77	82

* Recalculated to Base 1914=100.
† Unweighted average of (1) groceries; (2) clothing, drapery, and footwear; (3) miscellaneous, as given in New Zealand Official Year-book 1927, p. 812. The items within each group are weighted.
‡ January–June average monthly figures.
§ Average quarters ending February and May, 1927.

* "The Profit Cycle in Agriculture," *Economic Journal*, March, 1926.

When the index number given in the fourth and fifth columns rises above 100 the price relationship is beneficial to the farmer as compared with 1914, and he can purchase more goods for a unit of produce. When the index falls below 100 the price relationship is injurious to the farmer. An examination of column 5 shows that the farming community as a whole benefited from the price relationship in the years 1915–17; suffered in the years 1919–22, 1924, and 1926–27. The position of the dairy-farmer (column 4) is very similar. In view of a margin of possible error in the figures, a change of 1 or 2 per cent. in the ratio is perhaps not significant; but the general position is clear enough. Speaking generally, we may say that, apart from the year 1923, the farmer would have been worse off than in 1914 during the whole of the period 1919–27 even had costs moved proportionately to export prices.

4. Movement of Agricultural Charges.

For the purpose of this inquiry we have taken (1) taxes, (2) wages, (3) cost of farm requisites, (4) annual charges in respect to land, as the most important payments to be made by the farmer out of his gross income. Assuming all other factors to move in such a fashion as to leave the farmer's net income unchanged, what would be the influence of each of the above factors, taken separately, on the farmer's economic position?

(1) *Taxation.*—Since the war the total *per capita* burden of taxation has increased considerably. As far as farming is concerned, the main relevant taxation is local-body rates and land-taxation. In the former I have included county rates, rates of Road Boards, river districts, land-drainage districts, and half the rates of Harbour Boards. It is impossible to determine what proportion of Harbour Board rates are levied on rural districts, and the proportion is a considered guess. The item is not important, however. The figures for local-body rates are given in Table 2.

Table 2.—Local-body Rates as they affect the Farmer.

Year.	Local-body Rates (000 omitted). £	Year.	Local-body Rates (000 omitted). £
1913–14	897	1920–21	1,672
1914–15	963	1921–22	1,334
1915–16	1,056	1922–23	1,885
1916–17	1,125	1923–24	1,905
1917–18	1,187	1924–25	2,029
1918–19	1,375	1925–26	2,144
1919–20	1,482		

Local-body rates show an increase of over 100 per cent. during the period 1913–14 to 1925–26. Export prices, on the other hand, were about 70 per cent. higher in 1925 than in 1914, and about 38 per cent. higher in 1926. Local-body taxation would have to be reduced by roughly £500,000 in 1925 to bring it to the same parity with export prices as in 1914, and by roughly £900,000 in 1926. These are only approximate figures, but show an appreciable increase in the burden of local rates. Some portion of this is, no doubt, balanced by improved services, such as better transport facilities, reacting to the economic advantage of the farmer; but it is difficult to believe that the increase in such economic advantages is sufficient to counterbalance the increase in local taxation.

The problem of the land-tax is more difficult to elucidate. The total land-tax increased from £767,000 in 1913–14 to £1,229,000 in 1927. In 1926–27 the tax assessed on those engaged in farming and allied pursuits was £603,000, or somewhat more than half the total amount. The number of taxpayers in this group is given as 25,470; but some seven thousand taxpayers appear to pay approximately £500,000 out of the total of £603,000. It would appear from this that, in so far as the vast majority of farmers is concerned, any changes in land-tax are not likely to be an important item in the present situation. The average assessment per taxpayer was £24 in 1926–27. If we exclude the seven thousand taxpayers referred to above, the average amount of tax paid by the remaining farmers must be very low.

(2) *Wages.*—Wages are again compared with export prices by dividing the index number of nominal wages of agricultural labour into export prices. The results are given in Table 3.

Table 3.—Export Prices of (1) Dairy-produce, (2) All Commodities, together with Nominal Wages and effective in Agricultural and Pastoral Industries, and a Comparison of Export Prices with Nominal Wages, for the Years 1914–26.

(Base average, 1914 = 100.)

Year.	Export Prices.		Wages.		Column 1 : Column 3.	Column 2 : Column 3.
	Dairy-produce. (1)	All Commodities. (2)	Nominal. (3)	Effective. (4)	(5)	(6)
1914	100	100	100	100	100	100
1915	108	119	117	109	92	102
1916	130	138	121	104	107	114
1917	150	157	129	100	116	122
1918	151	162	136	95	111	119
1919	168	167	144	92	117	116
1920	174	164	152	86	115	108
1921	214	152	153	86	140	99
1922	144	114	145	91	99	78
1923	156	140	148	94	105	95
1924	159	159	147	92	108	108
1925	146	170	148	91	99	115
1926	136	138	148	91	92	93
1927	125*	134	147†	91	85	91

* Average monthly figures, January–June, 1927. † March quarter.

After "New Zealand Official Year-book." Figures of export values recalculated to base year 1914 = 100.

Column 6 shows that farmers in general benefited by the delayed rise in wages during the years 1914–20, suffered 1920–23, benefited 1924–25, and suffered 1926–27. The dairy-farmer suffered in 1915, benefited 1916–24 (except in 1922), and suffered in 1926–27.

Whilst the failure of wages to fall imposed an additional burden in 1926–27, it must not be overlooked that throughout almost the whole of the previous period the movement of wages relative to all export prices benefited the farmer. In 1926 a reduction in wages of not more than 7 per cent. would have brought things to the same parity with export prices as in 1914. At the outside, this reduction would represent the sum of about £800,000 per year, or less than £10 per farmer or £15 per worker. In short, if other cost-price relationships were the same as in 1914, the present burden of wages would not have been sufficient to account for the depression. Wages may possibly press heavily in regard to the clearing of new land, in which labour is the important item in cost, but any reduction in wages the worker would be prepared to accept would not appreciably affect the situation as a whole.

(3) *Producers' Material.*—The price of farm requisites (seeds, manures, wire, implements, &c.) is compared in similar fashion in Table 4.

TABLE 4.—COMPARISON OF EXPORT PRICES OF (1) DAIRY-PRODUCE, AND (2) ALL EXPORTS, WITH THE WHOLESALE PRICES OF FARMERS' PRODUCERS' MATERIAL, 1914–26.

(Base average, 1909–13 = 100.)

Year.	Export Prices.		Producers' Material for Farming Industry.	Column 1 : Column 3.	Column 2 : Column 3.
	Dairy-produce.	All Commodities.			
	(1)	(2)	(3)	(4)	(5)
1913	..	..	107	..	..
1914	104	111	108	96	103
1915	120	132	128	94	103
1916	135	153	130	104	118
1917	156	174	147	106	112
1918	157	180	171	92	105
1919	175	185	178	98	104
1920	181	182	220	84	83
1921	223	169	180	124	94
1922	150	127	148	101	86
1923	162	155	143	113	108
1924	165	177	162	102	109
1925	152	189	156	97	121
1926	141	153	147	96	104
1927*	130	149	129	101	116

* Average monthly figures, January–June, 1927.

Export prices are from "New Zealand Official Year-book, 1927," p. 823. Materials for farming industry, *ibid.*, p. 821.

The figures for farm requisites are wholesale, and no comparable index is available for corresponding retail prices. In so far as changes in the wholesale index are a reliable guide to changes in retail prices, it will be seen that, except in 1920–22, the farming community generally benefited by the disparity in the movement of export prices and prices of farm requisites. The dairy-farmer suffered during 1918–20, which were admittedly not years of depression, and again in 1925-26. The position in 1927 is about the same as in 1909–13. Normally, retail prices tend to lag behind wholesale prices, so that the advantage accruing to the farmer in respect to the greater fall in the price of requisites than of exports is likely to be less than the figures would indicate; but as far as farmers in general are concerned it is highly improbable that the lag is so great as to completely eliminate the disparity. It seems likely, however, that the dairy-farmer, especially in remote districts, where transport costs are heavy, has actually suffered in consequence of the retail lag. My own conclusion is that farmers in general are at present benefiting somewhat, as compared with 1914, in consequence of the relative movements of the two series; but that certain groups (as, for example, dairy-farmers) are worse off by an uncertain, though probably not very considerable, amount.*

(4) *Capital Charges in respect to Land.*—Whilst the increase in taxation and the delayed fall in wages have had some influence on the position, we must look elsewhere for the most important cause of the long-continued depression in farming industries. There is no doubt in my mind that the main burden pressing on those farmers who are materially worse off than in 1914 is the increase in fixed charges in respect of land, due to the movement of land-values, especially in the years preceding 1922, accompanied by an increase in the volume of mortgages outstanding, and in the rate of interest on both mortgages and short-period or intermediate credit. This is all the more important, in that fixed charges against land represent by far the most important item of outgoings. The ratio of fixed capital to circulating capital charges is much higher in agriculture than in most other industries.† The

* Of recent months it has become popular to blame the Arbitration Court for most of the economic evils from which the country is suffering, and, in particular, to affirm that the disparity between "sheltered" and "unsheltered" prices, which presses heavily on agriculture by raising costs relative to returns, is due to the operation of Arbitration Court awards in raising the costs of production of those "sheltered" products which the farmer uses. If this allegation were true, it would reveal itself in the index number of wholesale prices of producers' goods quoted. If it is true that the farmer is suffering from the delayed fall in the retail price of requisites, this cannot be attributed to high manufacturing costs dependent on the evil influence of the Arbitration Court, but to high retail distributive charges.

† See "The Profit Cycle in Agriculture," *Economic Journal*, March, 1926.

main cause of depression in recent times is, in my opinion, the high value of land which changed hands, especially during the years preceding and up to about 1923, together with the increase in mortgage charges and other forms of interest charges which accompanied it. There has been no exhaustive inquiry into the movement of land-values in New Zealand as a whole, but figures have been collected and compared by means of index numbers for Canterbury by Mr. R. H. Rodwell, M.A. These figures cannot be taken as an exact picture of the movement of land-values over the whole of New Zealand, but my own view is that they understate the extent of land inflation in the country as a whole, and are certainly conservative as an index of conditions in such districts as Taranaki and the Waikato. Except for the year 1925, in which the rise in the index may not be paralleled elsewhere, we shall err on the side of safety in using the Canterbury figures. These are as follows (*Economic Record*, May, 1927, p. 50) :—

Year.	Index Land-values.	Year.	Index Land-values.
1914	100	1920	160
1915	111	1921	143
1916	113	1922	135
1917	115	1923	114
1918	115	1924	108
1919	133	1925	141

If it is correct to assume that the Canterbury figures do not overstate the case, it is my view that the farmer who bought land between the years 1915 and 1924, and especially between the years 1917 and 1923, paid more than the land is at present worth. In this connection it is important to make clear what is meant by the economic value of land. By the value of land I mean the value of established farms per unit of area, taking into account all the improvements thereon. The demand for land—in this sense—is a derived demand, dependent on the fact that it is an agent of production. Its economic value is not closely related to the cost of the improvements upon it, but at any given time is measured by the residual, capitalized at current rates of interest, obtained after all costs and a reasonable return to the farmer have been subtracted from the gross value of the product. This "reasonable return" should be commensurate in the long-run with the return which can be obtained in occupations requiring similar ability and enterprise after special advantages and disadvantages have been allowed for. If, over a period of years, the income the farmer derives is less than this, he has paid too much for his land. It is my belief that during the whole of the twenty years prior to the war most land changed hands at a price which at the time of transfer did not yield a reasonable return, and so was too high; but the persistent upward trend of prices, accompanied by a lag in costs, rectified the position, until a further transfer was made, when the process was repeated. The process was dependent on the fact that the farmer based his opinion of the future value of land on his experiences of the past (or on the communal experience), and projected into his present price an element to allow for his anticipation of a future rise. This process continued up to the post-war boom of 1920. It is my opinion that the present economic value of land is, at most, not greater than in 1914, and that, apart from an appreciable (and economic) expenditure in improvements, land which changed hands at a higher figure than in 1914 did so at an uneconomic price.*

It is important to ask what proportion are likely to have purchased at a higher figure than, say, during the years 1915–24. The total occupied area in 1926 was just over 43,000,000 acres. Official statistics make it difficult to estimate accurately the area of land which changes hands. Allowing for retransfers, my own estimate places the area which changed hands during 1915–24 as slightly under half the total occupied area, and I conclude that annual charges in respect to this land are the greatest real burden pressing on the majority of such farmers as are in difficulties, together with the increase in the rate charged on loans. Those who bought during the years 1919–22 are in an intolerable position, if they have not already "walked off" their farms; but the mere discussion of the movement of land-values does not complete the picture. Land has been a depreciating asset since 1920. Farmers who owned the whole of the capital invested in the land between, say, 1917 and 1923 would have been better off since 1920 had they invested their capital in first-class securities and worked for wages or salaries; but those who owned an appreciable proportion of the capital invested are probably small in number, and the position of the remainder is much more serious, since their equity has often completely disappeared or been reduced to insignificant proportions. In fact, the labour income of the small farmer is probably often less than he would earn as wages.

In estimating the actual burden of mortgage charges, we are again faced with the difficulty that official figures do not differentiate between urban and country properties. The total value of all mortgages remaining on the register was £283,000,000 in 1926, as against £106,000,000 in 1914. Of these figures, some represent mortgages paid off and not discharged, and this, together with other factors, leads to a cumulative error; but if we allow a sum of, say, £50,000,000 for cumulative error in the figures for 1926, and no cumulative error up to 1914, this leaves an increase in mortgage charges of, say, £130,000,000. Of recent years the value of mortgages registered on rural lands has been about 55 per cent. of the total. In earlier years the percentage was greater. If we err on the side of safety by taking rural mortgages at 55 per cent. of the total, this leaves an increase of some £70,000,000 in rural mortgages during the period of 1914–26. We will again err on the side of caution by placing the rate of interest on mortgages at 6 per cent., and will neglect other forms of indebtedness not secured by a registered mortgage. On this basis the increase in annual mortgage charges since 1914

* The general problem is discussed more fully in the *Economic Journal* article referred to. It follows that other things being equal, the value of land, as defined, will be increased by (*a*) an increase in the gross value of the product per unit, (*b*) an increase in productive efficiency, (*c*) a reduction in the rate of interest.

is somewhat more than £4,000,000. In my opinion, this understates the position, especially if other forms of indebtedness are taken into account. It would appear that mortgage indebtedness has at lease doubled during the years 1914–26. Even allowing for a considerable margin of error, the increase in mortgage indebtedness and the increase in the price he has to pay for credit accommodation (which is discussed below) stand out as by far the most important economic burden pressing on the farmer. The amount involved in bringing back annual mortgage charges to the 1914 parity with export prices is three or four times the amount involved in bringing wages back to the same parity, and two or three times the amount involved in reducing taxation to the 1914 parity. It must not be ignored, of course, that land-values and mortgage indebtedness in the towns were also inflated considerably. As an item in overhead expenses, this has delayed the fall in retail prices and in the prices of farm requisites, and has restricted the credit available for both agriculture and industry.

(5) *Rural Credit.*—A related problem is that of rural credit. Excessive credit in the past on too easy terms as regards security, is to blame for a great deal of the farmer's troubles.* Not only did it stimulate land speculation and make for land-value inflation, but also it was an important factor in encouraging men to take over areas of land which were too large for economic working with the free capital available. This is by no means the least important factor in the present situation.

There is very little doubt, however, that the present machinery for credit is inadequate. Most farmers have too little free capital for purposes of stocking and production, and adequate credit on reasonable terms is not easy to get. This is due in part to heavy investment in urban and country mortgages, in part to the divergence of capital into tax-free and local-body stock and debentures (say, £70,000,000 in all), and in part to lack of confidence of investors in the farming industry, in consequence of which funds available for agriculture have been reduced. This naturally reacts on agricultural efficiency and hampers recovery. It must be pointed out that the increase in the rate of interest on loans for productive purposes does not measure the whole extent of the burden. It is shown in Table 4 that the price of requisites was 47 per cent. higher in 1926 than in the average, 1909–13, and 29 per cent. higher in 1927. Requisites costing £100 in the earlier period would cost about £147 in 1926, and, say, £130 in 1927. The rate of interest before the war appears to have been in the order of 4½ per cent. to 5 per cent. It is quesionable whether accommodation could now be obtained for less than 7 per cent. or 7½ per cent. by most farmers. It follows that the increase in the cost of financing productive enterprise to the extent of £100 before the war is not simply as from 4½–5 per cent. to 7–7½ per cent.; for allowance must be made for the increase in the cost of the goods to be financed. If we take the rate of interest at 7 per cent. in 1926, the increase in cost of finance would be found by the formula—

$$\frac{149}{100} \times 7 = \text{nearly £10 10s.}$$

The financing of a given volume of purchasing which cost £4 10s. to £5 before the war would cost somewhere about £10 10s. in 1926 and about £8 in the first half of 1927. In so far as funds had to be borrowed for the payment of wages, the same sort of consideration applies.

5. Conclusions.

Information on which to base an opinion as to the economic position of the farmer is intractable and difficult of access. For this reason it is impossible to obtain an exact measure of changes in the average net income of agriculturists; nor is it possible to measure precisely the increase in the burdens which the farmer has to bear. I believe, however, that the foregoing statement of the relative importance of the burdens pressing on the farmer is substantially correct.

It is clear that the economic returns to agriculture are unsatisfactory as compared with those in 1914, in the sense that the farmer obtains a substantially smaller proportion of the returns from a composite unit of produce than he did at that time. Despite increased productive efficiency, the real net income of the agriculturist is in general appreciably less than in 1914. Stated more specifically, our conclusions are as follows:—

(1) The exchange value of agricultural goods in terms of consumer's goods bought retail is considerably less than in 1914, so that even if costs had moved proportionately to agricultural wholesale prices the farmer would be worse off.

(2) Local taxation borne by the farmer has increased appreciably more than export prices. To bring such taxation back to a parity with export prices it would have to be reduced by, say, £500,000 in 1925, and £1,000,000 in 1926. The increase in taxation is due only in part to improved services. I do not believe that land-taxation represents an appreciable burden on the majority of farmers, though it may in some instances.

(3) In 1926 agricultural wages would have to be reduced by at most £800,000 to bring them back to a parity with export prices; but it must be remembered that agricultural labour did not share in the substantial profits of the boom period.

(4) Contrary to the generally accepted view, the disparity between agricultural prices and the wholesale prices of agricultural producers' goods has been beneficial to farmers in general of recent years, though not necessarily to particular groups. In reference to certain classes of farmers (*e.g.*, dairy-farmers), the lag of retail behind wholesale prices has possibly caused a disparity with agricultural prices prejudicial to the classes concerned; but it is highly improbable that the lag is sufficient to offset the advantage to farmers as a whole. The assertion that the Arbitration Court, through its effects on manufacturing costs, has raised agricultural costs relative to agricultural returns is untenable; but there are reasons for believing that the margin between wholesale and retail prices is in some instances too high. The effects of over-capitalization and an increase in the number of

* See "Rural Credit in New Zealand," by J. B. Condliffe and H. Belshaw, Trans. Aust. Assn. Adv. Sci.

retail businesses, together with the inflation of urban-site rents have not yet been fully worked out, and are probably responsible for too wide a distributor's margin in respect of some commodities.*

(5) The most serious burden pressing on the farmer is the inflation of capital charges in respect of land, accompanied by a similar inflation of mortgage charges. Although the precise extent of this burden cannot be stated, there remains no reasonable doubt that the figure involved in bringing back annual capital charges to the 1914 parity with export prices is considerably greater than the figure involved in bringing back wages or taxes to the same parity. There is considerable reluctance on the part of farmers to face this fact—partly because the tradition of high land-values and the habit of looking to a future profit out of the realization of land-value increment have raised psychological barriers to acceptance of this view; partly because other real or apparent burdens seem, on the face of them, more easy to alleviate. One of the most disquieting features of post-war economics is the fact that the creditor class is taking an increasing share of the returns from our basic industries.

(6) Closely related with the foregoing problem is the problem of rural credit. There is little room for doubt that most farmers have too little free capital and that credit on moderate terms is too difficult to obtain.

What, then, are the remedies? It cannot be overstressed that there are no short cuts. The prime essential is the slow liquidation of the over-valuation and over-mortgaging of land, painful and unacceptable as this may be. This readjustment will occur partly through retransfers at more economic levels; partly through more efficient methods of farming, which will raise the economic value of land. An improvement in efficiency will be facilitated by improved credit and a reduction in the price of requisites. In respect of the latter, much could be achieved by a lowering of the tariff on agricultural requisites, while gradually some hope may be entertained of a fall in retail margins as the elements of urban inflation are liquidated. In respect of rural credit, a beginning has been made by the Government in establishing machinery for the provision of long-period and intermediate credit; but there is room for a considerable development in the establishment of credit machinery. The provision of adequate free capital, at a cheaper rate than at present, and the renewal of existing mortgages at lower rates are among the most effective methods which could be devised for placing agriculture on a sound economic basis.

(I desire to thank Mr. J. B. Strong, one of my students, for assistance in the working-out of the tables and the preparing of the diagrams on which this paper is based.) *(Applause.)*

Unemployment in New Zealand.

By the Research Committee of the Auckland Branch of the Economic Society of Australia and New Zealand. H. Belshaw, Professor of Economics, Auckland University College (Chairman); T. Bloodworth, Secretary, Carpenters' Union, Auckland; W. H. Cocker, Barrister and Solicitor, Auckland; J. P. Grossmann,† Professor of History, Auckland University College; M. Stewart, Company-manager, Auckland; E. P. Neale, Secretary, Chamber of Commerce, Auckland.

I. Preface.

The following analysis of the problem of unemployment as it affects New Zealand has been prepared by the Research Committee of the Auckland Branch of the Economic Society of Australia and New Zealand. For the views expressed the Committee alone—over whose signatures the report appears—are responsible. The report was read before a meeting of the Society on the 19th October, 1927, and in some particulars has been modified in the light of the discussion which ensued; but it does not commit the Society as a whole, nor any of its members other than those whose signatures are appended.

The committee has devoted what might appear a disproportionate amount of space to a statement of the general problem, and to an analysis of different kinds of unemployment and their causes. This has been done for two reasons:—

(1) The fundamental conditions on which unemployment depends are seldom clearly understood, and there is a tendency to overstress special circumstances with which it may be associated; but which by themselves are inadequate as explanations of the problem, and are often themselves the result of the true causes.

(2) The paucity of official or other statistics for New Zealand precluded any exhaustive inductive analysis of the local problem, so that *a priori* arguments and reference to authoritative opinion abroad assumed in consequence more important proportions. Such direct and indirect evidence as is available broadly substantiates the conclusion that the main kinds and causes of unemployment in New Zealand are not essentially dissimilar to those in other countries.

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* There is room for further inquiry into the costs of retail distribution. The manager of one of the large dealers in farm requisites in New Zealand writes: "Owing to the keen competition now prevalent, there is very little difference between wholesale and retail prices, which leaves an extremely small margin for the additional cost of distributing small lots, providing for the very extensive credit granted to farmers, and the very serious amount which has annually to be provided for bad debts." This states the position from the distributor's point of view, and is probably substantially correct. It does not, however, vitiate the opinion that in many instances retail charges might be substantially reduced. The replacement of store credit by a system of intermediate credit, and the development of co-operative distribution, would probably reduce costs to the farmer. The same writer supports the general conclusions of this paper by the following significant comment: "Generally speaking, we do not think that prices of a farmer's requirements have advanced in proportion to the value that his products have appreciated. There is no doubt that the farmers' experiences are caused by their having purchased land during the boom at inflated prices, at which no one could make a reasonable living, and to the large number of inexperienced men who went on the land. Further, a large number of settlers tackled propositions which were far beyond their means; the latter with half their holdings might have been successful."

† Professor Grossmann dissociates himself from the view of protective tariffs and their effect on industry expressed in the Report.

The committee considered the possibility of submitting a questionnaire to local employers and trade-unions, but decided that the results likely to be secured were not commensurate with the trouble and difficulty involved. The Government Statistician was also approached with a view to obtaining a more adequate statistical basis for future investigations, but was unable to hold out any hopes of an early extension and development of present methods.

In the preparation of this report the committee has assumed the continuance of the present capitalistic form of society, and has not considered the problems which might be raised by fundamental changes in economic structure.

Standard authorities have been drawn upon freely, notably Professor A. C. Pigou and Sir William Beveridge.

II. Introduction.

Of the many evils to which the development of modern industry has given rise there is probably none more tragic or more disastrous in its consequences than unemployment. Though the problem takes its root in and arises almost entirely out of economic conditions, it is essentially a human problem, and must be considered primarily in terms of the loss and suffering of the individual worker and his dependants. There is, first of all, loss of wages, which is the more serious because it is irrecoverable. The employer can in many cases tide over a period of depression by producing for stock or by reducing his labour and other costs, but the worker has only his *time* to sell, and once that time has passed without employment the loss cannot be recovered. Nor does his enforced idleness bring that rest and recuperation which ordinarily accompany temporary relief from work. On the contrary, it brings anxiety and strain, especially in cases where family responsibilities are heavy, leading in many instances to reduced physical and industrial efficiency. As a leading economist has pointed out, "It is not merely that technical skill is injured through lack of practice; though this, in some instances, may be a matter of real significance: the main point is that the habit of regular work may be lost, and self-respect and self-confidence destroyed; so that, when opportunity for work does come, the man, once merely unemployed, may be found to have become unemployable."

But, in addition to the loss to the individual worker, unemployment reacts seriously upon the industrial morale of the whole community. The fear of unemployment gives a feeling of insecurity to many not actually unemployed; it may be their turn next. This feeling of insecurity, at least in some industries, provides a direct incentive to practices such as going slow, trade-union demarcation, and limitation of entry, which, while they may benefit individual workers or groups of workers over a short period, nevertheless in the long-run mean loss to workers as a whole and to the community. Further, this feeling of insecurity leads to dissatisfaction, fosters industrial unrest, and lends support to agitation for violent change. This dissatisfaction is accentuated by the persistence of some degree of unemployment at all times, so that the phenomenon has come to be regarded as a necessary condition of capitalistic industry; and by the sense of hopelessness which arises from the fact that in times of depression both employer and worker feel themselves to be in the grip of circumstances beyond their control.

At the present time (October, 1927), New Zealand is faced with unemployment in a most acute form, and the object of this report is to investigate the causes of the present crisis and to offer some suggestions for future action and policy. It cannot be hoped that the conclusions reached will be final, for the problem is one which has eluded complete solution at the hands of both economists and industrialists. Nor can such an investigation be anything like comprehensive, for unemployment is not an isolated phenomenon, and to deal with it exhaustively would involve a minute examination of the economic structure not only of New Zealand, but of the world. Yet the problem has been sufficiently investigated by authorities of high repute to enable us to throw some light on its governing causes, while drawing attention to the special circumstances under which it affects New Zealand.

III. Definition.

Unemployment may be defined as the enforced idleness of wage-earners able and willing to work which results from their inability to find an employer. This definition does not include the idleness of salaried persons or professional men, idleness due to old age, sickness, or infirmity, idleness due to choice.—*e.g.*, that of vagrants—nor idleness due to *direct* participation in strikes or lockouts. Nor does it include the idleness of persons permanently unemployed. These forms of idleness are not, of course, without economic significance, but they give rise to problems rather different from the main problem of unemployment, and are therefore excluded. Short time, if within the above definition, should be included as a case of partial unemployment.

IV. Causes and Kinds.

Unemployment results from and is a symptom of a maladjustment between demand for and supply of labour at the current wage rate.

(1) *Changes in Demand for Labour.*

Over short periods the maladjustment referred to is due mainly to variations in the demand for labour, and it is these variations which usually precipitate an unemployment crisis. They may be classified as (*a*) casual; (*b*) seasonal; (*c*) cyclical; (*d*) secular.

(*a*) *Casual.*—Casual labour may be defined as labour which is engaged for short periods and by chance. It thus implies two elements: (i) short engagements, and (ii) want of selection. Such labour is *exemplified* at wharves and docks, where the demand is subject to considerable variation according to the amount of shipping to be worked at any given time. Its peculiar evil is that many workers

of other industries who are temporarily out of employment join the crowd of applicants in the hope of participating in the work available. There thus grows up a "reserve of labour" which is more than sufficient to meet the demand, with the result that a proportion of those offering are, if not permanently unemployed, at least under-employed.

(*b*) *Seasonal.*—In every country there are some industries subject to seasonal fluctuation; indeed, comparatively few trades maintain the same degree of activity throughout the year. These fluctuations are caused partly by climatic conditions and partly by social habits. Thus, bricklayers and carpenters find less employment in winter than in summer, and in most countries the winter is the period of general slackness. In trades where seasonal fluctuations are common, regular wages are frequently slightly higher, so as to allow of a living-wage throughout the year. In other cases the situation is met by working short time or by a movement of labour into subsidiary occupations during slack times. In normal times unemployment due to this cause is not acute, but where it is superimposed upon a general trade depression it may seriously increase distress.

(*c*) *Cyclical.*—Cyclical fluctuations of industry, evidenced by a series of booms and depressions, constitute one of the most persistent and yet one of the most elusive and least understood of economic phenomena. Statistics show that during the last seventy years the fluctuations have occurred with a rough but striking regularity. They affect not only particular trades, but all. They affect not single countries, but many. The causes are so deeply rooted that it is contended by some that they cannot be eradicated without an entire reconstruction of our industrial order. Nevertheless, measures of partial relief are undoubtedly possible, and it is to the search for these that efforts should be directed. The causes of these fluctuations are partly economic and partly psychological, and it is a matter beyond dispute that the financial and monetary policy of a country is an important contributory cause. This topic will be dealt with further when considering the present situation in New Zealand.

(*d*) *Secular.*—Secular variations in demand for labour are variations which are long continued and are, by reason of their nature, likely to be permanent. These variations may be due to such causes as increased foreign competition, the development of substitutes, a change in the habits of consumers, or exhaustion of raw material. The demand for labour in particular industries may also fall by reason of the introduction of new methods or of machinery which may displace existing labour. While changes of this last kind may cause sharp distress to some of the workers concerned, they are seldom the cause of serious and prolonged unemployment, and are, on the whole, of a smaller social significance, at least in New Zealand, than changes in demand due to other causes. Moreover, the introduction of machinery requires labour in the production of the machinery, and leads in the long-run to increased productivity of industry, resulting in a benefit to the whole community, including labour. Further, a general reduction in the demand for labour, which may in some cases be long-continued and may affect many industries in similar fashion, may be caused by a permanently falling price-level. This has a dampening effect on industry, and therefore restricts employment.

(2) *Changes in Supply of Labour.*

Changes in the supply of labour are usually much slighter and slower than changes in the demand; but in some cases such changes may be important. Immigration on a large scale, especially where the immigrants are accustomed to a lower standard of living and are therefore willing to work at lower wages or under less congenial conditions than are customary in the receiving country, may cause an excess of labour at the previous wage rate, and therefore unemployment.

Special circumstances may cause an increase in the supply of labour in particular industries, and so cause unemployment. A heavy temporary demand for the products of an industry, such as, for example, occurred in Britain during the war in industries producing for war purposes, or in New Zealand building trades owing to the post-war housing shortage, may attract more labour than is demanded in normal times.

Maladjustment may also occur owing to the existence of an artificially high wage rate. The wage rate may be raised above the economic level by trade-union action, custom, or law, so that employers cannot afford to employ all the workers offering at the wage rate obtaining. Further, a wage rate fixed for a given industry may be economic for the more efficient workers, but above the economic level for the less efficient, with the result that these latter fail to secure employment.

(3) *Immobility of Labour.*

The problem of unemployment is intensified by the fact that labour is not completely mobile. This lack of mobility is of two kinds: (1) As from place to place; (2) as from industry to industry. Whereas the type of unemployment which has been described as cyclical is general, and affects most industries at approximately the same time, it frequently occurs that casual, seasonal, or certain types of secular variations in the demand for labour, and variations in the supply of labour in particular industries or places, are balanced by variations in the opposite direction in other industries or places. Thus, the peak demand for labour in brickmaking or in building is in summer, that in gasworks is in winter, while other compensating variations occur in respect of other industries. If labour were completely mobile and moved rapidly and at small cost from industries or places where it was in short demand or oversupply to where demand was brisk or supply short, an appreciable diminution in the volume of unemployment might result.

The main causes on which lack of mobility depends are: (*a*) Ignorance on the part of workers as to labour conditions in other industries or places; (*b*) inadequate machinery for informing and directing workers to vacant jobs; (*c*) the cost of shifting, especially from place to place, including loss of employment to members of families; and (*d*) the social cost involved in breaking up a home, leaving friends and relatives, and losing the associations of various sorts which have been established.

In New Zealand the mobility of labour is probably greater than in the United Kingdom or Europe, but is still far from being perfect.

Oversupply of labour in unskilled occupations may be a special case arising out of imperfect mobility. Either as the result of poverty, lack of knowledge, or too great an emphasis on the desirability of jobs in which the immediate remuneration is considered high, new entrants into industry do so by means of "blind alley" occupations, thus causing an oversupply of labour in unskilled trades, so that not all can be employed at a wage which is in accordance with humanitarian standards. In this way opportunities are lost for later entry into more skilled, more regular, and better paid crafts.

The causes above set out do not cover the whole ground of unemployment, but most of the factors contributing to unemployment can be brought under one or other of them. It remains to consider to what extent these causes are operative in New Zealand at the present time.

V. Unemployment in New Zealand.

While there are many indications that unemployment is especially acute in New Zealand at the present time, it is extremely difficult, with the statistics available, to measure accurately its extent. The only continuously available sources of statistics are (*a*) the records of the Labour Department's Unemployment Bureau, and (*b*) the returns obtained from certain selected trade-unions by the Government Statistician during the mid-week of each quarter. The latter are expressed as percentages of unemployed to total unionists. Neither of these sources of information is satisfactory. With regard to the Labour Department's Bureau, those who register here are probably mainly unskilled or semi-skilled, and are therefore not completely representative of all workers. Moreover, the figures cannot accurately be represented as a percentage of the total number of workers. With regard to the trade-union returns, the difficulty also arises that the selected unions may not constitute an entirely fair sample of the conditions amongst wage-earners as a whole. The skilled workers are probably more fully represented. The Government Statistician, however, is of opinion (see 1927 Year-book, p. 875) that the figures, though not representing a complete picture, may be claimed to represent the position with a fair degree of accuracy. And, though neither set of figures is very reliable in ascertaining the absolute amount of unemployment, they are nevertheless valuable in comparing the extent of unemployment at different times—and (though with less accuracy) in comparing changes in unemployment as between different localities or as between different industries—and it may safely be assumed that when both sets of figures show an increase or decrease over a period that there has been a corresponding though not necessarily an exactly proportional increase or decrease throughout industry as a whole. But it must be kept in mind that the figures of the Labour Department probably exaggerate the position in bad times as compared with good, because at such times there is reason to believe a greater proportion register and a smaller proportion rely on other methods, such as answers to advertisements and personal application to employers, than when employment is easier to obtain. The same is perhaps true to a lesser degree and for somewhat similar causes of trade-union figures.

An analysis of the avialable statistical data discloses the following:—

(1) Unemployment increased considerably from about the middle of 1926, fell towards the end of the year, but has increased still further during 1927. The Labour Department shows 466 outstanding registrations on 15th February, 1926, 711 on 17th May, rising to 2,247 on 22nd June, 1926, and falling to 1,815 on 16th August, 1926. In the third week of July, 1927, the number had risen again—2,388. The trade-union percentage shows a similar movement, though not so marked:—

Percentage Unemployed in certain Trade Unions.

Mid-week in—	1925.	1926.	1927.
February		5·0	9·4
May		6·6	9·7
August		8·3	11·6
November	5·4	6·7	..

(2) Unemployment in New Zealand is definitely seasonal, attaining a maximum during the winter.

(3) The rate of unemployment fluctuates considerably over a period of several years. It was heavy in the winter of 1922, and high figures were not again recorded until the winters of 1926 and 1927. The unemployment curve moves in close inverse sympathy with, but lags somewhat behind, the curve for export prices.

(4) Unemployment has been more acute in the North Island than in the South Island. This is illustrated by the following table:—

Percentage of Trade-unionists unemployed in Industrial Districts.

District.	November, 1925.	February, 1926.	May, 1926.	August, 1926.	November, 1926.	February, 1927.	May, 1927.	August, 1927.
Northern	6·6	8·8	9·7	11 6	10·7	15·0	13·0	15·4
Wellington ..	4·6	3·2	5·1	5·1	5·6	7·4	9·3	11 0
Canterbury ..	2·8	2·5	2·8	5·4	2·8	4·0	4·6	6 8
Otago-Southland ..	5·8	3·4	6·8	9·1	5·6	7·5	9·8	10·9
Westland	5·6	4·1	2·9	9·2	5·1	6·5	5·8	7·5
Total for New Zealand	5·4	5·0	6·6	8·3	6·7	9·4	9·7	11·6

This conclusion is also borne out by reference to the figures of the Labour Department. The Government Statistician is of opinion (Year-book, 1927, p. 869) that this may be due to the fact that most overseas steamers call first at North Island ports, so that immigrants naturally apply to the bureaux in that Island, and to the migration from south to North because of more rapid development in the North. Further explanation is probably to be found in the declining of the kauri-gum and sawmilling industries and in the 1926 heavy fall in butter-prices, all of which have affected the North, and especially the Auckland Province, more than the South.

(5) Some industries are affected much more than others. The industries showing the highest rates during 1926 and 1927 are sawmilling, shipping, and building—suggesting special causes affecting these trades. The increase from 1926 and 1927 is especially marked in the building trade.

The occupational distribution of unemployed trade-unionists, given below in percentages, shows the range of unionists covered in greater detail:—

PERCENTAGE OF UNEMPLOYED IN VARIOUS TRADE-UNIONS, ON ACCOUNT OF SCARCITY OF WORK, FOR MORE THAN THREE DAYS DURING THE MID-WEEK OF

Trade.	November, 1925.	February, 1926.	May, 1926.	August, 1916.	November, 1926.	February, 1927.	May, 1927.	August, 1927.
Sawmilling, &c.	4·9	4·9	7·0	11·5	10·5	17·4	25·8	28·1
Shipping	18·0	22·1	18·7	26·0	23·0	15·9	24·9	30·5
Building, &c.	2·9	4·9	6·8	11·7	8·0	11·9	11·1	16·4
Hotel, restaurant, &c.	4·6	4·0	5·8	4·9	4·9	8·5	9·4	9·0
Metal workers	6·8	6·9	7·0	7·4	5·6	8·2	9·3	7·7
Clothing and drapery	5·8	4·5	4·6	9·4	4·8	5·1	4·2	5·7
Food, drink, &c.	2·5	1·6	3·2	3·1	1·8	2·2	3·2	3·5
Land transport	0·9	1·7	2·0	1·7	2·2	3·0	2·9	4·1
Paper and printing	1·1	1·7	2·3	1·7	1·6	2·5	2·7	2·9
Mining	3·2	1·2	1·5	4·8	3·5	6·6	2·6	5·1
Textiles	2·5	2·9	2·1	6·8	*	7·1	0·9	0·8
Other manufactures	8·0	8·9	14·0	11·7	11·3	9·8	8·4	20·5
General labourers	9·2	6·9	12·7	18·3	11·5	13·9	15·2	20·7
Miscellaneous			9·7	9·1			8·2	13·0

* No data.

VI. CAUSES OF UNEMPLOYMENT IN NEW ZEALAND.

With this analysis before us we may now proceed to consider the principal causes of the present unemployment.

(1) There can be no doubt that the chief cause is the trade cycle transmitted to New Zealand from abroad and acting mainly through lower prices for our staple exports. It is common knowledge that New Zealand is more dependent upon her export trade than almost any other country. It has been estimated that New Zealand exports about 40 per cent. of the total value of production (exclusive of services), which is much higher than for any other part of the Empire, and of her total exports nearly 90 per cent. goes to Great Britain. Almost the whole of the export trade is in primary products. The present depression is therefore mainly due to diminished purchasing-power on the part of the population of Great Britain, which is again largely, but not entirely, due to the reduced purchasing-power of the countries to which Great Britain ordinarily exports her products. The position in New Zealand has been intensified by over-importation; which is the usual phenomenon associated with depression, and depends to an appreciable extent on the time lag between exports and imports. This lag is compounded of at least two causes. First, although some merchants may forecast future requirements on the basis of ruling conditions in the export market, it is more generally true that orders will be placed abroad on the basis of existing demand. Some time is likely to elapse before enhanced purchasing-power amongst agriculturists consequent on better markets abroad is translated into a corresponding change in the demand for goods. Second, some time elapses between when the orders are placed and the goods arrive in New Zealand. In consequence, it frequently happens that goods ordered under boom conditions, in the expectation that such conditions will continue, arrive when the trade cycle is already on the wane, prices are falling, and purchasing-power is restricted.

(2) The declining of certain industries by reason of the diminution or exhaustion of supplies of raw materials has been a contributing factor. This is especially so in the case of the kauri-gum and sawmilling industries. Though there is still a considerable amount of standing timber, it is becoming more inaccessible and therefore more expensive to work. In the case of mining in certain districts—notably gold-mining—the same factors operate.

(3) In reference to the timber industry, it should be further noted that increasing cost through the above cause has been reinforced in its effects on unemployment by the importation of large quantities of foreign timber at lower prices than those at which the New Zealand supply can be sold at a profit; by a falling-off in the amount of building as the post-war shortage has been overtaken; and by changes in the materials used in construction.

(4) The introduction of machinery and improved methods in some industries have appreciably affected the demand for labour. The introduction of electric power, motor traction, and the like, have displaced farm labour, while the falling prices of farm products have encouraged farmers still further to perform work for themselves. In the shipping industry the use of oil instead of coal has displaced labour, while the bulk handling of motor-spirit has reduced the demand for labour both in the trade itself and in various distributive processes. The displacement of manual labour by mechanical excavators is another case in point.

(5) A further condition which is likely to have affected somewhat the volume of unemployment is the heavy burden of post-war taxation. It has not been found possible in the time at our disposal to make any serious inquiry into the effects and incidence of such taxation, but there seems little reasonable doubt that it is an appreciable factor in some industries, especially in those which are subject to our anomalous company-taxation.

(6) The seasonal character of many of our industries has accentuated unemployment during the winter months.

(7) It is commonly argued that a further contributing factor is the unduly high wage rates paid in New Zealand, based on Arbitration Court awards. They are said to be above an "economic level."

In times of changing prices, wages tend to lag. Although there have been ups and downs in the level of prices, the trend has been downwards since 1920, and it is said that wages have not fallen to the same extent, with the result that wages are unduly high. It is important to consider this view.

The problem may be looked at both from the point of view of the worker and of the burden of wages upon industry. It seems clear that real wages—*i.e.*, money wages expressed in terms of the commodities which can be purchased with them—have not risen in New Zealand when compared with the year 1914. Retail prices have risen slightly more than the rise in money wages. The worker is therefore in no better absolute position than before the war.

From the point of view of its effects on unemployment, however, the relevant fact is not so much the movement of real wages as the change in the ratio between labour costs and wholesale prices. The index number of *per capita* production in New Zealand is about the same as in 1914. Money wages of all groups had increased in the last quarter of 1926 by about 70·6 per cent. over the average for the years 1909–1913, while the index number of wholesale prices rose 60·7 per cent. in the same period. Thus a reduction in wages of less than 6 per cent. would equate the rise in prices and in wages, and it must be mentioned that this reduction would involve a sacrifice by the worker of part at least of the rise in his standard of living between 1909 and 1914. If the rise in wages and in prices had been uniform throughout all industry, it is doubtful, having regard to the fact that labour costs are only a proportion of total manufacturing costs, whether a fall of 6 per cent. would have greatly reduced unemployment. Further, an examination of the figures for different industries shows that the rise in prices and wages has not been uniform, but has been greatest in the "sheltered industries" such as wood products, textile manufactures, and milled agricultural products. It is in reference to these industries that the chief complaint as to artificially high wages arises. Wholesale prices of the products of these industries had risen in the last quarter of 1926 to levels between 88 per cent. and 105 per cent. above the average of the years 1909–1913, while wages had risen approximately 76 per cent. during the same period. It seems clear that if other costs had not risen more than in proportion to prices, or had fallen proportionately, of more recent years it could hardly be said that wages were an important factor affecting the situation in such industries.

It has been rightly pointed out in some quarters that one of the most disquieting features of the present economic position of New Zealand is the disparity between wages and prices in the "sheltered industries," and in our basic industries whose prices are determined mainly by conditions on the London market. This disparity, it is argued, is due to artificially high wage rates for which it is said the Arbitration Court is responsible. It is the opinion of this committee that the influence of the Arbitration Court in raising labour costs has been greatly exaggerated, and too little attention has been devoted to other factors of equal, if not greater, importance.

While a more elastic wage rate might have alleviated the position by permitting additional employment at a lower wage level, and by lowering prices to non-sheltered industries, it is more relevant, in very many cases, to draw attention to gross overcapitalization of industry during the post-war boom, and to a consequent long-continued inflation of standing charges; to the anomalies of our system of company-taxation; to the increase in distributing charges as the result of inflated site-rents and an increase in the number of distributors; and to an increase in the rates charged for loans. (These factors are discussed in Bulletin No. 33 of the Canterbury Chamber of Commerce, to which the reader is referred.) It should be remembered, too, that the disparity of prices and wages referred to is not peculiar to New Zealand, but is world-wide. In view of these conditions it is impossible to agree with those who would lay the major portion of the blame for the price-disparity and its effects at the door of the Arbitration Court operating through its effects in maintaining wages and imposing restrictive regulations on industry. Further, a far more disquieting feature than allegedly uneconomic wage rates is the fact, evidenced by the prodigious increase in mortgages of recent years, that the "rentier" or creditor class is now obtaining an appreciably larger share of the national dividend, and will probably continue to do so if world prices fall.

To shift the argument on to an ethical plane, it appears to this committee to be unreasonable to concentrate on an attack on wages while neglecting conditions which are economically more important in their consequences and socially more undesirable. Overcapitalization of business, inflation of land in both town and country, the high rate of loans, and the growth in the amount of public and private credit outstanding are, perhaps, less capable of adjustment than wages rates; but the recognition of the importance of these factors should rob the attack on wages of much of the moral fervour with which it has been associated in some quarters.

(8) The severe depression in the agricultural industries, accompanied by the abandonment of uneconomic and depreciated farms, has swelled the ranks of applicants for jobs in the cities.

(9) Since 1920, the periods of depression which are associated with the trade cycle have been rendered more severe than in pre-war years by the secular fall in prices dependent primarily on currency deflation in Great Britain and other countries, and by the diminished purchasing-power of the world consequent on the war.

VII. Remedies and Palliatives.

There remains to be considered what remedies or palliatives can be found.

(1) It is impossible to suggest any panacea which will completely eliminate unemployment. Under capitalism it is impracticable, if not impossible, that unemployment will ever be completely removed. Since a reserve of labour is, under modern conditions, essential to the employer and to the economic system, the general principle should be recognized that the wages of workers should be a first charge upon industry, and that therefore the moral responsibility is on the employer to stabilize conditions wherever possible. This principle is recognized by some employers in the United States and by certain Government services in New Zealand, who guarantee a definite minimum of work to their employees, certain penalties being imposed (in the former case) in the event of non-fulfilment. The stabilizing of conditions of employment, and the adoption of a policy of the sort referred to, would be rendered more easy by agreements or combination among employers than is possible under unregulated competition. Such agreements might be incorporated in arbitration awards.

(2) It is important to draw attention to what we believe to be a false scent before discussing methods other than the above by which the problem may be alleviated.

Increasing the tariff is urged in some quarters as a remedy for unemployment. "Let us," it is said, "exclude foreign goods by imposing or raising a tariff, thus creating a greater demand for locally manufactured goods and so increasing the demand for labour." A plea for the protection of infant industries until such time as they can withstand foreign competition can be justified in economic theory provided the industry is one for which the resources of the country are economically suited. The practical danger, of course, lies in the fact that by the granting of a tariff some inducement to make the industry efficient in the face of foreign competition is taken away, and in any case, no matter how prosperous the industry may become, some plausible reason can usually be found for the continuance of the tariff, with the result that in point of fact such tariffs are rarely removed. But the strong argument against a general high-tariff policy is that tariffs tend to divert the economic resources of a country into less productive channels and to prevent the country from reaping to the full the advantages of international trade. The total national dividend available for distribution is thereby diminished and the country as a whole suffers. While a tariff may temporarily reduce unemployment in a given trade, it cannot be regarded as a permanent panacea.

A tariff may in some instances benefit the industry in favour of which it is first imposed, but this is usually achieved at an economic cost more serious than the evils it attempts to remedy. Frequently this cost is indirect, and so tends to be overlooked. Thus, while a tariff may benefit the timber industry or industries producing farm requisites, it does so at the expense of the building trades and of the farmer. In consequence, a benefit in one direction and a diminution of unemployment may be offset by losses and unemployment elsewhere. It is conceivable, in pure theory, that an all-wise and all-powerful tyrant might so manipulate the tariff as appreciably to reduce the volume of unemployment; but, whatever the arguments may be on other grounds, tariff-manipulation is too costly and too indeterminate in its incidence and effects to provide a satisfactory basis for regulating employment under modern conditions.

In times of general depression, when manufacturers abroad are attempting to spread their overhead costs over as large an output as possible, a high tariff is ineffective as a means of preventing dumping; while a varying tariff designed especially against dumping raises serious technical difficulties and is likely to do as much harm as good by the uncertainty which it entails. Moreover, high tariffs bring special dangers with regard to unemployment. They tend to the artificial creation and stimulation of industries for which the country is not well fitted and these are, on the whole, the industries likely to be most affected in times of depression. Further, the knowledge on the part of manufacturers that if the industry upon which they are embarking proves unsuccessful they have a reasonable chance of securing a tariff to protect it, also leads to the establishment of industries of a precarious nature, which again are affected more seriously than others when bad times come. For these reasons a policy of high tariffs may directly increase unemployment. It is significant, too, that in countries possessing high tariff walls, the problem of unemployment is just as acute, other things being equal, as in countries where the tariff is low or non-existent. (For a general treatment of the problem of protection in relation to unemployment, see Pigou, "Unemployment.")

(3) The most serious type of unemployment affecting New Zealand is that associated with the trade cycle. Control of the trade cycle rests outside this country, and whenever trade cycles occur outside they are bound to react in some measure on New Zealand. Moreover, conditions in New Zealand are especially favourable to such cycles. It has been pointed out how dependent we are on our export trade, and therefore how sensitively conditions react in New Zealand to the movement of general prices and purchasing-power abroad. Nevertheless, certain conditions within the country exaggerate the effects of the cycle as it is transmitted into the country, and these conditions are capable of some measure of control. Chief among these we note—

(*a*) Banking practice in New Zealand seems to be governed by rule-of-thumb methods, and there is little evidence of the enlightened attempts at credit-control which characterize central banking policy in other countries: notably the policy of the Federal Reserve Board in the United States.

It is now generally recognized that financial and monetary policies are important factors in trade cycles; in fact, expansion of credit in some form is an essential condition of a trade boom, and the curtailment of credit often begins the depression. It is therefore suggested that credit be controlled so as neither to permit the boom nor induce the slump. In England a large measure of control can and to a large extent is exercised by the Bank of England by virtue of its special relation with other banks. In New Zealand control would be more difficult, for in times of good trade each bank naturally desires to secure as much of the business as possible and there is no controlling authority. But much could be done if bankers appreciated the evil effects which follow the extension of credit

during a boom, and adopted a more far-sighted and enlightened banking policy designed to discourage over-importation during boom and to make available during depression as much credit as possible at as low a rate as possible. It is important that a more elastic banking policy should be pursued, especially in regard to the rates charged. In the absence of a central bank it is natural that the joint-stock banks should be primarily concerned with the interests of their shareholders. Nevertheless, by virtue of the partial-monopoly position which they hold, their obligations to the country in reference to the control of credit with a view to stabilizing conditions cannot be ignored. Instead of waiting until a depression has already set in before raising their rates, these should be raised at a much earlier date to check boom expansion, particularly in regard to over-importation, rather than waiting until the ratio of advances to deposits or the state of London balances causes embarrassment. By cutting off the top of boom conditions the effects of depression might be much mitigated.

(*b*) Similarly, with regard to the expenditure of borrowed money on public works, land development, and the like, an effort should be made to distribute such expenditure both by the Central Government and by local authorities in such a way not only so as not to cause or accentuate a boom but so as definitely to assist in damping booms and alleviating depressions. If expenditure of public money could be partially withheld when unemployment was low and increased when unemployment was high, the total amount of expenditure need not be increased and unemployment would be considerably alleviated. Professor Bowley has shown that in England such a policy is not out of the question, and its possibilities in New Zealand are worthy of investigation. Such a policy would require careful planning over a period of years, and the practical difficulties are admittedly great, but would not appear to be insuperable. The recently constituted Local Bodies' Loans Board might reasonably incorporate the above principle as a part of its general policy.

(*c*) In the opinion of the committee, it is desirable that the Government should pursue the policy of using the Budget surpluses of good times towards the reduction of debt (or towards the reduction of the burden of taxation) in bad times; or to assist the policy outlined in the preceding paragraph —but especially towards the reduction of unproductive debt—rather than to the reduction of taxation when times happen to be good. In short, a Budget surplus in good times should not be made the excuse for a reduction in taxation in immediately following years, unless such years are times of depression. It is also important that borrowings, and therefore the policy which is outlined above in reference to the distribution of public works through time, should be directed as much as possible to undertakings which show a reasonable chance of being profitable at an early date.

(*d*) Much also can be done by a recognition on the part of the business community of the evil effects of seeking for and obtaining large credits in times of boom and rising prices. If those engaged in business realized that such action frequently not only leads to their own financial embarrassment at a later date, but also may react disastrously upon the whole community, and for these reasons moderated their demand for credit, the difficulties of the banks in controlling credit in time of boom would be lessened. In order to assist business men in their forecast of trade conditions, more frequent banking statistics should be provided. It is, perhaps, desirable that a special body should be set up to interpret such statistics and make them available for business men, along the lines followed by the Harvard Economic Service and the London-Cambridge Economic Service.

(*e*) The committee is of opinion that the Arbitration Court should direct its efforts to a more elastic adjustment of wage rates. We have already pointed out that it is doubtful whether wages are at present so artificially high as to be an important cause of unemployment; but so long as the Arbitration Court fixes wages for so long a period as three years or more at a time without provision for interim adjustments, there is always the danger of serious divergence between wages and price levels.* If wages were adjusted more closely to the rise and fall of prices, two effects would follow:—

(i) The raising of wages would reduce the incentive to over-expansion and over-capitalization in times of boom, thus reducing the depression that normally follows.

(ii) The lowering of wages to more economic levels in times of depression would make it possible to employ workers who are then unemployed. The committee is emphatic in stating, however, that elasticity should be upwards as well as downwards. This upward elasticity was insufficient during the war and post-war period. An upward elasticity would, as is suggested in (i), make it unnecessary for wages to fall to so low a level in bad times, and at the same time might give the worker a greater chance to accumulate a reserve against bad times. What is here said refers to general policy, and *in reference to the present position* should be read in conjunction with the discussion on page 37, which stresses the importance of factors other than wages.

(4) The problem of seasonal and casual unemployment is difficult of solution, and few reasonably practicable suggestions seem possible at this stage. We suggest the desirability of conference and inquiry by employers and employees in industries especially affected, such as stevedoring, into the possibilities of decasualization and the provision of alternative occupations in slack times.

(5) The existence of "blind alley" occupations presents a further problem. These occupations are such that boys and girls entering them on leaving school cannot hope to remain in them for more than a few years. They in no way provide a training or equipment for a future career. There are two main types—(*a*) The boy or girl may be employed in a factory on some special light work—*e.g.*, minding a simple machine, paper-folding, or packing; (*b*) he or she may be employed in some work of a more general and outdoor character—*e.g.*, selling newspapers, running messages, or doing odd jobs about a shop or factory. Boys and girls enter these occupations not as learners but as wage-earners. The work is usually more remunerative for a start than in most other employments. It is, however, usually too light or simple to require the services of grown people. When, therefore,

* As already stressed, we consider other factors to be of more importance than wages in causing such disparity as exists between "sheltered" and "unsheltered" prices, and such unemployment as is consequent on this disparity.

these young people grow up and begin to expect the wages of grown men and women, they must seek them in some other occupation. At the age of about nineteen they find themselves without knowledge of any trade and without any hope for the future, except in the already overcrowded market for unskilled labour. As has been pointed out by Sir William Beveridge, they have not merely wasted in uneducative labour the years which might have been employed in acquiring a trade; they have actually in many cases been unlearning the habits of regularity and discipline formed at school. The fact that unemployment rates in New Zealand increase sharply at about the age of twenty-one seems to suggest that New Zealand is not entirely free from this problem. Further investigation on the point is needed, and the possibilities of developing methods of vocational selection and guidance should be investigated. The raising of the school age should be considered in this connection.*

(6) The time has, in our opinion, arrived for the consideration of a scheme of unemployment insurance as a means of preventing and alleviating unemployment. The principles of unemployment insurance as practised in England, though much misunderstood in New Zealand, are unquestionably sound and would do much to alleviate distress, and, by stabilizing purchasing-power in the hands of the workers, would help to stabilize the demand for labour. Such a scheme has obvious dangers, and adequate safeguards would have to be adopted to prevent abuse. But the safeguards adopted in England appear to have been effective, and the State should investigate whether such administrative difficulties as exist in this country could not be overcome.

(7) The critical position of many farmers warrants a careful investigation by competent authorities with a view to alleviating the present position. While the committee does not offer any complete solution, it would appear that the position might be improved by an appreciable extension of rural facilities with a view to reducing the burden of existing mortgage charges on farms, and providing means for the purchase of requisites.

(8) The committee stresses the importance of more adequate statistics on the extent and nature of unemployment in New Zealand. The establishment of a system of unemployment insurance would automatically provide much of the necessary information in the industries concerned.

(9) There is need for a close co-ordination between the volume of assisted immigration and the absorption capacity of the country for the time being. It is suggested that permanent consultation between the Public Works, Labour, Immigration, and Statistician's Departments, and frequent communication of these with the High Commissioner in London, should be capable of bringing about such an adjustment between the demand for and the supply of labour in the Dominion from time to time as would appreciably affect the unemployment position here.

VIII. Conclusion.

In conclusion, it cannot be too strongly emphasized that any adequate preventive or remedy for unemployment must be sought not in times of acute unemployment, but in times when trade is good. One reason why so little progress has been made in the past has been that, when trade is booming, the need for understanding and investigating the problem is not felt; consequently, when a depression comes and public attention is directed to the evil, little can be done, for the causes operate some time before the phenomenon of unemployment appears. The economic machine is then out of gear and the time is not favourable for experiment or change. The lessons which are learnt, or should be learnt, are forgotten when trade improves, and the same difficulties have to be faced when the next depression comes. The germ of the depression is usually to be found in the preceding boom; and considered and far-sighted policies, embracing both good times and bad, are necessary before any substantial improvement can be expected.

It follows that society has not done its duty by the problem of unemployment if it is merely content with devising methods of alleviation when unemployment is acute. The provision of emergency relief work and other such measures, however necessary and desirable on both philanthropic and economic grounds, is merely a palliative, and might be described as the ambulance work of industry. What is required is an understanding of the economic disorders of which unemployment is the symptom or result, and deliberate and far-sighted measures aimed at removing those disorders. The primary object of this committee is to suggest the urgent need for further inquiry in order that these disorders may be understood and intelligent efforts made towards their removal. *(Applause.)*

The Chairman: There are no other papers available to be read just at the moment. A further paper has been received from Professor Williams, but this paper has not yet been before the Business Committee. It is suggested that the Conference agree that this paper be referred to the Business Committee for consideration. Is it your wish that this paper be referred to the Business Committee for consideration?

Delegates: Aye, aye.

The Conference adjourned at 12.15 p.m.

Industrial Legislation.

Paper by H. Belshaw, M.A. (N.Z.), Ph.D. (Cambridge), Professor of Economics, Auckland University College.

I. Introductory.

From the agenda paper which accompanied the invitation to attend the National Industrial Conference it is apparent that consideration of the system of industrial legislation is intended to receive the major

* As a means of alleviating the position, the committee fully endorses recommendations prepared by the executive committee of a recent Educational Conference held in Auckland. To outline the terms of these recommendations would carry us too far afield. Those interested are referred to Dr. E. P. Neale, Secretary, Chamber of Commerce, Auckland, or to Dr. H. Belshaw, University College, Auckland, from whom particulars may be obtained.

portion of the attention of the Conference and its committees. This memorandum discusses some of the issues which may be raised.

In time of economic depression it is a natural tendency to seek for some one or something to blame. Unfortunately, the variety and complexity of the factors responsible is seldom sufficiently realized, and depression tends to be interpreted in terms of some single special circumstance or set of circumstances which by their nature appear relatively simple to understand and on the face of them appear to offer a plausible explanation. Frequently these circumstances are themselves the result of more complex and deep-seated causal forces, which, by virtue of their apparent remoteness from the observed effects, tend to be overlooked. If the apparent causes fit in with previous predilictions on the subject, or the real causes run counter to established prejudice or vested interest, and more especially if the apparent causes appear capable of direct attack while the real causes do not, the superficial explanation of depression becomes widely accepted and there is a tendency to ignore the fundamental conditions on which the observed effects depend.

This is particularly true of the depression from which we have been suffering of recent years, which has pressed with especial severity on the agricultural industries. Searching for a cause which appears capable of immediate removal, there are many who have laid the blame for depression at the door of the Arbitration Court. In some quarters the attack on the Court has been conducted with all the fervour of a religious crusade.

There is a common tendency to assume that the case for abolition of compulsory arbitration is established if it be proved that the Arbitration Court is defective, and if it imposes some conditions on industry which, taken by themselves, are injurious. A case presented along these lines is inadequate. A completely convincing case for abolition must show—(1) That the operation of the Court does impose handicaps on industry; (2) that these are not balanced by compensating advantages; (3) that the evils would disappear with the abolition of the Court and that no evils of equal or greater magnitude than these would be likely to arise as the result of abolition.

If the Arbitration Court is responsible to any considerable degree for the economic malaise which is afflicting the country, and if there are no compensating advantages, and if the evils for which our present arbitration system is responsible would be very considerably reduced with the repeal of the existing Act, then the Court should be abolished or the system drastically revised, and we should be a very lucky people to be able to effect a return to economic health by so simple a process. It is my sincere opinion that there are no grounds for the extravagant optimism which such a view implies. It is probably desirable that the system of compulsory arbitration should be revised in some particulars; but to blame it for all or even an appreciable part of our economic troubles is to be blind to factors of considerably greater importance and to raise hopes from abolition or amendment which would be rudely disappointed.

In reference to the existing economic conditions of New Zealand, it is the duty of those concerned with the economic welfare of the country, whether they be legislators, employers, or employees, to examine not only the influence of the Arbitration Court, but also the influence of other factors which are largely independent of it. It is of course true that the case which is outlined above might be established even though the Arbitration Court were not responsible for the existing depression in this country.

In this memorandum I therefore propose to examine certain general criticisms before proceeding to place the Court in what I believe to be its proper perspective as a factor in the present depression.

I wish to make it clear that I am aware that the Arbitration Court has many weaknesses; but it is my thesis (1) that the net economic and social welfare of the country would be reduced if the Court were abolished, (2) that the Arbitration Court is, in fact, not an important factor in the present depression.

II. General Criticisms of the Court.

The general arguments raised against the system of compulsory arbitration are familiar, and may be summarized as follows:—

1. *Interference with Alleged Natural Laws.*

(*a*) The principle of compulsory arbitration is wrong because it is a highly artificial interference with the natural laws of industry.

The above statement represents a view which is fortunately now held only by a small minority of extreme individualists, and revives a confusion of means with ends which was common eighty or a hundred years ago. It asserts that the so-called "Laws of Economics" are natural, inviolable laws which cannot be broken save at an economic cost. The adherents to the doctrine are in essence advocating—though when pressed they will admit many reservations and qualifications—the complete and absolute right of an individual to do what he likes with his own property, irrespective of the social consequences. Such a crude appeal to the sanctity of private property and the merits of unrestricted competition is accepted by no modern State, and is infringed upon by the whole range of factory Acts, legislation against sweating, legislation against trade combinations, tariffs, and the greater part of the body of social legislation.

Economic laws are not "imperatives" like legal enactments, nor immutable laws of nature, but statements of general tendencies—*i.e.*, that under the operation of such-and-such factors, such-and-such consequences are likely to follow. These tendencies are capable of human direction and control; for, in fact, human direction and control are among the most important of the factors themselves. Individual economic freedom is not an end in itself, but is a means towards the goal of economic effort, which should be the maximum economic welfare of the community. Not only is it incontrovertible that social regulation and control of economic effort is not by any means necessarily injurious, but also it is beyond question that such control is often essential if economic welfare is to be increased or maintained; for frequently individual and social interests conflict.

"The State cannot abandon the economic field," writes McIver, one of the greatest of modern authorities on political science, "because within it some forms of universal regulation, such as only law can secure, are desirable and even necessary." The State properly intervenes, not to conduct the economic business of the country, but to uphold social standards, to prevent exploitation and manifest injustice, to remove the needless hazards of the economic struggle, to assure and advance the general interest against the carelessness or selfishness of particular groups, to control monopolies so that the public may be protected against their exactions, to see that the future well-being of the country is not jeopardized by the pursuit of immediate gains.—("The Modern State," pp. 296–7.)

Similarly, the late Professor Jevens, the noted economist, writes: "I conceive that the State is justified in passing any law, or in doing any single act which, without ulterior consequences, add to the sum total of happiness . . . The liberty of the subject is only the means towards an end; it is not itself the end; hence, when it fails to produce the desired end, it may be set aside and other means employed."—("The State in Relation to Labour," p. 13.)

Compulsory arbitration, as it at present operates in New Zealand, must be judged, not on the archaic grounds that it is an "infringement of natural laws," but on the grounds of its net effects on economic welfare. Nor is it sufficient to think merely in terms of price disparities and labour costs. These are important; but there are other considerations equally if not more vital—considerations of human values and industrial and social friction which, while more intangible than a wholesale-price index, are at least equally important, and are likely to have serious economic reactions in the long-run.

Within the State economic interests are opposed and unequal in strength; and economic power almost invariably rides through currently accepted principles of social justice and considerations of the common weal. The State, standing on a broader foundation of common interest than either of the contending parties, must endeavour to equalize the terms of conflict, and express, through its constituted authorities, the claims of the general public who are involved, even though indirectly, in every dispute. The State is justified in entering the field of economic bargaining, both because the two parties to the bargain are never of equal strength, and because the results of the bargain are of general interest.

The Arbitration Court provides the machinery whereby the State can perform some part of these necessary functions in New Zealand. Those who would repeal the Industrial Conciliation and Arbitration Act must not only demonstrate clearly that the present system imposes serious economic injuries, *which would disappear with the abolition of the Court*; but also they must offer an alternative method whereby the State may effectively perform the functions I have indicated, particularly as there appears little doubt that the field of economic regulation by public authority in the interests of the community as a whole will of necessity extend rather than contract in the future.

It is my opinion that the criticism laid against the Court by many of those who would abolish it have been extravagant and are tenable only to a small degree; that the social value of some aspects of compulsory arbitration has not been appreciated; and that no effective substitute has so far been offered.

2. *The Alleged Failure to Secure Industrial Peace.*

An important object of the Arbitration Court is to secure industrial peace; but it is asserted that the tribunal of the Arbitration Court set up to secure industrial peace appears to have now but little success in achieving this aim. Moreover, it is alleged that the Court has tended to promote the organization of conflicting parties and interests in opposite camps, to encourage the emergence on either side of a type of industrial advocate to whom the representation of interests is delegated, and to make the settlement of differences a matter to be decided by a Court of law rather than by agreement between the parties directly concerned, who alone can appreciate fully the real points at issue. The system of delegating authority to specialists in advocacy, the interests of the advocates themselves, the further representation of the opposite parties by assessors who tend to be regarded as additional advocates, the compulsion and finality of conditions imposed by the Court's awards—all these factors tend to widen rather than close the gap of misunderstanding, suspicion, and restraint which divides employers and employed and which is the principal cause of industrial strife.

The statement that the arbitration system has failed to secure industrial peace, and the related statement that it in fact tends to widen the gap between employer and employee, are both largely matters of opinion which have so far not been substantiated by any reliable evidence We discuss these statements below.

(*a*) *International Comparison of Days lost through Industrial Stoppages.*—The following figures, taken from "The Conciliation and Arbitration of Industrial Disputes" (International Labour Office, 1927) compare the number of days lost per 1,000 of population in a number of important countries.

Country.	Average Number of Days lost per Annum, 1919-23.	Average Number of Days lost per Annum per 1,000 of Population.
Great Britain	35,586,000	819
Sweden	4,696,747	795
Germany	35,350,906	591
Australian Commonwealth	2,228,314	411
New South Wales	1,387,701	661
Victoria	357,950	234
Queensland	168,476	223
South Australia	133,625	270
West Australia	153,495	461
Tasmania	25,883	121
Italy	13,657,552	352
France	10,173,415	259
Canada	1,705,835	194
New Zealand	102,601	84

These figures are inadequate as a basis of exact comparison, and should be related to the number of wage-earners in the industries affected by industrial stoppages, since the number of non-wage-earners or of wage-earners in industries such as agriculture or retail distribution in which stoppages are very rare in all countries, varies from country to country. The fact does stand out clearly, however, that the number of days lost is amazingly small, and even if all due reservation is made as to the comparability of the figures, New Zealand compares very favourably with any other country. "In a country such as New Zealand," states the report (page 10), "in which during five of the most troubled years in industrial history only eighty-four working-days were lost per year per thousand of the population, the direct ecomomic waste attributable to industrial disputes is, practically speaking, inappreciable. Moreover, to cite the most obvious of the compensating factors, idleness due to stoppage of work is frequently compensated by increased employment in other undertakings or in the same undertaking at some later date."

Further, during the period 1921–25, 90 per cent. of the stoppages (273 out of a total of 301 stoppages) were concentrated in three groups of workers—viz., mining, shipping, and cargo-working, and food and drink (mainly freezing-works), over which, for reasons largely dependent on the nature of the work, "the Arbitration Court has had little effective control." Only 10 per cent. of the stoppages were in the remaining twenty-eight groups. To blame the Court for failure over the field of industry in which it exercises "little effective control" seems hardly fair.

Speaking comparatively, the small extent and range of industrial conflict is one of the most outstanding features of our industrial life. To assert that the Arbitration Court has had little success in achieving industrial peace carries with it the corresponding implication that industrial conflict is in fact a serious problem in this country. When considered in relation to the conditions given above, and to the fact that most stoppages are trivial and of short duration, this suggestion carries its own repudiation.

Nor is it legitimate to point to the increased number of stoppages during the past twenty years as evidence of the weakening of the system; for it is due to general influences—to an increase in the intensity of forces outside the Court—which would have operated in any case. Such an increase in industrial conflict has occurred in practically all countries during the past twenty years(1). "In Great Britain, for instance, the number of days lost per annum per thousand of population during the five post-war years 1919–23 was two and a half times as many as during the pre-war quinquennium 1909–13, and approximately nine times as many as in the period 1904–8." In Canada "the loss in working-days per thousand of population was appreciably greater during 1919–23 than 1909–13, and more than two and a half times as great as during the five years 1904–8."(2)

It is not intended to assert that the Arbitration Court is the direct and sole influence making for industrial peace in New Zealand; but the assertion that it has failed to maintain industrial peace is certainly not true, and is in fact very largely in the nature of a piece of special pleading—a vague general belief incapable of proof.

The Act has at least familiarized the parties in industry and the general public with methods of settlement by conciliation and arbitration rather than by strike or lockout, and has created a public opinion within New Zealand more decidedly hostile to the strike and the lockout than in most other countries—certainly than in the United Kingdom. The provision of mediatory machinery, the development of a tradition of settlement by conciliation and arbitration, and the existence of a public opinion favourable to such development are surely important factors responsible in a large measure for the absence of serious industrial conflict in New Zealand.

(*b*) *The Alleged Widening of the Gap between Employer and Employee.*—As to the truth of the related statement that our arbitration system has furthered organization for contention rather than conciliation, and has widened the gap between the bargaining parties, those members of the Conference directly engaged in industry will be best able to judge. To a detached observer, however, it appears scarcely credible that the provision of machinery for the settlement of differences by means of conciliation, backed up, where this fails by an appeal to arbitration, is likely to create a greater measure of friction and distrust than where no such machinery and no such general habit of conciliation and arbitration exists. Referring to the readoption of the principle of conciliation in 1908, Dr. J. B. Condliffe, until recently Professor of Economics at Canterbury College, states: "The new method has had considerable success, and most disputes are agreed now in details before being submitted to the Court, which need pronounce only upon outstanding issues, the agreed details being incorporated in an award. The system, therefore, is one of voluntary conciliation, supplemented by judicial fixation of wages."(3) This opinion would be generally substantiated, I believe, by the majority of those with knowledge of the operations of the Industrial Conciliation and Arbitration Act. If it is true that the "new method has had considerable success," the allegation that the system increases friction and disharmony is scarcely tenable; for otherwise there would then be much less settlement by conciliation, and many more issues would be decided by compulsory arbitration.

It is possible that since the report quoted was written there has been an increase in the relative proportion of cases settled by the Arbitration Court instead of by conciliation. Whether or not this is the case, I have no knowledge; but such might be expected in times of falling prices and depression, and it is legitimate to point out that, in the absence of the Arbitration Court, a considerable number of such cases would have resulted in industrial stoppages.

(*c*) *The Necessity for Compulsion.*—It might be asked, however, why is there need for compulsory arbitration if the majority of issues are settled by conciliation? The answer is that there are always likely to be some issues which are difficult or incapable of settlement by conciliation, and settlement of these by arbitration considerably reduces the necessity for and the likelihood of an attempt at

(1) *Ibid.*, p. 9.
(2) *Op. cit.*, p. 9.
(3) Experiments in State Control in New Zealand. *International Labour Bureau*, Vol. IX, No. 3.

settlement by the strike or lockout. Further, the existence of machinery for arbitration "saves the faces" of the leaders of the disputants, and enables them to arrive at a solution without loss of dignity, while "the power to invoke legal sanctions may strengthen the hands of the leaders of either organization against their *discontented* followers."(1) Such arbitration may be either voluntary or compulsory; but in a country such as New Zealand, in which very many of the workers are in small scattered groups, difficult to organize, and on the whole much weaker in bargaining power than employers, compulsion is necessary if the system is to function effectively.

(*d*) *The Court and the Advocate.*—The statement that the arbitration system is responsible for "the emergence of a type of industrial advocate to whom the representation of interests is delegated," need not be taken seriously as an objection against compulsory arbitration. The delegation of such authority to specialists is regarded as necessary to all forms of collective bargaining, and is not peculiar to a system of compulsory arbitration. Indeed, my opinion, formed after a three years' stay in England, is that the prob'em raised by the so-called industrial advocate, is, if anything, greater in the United Kingdom than in this country. I have very little doubt that industrial conflict in the United Kingdom has been intensified by the personal pride of representatives on both sides, who having taken a definite stand, preferred to maintain it at the risk of industrial conflict rather than recede. The recent position in the coal industry is, I believe, a case in point.

The Arbitration Court does provide an excuse for receding from an untenable position without loss of personal dignity or prestige.

3. *Standardization of Wages and Lack of Incentive.*

It is further argued that "the minimum wage tends to become the standard wage, and the efficient worker is usually degraded to the level of pay of the inefficient. Consequently the powerful incentive to efficiency provided by differential rates of wages dependent on variations in ability and skill has been removed, and the tendency has been to reduce effort, skill, and efficiency to a mediocre level. The cumulative effects of this tendency over the period of more than thirty years during which the system has been in operation have not been adequately measured, but what evidence there is points to the conclusion that in some occupations at least they have been considerable."(2) Statements of this sort are matters of opinion. As such they must not be ignored, of course, but must be placed in a different category from actual evidence.

(*a*) *Incentives and Variations in Wage Rates under Arbitration.*—It is probably true that there is a tendency for wages to approximate to the minimum during a period of depression; but to suggest that this tendency has been of general application over the past thirty years—which is implied in the statement quoted—is, I think, wide of the mark. The following quotation from Professor Pigou, an eminent authority, is decidedly relevant: "The Inspector of Factories in Victoria in 1902 stated that in the clothing trade, where the minimum for men and women workers respectively were 45s. and 20s., the average wages were 53s. 6d. and 22s. 3d. Furthermore, in the report of the Bureau of Labour for 1909, it is stated that "out of 2,451 employees in factories in Auckland City, excluding under-rate workers and young persons, 949 received the minimum rate and 1,504, or 61 per cent. of the whole, received more than the minimum. In Wellington the percentage receiving more than the minimum was 57, Christchurch 47, and in Dunedin 46."

The same point is illustrated in a rough way by the policy of certain American unions which enter into agreements with employers concerning both a standard and a minimum wage. (Economics of Welfare, pp. 431–32.) "Even when extra efficiency is not rewarded by any addition to the wage rate, it may be rewarded by selection for continued employment in bad times, and in businesses where, as in railway service, there are a number of grades of employees receiving different rates of pay, for promotion when opportunity offers." (*Op. cit.*, p. 433.) It would appear that in normal times there is, in fact, a sufficient variation in wage-rates over a wide range of industries to provide some incentive for additional effort. Possibilities of promotion operate in the same direction. In times of depression the fear of unemployment may be expected to prove sufficiently efficacious as a goad to effort. It should be noted that the opinion quoted at the beginning of this section implies that the tendency to uniform wage rates has been operative throughout a period of thirty years. This is not in keeping with the evidence quoted from Professor Pigou; nor does it fit in with such information as I have been able to collect relating to more recent years. I am informed that until recently wages in the carpentering and furniture trades were definitely above the award rates for the majority of workers. I believe this would apply to a very large number of industries.

(*b*) *The Limits and Social Implication of Wages Variation without the Court.*—The implication of the statement quoted surely is that variation in wage rates would be increased if compulsory arbitration were abolished. I agree that this is likely, *but in a wholly undesirable manner.* If the system of compulsory arbitration were abolished, there would be two opposite reactions on trade unionism. Certain unions in which the employees are concentrated in fairly large groups would be strengthened. Others, where the workers are scattered, or where the employees are mainly women, would be seriously weakened, and possibly would disappear. In the former case, the unions would certainly adopt the policy of the "common rule" and would enforce minimum standards of wages and conditions of work as in the case of the American unions referred to by Professor Pigou. Under such conditions it is unlikely that there would be less uniformity than at present and nothing would be achieved from the point of view of wage variation. In the latter

(1) Pigou, "Economics of Welfare," p. 393.
(2) Canterbury Chamber of Commerce Bulletin No. 30.

case some variations in wages would no doubt occur as between individual wage-earners; but two other consequences would follow.

(1) There would be a danger of the return to sweated conditions. It is common in the same breath to blame the Arbitration Court for the wage disparity in sheltered and unsheltered industries, and to assert that the Court sets the standard for all industries and that there is no sweating, but that the absence of sweating is not due to the Court. Despite the tacit admission that the Court does influence wages in other industries and therefore must reduce the seriousness and extent of sweated conditions, and with the experience of other countries before our eyes (of the much praised United States as well as of the United Kingdom and continental countries), there are those who would dismiss the danger of sweated labour conditions under unregulated wage fixation with a gesture of airy optimism. This failure to profit by the experience of other countries, to ignore the fact that sweating did, in fact, exist in this country before the introduction of the present Act, and to give the Court no credit for the appreciable diminution of sweated conditions (even though at the same time accusing it of a general influence on wages when it suits) is, I think, unfortunate. Despite the fact that other factors besides arbitration have made for the improvement of wage standards in this country, the increased bargaining-power which the Court has given to weakly organized groups has surely been an important factor in the situation. Where workers are in unorganized groups, and where there is no legal minimum, it is a species of blind optimism to ignore the dangers of wage exploitation. It might be argued that a minimum wage might be enforced without our present system of arbitration. Agreed. But the criticism we are at present discussing is related specifically to the minimum wage; not to the level at which that minimum is fixed; nor to other weaknesses of the system.

(2) There is the further point that unregulated wage agreements would result in wage variations from industry to industry and firm to firm, as well as from individual to individual. What are the social implications of this? In the first instance the variations in wages are related not to variations in the capacity of individual workers, but in the efficiency of individual businesses. In the second place, the efficient business is placed at a disadvantage; for the weaker firms will meet competition at the expense of wages. A standard minimum throughout places all employers on the same competitive footing, and forces economies in production such that the minimum can be paid by all firms, while still permitting allowances for variations in wage payments to individuals within the firms. There should be little doubt as to which system is the more preferable. It might be argued that in the long-run the more efficient labour would migrate to the better paid jobs and so wages would vary in accordance with, though not necessarily in proportion to, efficiency. A theoretical case may, no doubt, be established on these lines; but in fact labour is not so mobile as to permit of this condition to perfection, or within a reasonable space of time. And in the long-run we are all dead!

(*c*) *Minimum Wage the Only Means of preventing "Sweating."*—There should be no question as to the desirability of imposing a minimum wage which permits of the standard considered reasonable in a given society; in short, of imposing a minimum wage to prevent "sweating." The meaning of the word "sweating" is ill-defined and relative to generally accepted standards. As far as New Zealand is concerned, I should define a "sweated" wage rate as one which is appreciably below the wage rate paid to unskilled labour under the Arbitration Court at the present time. I should say that the minimum wages at present paid to agricultural labour (viz. 54s. 4½d. per week according to the Official Year-book) are already pretty close to the "sweated line," at least for the married worker with a family, and that if there were no Arbitration Court and no minimum wage legislation other industries would soon approximate to the same condition. "Sweating," writes Professor Murphy, "can be prevented only by prohibiting the existence of an industry that cannot pay a living wage to its labour force. Industry is not a source of strength to a nation if it is not self-supporting, and if it involves net national loss the best course is to prohibit it once for all, thus saving the human and social waste involved in the advantage taken by the system of that section of the working community that is helpless to protect itself." ("Outlines," p. 205–6.). Professor Murphy states that the only effective means of safeguarding those whose bargaining power is weak is by minimum-wage legislation. "While work is a commodity," writes the same author, "the worker so inseparably bound up with it is a citizen and entitled to the minimum conditions compatible with decent life as such." (*Op. cit.* p. 189.) And again, "In the absence of uniform standards compulsorily imposed on all, the tendency will be, under competitive conditions, for industrial practices to sink to the level set by the most unscrupulous competitor, owing to the fact that such practices, in the short period, are profitable to the individual carrying them on." (*Op. cit.* p. 208.)

(*d*) *Minimum and Standard Rates.*—With these views I would agree, and also with the view that is clearly implied in the above statements that the *minimum wage* should be fixed in accordance with the minimum standard of living that is considered socially desirable.

This does not necessarily mean that the *standard wage rate* should be fixed in accordance with the cost of living, but that there should be a minimum below which wage-rates should not be allowed to fall, and that this should be related to the cost of living. What this minimum should be, I am not concerned with at the moment. Standard wages above this line might vary periodically in accordance with some clearly stated principle related to "what industry can afford to pay."

It is obvious, of course, that the standard set for the minimum wage should be such as the majority of industries can in fact pay out of production over a period, otherwise we may be reduced to the absurdity of a recent Australian example which calculated a reasonable living wage at such a figure that it could not be paid to all workers out of the national income. The basis on which this rate should be determined is not easy to decide; but the principle of fixing it on the basis of husband and wife, with appropriate additional allowances for children, on lines which have been developed

in Germany and France, is worthy of careful consideration (1). I am aware that this method presents difficulties and is likely to meet with some opposition. It does, however, avoid the anomaly of a flat-rate minimum which allows for a host of fictitious families and which, while related to a hypothetical family, does not, in fact, differ in accordance with different needs. To determine what the basic rate rate should be, and what the scale of family allowance, is beyond the scope of this memorandum.

The concept "what industry can afford to pay" is even more vague and ill-defined than the concept of the "standard of living." Unless related to some objective standard, the adoption of the principle presents possibilities not less undesirable than fixing a rigid "cost-of-living standard" which industry cannot afford. If merely left as an abstract principle, it places a premium on inefficiency; for demands for wage-reduction will come from businesses on the margin which will be able to demonstrate that wages are too high for *them* to make a profit, even though reasonably efficient firms may be able to pay standard rates.

(*e*) *Necessity for an Objective Standard of "Capacity to Pay."*—It seems to me, therefore, that a careful inquiry should be made by experts as to the possibility of instituting an objective standard in the nature of an index number, to which the standard wage above the minimum should be related. This will be a difficult task not accomplished in a few days, especially as it may be found expedient to adopt different methods for different industries. In some, the method adopted in the coal industry in the United Kingdom might be found applicable, the wages in a given period being fixed in accordance with the "net proceeds" of a previous period, these net proceeds being distributed in agreed proportions after costs, minimum wages, and an agreed rate of profits have been subtracted from the gross proceeds(2). In others, the objective standard might be related to prices. The problem is admittedly difficult, and may be incapable of solution; but the alternatives are: either standard rates varying in accordance with the cost of living, or in accordance with the vague concept of "what industry can afford to pay"; or a combination of these.

Those who attack the method of determining wage-awards in accordance with the cost of living have not, as yet, offered any alternative principles other than the "capacity to pay" principle, and the onus is on them to offer a definite interpretation of the term "capacity to pay."

(*f*) *Piece Rates.*—The related problem of piece rates as a means of equating remuneration to the amount of work done is set down on the agenda for consideration. The advantages of piece rates are very much inclined to be exaggerated. It should be noted in the first place that the application of the system of piece-rate payment is largely limited in scope to those industries where the product and methods of work are closely standardized, where the quantity of output is likely to be proportionate to the effort of the worker; and where quality and quantity can be easily measured.

The limitations and dangers of piece rates are discussed by many economists of repute. It will suffice to quote an excellent summary by Professor B. E. Murphy, of Victoria College:—

"The defect of time rates is that the worker has no special incentive to increase output, his reward being independent of the volume of work accomplished. The defect of the piece system is exactly the opposite—that the worker is induced to overexertion, to the detriment of his health and the product which he turns out.

"Under time rates the worker sees to the quality of the output, and the foreman to its quantity; whereas under piece rates the position is reversed, the worker being mainly interested in quantity and the foreman in quality. Piece rates are normally resisted by labour, being regarded as a mere speeding-up device, it being stated that, a schedule of piece rates having been settled, when the men by extra exertion come to earn under piece rates a larger remuneration than has hitherto been traditional, the employers thereupon cut the rate, leaving the men, in spite of their greater exertion and output, at the old-money wage. There is no doubt that this complaint has been substantially justified in the past, apart altogether from necessary changes in piece rates due to alterations in industrial technique and the introduction of new methods and machinery. In big progressive firms, however, there is now little room for complaint in this direction, the employers very wisely seeing that, provided the piece rates are scientifically and equitably fixed, the greater the amount the men are able to earn under them, the better for the employer.

"Apart from general considerations of this character, there are a number of technical objections to the piece-rate system:—

"(i) Piece work and team work are fundamentally incompatible. To a greater or less extent all industrial groups function as a unit, and it is not possible to delimit with precision the share in aggregate productivity attributable to each individual, nor is there any feasible method of allowing fairly for the different degrees of assistance of hindrance which each worker receives from the management, from stoppages of power, break-down in machinery, rate of work of others on whom the speed of the individual is dependent, and generally for environmental factors, such, for example, as an unfavourable 'face' in a mine.

"(ii) It is incompatible with the spirit of craftmanship, and fosters shoddy and scamped work.

"(iii) By continuously emphasizing the points at which the interests of the individual worker are at variance with those of other workers and of the employer, it increases the difficulties of collective bargaining by failing to promote a good spirit in industrial relations.

"(iv) It can make no direct allowance for such invaluable qualities as punctuality, regularity of time-keeping, skill as apart from mere speed, care of machine and tools, co-ordination and adjustment

(1) The method developed in these countries may be described as "family allowance by industry" rather than "family allowance by the State." The total wages pool need not differ from the total pool under a flat-wage system, but to avoid discrimination against married men, the same minimum rate would be paid to all, married workers thus receiving the family allowance from the common pool. (See Rathbone, "The Disinherited Family," and "Ethics and Economics of Family Endowment."

(2) See Report of the Royal Commission on the Coal Industry (1925).

of processes, tidiness, cleanliness, and loyalty to the firm. The finest industrial qualities are thus left without direct reward.

"(v) Involving as it does the 'commodity' view of labour in its baldest form, it keeps in the background all sense of mutual interest; and by thus disguising the true nature of industry as a co-operative enterprise for mutual benefit it eliminates from industrial relations their highest human qualities, such as mutual trust, loyalty and co-operative assistance, and pride in good work well done."

In view of the constant competition from abroad against many of our manufacturing industries, the dangers of "rate-cutting," industrial friction, and diminution in quality from the adoption of piece rates must be fully realized.

In a very limited field—as, for example, in textiles—there may be scope for the extension of the piece-rate method; but the system and the rates paid should be collectively agreed upon by an appreciable majority of workers and employers in any industry, and should be general throughout the industry, and should be carefully safeguarded against rate-cutting. It is questionable whether under these provisions piece rates are within the range of practical application, since it is not likely that a majority of employees and employers would agree.

Piece rates *individually* agreed upon between workers and employers would cut across accepted principles of collective bargaining, whether free or compulsory, and would open the way for exploitation and acute industrial friction.(1)

It should be understood that whatever system of wage payment is adopted will present difficulties and suffer imperfections, and the problem is to choose that system which presents the least objectionable social defects and offers the largest net economic advantages.

(*g*) *Minimum Standards and Inelasticity.*—It is further alleged that not only do minimum-wage rates tend to become the maximum, thus discouraging initiative, but also that wage rates are too inelastic, and do not vary sufficiently in accordance with the state of industry. It is implied that wage-rates are fixed for too long a period, and that in consequence they become too high during depression, with the result that unemployment increases. There is some measure of truth in this statement.

It is possible that a greater elasticity in *standard rate of wages* might be achieved under free collective bargaining; but I have suggested that some degree of elasticity is in fact achieved in many industries by payments above the award rates in times other than during depression. It is conceded also that a reduction in award rates during a time of depression might reduce the volume of unemployment, and on these grounds there is something to be said for a greater measure of wage elasticity; but such elasticity should be upwards as well as downwards, so that those concerns and those industries in which minimum rates are in fact maxima and which do not pass on some of the benefit of good times in the shape of payments above the award rates might be forced to do so. This would in fact tend to diminish the severity of depression by discouraging the tendency to over-expansion, over-capitalization, and over-production in times of boom.

It should be pointed out, however, that the same difficulties of inelastic wage-rates may arise under voluntary collective bargaining. The example of the coal industry in Great Britain (which is one of many) may serve to illustrate this point. From 1921 to 1926 minimum-wage rates were fixed at a level based on current-wage rates in 1914, and provision was allowed for fluctuations above this rate by a division of the "net proceeds" of the industry. The industry suffered such depression that the minimum rates became in fact the maxima except in a few areas. That this rate was economically too high under existing methods of organization and standards of efficiency is revealed by the persistence of a prodigious volume of unemployment. Wages were too inelastic despite the existence of free collective bargaining and the absence of compulsory arbitration. It is significant too, that a return to wage-rates and conditions of work which the employers considered economic, and sufficiently "elastic"—that blessed word—could only be achieved (if at all) by a disastrous stoppage. This particular example is chosen because the data is available at the time of writing; but it will be shown later that the fixation of wages at too high a level—which is what the critics really mean by wage inelasticity—is very general, and in many countries presents problems similar in nature and importance to those in New Zealand. The practice of fixing standard rates for a period of time is necessary under voluntary collective bargaining as well as under compulsory arbitration. It is unfair to attribute inelasticity of wage rates in New Zealand to the *principle* of compulsory arbitration; the difficulties of deciding wage rates at more frequent intervals than at present are neither more nor less serious under the New Zealand system than they would be under strong trade-unionism were the present system abolished. I would agree that at the present time wage rates are fixed for too long a period; but the fixing of minimum rates for shorter periods than at present does not involve the abolition of the Court.

In those numerous branches of industry in which trade-unionism would be weak or non-existent, it is true that some greater elasticity might result if minimum wage rates were not standardized by an external authority; but only because the workers would be at the mercy of the unscrupulous and economically weak employer, who would be able to force down wages not only in his own business, but also among his competitors, on every suspicion of depression.

If it is argued that a central authority could still fix a minimum wage in any case, there is the obvious reply that precisely the same sort of problem would arise in respect of wage-rate elasticity as occur at present.

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(1) There is a tendency to point to the United States as affording an example of the efficiency of piece rates in stimulating individual effort and making for national prosperity. It should be noted, however, that the widespread existence of large scale methods of standardized mass production has provided much greater scope for the adoption of piece rates than in any other country. Further, while the United States is no doubt highly prosperous, yet this prosperity depends on a variety of factors; while the high level of general prosperity is probably much exaggerated in popular opinion, and is associated with many undesirable conditions which would not be tolerated in a British country. Considerations of space prevent the enumeration of these; but the reader is referred to Adams, "An Australian looks at America," for a candid criticism.

It must be clearly realized also, that some degree of stability in wage rates over a period is essential if employers and workers are to budget ahead with any confidence. Too perfect a degree of elasticity would have drawbacks of its own. Further, since the desire for wage elasticity is often expressed as a means of alleviating unemployment in times of depression, it should be stressed that the method has decided limitations of practicability. It is true that if wages were brought low enough in times of depression—to, say, half the present rates—unemployment might be reduced to insignificant proportions; but one need scarcely stress the undesirability of such a policy. There are other and less objectionable methods than this.(1)

4. *Regulations which hamper Industry.*—It is further alleged that the Arbitration Court seriously hampers industrial progress by imposing all sorts of regulations limiting the freedom of the employer and employee, and preventing that elasticity in conditions of production which is necessary for full efficiency. There is some truth in this statement also, but it is in my view erroneous to assume that the abolition of the Court will necessarily make for any appreciable improvement, except in those cases where, by virtue of the weakness of the unions and the inferior bargaining-power of the employee, it will be achieved at too great a social cost.

(*a*) *Restrictions under Strong Trade-unionism.*—It should be common knowledge that where trade-unionism is strong restrictions are placed on the employer similar in kind and degree to those attributed in New Zealand to the arbitration system. There are some who would blame the Court in New Zealand for the prevalence of demarcation rules, hindrances to interchangeability of related craftsmen, limitation of entry into trade-unions and similar restrictive practices, regardless of the fact that these are among the most common and intractable of the problems wherever trade-unionism is well established. We quote an instance by way of example. The Joint Inquiry Committee in the ship-building trade of the United Kingdom reported in June, 1926, that the chief internal difficulties of the industry resulted from precisely these problems. The Cambridge House Bulletin of January, 1927, which is written by an expert in industrial relations, after commenting on the very serious difficulties in the way of solution of the problem, states as follows:—

"It should be realized that these questions of demarcation and interchangeability strike at the most fundamental principles of craft unionism, which have nowhere been so highly developed or so jealously guarded as in the shipyards, where so many different craftsmen work side by side on a joint product. Demarcation rules are made for two main reasons: first, in order to safeguard the standard rate of wages; and, secondly, to retain the maximum field of employment for each craft. Both reasons are, of course, grounded in the fear that the cheaper man will be employed wherever possible. These restrictions tend to raise the cost of production by an amount which may be considered negligible in ordinary times, but now, when the industry is finding it so difficult to meet foreign competition, costs must be reduced to the absolutely unavoidable minimum. The explanation of the unions' decision is really that the main body of the workers have still to be educated to the hard fact that some personal sacrifices and risks have got to be made for the good of the workers as a body, and in order to save the industry as a whole."

Where trade-unionism remained strong after the repeal of the Industrial Conciliation and Arbitration Act, the same sort of restrictions as are at present imposed would remain, with the probability of serious friction arising out of the fact that limitations on the freedom of the employer would be blamed directly on the unions instead of on the Court. One might reasonably ask whether or not productive elasticity is greater in this country in the mining industry, over which the Court is stated by its critics to be largely inoperative, than in other fields of industry.

The restrictions imposed by the Court are designed primarily to safeguard reasonable conditions of labour. Strong trade unions may be expected to enforce similar restrictions for themselves. Weak unions will find that "elasticity" easily and imperceptibly grades into exploitation, on the part of the weaker or less scrupulous employers who, as is suggested by the quotation from Professor Murphy given above, are likely to set the standard, both of wages and conditions of work.

(*b*) *The Possibility of Local Agreements under the Court.*—Further, where special conditions in a locality or even, in exceptional instances in a particular undertaking warrant special agreements, there seems no essential reason why such agreements, having been decided on through the representatives of the unions and employers concerned should not, by the process of registration, have the force of an award.

(*c*) *Possibilities of Industrial Progress, given Certainty and Wage Stability.*—In conclusion, we may quote a considered pronouncement by Mr. W. Cecil Prime, Secretary of the Employers Federation for Canterbury, and presumably made with their authority. He follows an appeal for a period of industrial peace and stabilized wage conditions with this passage: "With the prospect of freedom from industrial disputes of a major nature, with a certainty of stabilized conditions and rates of many wages, employers will have confidence in seeking improvements in methods in order to bring down prices. From lower prices, wage-earners will reap the benefit in that their money wages will have a greater purchasing-power. Increased purchasing-power on the part of the workers should stimulate trade and industry with resultant benefit all round."(2)

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(1) See, for example, the suggestions made in the accompanying "Memorandum on Unemployment."

(2) See also speech by Mr. Hobbs, President Canterbury Employers Federation, June, 1927, p. 23: "Critics made quite an outcry about restrictive conditions imposed by the Court, and claimed that those resulted in higher manufacturing costs and higher prices, and that they were retarding the development of our industries. Those criticisms were generally made in general terms, and most of them failed when asked for specific instances. Inquiries he had made had produced very few that seemed of major importance, though there were numbers of minor ones that might be irritating, but had little practical value against development."

The implication of this statement is clear. The main condition hampering the seeking of improved methods, industrial progress, and lowered costs is not the restrictions imposed by the Arbitration Court; but uncertainty as to the future. Attempts at wage reduction which would certainly follow the abolition of the Court and the increased industrial friction which would unavoidably ensue would scarcely set the stage for an era of industrial peace.

III. The Present Economic Position, with Special Reference to Price Disparities.

So far we have been concerned with certain general problems related to industrial arbitration. There now remains to consider certain alleged economic effects.

1. *The Court is alleged to be a Main Factor in the Present Depression.*

It is confidently asserted that the regulations of the Court, and the influences of minimum-wage legislation, have raised industrial costs and thereby the cost of living. It is argued that the so-called "sheltered industries" are able to pass on these costs in the shape of higher prices; and that a wide disparity therefore exists between prices in such industries, the market for which is local, and in "unsheltered" export industries, the prices for which are determined by conditions abroad. It is argued that the disparity is at the root of most of our economic troubles to-day, for, so it is alleged, it maintains costs at a high level in the agricultural and pastoral industries during a period when export prices are falling and so reduces their capacity to purchase the goods of the "sheltered" industries Hence the market for "sheltered goods" is restricted and unemployment is a consequence. The implication clearly is that the present depression is attributable mainly to the Arbitration Court.

The above conditions occasion a drift to the cities, which is augmented by the higher wages paid to urban than rural workers. This drift to the towns swells the volume of urban unemployment.

Those who would support this view have a difficult task in front of them. They must first prove that the disparity exists; second, that it is due to the operations of the Court, and not to other general causes; third, if they are abolitionists, they must demonstrate clearly that the disparity is likely to disappear within a reasonable time after the present system is abolished.

The ultimate and crucial issue, as raised by such critics of the Court, is that it raises production costs. Personally, I would suggest that there are other issues besides the effects on cost of production; but the alleged effects on industrial costs represents the gravamen of the main charge against the Court. The artificial level of wages, interferences with productive enterprise, friction between employers and employees, are objected to primarily because they are assumed to be translated into higher costs of production. It follows that whatever doubts may be permitted of the merits of other criticisms of the system, this charge must be proved up to the hilt; but in fact, a case based on this ground is far from strong.

2. *Wage Disparities.*

It is convenient first to discuss the disparity in urban and rural wages. In this connection, the objection that the Court tends to keep wages up over the whole field of industry is conveniently forgotten and the reverse argument is applied—that it widens the disparity. We compare below certain agricultural wage-rates in New Zealand with those in certain other occupations:—

Average Minimum Weekly Adult Wages (31st March, 1927).

Agricultural and Pastoral.	s.	d.	*Other.*	s.	d.
General farm hands	54	4½	Freezing (general hands)	91	8
Ploughmen	65	4	Bricklayers' labourers	86	7
Musterers	110	0	Builders' labourers	83	5
Shepherds	75	0	Sawmilling (general)	84	4
			Waiters	87	0
			Stone workers (general	85	4

("New Zealand Official Year-book," 1928, pp. 789–90.)

Urban wages are selected at random from amongst the relatively unskilled. Agricultural and pastoral wage-rates include an allowance for board and lodgings; but no allowance is made for differences in the cost of living, nor apparently for payments in kind other than board and lodging. It is apparent, however, that, after all allowance is made for difficulties in statistical comparison, there still remains a measurable difference in minimum wage rates.

But a comparison of urban and rural wage rates reveals precisely the same disparity in other countries. Average monthly wages (agricultural) in the United States in 1923–24 were at the rate of 33·44 dollars plus board, or 47·38 dollars without board. Unskilled labour in blast-furnace earned at the rate of 100 dollars per month; lumper, 72 dollars per month; hod-carriers, 164 dollars per month. The lowest paid unskilled labour received a wage at the rate of 72 dollars per month.

The Agricultural Tribunal of Investigation (U.K.) reports that a common ratio of real agricultural to real industrial wage in Europe is 2 : 3, and places this as the chief cause of the rural exodus; while the disparity between rural and urban wages in the United Kingdom is notorious. It is clear from these instances that the disparity is due to general causes operating in a wide variety of countries, and related in large measure to the relatively inferior bargaining-position of rural workers.

It might be argued that in New Zealand the Arbitration Court is a factor because it increases the bargaining-power of the unskilled urban worker; but this is only to admit that the disparity would be reduced by weakening the bargaining-power of unskilled labour. This is another way of saying that the Arbitration Court is necessary if the standards of the poorest-paid urban workers are to be maintained; and few would assert that these workers enjoy extravagant standards.

3. *Price Disparities in Other Countries.*

The problem involved in a consideration of the extent and causes of price disparities are exceedingly difficult.

Its seems best to set the problem in its proper perspective by a preliminary consideration of conditions in other countries. It should be pointed out that the disparity between agricultural prices and the prices of manufactured goods—of the so-called "sheltered industries" in this country—is general, and is therefore likely to be attributable to general causes. Professor Cassel, in a recent memorandum to the International Economic Conference, discusses the situation as follows:—

"The dislocation of prices has inevitably been to the disadvantage of certain classes of producers who have had to pay for the advantages secured by other classes. It is clear enough that agriculture, and to a great extent producers of raw materials, are the chief sufferers. For their produce they get in exchange less manufactured goods and immediate services. In other words, their buying-power for such goods and services has fallen off. As soon, however, as we put the result in this form, it immediately becomes clear that the high prices which other producers have secured for themselves do not represent a net advantage to them; in fact, the high prices are accompanied by a most serious evil—viz., unemployment.

"A similar alteration has taken place in the conditions for the exchange of goods between Europe and the colonial world (*i.e.*, Australia, South Africa, New Zealand, South America, &c.). The main trend of development is a fall in the price of colonial products as compared with those of the manufactured goods which Europe has to offer in exchange."—("Recent Monopolistic Tendencies in Industry and Trade," pp. 27–28.)

Professor A. C. Pigou makes a similar point in reference to Great Britain: "Finally . . . we have to note a very remarkable movement in the relative prices of British imports and British exports. In 1924 the general price-level of British exports stood 90 per cent. above the 1913 level, while the prices of British imports stood only 50 per cent. above the 1913 level. The Balfour Committee suggests that the export figures should be reduced from 90 per cent. to 80 per cent. in view of changes in quality, but even so we have the result that a unit of volume of British export goods of the same consistency as a unit volume in 1913 was buying in 1924 $\frac{180}{150}$ times as large a bale of foreign imports of 1913 consistency as it did in 1913. That is to say, a representative unit of British exports, unchanged from 1913, was able to purchase 30 per cent. more imports . . . It has to be remembered, however, that our imports consist in the main of raw materials and food. Perhaps the explanation may be found in a relative fall in the world value of these relative to manufactured goods, consequent partly upon the expansion of agricultural production in the new world under the stimulus of the war, partly to the falling-off of the European demand for imports of these things."—("The Economic Position of Great Britain." Memorandum No. I, Royal Economic Society, July, 1927, pp. 28–29.)

We may press the point home by the following table relating to the United States, which shows clearly that the price disparity alleged to exist in New Zealand is also present in the United States:—

WHOLESALE PRICES IN THE UNITED STATES.

Comparison of Wholesale Prices of Farm Commodities with General Wholesale Prices, 1913–1926.

(Base average 1910–14 = 100.)

Year.	Farm Prices.	Wholesale Price of All Commodities.	Year.	Farm Prices.	Wholesale Price of All Commodities.
1914	101	100	1922..	124	152
1915	101	103	1923..	137	157
1916	119	130	1924..	140	153
1917	180	181	1925..	154	162
1918	206	198	1926—Jan.	150	159
1919	215	210	Feb.	150	158
1920	214	231	March	146	156
1921	119	150			

It is difficult to excuse the neglect of such general conditions on the part of those who blame the Arbitration Court for the disparity in New Zealand. It is common knowledge that the great bulk of our exports are pastoral in origin, while our imports are mainly manufactured goods. The price of exports is determined largely by conditions in the United Kingdom. By what process of logic is it possible to neglect the influence which outside conditions exert on the price of goods produced within the country through the price of competitive imports? Some of our industries are no doubt fairly completely sheltered from outside competition—for example, tramway services, the laying of sewers, the building of houses, and the growing of wheat; but it is surely the case that over a wide range of our so-called "secondary industries," which are apt to be generally classified as "sheltered" sufficient competition exists to set the price standard. Any *general* disparity between non-agricultural and agricultural prices may be explained mainly in terms of general conditions which operate both in this country and abroad, the prices in a large proportion of our so-called "secondary industries" being determined by *the import price of competitive goods plus the tariff*. If this is not the case, why the tariff?

It is true that some industries may be especially sheltered from outside competition, and that in these a price disparity may occur with the price of farm-products; but every economist knows that such sheltered prices always tend to fall more slowly than unsheltered prices; while special influences may always operate in respect of a particular commodity or group of commodities.

Those who have made so much of the price disparity in New Zealand *have taken for granted* that it is due to the Court; have failed to recognize the existence of the same condition abroad; and have neglected to search for special influences other than the Court.

In short, to blame the Arbitration Court for the disparity is to raise it to a position of importance which it does not warrant as a factor influencing prices and to draw a red-herring across the trail.

4. *Relation of Wages to Cost, Price, and Unemployment.*—It is interesting to pursue the comparison further and examine the relation of wage-conditions to costs, prices, and unemployment in other countries. The following figures are worthy of study in this connection :—

COMPARISON OF WAGE-RATES AND COST OF LIVING IN THE UNITED KINGDOM AND NEW ZEALAND, 1914–1925.

Year.	United Kingdom Base, July, 1914=100.			New Zealand Base, Average 1914=100.		
	Weekly Wage-rates for Adults.	Cost of Living	Real Wage-rate.	Weekly Wage-rate for Adults.	Cost of Living.	Real Wage-rate.
1914	100	100	100	100	100	100
1920	256	249	103	146	178	82
1921	240	226	106	159	177	89
1922	185	183	101	154	160	97
1923	169	174	97	151	158	96
1924	171	175	98	154	160	96
1925	175	176	99	157	162	97
1926	..	..	..	158	163	97

(Figures for the United Kingdom from Pigou, " The Economic Position of Great Britain," p. 15 ; for New Zealand from the " New Zealand Official Year-book.")

It is seen that both wages and the cost of living have risen appreciably more in the United Kingdom than in New Zealand, but that since 1923 the relative position of real wages has been approximately the same in both countries.

It might be argued either that the movement of wages determines the cost of living through its effect on production costs, or that wages are fixed in relation to the cost of living. Whatever the sequence, there is a strong presumption that the same causation operates in both countries, despite the absence of compulsory arbitration in the United Kingdom and its presence here. To base wages on the cost of living may be fallacious, but in effect, even if not in theory, the principle appears to operate in the United Kingdom as well as in this country.

Commenting on the relation of wages to unemployment in the United Kingdom, Professor Pigou makes the following statement : " The large increase in unemployment is, no doubt, in part due to the shifting of occupation which took place during the war, and which has not yet been fully adjusted. If, however, this were the whole explanation, we should expect to find in some occupations a serious shortage of labour to balance the surplus in others. Of this there is no evidence. There is therefore a strong *prima facie* ground for holding that the *wage-earners have set themselves* rates too high to allow of normal employment in present conditions, even though all the war-time maladjustments were overcome." (" The Economic Position of Great Britain," p. 13.)

In his Memorandum to the International Economic Conference Professor Cassel suggests that similar conditions are general throughout Europe.(1)

The passage underlined above and the authoritative statements of Professor Pigou and Professor Cassel are significant in relation to our own problem.

They reveal that the tendency for money wages to lag behind prices is general and not confined to New Zealand, and that economic friction may prevent that perfect adjustment of wages to what industry can bear under free collective bargaining as well as under arbitration. The Arbitration Court is a factor in the case only in so far as it prevents trade-unions from disintegrating—a condition which is, I repeat, too big a price to pay for elasticity.

We may conclude this section by drawing a significant parallel between the remarks of Mr. Prime as quoted above and a statement by Professor Pigou. Mr. Prime believes that increased productivity could be achieved in New Zealand if employers were assured of wage-stability at the present level, and if there was a reasonable chance of an era of industrial peace.

After suggesting that the level of wages in the United Kingdom is a factor in increasing unemployment, Professor Pigou continues :—

" The inference is that it is against the interests of the community as a whole for wage-earners to insist upon an uneconomically high wage-rate. That interest requires the restoration, at not too distant a date, of an equilibrium between wage-rates and demand and supply conditions. This does not necessarily imply that wage-earners must forego the benefit of whatever transfer of income from better-to-do persons to them could be made under a policy of wage subsidies. The same amount of money may still be handed to them under, say, a system of State endowment of large families, or any one of many ways. Nor does it necessarily imply a reduction in the general level of real wages below what it is now. *Increased efficiency—itself partly the result of better earnings, partly perhaps of a change in mental attitude—would enable a large number of men to find employment at the present rate of real wages per week.* Again, we may reasonably look to a gradual growth in the supply of capital and business ability, and in the power of foreign countries to purchase British goods, which together will imply a rise in the demand for labour. . . . Before long, therefore, the country should be able to provide the present rate of real wages for its working population without suffering from an abnormal

(1) See " Recent Monopolistic Tendencies in Industry and Trade."

volume of unemployment. In this way the problems of post-war unemployment may be expected, so to speak, to solve itself. This, however, will only happen if the facts of the economic position are realized by those who control wage policy."—(" Wage Policy and Unemployment," *Economic Journal*, September, 1927.)

It is my belief that the depression and unemployment situation in New Zealand is temporary, and will right itself. Reasons for this view are sketched in the accompanying Memorandum on Unemployment; but attention should be drawn, in addition, to the opinion of Professor Pigou that an early improvement may be expected in Great Britain, our main market. Recent optimistic reports from Great Britain substantiate Professor Pigou's opinion. Recovery will be facilitated by the improvements in productive efficiency expected by Mr. Prime; but for these improvements stability and industrial peace are essential. The present attack on the Court is regarded by the workers as a class attack, and if successful in its objective will unavoidably result in industrial friction. The atmosphere thus created is likely to prevent progressive development by the employers and retard recovery, even if actual stoppages do not occur.

5. *The Price Disparity in New Zealand.*

In the preceding section we have assumed that an appreciable disparity between " sheltered " and " unsheltered " prices actually exists. There remains to investigate this problem more closely.

In the table which follows, index numbers of prices of (1) consumer's goods, (2) producer's materials *excluding* materials for building construction, (3) these two series combined, (4) imports, and (5) exports are compared, official figures being recalculated to the base: 1914 = 100.

Building-materials are excluded because of the special circumstances affecting this index owing to the operation of the law of diminishing returns in the timber industry. It is argued (1) that owing to the increased cost involved as it becomes necessary to penetrate further into the forests in search of timber, an important special factor affecting cost is introduced which is not related to the Arbitration Court; (2) that if the Arbitration Court is a factor of importance in the price disparity, it will reveal itself in the remaining series.(1)

The year 1914 is selected as base to facilitate comparison with other series.

TABLE 1.—WHOLESALE PRICES IN NEW ZEALAND.

Comparison of Weighted Wholesale Index Numbers of Wholesale Prices of (1) Consumer's Goods; (2) Producer's Goods excluding Building-material; (3) These Two Series combined; (4) Imported Goods, (5) Exported Goods.

(Official Index Numbers: Base Average 1909–13 are recalculated. Base 1914 = 100.)

Year.	Consumer's Goods (1).	Producer's Goods (2).	Columns (1) and (2) combined.	Imports.	Exports.
1914	100	100	100	100	100
1915	116	114	115	102	119
1916	119	120	119	117	138
1917	131	139	135	143	157
1918	154	156	155	185	162
1919	165	170	167	194	167
1920	186	207	195	238	164
1921	176	186	181	208	152
1922	154	155	154	175	114
1923	152	145	149	157	140
1924	153	152	152	154	159
1925	152	151	152	153	170
1926	143	147	146	146	138
1927	141	138	140	139	134

(After "New Zealand Official Year-book," 1928, p. 781, and Monthly Abstract of Statistics, January, 1928. The weights used are based on the information supplied in the Official Year-book.)

A comparison of the figures for the various series in 1927 is highly interesting, and should be rather disturbing to those who lay so much stress on the price disparity. A reduction in general wholesale prices of slightly over 4 per cent. would equate the movement of wholesale prices in general to export prices in comparison with their levels in 1914. In 1926 the same result would be achieved from a fall in general wholesale prices of about 5½ per cent.; while in 1925, general wholesale prices would have to be *increased* by slightly under 12 per cent. It is important, too, to notice that since 1924 the index number of imported items moves about exactly parallel to the index numbers in columns (1), (2), and (3), and that the disparity with export prices is therefore about the same as in all items. This would suggest that the average movement in the prices of non-imported items is practically the same as in imported items; but the Arbitration Court can scarcely be blamed for the movement in import prices. Had the Arbitration Court been a factor of prime importance in raising prices we should have expected the average of prices in column (3) to be noticeably higher than in column (4) and column (5). There is, of course, a wide variety in the price of individual products. Some have risen more than the average and some less; but since most products, even those of agricultural origin, require some degree of manufacture or handling before thay are sold wholesale, it is clear that were the Arbitration Court the pernicious influence it is alleged to be, the general level

(1) In fact subsequent inquiry shows that the inclusion of this figure makes very little difference.

of wholesale prices within the country should be appreciably higher than the general level of imported prices or of exported prices with the reservation that is made in the following paragraph. In fact, however, the figures suggest that no appreciable general disparity between these three series exists. There is the presumption that unusual disparities in reference to any individual commodities are due to special influences. As I see it, the problem may be stated in other words somewhat as follows :—

(1) Column 3 represents the general level of wholesale prices within the country. (2) This index includes three sets of items : imported goods, some goods which are also items in the export index, and domestic products other than these latter. (3) If there is a factor within the country which is an important element in raising cost, the average wholesale-price index within the country should be higher than the index number of imports and exports ; for (*a*) this factor would not apply to imports except in small degree in reference to handling charges ; (*b*) since most exportable items sold within the country require some treatment in addition to that which is necessary for export alone, this common element in cost would cause such items to reveal a higher price than items actually exported.

As I see it, there is one possible source of error in this conclusion. The weighting of exportable items included in the general domestic index may be different from the weighting in the export index. If the items not exported include a high proportion of commodities whose price has fallen more than the average of exports, this will be a factor in reducing the general index, and compensating for the added element in cost within the country, but affects the general index. I have not been able to obtain a " line " on this factor. I do not expect it to have any marked influence on the general index ; but my conclusion that the actual disparity between domestic, imported, and exported items is small, is subject to the above reservation. The point is worth investigating by the Government Statistician.

I wish to state emphatically, however, that even if it be proved that a disparity exists, *there is still no proof forthcoming that it is due to the Arbitration Court.*

Further, it is relevant to point out that manufacturing industries are not the only ones which are " sheltered." Agricultural produce and milled agricultural products are also sheltered.

If we compare the index number of the wholesale prices of all commodities in New Zealand, including materials for building-construction, with those in the United Kingdom and the United States, for which figures are available, the following is the result :—

WHOLESALE PRICES IN NEW ZEALAND, UNITED KINGDOM, AND UNITED STATES.

(Base 1914 = 100.)

Year.	New Zealand.	United Kingdom (*Economist*).	United States (Bureau of Labour).
1914	100	100	100
1918	153	(Dec.) 237	198
1919	169	..	210
1920	189	(Dec.) 231	231
1921	184	..	150
1922	156	(Sept.) 163	152
1923	151	(Dec.) 179	157
1924	158	..	153
1925	154	(Dec.) 166	162
1926	148	155	(Jan.–Mar.) 157
1927	141	(June–Nov.) 156	..

Allowing for the imperfections of index numbers as a basis for international comparison, it is abundantly clear that prices in New Zealand are not unduly high relative to prices in 1914 when compared with those in the United Kingdom and the United States. If the Arbitration Court is a factor delaying the fall in prices in New Zealand, there are other factors at least equal in importance in the two countries mentioned ; or factors at work in New Zealand which compensate the action of the Court. In short, the pernicious influence of the Arbitration Court on prices in New Zealand is not proven. I believe a careful examination of prices in other countries would reveal comparable price movements, except where special influences operated.

One conclusion, then, is : (1) That the general level of wholesale prices in New Zealand is not unduly higher when compared with conditions abroad in countries which have no Arbitration Court. (2) A disparity between prices of farm products and prices of other commodities is general, and not confined to this country. (3) In actual fact, with the reservation made above, the existing disparity between agricultural and non-agricultural prices in this country appears extremely small, probably less than the disparity in most other countries. (4) For these reasons the case against the Court on the grounds of its effects in keeping up prices and promoting a price disparity is extremely weak.

6. *The Alleged Influence of the Court on Farming-costs.*

It is, of course, conceivable that a special disparity may occur between export prices and the prices of commodities which the farmer uses in production. It has been asserted that such a disparity does occur. If this is so, and if it is due to the cost-raising influence of the Arbitration Court, it should reveal itself in a marked disparity between the index number of wholesale prices of producer's material for the farming industry, and the index number of export prices.

In the following table, in which official figures are again recalculated to the base : 1914 = 100, the index number of all exports is compared with the wholesale index number of agricultural requisites :—

AGRICULTURAL REQUISITES AND EXPORT PRICES.

Comparison of Index Number of Wholesale Prices of Producer's Goods and all Exports.

(Base 1914 = 100.)

Year.	Agricultural Producer's Goods-	Export Prices.	Ratio Export Prices Agricultural Producer's Goods.	Year.	Agricultural Producer's Goods.	Export Prices.	Ratio Export Prices Agricultural Producer's Goods.
1914	100	100	100	1921	166	152	92
1915	118	119	101	1922	155	114	89
1916	130	138	115	1923	132	140	106
1917	136	157	115	1924	150	159	106
1918	159	162	102	1925	140	170	121
1919	165	167	101	1926	133	138	104
1920	204	164	80	1927	117	137	117

In the third column, the index number of agricultural producer's goods is compared with the index number of export prices by dividing the former into the latter. When the resultant figure rises above 100 the movement relative to prices in 1914 is favourable to the farmer; when it falls below 100 the movement is prejudicial to the farmer. Although the figure must not be taken as an exact index of the disparity, it reveals clearly enough that, as compared with pre-war years, far from having suffered from the disparity, the farmer has in the main *benefited*—except in the years 1920-23. It is quite possible that the movement in the price of such goods bought at *retail* has shown a lag behind the movement of export prices; but if this is the case, the blame must be laid at the door of high retail distributive charges rather than high manufacturing costs due to the influence of the Arbitration Court.

In an accompanying memorandum the subject is pursued further, and the special problem of agriculture is considered in greater detail.

7. *The Cost of Living.*

It is further asserted that the Arbitration Court is responsible for the high cost of living. What is meant by this statement? In general, it would appear to mean that the high cost of production in "sheltered" industries by virtue of the Court raises retail prices of goods and services entering into the household budget relative to the income of those not engaged in the "sheltered" industries; for the statement is usually accompanied by an assertion that workers in such industries are protected by virtue of the fact that wages are fixed in accordance with the cost of living, and therefore rise with it, while employers pass on increased charges in the shape of higher prices and so protect their profits. Thus there is created a vicious spiral of rising wages which are translated through rising costs into rising prices. This again comes back in the main to the problem of the price disparity referred to above, for conditions in the large farming market for retail goods are influenced by the export price of primary products, and it is argued that these have fallen more than retail prices.

In the accompanying table, retail prices are compared with consumer's wholesale and with export prices:

WHOLESALE AND RETAIL PRICES.

Comparison of Index Numbers of (1) All Retail Prices, (2) Retail Prices excluding Fuel and Rent, (3) Consumer's Wholesale Prices, and (4) Export Prices.

(Base 1914 = 100.)

Year.	All Retail.	Retail other than Rent, Fuel, and Lights.	Consumer's Wholesale.	Export Prices.
1914	100	100	100	100
1915	107	110	116	119
1916	116	122	119	138
1917	129	137	131	157
1918	143	151	154	162
1919	157	174	165	167
1920	178	149	186	164
1921	171	193	176	152
1922	160	166	154	114
1923	158	160	152	140
1924	160	159	153	159
1925	162	159	152	170
1926	163	156	143	138
1927	162	152	141	137

Certain conclusions appear to follow from an examination of the Table: (1) There is no doubt that a marked disparity exists between the level of all retail prices and wholesale export prices in 1927 as compared with 1914. It would appear that retail prices would have to be reduced by, say, 15 per cent. last year to bring them to the 1914 parity with export prices. (2) If rent, fuel, and light are excluded from the retail index, the disparity still persists; but is reduced. This figure would have to be reduced by some 10 per cent. to bring it to the same parity with export prices as in 1914. It appears, therefore, that special factors affecting rents, fuel, and light are important elements increasing the disparity. These should be investigated. (3) The disparity between the *wholesale* price of consumer's goods and export prices is very small, and would disappear if the former were reduced by 3 per cent. The reduction required in 1926 would be of similar magnitude, while in 1925 there was a greater disparity in the opposite direction.

It is clear from this that in so far as the disparity between retail prices and export prices is sufficiently serious as to represent a real burden on our "unsheltered" farming industries, it is due to special conditions affecting distributive charges, and cannot be proved to be due to the effects of the Arbitration Court on manufacturing costs.

IV. Other Factors in the Economic Situation.

It is clear that the Arbitration Court is, at most, a minor factor in the present economic situation. Many other factors should be considered. Space does not permit of their adequate treatment in this memorandum; but in two supplementary memoranda on "Unemployment" and "The Economic Position of the Farmer" some of the most important are touched upon.

As I view it, the present economic position of New Zealand is due mainly to the sharp fall in export prices since 1925, and the decline in the purchasing-power of farmers which ensued. This naturally reacted on the rest of the community; but was intensified in its effects by over-importation, which normally follows a period of relative prosperity in this country. Over-importation, and an unfavourable balance of trade reacted on the banking situation and occasioned a reduction in the ratio of deposits to advances, in consequence of which it was found necessary to raise the overdraft rate on best accounts from 6½ per cent. to 7 per cent. about the middle of 1927.(1)

While the raising of the rate may have been justified by the ratio of advances to deposits at that time, and no doubt would have some influence in rectifying the unfavourable balance by discouraging imports, yet within the country it could not fail to have a dampening effect on industry and trade, and in particular would hamper such farmers as required short-period credit accommodation.

The inelasticity of wage rates was, perhaps, a secondary factor in the situation; but on the other hand, it must be remembered that award rates of wages showed a corresponding inelasticity upwards in good times.

There are abundant signs that these conditions are steadily rectifying themselves; and that a return to business optimism is now overdue. I believe that a lowering of the bank rate would very much facilitate recovery.

There are, however, more permanent features in the present situation than those which have been outlined. Chief among these are the following, arranged not in order of importance, but as they suggest themselves to me:—

(1) A trend of falling world prices which appears likely to continue in the future. In view of the relative fixity of many costs, especially capital charges against land and fixed capital, this is an important problem in a country which both privately and publicly is a debtor country.

(2) Increased competition from abroad in respect of both exports and imports, together with the existence of economic barriers to trade recovery throughout the world.

(3) Over-capitalization in both town and country, and duplication of productive equipment; associated with a considerable increase in mortgage indebtedness and an increase in urban site rents due to land inflation in the cities; and with similar conditions of over-capitalization and duplication in public services.

(4) The high rate of interest.

(5) An increase in public debt, taxation, and local-body rates not commensurate with a corresponding increase in economic and social services rendered; associated with a faulty distribution of taxation.

(6) The last three factors taken together have increased overhead costs of industry considerably; while in consequence of (1), (3), and under (4), the creditor class is obtaining a greater and increasing share of our real national income.

(7) Probably, the costs of retail distribution are too high, as is suggested by the disparity between wholesale and retail prices. The expansion of overhead costs, an increase in the number of retail establishments, price agreements among retailers, and a probable increase in the number of bad debts seem likely explanations of this condition; but the problem is very involved and should be investigated fully.

(8) The exhaustion of our resources in some directions, notably in relation to timber.

(9) The small scale of many of our "secondary industries" which makes it difficult for them to instal the newest machinery and necessitates a protective tariff to enable them to compete with imported goods.

In relation to the overhead costs of industry, the following quotations from bulletins of the Canterbury Chamber of Commerce are important:—

"At the present time many legacies of the war years stand in the way of cost reduction. Some businesses are over-capitalized; overhead expenses and particularly the expenses of distribution are unduly high; there are still many trade associations aiming at the maintenance of high prices by means of trade restrictions, where much more is to be gained from competition and trade expansion at a lower price level.

"The responsibility for reconstruction and for the further reduction of costs to a level which will enable market conditions to be met must necessarily be borne by those who undertake the task of business organization and management. The strongest argument for private enterprise is that it entrusts this task to those who stand to gain or lose most directly by the success or failure of the business. They cannot escape this responsibility now. The recovery and expansion

(1) The best exposition of the mechanism whereby depression is transmitted into New Zealand is found in a number of articles and Bulletins by Professor Tocker, of Canterbury College—notably, "Monetary Standards in Australia and New Zealand," *Economic Journal*, December, 1924.

of production and trade must depend upon improvements within business itself and upon the efforts of those engaged in business; little help can be expected from outside. And those improvements are most likely to result from the application of internal economies in production and marketing, from better technical organization, fuller scientific knowledge, the steady accumulation of capital, the increased efficiency of labour from co-operation, good-will, and good management."—(Bulletin No. 19, August, 1926.)

"The most cursory survey will show that this expansion (*i.e.*, overhead costs) has been very considerable, and though the statistics available are far less complete than might be wished, there is ample evidence to indicate that the dead weight burden of heavy and often unremunerative overhead charges is a factor seriously hampering economic recovery in the Dominion."—(Bulletin No. 33, October, 1927.) See also *Accountant's Journal*, January, 1928, in relation to overhead costs.

This latter bulletin should be carefully considered, not only in relation to the problem of overhead costs in both farming and urban pursuits, but also in relation to the general problem of arbitration. I feel that it is fair comment to draw attention to the inconsistency which appears when, in bulletins relating to the effects of industrial arbitration, notably Nos. 27, 28, and 30, it is clearly implied that the Arbitration Court is the main factor in such price disparity as exists. I find it difficult to understand the concentrated attack on the Arbitration Court and the neglect of factors such as over-capitalization, duplication, taxation, &c., making for an expansion of overhead costs, in this connection, in view of the clear recognition in other connections, of the importance of such costs. The same applies to the neglect, when considering the Court as a factor in the present depression, to place sufficient stress on over-importation and its effects on banking and credit, despite the very clear exposition of the relationship of over-importation to depression in other bulletins in the series.

V. Method of Alleviating the Present Depression.

It is clear, of course, that there are no panaceas; no short-cuts to recovery. The following methods of alleviating the present position are suggested diffidently, and rather with a view to indicating lines of further inquiry:—

(1) The first essential seems to be to place agriculture on a sounder footing. I would suggest as the prime conditions for this—(*a*) A considerable improvement in rural credit machinery with a view to providing both long-period and intermediate credit to agriculture at a cheaper rate and by better methods. Long-period credit should be devoted, in the first instance, to renewing existing mortgages at a lower rate when they fall due; (*b*) a cheapening in agricultural supplies by a reduction in the tariff on agricultural requisites and in retail distributive charges. These are matters for thorough investigation.

(2) The whole problem of retail distributive charges should be carefully investigated with a view to discovering means to reduce them.

(3) Budget surpluses in good years should be used wherever possible to reduce the burden of debt in order to permit a progressive reduction in taxation. The distribution of taxation should be investigated in relation to its economic effects and incidence, with a view to remedy.

(4) Government borrowing should be confined, as soon as practicable, to capital works which are likely to bring in a money return sufficient to meet interest and redemption charges within a reasonable space.

(5) Banking policy should be more elastic and should be directed towards a greater stability of credit than at present exists, by attempting to discourage boom conditions and over-importation through the manipulation of interest rates. (See Report on Unemployment, p. 6.) This, together with other methods suggested in the accompanying report on unemployment should mitigate the severity of the trade cycle as it is transmitted into this country.

(6) It seems that combination and amalgamation of businesses in certain branches of industry is highly desirable because of the relative inefficiency of the small firm; and that, while the interests of worker and consumer must be carefully safeguarded such amalgamation should be encouraged. New Zealand will never be able to compete effectively with British, American, and European manufactures as long as industry is conducted in small factories in each of which a multitude of processes is performed. Amalgamation might be expected to reduce duplication and increase specialization, which would be all to the good.

(7) In my view, some gradual reduction of the tariff is desirable, in order to force those economies in production which are at present largely lacking. At present, the tariff tends to shelter the inefficient businesses, and the community pays. I believe many of the larger and more efficient firms could manage with a lower tariff. In suggesting this policy, I am aware that the weaker firms would suffer and the stronger firms gain by tariff reduction; but despite incidental injuries and disadvantages, a progressive tariff reduction is to be commended on grounds of general welfare and productive efficiency.

VI. Points for Consideration in reference to Industrial Conciliation and Arbitration.

It will be seen from the foregoing that many of the criticisms levied against the Arbitration Court are untenable; further, even where criticisms are, in fact, justified there are reasons for believing that they would apply equally to conditions which would result from the abolition of the Court, or that other socially undesirable conditions of equal or greater importance would arise.

Nevertheless, it is not argued that the system in New Zealand is perfect, or that some benefits might not accrue from revision or the provision of alternative methods. I very diffidently make the following suggestions:—

(1) The desirability of fixing a minimum wage varying with the cost of living, but related to family responsibilities by a system of family endowment, should be affirmed in principle. The basic rate and the scale of endowment should be determined at a later date after careful investigation.

(2) The possibility of fixing a standard wage above this minimum, on the principle of "capacity to pay" should be examined. The standard wage should vary in accordance with an objective standard, the principle of determination for which should be decided after thorough examination by an expert committee. Such an objective standard need not be the same for all industries.

(3) The desirability of fixing the wage rate, whether standard or minimum, at more frequent intervals than at present should be discussed by the conference.

(4) In view of variations in conditions from locality to locality and from industry to industry, and of special circumstances requiring special treatment, it is desirable to investigate the practicability of making provision for special conditions, having due regard for the necessary safeguards against exploitation of groups weak in bargaining-power. I threw out as a suggestion for consideration the possibility of providing for such agreements of a special nature between representatives of unions of employers and employees, the agreements to have the force of an award by process of registration. By way of example I quote one instance which I understand occurred recently. Employers and employees in a particular firm agreed to close down on Saturday, making up the time lost during the week. After the plan had operated for some time it was found to be in contravention of the existing award, and had to be discontinued. Where a reasonable majority of workers and employers were agreeable, there seems no reason why agreements of this sort, duly registered by the official representatives of both sides, should not become operative without further formalities.

There may be objections to a policy of this sort, obvious to those engaged in industry and not apparent to an outside observer; but the suggestion seems to me to be worthy of trial within limits.

(5) It seems to me desirable that alternative methods of collective bargaining should be provided where the majority of workers and employers in a district desire it. Trade Boards along the lines of those developed in the United Kingdom should be set up as an alternative to compulsory arbitration in particular industries. The desirability of setting up minimum-wage boards in Agriculture should be considered. It seems to me better to try out alternative methods with the Court still in being rather than to abolish the Court and replace it by methods which may prove a failure, or rather than wait for "something to turn up" to replace it, after the style of Mr. Micawber.

(6) In reference to the personnel of the Court, I feel that much good would follow from the appointment of a highly qualified economist as research officer to keep the Court familiar with events abroad, and conduct investigations into special problems; and clearly associated with the Council of Industrial and Scientific Research.

(7) Where third parties are intimately concerned in any award—as, for example, farmers in a dispute affecting an industry producing farming products, they should be given every facility to present evidence as to how a given award is likely to affect them.

(8) It would be advantageous to set up a Joint Industrial Council for New Zealand, and possibly Joint Industrial District Councils to act as general advisory and investigational bodies. The national body might work in close conjunction with the Council of Industrial and Scientific Research.

SUPPLEMENTARY MEMORANDA.

(1) "The Economic Position of the Farmer in New Zealand," by Professor H. Belshaw.

(2) "Unemployment in New Zealand," by the Research Committee of the Auckland Branch of the Economic Society of Australia and New Zealand.

(3) "Recommendations relating to Education and Vocational Selection and Guidance," by the Executive Committee of a conference of representative employers, employees, and educationalists held recently in Auckland.

[I wish to thank my assistant, Mr. H. R. Rodwell, M.A., for correcting the proofs of this and accompanying memoranda, and for undertaking many extra duties, which enabled me to prepare the accompanying material and attend the Conference.] *(Applause.)*

Discussion of Papers.

The Chairman: The papers by Professors Murphy, Fisher, Tocker, and Belshaw are now before the Conference for discussion. Members will note that speakers are allowed five minutes only, and can only speak once.

Hon. Mr. Weston: Sir, I think we must all admit that the papers we have listened to to-day are very valuable contributions to the work of this Conference, and that if this Conference results in nothing else, the production and reading of these papers has probably justified its existence. Of course, all the appreciations of the position will not meet with the unanimous approval of us all; nor will we probably agree with the conclusions of these papers in their entirety. The fact that to some extent the points of view of the four men differ—in some respects materially—shows how difficult it is to arrive at unanimity on a question so far-reaching and important as the present one. I must say that sometimes in reading the appreciations of experts—and I think the same observation applies to our own efforts in that direction—when I come to consider them and endeavour to sort them out and weigh their effect, I am reminded of a method of playing poker, with which no doubt every one of us is familiar. I mean the game of poker in which twos have the value of any card that the holder likes to put upon them. So, often in an argument one finds that the whole depends upon the strength and weight given to a particular point or factor. And I suggest that when we come to weigh and consider these papers, which it is impossible to do at a moment's notice—one has to go through them most carefully and study them closely—we must take care that we do not fall into that error ourselves. Do not let us discard that which tells against us, and exaggerate those points which are in our favour. It is just as well never to underestimate the weight of an argument that is against you. If I may venture to make any suggestions in regard to the conditions which this country finds itself in at the

present time, I would venture to suggest that in our contributions to the solution of existing difficulties each interest might well consider to what extent by its own sacrifices it can alleviate the position; and whether by our own individual efforts, or by the individual efforts of a class, we can remedy our own difficulties without attempting to pass our own difficulties, or the difficulties of that class, on to the backs of other interests or other classes. And on this point I would like to draw attention to the wonderful effort which has been made by the dairy industry and the dairy-farmer towards solving these difficulties pressing upon us in the towns as much as on anybody else. The dairy-farmers, by improved methods of production, have substantially added to the quantity of dairy-produce exported by this country; and I may venture to say that they have probably put themselves by their own exertions in a position to some extent independent of any drop in prices that may come in the next few years. If every one adopted the lines adopted by the dairy-farmers I venture to say that the present difficulties confronting us would to a great extent disappear. Next, may I point out that these are very abnormal times. When criticizing the Arbitration Court so many critics have failed to recognize that that Court has had to function in the last ten years amidst difficulties never anticipated by the men who created it; and to the difficulties caused by the war, the extraordinary inflation and the subsequent deflation that has been the result of the war, have been added problems arising from new discoveries and new methods of trade very far-reaching in effects. All of you know the revolutionary changes in the industrial position brought about by the introduction of steam after the years of the Napoleonic wars——

Mr. Parlane: Sir, when Professor Murphy's address was given yesterday it was promised that it would be printed and laid before us before the discussion on the professors' papers. Are copies of his address available yet?

The Chairman: No, but they will be available at 9 o'clock to-morrow.

Mr. Nash: Might I suggest, Mr. Chairman, that speakers have half a minute's notice of the end of their time-limit.

The Chairman: I will see to that.

Mr. Roberts: Another suggestion we have on this side is that the speakers, if desired, shall be one from each side alternately.

Mr. Nash: I want first of all to refer to some figures quoted by Professor Tocker. I want to suggest that these figures quoted by him have a tendency to prove that what is wrong with the country at the present time is faulty distribution of the national income. If you refer to his paper you will find that he quotes the national income as £116,000,000, and he then goes on to say that there are other factors to take into account, and the national income may be between £140,000,000 and £160,000,000. Supposing we accept it as £150,000,000. Later on he states that the number of wage-workers is 400,000, and he adds that the share of the national income that goes to the wage-workers is at least half. So the assumption is that the 400,000 wage-workers receive £75,000,000 each year, or did so for the last year for which figures are available. These 400,000 will be responsible for at least 1,200,000 of the population of this country: that is, there are two workers, let us say, out of every five persons. The 1,200,000, then, receive £75,000,000, and 300,000 receive the other £75,000,000. I suggest that some of the things Professor Murphy has said with regard to faulty distribution tend to prove that this is one of the main causes, if not the main cause, of the trouble we are in at the present time. One fact to back that up is that if you refer to the income-tax returns you will find that the amount returned for last year was slightly under £55,000,000, and wages are shown as £18,000,000, or roughly one-third. That shows that the worker's share is not even as much as stated by Professor Tocker—£75,000,000. I would suggest that, while the average worker does not send in an income-tax return and therefore his figures are not included, this conclusion is largely supported by the fact that 81,700 of them only received £16,000,000 in the last year that the figures are available for. I suggest, then, that one of the main troubles in this country is proved by Professor Tocker's paper to be faulty distribution of the national income. One other point I wish to mention was stressed by Professor Belshaw—the question of over-importation. I do not think we have that factor put strongly enough. In the seven-year period 1920 to 1926 inclusive our exports and imports were practically the same. We imported £334,000,000 worth and sent away £334,000,000 worth. In the period 1913–20 we exported £60,000,000 more than we imported; and going back to the period 1906–13, we exported £14,000,000 more in products than we imported. I suggest, therefore, that the second factor of importance that we must take into account is that we are importing too much in the way of goods manufactured in other countries; and I submit that these prices are hardly, if at all, affected by Arbitration Court wages, and that the prices of imported commodities contain very little from a wages point of view. Professor Tocker also mentioned one other thing of importance, the point that there is no shelter for our primary industries. I would suggest that the B.O.W.R.A. institution is one of the finest sheltering instruments that they could possibly have, and that it is absolutely imperative that it should be adopted if our primary industries are to go on. I want to refer to one thing Professor Murphy said. He stated that we have had thirty years of public and private extravagance. I want to emphasize the fact, and I think it was emphasized by Professor Murphy himself, that that extravagance cannot be laid at the doors of the workers. They could not have been extravagant in any way, because he stated——

Mr. Purtell: May I suggest, Mr. Chairman, the suspension of the Standing Orders in order that we may discuss the question of the time-limit for speakers. Both speakers have been very interesting, and I would like to have heard more from them. I suggest that it be a recommendation to the Business Committee that it reconsider the time-limit.

The Chairman: They may in the future, but at the present time we are bound by the limit laid down.

Mr. Acland: May I ask a question, sir? When did the B.O.W.R.A. appertain in regard to New Zealand?

A Delegate: Indirectly. You know it yourself.

Mr. Parlane: I am sorry that some of the speakers on the other side have not addressed the Conference and given us their views on the various matters raised in the papers presented by the economists. But in the few minutes at my disposal I want to back up the remarks of Mr. Nash. It has been stated that the present position of this country is due to faulty distribution and not to faulty production. I have the figures to show the relative position of the workers since 1914. The Year-book gives the effective wage index numbers as follows: 1914, 1,000; 1916, 940; 1917, 887; 1918, 833; 1919, 812; 1920, 822; 1921, 894; 1922, 966; 1923, 960; 1924, 959; 1925, 965; and 1926, 973. Now, assuming that the average wage in 1914 was 54s. per week, the actual reductions in wages that the workers have suffered since 1914 would be as follows: In 1917 they suffered a reduction of 6s. 1d. per week; in 1918, 6s. 4d.; in 1919, 10s. 2d.; in 1920, 9s. 7d.; in 1921, 5s. 9d.; in 1922, 1s. 10d.; in 1923, 2s. 2d.; in 1924, 2s. 2d.; in 1925, 1s. 11d.; and in 1926, 1s. 6d. Again in the Year-book there is a section dealing with the private wealth of the Dominion, and according to that article the average of private wealth per head of population shown by the 1914 estimate was £255, or, if only the population twenty years and over be considered, £424, as compared with corresponding averages of £553 and £909 disclosed by the 1925 estimate, and £878 in 1926. The Government Statistician points out that the principal increase is due to the inflation in prices, but he equates the prices for the 1914 level, and even then it shows an increase in the average wealth of over 40 per cent. So that while the worker has had his standard of living reduced the other section of the community has been able to acquire more wealth, on the average. The main thing, I contend, to increase production is to bring about an equitable system of distribution of wealth. That will certainly encourage the workers. There is another thing I would like Professor Tocker to deal with in his reply. He states that in order to right the situation labour costs must be reduced. I would like to ask this question: In the event of labour costs being reduced and increased production resulting, would not that manifest itself in land-values, which would in time neutralize the effect of reduced labour costs?

Mr. Bloodworth: In the course of his paper Professor Murphy stated that we were suffering from thirty years of public and private extravagence. He also referred to some figures produced by Mr. Campbell, with which he agreed. Those figures showed that the workers' position had not improved; in fact, I think he said that they had been slightly reduced. If, then, Mr. Campbell's figures are correct, it cannot be true that the workers have been guilty of private extravagance during that period of thirty years. From Professor Tocker's remarks we understood him to insinuate that the Arbitration Court was responsible for unemployment to some extent. I would like to ask whether the professor saw the *Dominion* this morning, which contained references to unemployment in New South Wales, in Great Britain, and in the United States. In the last two countries there is no Arbitration Court. I would also like to draw attention to a paragraph which appears in Professor Tocker's paper, on page 25, that "Given the elasticity and variety which follows on freedom of organization, competition will secure that the most effective methods will be adopted. Without freedom and variety some measure of stagnation is inevitable. In the unsheltered export industries, and particularly in dairying, freedom from over-regulation has permitted a considerable expansion of output during recent years, despite low and falling prices." I respectfully submit that while the dairying industry has improved its methods, the improvements in the dairying industry are not greater than those in the building and engineering industries.

A Delegate: Oh, yes.

Mr. Bloodworth: That is a matter that can be inquired into, but I submit that the methods in these two industries are as great as those in the dairying industry. These two industries are governed by awards of the Arbitration Court regulating wages and conditions of employment. Those two industries have improved as much as the dairying industry. That shows that it is possible under awards of the Arbitration Court for an industry to improve its production despite the fact that the conditions are agreed to by the workers in the industry. I would also like to ask Professor Tocker if he can explain his figures for import prices on page 23 of his paper: he gives the import price as 100 in 1914, increased to 139 in 1927, while he gives the cost-of-living increase as from 100 in 1914 to 161 in 1927. How does Professor Tocker explain that while import prices have increased only 39 per cent. in that period, the cost of living has increased by 61 per cent. during the same period?

Mr. Semple: I agree with the Hon. Mr. Weston that it would be impossible for any delegate to do justice to the volume of matter contained in the papers which have been presented to the Conference by the ecomonists: it would be futile for any delegate to attempt it. But I would like to put a question to Professor Murphy, who yesterday told us in his address that the two contending parties never gave consideration to the third party, the general public, when they were contesting a dispute in the Court. Supposing we disposed of the system of arbitration, would the contending parties then consider the welfare of the general public? Sir, I think it would be more disastrous, because at the present time, while these parties are contending in the Court the industry is still carried on, whereas if they reverted to the strike weapon industry would be at a standstill while the contest was going on, and as a consequence, I submit, the damage would be greater to the general public—the third party whom Professor Murphy wants to protect by abolishing the Arbitration Court. I would like the professor to tell us how he would compel the two contending parties to consider the third party. Professor Tocker told us this morning that one of the chief remedies for our present economic difficulties was increased production or reduction in wages. I would like Professor Tocker to prove that the workers of this country are not producing a fair thing. Take, for instance, the miner: I believe that the miner of this country has to his credit that per head he produces a greater amount of output than the miner of any other country in the world. It has been shown conclusively that his output would compare favourably with that of miners in any other part of the world. I believe that the

output of the average worker in any New Zealand mine will compare favourably with that of the miner in any other country. I would like to hear Professor Tocker submit facts to this Conference to prove that there is a slackening on the part of the worker, or that it is possible for him to produce more with the implements at his command. Perhaps Professor Tocker meant that we want to use more scientific methods of production, that our machinery is obsolete: perhaps I misunderstood him. I merely rose to ask these two questions, Mr. Chairman, but at the same time I submit, with Mr. Weston, that it would be impossible for any delegate to do justice to the great volume of matter that has been placed before the Conference by the economists.

Mr. Tucker: I find on page 23 of Professor Tocker's paper that he sets down the index number of wages (excluding agriculture) for 1927 at 163, as compared with 100 for 1914. Will he explain where he gets those figures from? I do not think he will find them in any award books. We find also on the same page that "the index numbers show that in 1927 agricultural and pastoral wages were 47 per cent. above the 1914 level; other wages, mainly award rates, were 63 per cent. above that level." Compare these two figures, 63 per cent. and 47 per cent., we find a difference of 16 per cent., which should be of some assistance to the farmers in making their industry pay. We also find references to production. I understand that by "production" is meant individual production in any industrial department. Now, when it is reduced down it is a question of management more than national production, and I believe that when the question is reduced down to individual production it is beside the point, because what counts in the economics of any country is the loss or reduction in the production of the country, and it is the duty of this Conference to see that the most scientific methods are used to produce nationally. I have no doubt that the delegates on the other side, or the people whom they represent, have their managers to see that every worker will give a good account of himself during the hours he works. There is no doubt that when we compare his figures it cannot be said that he has given us any case at all against the Court. He has given a lot of figures and other matter that is beside the point. He has given us a form of destructive criticism, but has offered us no constructive policy. I should think it would have been his duty to offer us some form of substitute for the institution that he now seeks to destroy. If the Court were destroyed we would return to individual bargaining, and resort to the strike as the most effective weapon to settle disputes, though I do not think there is a man in this room who would favour a resort to that state of affairs. We have to be proud of New Zealand for having achieved such a degree of contentment and peace. There is no doubt that when you deal with the figures that have been given here, and when you compare the industrial situation here and in Australia, you find that Australia is thoroughly organized, and the number of men in unions there is very much greater than in this country, and so are the employers, and yet we find that a higher rate of wages operates there. The census of 1921 gave the total number employed on the land as 59,000: 3 per cent. of the men in unions under the Act could not very much affect the agricultural industry from that standpoint. The figures for Australia are very telling in the pastoral industry, and I wish to point out that the effective wages in the agricultural and pastoral industries are 9·2, according to the Statistician's figures, below what they were in 1914.

Mr. Polson: I am one of those who feel a certain amount of diffidence in venturing to offer any criticism on the tremendous amount of information which has been placed before us by the experts to-day. I do not feel confident—in fact, I am in a more or less half-stunned condition—in approaching the mass of information which has been brought forward to-day. But I have some knowledge of one aspect of one of the subjects dealt with by one of the experts, and I am still one of those old-fashioned folk who believe that sometimes an ounce of experience is worth a ton of theory. I wish to refer to one of the matters that Professor Belshaw dealt with in his paper—the question of the inflation of land-values, a subject I know something about, although I do not pretend to know a very great deal about economics. I have been for some time a member of a Board in this country which lends money to settlers, and I have studied the question of land-values fairly fully during the past two or three years. I have taken the trouble to collect, as far as it is possible for a private individual to do so, information on the subject of land inflation and land deflation, and I wish to say that some of the figures which Professor Belshaw gave us in connection with land-values are, in my opinion, nothing more than pure guesswork; and whenever I find any economist guilty of guesswork in connection with any subject I know something about I am a little bit inclined to suspect him of guesswork in connection with the things I know nothing about. In the course of his address he said this: "Allowing for retransfers, my own estimate places the area which changed hands during 1915–24 as slightly under one-half the total occupied area." Now, I venture to say that that is a very gross exaggeration of the true position. The information is to be obtained, and can be obtained, by a study of the rating rolls of the County Councils throughout New Zealand. I have not been able to study them all, but I have some of them, and I have obtained some information, which I am sorry I have not brought with me. I have obtained particulars from various parts of the country, and I am satisfied that the area is nothing like that. I believe that the rate does not exceed 20 per cent. of various provincial districts and counties. The South Island is better off than the North, and the Provinces of Auckland and of Taranaki are affected more than others. And the position is complicated by the fact that in some counties the total area is small while the number of transfers is considerable, while in other counties the areas are large and the number of transfers small. So that it is difficult to discuss the question either from the point of view of area or number of transfers, because both are inclined to be misleading. I wish to point out also that the money value which Professor Belshaw gave us is calculated to mislead us also, because, as you know, money values have altered very much. I have here a list of a number of blocks of land, all in one area, with which I am familiar, and all those blocks were taken up in the bush twenty-one years ago—leasehold blocks in the Ohutu Land Survey District. After having been completely improved, they have been revalued in the last few months at a tremendously reduced valuation on the original valuation of twenty-one years ago.

Mr. McBrine: I was amused to hear Mr. Polson commenting on Professor Belshaw's paper and accusing him of guesswork, when later on he stated that the figures he himself had obtained regarding transfers of land might be misleading and indicate something else. Was not that a guess of some kind on his part? At any rate, he had not a very strong case. In regard to land-values, I would refer other speakers on this side to Professor Tocker's paper, who, in his conclusion, suggested that the sole remedy for the evils we are suffering from at the present time, and which are affecting prices, can be cured only by the reduction of labour costs. "Labour costs must be reduced," declared Professor Tocker. But in the whole paper there is nothing said about the trouble being due to the result of the high land-values, or to the over-capitalization of industries. I just submit this suggestion to some of the farmers present: that when they say it is essential there should be a reduction of labour costs, there should be also a lowering of something else. I admit that I do not know very much about land-values as a whole; but I do know, from the first-hand statements of people who have done the buying, that there are a number of farms in the Waikato district that have changed hands in the last few years at something like £100 per acre—dairy farms and good land. I am told also that that land would not have fetched under any consideration more than about £50 per acre before the war. The interest rates before the war and before the period of inflation might roughly be said to have ranged around 5 per cent.; a security of that kind ranges to-day somewhere in the vicinity of 7 per cent. I am assuming for my argument that one worker is dairying, roughly, on 20 acres of land. I do not know if that is so or not, and I throw it out as a suggestion. Here is the position: at £100 per acre 20 acres pays an interest charge each year of £140. The same 20 acres at £50 an acre with 5 per cent. interest paid an interest charge of £50 before the period of inflation; so that each worker who held that land had to hand over to a non-producer—and I emphasize that point—an additional 90 per cent. in value each year beyond what was necessary before the period of inflation. I am sorry, personally, that we have not had before us a paper dealing with the banking and financial aspect of this question before the discussion took place. We have had very little evidence in connection with the other economists' papers, and it is to be regretted that regarding that aspect we have nothing directly to deal with at this Conference. We must also have in mind the absolutely enormous charge on the joint product of the people which is exacted by the third party, who is a non-producer—that is, the interest-drawer—because, after all, the interest-drawer does not actually produce anything at all. I suggest that that aspect should not be lost sight of in the discussion.

Mr. G. H. Williams: I would like to endorse what has been said about the value of the papers which have been read by the Professors of Economics; but it is impossible to agree with all that the professors say, because they do not agree with each other. But, agreement or disagreement, there is no doubt they have been a very valuable contribution to the facts and matters placed before this Conference. These papers have been the result of a vast amount of study as to this particular question from the point of view of the scientific side, and they will prove of great value to the country generally. It is therefore absurd for me in the short space of five minutes to attempt to deal in detail with the papers before us. If this Conference were to adjourn for three years to enable me to study the subject of political economy I would be very pleased to go away and then come back and deal with these papers in detail. The one feature I wish to call attention to in Professor Belshaw's very valuable paper is that he has practically excused the labour conditions—or I will say, the costs of production, from being the result of labour conditions—as being of no importance at all. That is to say, the importance of the Arbitration Court, which is to a very large extent responsible for the labour conditions ruling in this country to-day—the importance of that is minimized beyond what I think is a right and proper extent. That is the only point generally that I feel inclined to call attention to in that paper. There is, however, another point, and that is that the various conclusions drawn by Professor Belshaw and by Professor Tocker are based on the same data. As to which point of view I am most in agreement with is beside the point. I merely call attention to that fact, and further reiterate the impossibility of going into detail as to reasons for siding with the one conclusion or the other in the space of time that is available.

Mr. Polson: It is now 5 p.m. I move, That the Conference do now adjourn till 7.30 p.m.

Mr. Bishop: In view of the fact that many of the delegates wish to leave Wellington on Friday evening, and that the Easter holidays commence next week and we are likely to adjourn till after the holidays, I should like to move that we sit to-night in spite of the resolution passed earlier that the daily sittings close at 5 p.m., and that to-night be devoted to the completion of the papers now before the Conference, so as to enable us to make a start to-morrow morning with the other papers to be presented.

The Chairman: I was waiting to see whether the discussion was finished, so that we could take the professors' replies on the debate this evening. Is there any one else who wishes to speak?

Mr. Roberts: I have consulted my colleagues, and I am afraid that many of them, unfortunately, have other meetings to-night, so that it would be impossible for them to be here. The professors would certainly not have time to reply in one hour, and there would be other discussion, I understand. Professor Murphy's paper is not ready, and many of the delegates think that they should have it before they discuss the statements made in it. I think that if we agree not to meet to-night the discussion would not take much longer. We could get through the discussion in the time mentioned by Mr. Bishop—that is, by Friday night.

Mr. Bishop: We have twelve papers still to come.

Mr. Roberts: I do not think they will be the tomes that we have had to-day.

Mr. Bishop: I suggest that we sit on now till 6 o'clock.

Mr. Roberts: I second the motion.

Mr. Baldwin: I protest against sitting till 6. I think we should adhere to the limit laid down.

Motion agreed to.

Mr. F. R. Cook: I am very diffident about rising to speak for five minutes in a discussion of this kind. I thought that we were going to swap ideas—that we were going to be a committee and swap ideas about making New Zealand better. But there seems to be a stiffness about the meeting, and we seem to be one side against the other. Perhaps the stiffness will break down, but it will not do so under stereotyped rules and five-minute talks. In criticizing some of the professors I am like Tom Sawyer, one of Mark Twain's characters: I believe in the book. I want the book. You will remember that the slave was attempting to escape, and Huckleberry Finn was helping him; and they met Tom Sawyer when they had got seven-eighths of the way out of the States. Then Tom said, "How did you come down?" And Huckleberry told him. "Well," said Tom, "we will read the book and see what it says." And they read the book, and the slave was captured again. I take the professors as the book; and when we follow it, what do we see in regard to the book? On listening to the professors' papers I found that the book was scarcely correct; because, when they came to speak of things we understand—labour and Arbitration Courts—we could soon find their mistakes, as Mr. Polson thought he found the mistakes of Professor Belshaw in respect to land-selling. Professor Murphy said that a question came before the Arbitration Court, a question of skill, and the skill consisted in a man putting jam on confections. Well, when I visited a factory I saw a junior girl putting jam on confections. Therefore his contention is, in my opinion, wrong. According to what I saw it was quite wrong. As to his criticism of the Arbitration Court, I find that he knows very little about the Court. It appears, indeed, that he has not attended the Court. He criticizes the proceedings of the Court on lines that are not practical—on lines that are foolish. If he had attended the Court when Mr. Justice Stringer, Mr. Justice Cooper, Mr. Justice Frazer, or any of the other gentlemen, were on the Bench, he would find that if any advocate made such a suggestion as that putting jam on a confection was skilled work he would get such a dressing-down that he would never attend the Court again. I am not going to traverse the arguments of the economists, because I could not do that in five minutes. But I have a lot of ideas, and have done a lot of research and study on these matters, and I might suggest that the protected industries, with their 77,000 workers and their £14,500,000 a year paid in wages, are not jeopardizing the interests of this country one iota if we take the national income into account and take into comparison with our exports that £14,500,000 annually. It appears to me that many of the professors have not got in touch with labour. Professor Murphy said that he had been in a pickle-factory, and he found he was a failure there and went in for economics; and I find he is a failure in criticizing the Arbitration Court, because, as I have shown you, gentlemen, he has made a big mistake.

Mr. Roberts: Sir, I have heard to-day and yesterday quite a lot about production, quite a lot about the value of production, sheets and sheets of paper about land and factories, but nothing about the human race that depends upon this production. In all the papers given by the professors, with the exception of Professor Belshaw, they have assumed, I believe, or forgotten to mention, that human beings require food, clothing, and shelter. That is not a remarkable thing for professors to do. They generally forget these little things, these most important things in life, though in the last analysis food, clothing, and shelter are very important things to the professors also. The first thing I want to say is that, as other speakers have said, there is quite an amount of information in the papers submitted. Some of the things said by Professor Tocker in his paper I agree with. But they are few indeed. I have to put on spectacles to find them. A great deal said by Professor Murphy, particularly as to the settlement of disputes, I think very good; but his knowledge of the Arbitration Court and its proceedings was pitiful. Then, Professor Belshaw gave us to-day a contribution on two issues—primary or land production and our secondary industries. It is an invaluable contribution in regard to New Zealand's primary and secondary production generally; whether we believe all of it or not, it will make us wake up and consider just where we stand in this country. Professor Tocker, on page 25 of his paper, says, "Through them we have limitations of the range of tasks to be performed by one man, the creation of jobs in order that employment may be found, men's wages for boys' work, skilled men's wages for unskilled work, and all the futility of making jobs, regardless of their effects on the cost of production, on prices, on the market for products, and hence regardless of their reactions on the wages that are to be paid." I shall be delighted if he will tell me where is that industrial Eldorado in New Zealand. I take it that when a Professor of Economics makes a statement of that kind he should back it up by some facts. My opinion is that that statement is not correct. My experience is that the Arbitration Court does not do foolish things of that kind, and I have had a fairly lengthy experience of that Court. Professor Belshaw states that there are only 25 per cent. of the workers of New Zealand who desire to come under the jurisdiction of the Arbitration Court. But it is not a lack of desire on the part of the people but a lack of opportunity. If there are only 25 per cent. under the jurisdiction of the Court, it proves that the overwhelming proportion of the workers are engaged in the farming industry, and the Arbitration Court does not affect their position at all. Again, on page 23 there is a most important statement for a Professor of Economics to make. He states that from 54 to 60 per cent. of the national income finds its market within the Dominion itself. Does not the expenditure of that part of the national income mean something to the primary producers and the commodities they sell in New Zealand? Is the home market of no value to the primary producers? According to Professor Tocker it is not. I hold that the home market is of great value to our primary producers. It is a most important market. If we could eat all our produce and pay a good price it would be better for the primary producers. Are we to forget the humanitarian side of production, to forget that the worker must live whether he is a farmer or a town worker, to forget what Professor Murphy said, that he was paying a little out of his income to keep the general labourer? These men have a right to live, and it is the duty of New Zealand to see that a living is obtained by them, and the duty of the professors to assist us in getting a living for the men who render useful social service.

Mr. Herbert: Sir, I just rose to make one reference to Professor Tocker's paper. On page 23 he refers to labour costs, and states that labour costs are 50 per cent. of the total national income. He also says that the total national income is £116,000,000. Does he mean to infer that £58,000,000 is paid to the New Zealand workers in wages? If the statement he makes on page 23, that the wages paid to the workers amount to 50 per cent. of the total national income, is correct, then it may be inferred that the workers receive £58,000,000 in wages. Now, it is a pity that the professor, who has access to documents and statistics, has not made some more detailed inquiry in reference to labour costs. I would suggest that when the professor makes a statement like that he should give some more detailed evidence as to cost of production. We know that material is a big factor in the cost of production; there is also depreciation to be taken into consideration, and we also have interest, rents, and profits. Nothing is mentioned about profits except in a period of depression. Then, I would like to ask Professor Fisher a question as to a statement made on page 20 of his paper, where he states that his work was paid for at piece rates. Does he mean that?

Professor Fisher: I would not have said it if I did not mean it.

Mr. Herbert: Do you say that?

Professor Fisher: Yes.

Mr. Herbert: Well, it struck me as being peculiar. I did not know that research work was paid for at piece rates. On page 20 of his paper it says, "For the type of work on which I am engaged, piece rates were at one time frequent; time payments have now been generally substituted, and it is agreed everywhere that the change was a good one."

Professor Fisher: Do you agree with that?

Mr. Herbert: Yes, I agree with that, but I thought it was unique that a professor should make such a statement as that.

Mr. Bromley: I do not want to prolong the discussion, and it is with a good deal of diffidence that I rise to speak at the end of the presentation of papers such as we have had to-day. It is not for the purpose of criticism, but in order to obtain, if possible, some elucidation, when the professors reply to the discussion, that I am rising at this juncture. Referring first to the address of Professor Murphy, not having his paper before us it is difficult to follow his remarks closely, but I have a record here that he made it quite clear that more production was the solution of our economic difficulties and depressions which the country is labouring under at the present time. I find in his own book, "Outlines of Economics," that he points out that consumption is the supreme motive and ultimate determinant of production, for the wants of the consumer determine the market of production. He did not make it clear that he was blaming the workers for under-consumption. We say that he does not get sufficient to enable him to consume enough. He also made some reference to the inefficiency of the workers: it may not have been quite definite, but it was implied that the workers were less efficient than previously. I find, again quoting from his book, that he points out that a more even distribution of wealth would react favourably upon the efficiency of the workers and consequently increase production, and in that respect we are in agreement with him, but we want to be sure that he is emphasizing that point to-day. That is what is required if we must have more efficiency. Mr. Semple has shown that the workers here are quite as efficient as those in any other country in the world. If we are to have that increased efficiency we must have a greater share in the distribution of wealth produced. The professor seemed to have some objection to the Court fixing a minimum wage, because that is, after all, what the Court does. It is not supposed to fix a standard wage. Again quoting from his book, he says that the minimum wage should be a fixed charge upon the industry, and if the industry is not able to support it it is parasitical. That was quoted by Professor Belshaw. I want to refer to one other point in his speech. It was referred to by Mr. Cook from a different angle, but I am inclined to think that he misunderstood Professor Murphy when he joked about the Arbitration Court determining such issues as whether the spreading of raspberry-jam on tarts was skilled or unskilled labour. He cracked a joke at the expense of the Court and instanced its dealing with such trivial details. He said that labour legislation must not be couched in general terms, but must be of the most detailed character.

Professor Murphy: I think you have got the old edition.

Mr. Bromley: These are quotations from the professor's own book, but seem to have been entirely forgotten by him when he was speaking to us yesterday, and it is only with a desire to find out what he means that I am speaking. With regard to Professor Tocker, I want him to explain whether he thinks his is a complete paper when in it he, as an economist, places before a Conference of this kind a paper in which he sets out before us the difficulties of the primary producers, concentrating his whole argument on wages costs, but never mentioning other costs. As I have only half a minute left I would like to draw his attention to the *Journal of Agriculture* for October, 1927, where a table appears on page 225 showing the expenses of a dairy farm per 100 acres, and out of the total of £418·875 the wages cost for labour is only £158—a very small detail; and that may be why it was not emphasized by Professor Belshaw, and was referred to by Mr. Williams as having been missed out.

Mr. Purtell: Like Mr. Polson, I have a horror of figures and graphs: I would sooner have plain reading. I believe that a psychology has been created in this country, as in other countries, and that that psychology is not quite true. I do not believe that things are quite so bad as some people have suggested. For instance, we have had the "jam-tart business," which is not of much importance anyhow, but it only goes to show how this psychology can be created amongst the people, who think that we are in a really bad position. These professors have admitted that they have no practical experience. I find in Professor Tocker's paper that he states that, apart from the Conciliation Councils, there does not seem to be much business doing in connection with the Court. Well, we as trade-union secretaries find that the Conciliation Councils are useless, because they are generally a dead wall, refusing to do anything; and that is the end of it. There is another statement here in Professor Tocker's address

I wish to refer to. I happen to be the secretary of a clerks' union. Professor Tocker says, "There is little if any evidence of sweating now in occupations quite beyond the Court's influence—for instance, amongst women typists and domestic servants, who are altogether unorganized and unprotected." In reply to that statement I wish to say that there are very few unions in the Dominion of that kind, but I think where they have the support of the workers it is certainly beneficial to the workers who take advantage of the right to form a union. Then there is another statement here by Professor Tocker. He says, "Through them we have limitation of the range of tasks to be performed by one man, the creations of jobs in order that employment may be found, men's wages for boys' work, skilled men's wages for unskilled work." In regard to that statement, I have found quite a number of industries involving exceptionally heavy work, and there I have found boys doing men's work and getting the junior rate of something about 30s. or 35s. per week. That sometimes applies to what has often been termed the sheltered industries. I have had a recent experience of organizing some workers, and I found to my surprise that the employers were in favour of an Arbitration Court award. We got the award all right, and we found that the reason the employers wanted the award was because they found that they probably could not get a contract unless there was an award in that district. The wages that were fixed by the Court were, in the junior section, practically on a par with the English union rates. The industry was the biscuit and confectionery. There is one other point I hope we shall get some information upon from our economist friends. Their figures have been based on the Statistician's. I do not pretend to refute them, but I do want to see them compared with those for each group as given in the Statistician's tables, and I think the comparison will affect the figures given by the economists. Lastly, with respect to the conditions of the farmers, I would like some information from our farming friends. I recently noticed that a man who shipped nineteen bullocks to England only got a profit of £90 out of the shipment, the total receipts being about £290. Perhaps the balance went to the shipping companies and other people who are helping on the prosperity of this country.

Mr. Martin: I think that when the sub-committees are set up we should appoint a "Professors of Economics Joint Sub-Committee," so that those gentlemen can thresh out the points among themselves and perhaps arrive at some unanimous decisions regarding the same, instead of having disagreement thereon, as their papers seem to suggest at the present time. Perhaps the most important point in the papers is the conclusion arrived at where they do agree. I particularly refer to the findings arrived at by Professor Tocker. I do not know why the professor comes in for a great deal of adverse criticism from this side of the table. He stresses the point that labour costs must be reduced in order to bring about increased production. But he goes on further to argue that it would not be advisable to decrease wages, and I take it that his suggestion really is that the proper thing to do in order to get away from the position we are placed in to-day is to increase production. Well, it seems to me that we have to prove that the Arbitration Court has been the factor in bringing about the increased production, and if that is the opinion of Professor Tocker then he must admit that it also follows logically that the Court has been the factor in placing us in the economic situation we find ourselves in to-day. I will leave the professor to answer this question also: In advocating increased production, to what extent does he think the fact has been studied of the effect of the use of up-to-date machinery in this country in industries, or the non-use of the same, and also the continued application of out-of-date methods, and inefficient management generally? I wonder if Professor Tocker will indicate to what extent he thinks there is improvement possible, and necessary, in that direction. I think he showed some apprehension on that point.

The Conference adjourned at 5.45 p.m.

THURSDAY, 29TH MARCH, 1928.

The Conference resumed at 10 a.m.

Discussion of Economists' Papers resumed.

Mr. Churchhouse: The papers that were read by the Professors of Economics, and distributed amongst delegates yesterday, contained very valuable information, and provided a good groundwork for this Conference to work upon. We probably do not agree with the other side as to the statements which the professors have placed before the Conference, but we do admit that there is very important matter contained in the papers, which will be valuable to us. What this Conference requires to do is to extend its mental vision, and go for big things: the Conference must thaw out a little bit, so to speak. Let us get together and do something in the interests of industrial stability and the financial prosperity of this country. That is our job, and that is what we are here for. Professor Murphy, whose very interesting address you, Mr. Chairman, did not have the pleasure of hearing, made the statement that before the Arbitration Court the worker was not concerned with production. Now, I want to say that it is not the function of the workers' representatives before the Court to interest themselves in the other man's business, whether it be that of a farmer or a commercial man. That is not his job. It is not for the representative of labour to say to the farmer, "If you put another udder on the other end of Strawberry's body, that would be a way out of your difficulty." That is not his job. The job of the Arbitration Court is to say "Yes" or "No." The dispute might be over money or anything else. One side says "Yes," and the other side says "No," and the Judge tries to arrive at a balance between the two. That is all that is required there. This Conference practically affords the first chance for labour to show that it is interested in production in this country. This is the first opportunity, and I say that it was a very wise move on somebody's part to bring the two sides together, and I am quite sure that some good will come from the Conference, even if we never reach finality at

this Conference. I do not want to refer further to Professor Murphy's address, because there is not sufficient time at my disposal. Professor Tocker's paper was most interesting, and contained a lot of valuable matter that we may be able to work upon. One point of which I have taken a note was in regard to the industrial balance. That is quite a good word, and the more you look into that question the more you will find in it for consideration. Then the professor also referred to overhead costs, which point was touched upon by most of the other professors in the course of their remarks, but I am now referring to Professor Tocker's paper particularly. I would like to ask the professor one question in regard to a statement which appears on page 23, that relief for the farmer can come only with the expansion of the farmer's demand for sheltered goods and services. Now, is the farmer's industry not sheltered ? We will take the agricultural side of farming—that of grain-growing. We find that flour in this country is selling at £16 5s. per ton. In Sydney and Melbourne the imported stuff is selling at £12 5s. f.o.b. Freight to New Zealand is £1 13s. per ton ; the duty per ton is £3 : this makes the imported flour £16 18s. If you removed the duty on flour it would come into this country at £13 18s. I would like to know whether Professor Tocker thinks that the agricultural industry is not one of the sheltered industries. Mr. Coates in his speech told us that the Conference would be afforded a full opportunity to examine all the facts : he said the sky would be the limit, as far as our investigations were concerned. Probably before we finish some wag may call this Conference "the Nosey Parker Conference," because we are going to look at the business of the other chap, and they will have the same right to look into our business : to inquire into the business of both sides is the work of this Conference. The industrial life of this country is inseparable from the political life, and if we are going to delve into the industrial side, then we surely have the right to enter into the political field also. We want to know something about these overhead charges and the drift to the towns. The land of this country is deteriorating. There is very little employment on the land, and the drift to the cities is caused by the fact that industrial work is a seasonal occupation.

Mr. Cornwell : I have listened with great interest to all the statements made by the Professors of Economics, but I think it is to be regretted that they did not deal more fully with the question of unemployment. I notice that Professor Tocker, on page 21 of his address, mentions that during 1926 and 1927 in particular, after the prices of our exports had fallen 20 per cent. below their 1925 level, a measure of depression spread throughout the Dominion, unemployment became acute, and closer attention was directed to the search for weaknesses in our economic organization. On page 23, at the foot of paragraph 7, he states, " The sheltered industries of the towns have been since the war much more attractive. Consequently both labour and capital have been diverted to those sheltered industries. But their market is limited to the local demand, and, as the farmers' purchasing-power has declined, the local market has been unable to absorb their full output at prevailing prices, production has been restricted, and they have been unable to absorb the labour supply available. This is the chief cause of the unemployment which has proved so intractable during the past two years." I would like to ask these gentlemen if they have ever given consideration to the question of immigration and its effect upon unemployment. It is astonishing to me that that question was not mentioned when this matter was touched upon. If we turn to the figures and look at the question of immigration, and take the year 1926, we find that no less than 10,766 assisted immigrants came into the Dominion. I wish the Conference to understand that I personally, and the labour movement generally, am not opposed to immigration, but there are qualifications to which we are opposed. We have had very much unemployment, and during 1924–25 over eight thousand assisted immigrants came in each year, while in 1926 there were 10,766. It is remarkable also that for the year ending the 31st March, 1927, the Labour Department assisted 10,268 people. Possibly they may have assisted some of those men several times. This is a question which ought to receive further consideration later ; but, seeing that the professors were dealing with most important questions in their papers, I thought it strange that they omitted that subject, and I hope that in their reply they will make some mention of it. I would like to ask Professor Murphy a question, and I am sorry I have not his paper before me. But he suggests this : " Another point I think of importance is, that it seems to me that the compulsory arbitration system has been extremely unfortunate, because it has simply resulted in practice, although not in law, in keeping the parties apart, with much harm to the community generally." I have been associated for just over twenty years with the Industrial Conciliation and Arbitration Act of this country, and my experience has been totally different to Professor Murphy's statement. Through the Conciliation Council's lead, through the discussions, and particularly in the presentation of cases in the Arbitration Court, facilities are given for workers and employers to meet more frequently than would otherwise be possible if they had not the Court. Without it industrial disputes committees would have to be set up, but under the Act the Councils take the place of the committees I mention in dealing with disputes. I submit that this Act has been the means of getting the employer and the worker together, and not of keeping them apart. It has been the means of bringing them closer together, in fact, and I hope the professor will give us some information in connection with that aspect when he is replying.

Mr. Acland : I wish to refer to Professor Belshaw's assertion regarding the question of the transfers of land, and to his statement that practically one-half the occupied area changed hands during the period 1915–24. Now, if that statement were correct—and I do not think it is—the conclusion he draws is not at all warranted. First of all he assumes that the whole of the land was sold at inflated or fictitious values. But it must be remembered that a very considerable area changed hands again owing to the occupiers being forced off in a ruined condition : and a great area changed hands owing to natural causes. In many cases, also, the sales of land were the result more of an exchange, because the people, after selling their lands at their best value, immediately bought other land at the same value in some other districts. Several of these transactions reduced the area, which it may be said has affected the situation to-day. I only wish to make that remark.

Mr. Turner: I would like to associate myself with the praise which has been bestowed on the Professors of Economics for their papers, and to commend in a way the suggestion made by our friends opposite that it might be advisable, in view of the difficult nature of the papers, to put the professors into a room by themselves and let them fight it out. Possibly the result might be the same as with the Kilkenny cats, which fought one another until only their tails were left. I do not want to ask Professor Murphy any questions, because I find myself very much in agreement with what he said, and also because we did not have his paper before us. Neither am I going to criticize Professor Tocker, because he has not been given a promise to have five minutes taken off each of his colleagues' time to make his reply in half an hour, which would be the only way possible to enable all the questions raised to be dealt with. I would want at least half an hour to deal with the subject, and especially to offer the very best general criticism with regard to Professor Belshaw's very weighty paper. Professor Belshaw has made a very minute study of the whole subject of industry and commerce in this country. He has gone over those subjects most minutely with a microscope; he has examined every possible feature connected therewith; but I do suggest that what he wanted was a telescope and not a microscope. It seems to me that, while he has been looking on little things like the daisies in one corner of the country, he has entirely overlooked the main features of the country, the mountains and the precipices. That is not a rhetorical statement. What I want to call attention to particularly is the statement on page 48, where I find that he refers to the regulations that hamper industry. In fact, in the whole seventeen pages he only devotes seven lines to the question of the regulations. One of the most serious difficulties that we employers find at the present time is the number of regulations we are faced with which hamper industry, and that aspect requires more consideration than Professor Belshaw has given it. We have need for such a statement in carrying out the objective of this Conference, which is, I understand, to examine the present arbitration system with a view to discovering what defects there are in it, and to suggest possible remedies. As I understand the objective of this gathering, I suggest that Professor Belshaw would have been better advised to have limited his paper to that particular point. I would like to ask Professors Belshaw and Tocker what suggestions they have to offer of a practical kind to get rid of the present very rigid system and to substitute more flexibility. On page 24 Professor Tocker states that it is probably desirable that the system should be revised, but I do not think he makes any suggestion as to how that should be done; while Professor Fisher, on page 19, says it is no doubt desirable that wage-rates should be a little more elastic. Both professors desire a little more flexibility, which is the great point the employers will notice also; but neither professor seems to make any practical suggestion in that connection. I would also call attention to a further suggestion in Professor Fisher's paper, where he makes this statement: "From a different point of view the fact that strikes seldom inflict nearly as much harm as is commonly supposed is perhaps one reason why it is often rather foolish to engage in them." I really wonder whether he carefully considered that opinion before he committed it to writing, or whether it just slipped into the paper. Has he consulted any particular industry? Has he consulted any farmer, or any representative of the freezing industry? Because, if he did so, I would suggest that he would find that the effect of strikes has been to do a great deal more harm than the public realize. Another statement that Professor Fisher makes is that people who are not doing work equal in value to the wages they receive will soon lose their jobs. I would like to know whether he has discussed that feature of the question with business men. Finally, I would ask Professor Belshaw regarding the figures he produced as to the strikes in other countries, and the number of days lost, why does he not obtain a little more recent information and compare the position in Canada, where there is voluntary conciliation and arbitration, and in South Africa, with the position in New Zealand? I think his figures are out of date, and I ask if the professor has available any further figures.

Mr. Cook: There is one matter dealt with by Professor Tocker which I would like him to explain more fully in his reply. He states on page 25 of his paper, "To secure greater productivity and greater efficiency employers must be left much freer to organize production in their own way. In particular the greatest flexibility in the matter of arranging jobs is essential." I would like the professor to explain exactly what he means by that statement. Does he mean that it should be left to the employers to impose upon the workers any conditions which they might think fit to do? I confess I am completely in ignorance as to the meaning of the statement. I do not profess to know much about the economic situation, but I do know something about other problems that we are called on to meet, and especially in the farming industry the working class is particularly affected. The professor also in a further paragraph states: "There is much evidence of a slow steady drift, accelerated during the past two years, from the unsheltered to the sheltered industries, which is disturbing in increasing measure the normal balance of industry." He does not carry the statement any further in order to show the Conference the causes of that drift. There are many workers drifting into the cities—too many—and those who have a knowledge of the situation in the country districts realize that the significance of the drift of the workers citywards is very plain. There is no question that the conditions that prevail in the country districts as affecting the workers in certain industries where the Court has refused to grant awards are responsible for the position, and those conditions are such that no body of workers could be expected to entertain. If there is a possibility, therefore, of their obtaining work in the cities in the sheltered industries they take it. It is a fact that a large number of the farming community do not offer sufficient inducements to the rural workers to stay in the country. There is no question about that. The employers do their level best to obtain the cheapest labour they can get in various industries, and there is no encouragement given to the married man with his wife—possibly they have one or two children—to stay in the country. I have closely examined during the past three years the advertisements which appear in our papers from day to day. During the past three years, from evidence I have kept, there have been 387 advertisements in the daily press for a married couple without encumbrances,

They must have no children, otherwise there is no employment for them in the country. And, on the other hand, there were about thirty-seven advertisements which stated that one child was not objected to. That is the position. There are scores of married men in the cities who would be only too pleased to go into the country to work in the farming industries if provision were made for them to have just a decent wage and decent living-conditions, and if they were allowed to have their children on the farms. But they are absolutely unable to go on to the farms at the present time. They are not wanted if they have any encumbrances. That is a problem which the farmers should face, and they should meet the workers in order to have that problem solved. There is just one other matter I would like to ask Professor Belshaw; and in doing so, I want to compliment that gentleman on the statement he has brought down, which I think is the most constructive of any the professors placed before the Conference. I would like to ask him on what authority he makes the statement that a fall in world's prices is likely to occur within a few years. All the authorities I have followed are optimistic that the world's markets are going to improve in the very near future.

Mr. Fisher (Dairy-farmers' Section): Sir, I wish to ask a question. I think that most of the criticism so far has been destructive and not particularly helpful, not taking full advantage of the excellent papers the economists have provided. Though the papers are widely divergent on some matters, there is one matter upon which, apparently, they all agree. They all agree, as I read them, that there is a possibility of an alternative to the Industrial Conciliation and Arbitration Act in the direction of an industry setting up within itself an organization to deal with its own industrial troubles. I would like to learn in their replies, either from one or from each of them separately, the nature of the organization the professors suggest. I ask this because in the dairy industry, which it has been admitted has made some progress upon the lines of added production, we have been investigating this matter and are at present engaged in considering it. The suggestions made by the professors are indeed helpful, and if they could assist us by giving an indication of the framework they would propose for this internal organization, I think that the dairy industry at any rate would welcome it from both sides, employers and employees. Out of it we might fashion an organization that would make for peace, harmony, and good will in our great industry. I would therefore like them to give us some constructive suggestion along that line.

Professor Murphy's Reply.

Professor Murphy: Mr. Chairman and gentlemen, I propose to save time as much as possible, and therefore will confine myself to replying to the criticisms made upon me. I want to deal first with the criticism made by Mr. Bromley, who quoted some passages from a book of mine with a view to showing that they were inconsistent with certain remarks I made before the Conference. I must congratulate him upon his taste in literature, but I regret that he has not read the book with more care and attention. He referred to my treatment of the minimum-wage question, and I stand by it; but "the minimum wage" is an expression that is used by different men in different senses, and the context of the passage Mr. Bromley read makes it clear that I was there referring to a wage that would purchase the minimum compatible with civilized decency. I was not referring to the minimum wage fixed by the Arbitration Court at all.

Mr. Bromley: That is all we want, professor.

Professor Murphy: So much for that. Then Mr. Bromley quoted and commented on the statement in my book that "The history of labour legislation has shown clearly that to be effective it must not be couched in general terms, but must be of the most detailed character, inquisitorial in nature, and enforced by effective supervision and inspection, with prompt penalties for breach on both employees and employers. Unless this is done the legislation becomes a mere futility and a dead-letter." That is true. I stand by it. The history of factory legislation in England makes that quite clear; but the context makes it clear that that reference was to regulations governing sanitation, buildings, hygiene, conditions likely to cause physical, mental, or moral deterioration, and so forth, and cannot be fairly open to what I may call "raspberry-jam criticism." The compulsory-arbitration system gives an outside body the right to dictate the apportioning or allocation of tasks and other trivial minutiæ of that kind. The Court cannot possibly be acquainted with the details of every industry, and I think that the resulting comic-opera effects, such as that referred to, do not a little to prejudice many against the Arbitration Court. Mr. Bromley also quoted what I said about a more even distribution of wealth leading to greater efficiency on the part of the workers and consequently increased production. I stand by that; and if he had looked the book through he might have quoted passages that would have landed me in a much more awkward tactical position than he actually did. The passage he quoted runs on: "On the other hand, the amount of wealth that can be distributed is limited by what is produced. Many contemporary schemes of social amelioration fail to give this obvious fact the importance it deserves. The problem of social welfare cannot be solved without increased production" I have always held to that; and I think that if the one quotation is selected the other might fairly be selected too. I think perhaps it is a pity that he did not go on and say what is said in that book about compulsory arbitration. You cannot write a scientific treatize in such a way that captious or playful critics will not misunderstand it; and it is not fair to select isolated passages, which often when taken in that way appear to have a meaning not intended by the writer. I think Mr. Bromley was a wee bit playful at my expense. Mr. Cook evidently gave the Conference the impression that the jam-tart incident originated in the depths of my imagination. But that is not so, and the whole thing is so rich that I will quote it. My authority is the Book of Awards, Volume XXIV, 1923, page 122. On that page is embalmed the whole entrancing, comic incident; and if you listen carefully it will give you an idea of the mentality that the operations of the Court are bringing into this country:—

COPY OF APPLICATION FOR INTERPRETATION.

WHEREAS by an award of the Court of Arbitration dated the 29th day of September, 1922, and recorded in Book of Awards, Volume XXIII, page 610, it was directed, *inter alia*, in clause 10, that "where females are employed as journeywomen they shall be paid the same wage as journeymen. Females other than journeywomen shall not be employed to manufacture any goods in the bakehouse or to do any hot-plate work; but they may be employed in breaking eggs, cleaning and greasing tins and utensils, papering tins and cake-hoops, finishing and packing small-goods, and cleaning fruit, and generally to do all kinds of unskilled work": And whereas a question has arisen as to the interpretation of this award, to the following purport: A has in his employ divers females employed in putting jam and cream on sponge-cakes. Does this work come under the heading of unskilled work, or should the work be paid for at journeymen's rates, or at two-thirds the rates of journeymen?

OPINION OF THE COURT, DELIVERED BY FRAZER, J.

The work is unskilled.
Dated this 14th day of March, 1923.
[L.S.] F. V. FRAZER, Judge.

I admitted quite frankly when I was speaking that I have never appeared before the Arbitration Court; but I had some thirteen years experience as a lawyer, and a lawyer understands Courts and statutes, and I think he is in a position to form a very good idea not only of the economics of the position, but also of the working of the Court when the statutes and awards and other records are available.

In the course of making his points, Mr. Roberts seemed to accuse me, among many other things, of a lack of humanitarianism. That means nothing at all. We are all humanitarian in a sense, but it is a question whether "humanitarian" legislation in this country, and in other countries, is not reaching the limit. I understand that humanitarian legislation is the giving of social services free, and the cost is placed on the taxpayers. I would point out that free services in New Zealand and Great Britain represent already a considerable addition to the wages-bill, because it is done mainly for the benefit of the working classes, and it is growing all the time. The community generally is providing more and more for social services as a supplement to wages.

In regard to Mr. Cornwell's question, it is answered on page 12, paragraph (*d*). Mr. Semple argued that it would be easier, if there were no Arbitration Court, for arrangements to be made between employers and workers behind the back of the public, and for the cost to be passed on. I see no answer to that, and I admit it. The making of these arrangements or agreements is largely arrived at by collusion between the two parties under the present system. I would like to see a system under which these agreements would not be given legislative effect. I feel that economists should not criticize each other in open conference, but in order to make my position clear I am going to read one or two words in reference to Professor Belshaw's paper: The main case against compulsory arbitration lies in directions where it can be neither proved nor disproved by citation of statistics. Even if Dr. Belshaw's figures are correct they do not disprove the contention that the weight of labour and tariff protection is on the non-protected sections of the community. To hold otherwise is equivalent to saying that you can get something out of nothing. Dr. Belshaw's conclusions and suggestions are inconsistent both with his previous argument and with the maintenance of compulsory arbitration. As far as I am aware, nobody has ever denied that there are price disparities in other countries than New Zealand, or affirmed that the Court of Arbitration is the sole or even major cause of such disparity.

Now, I have one further word to say, that I think the major issue here, as in nearly all practical problems, cannot be finally determined by reference only to figures from the Statistical Office. The solution of this problem will not turn on the interpretation of an index number. Complicated problems are not so simple as that. I agree with the gentleman on my left, Mr. Purtell, as to the limitation of the value of statistical information. It points the way to further inquiry: beyond that it does nothing. The solution may turn on your social ideals or on what is in the interests of the community. I do not suggest that those who differ from me have any less desire to serve the community than I have myself.

Professor Fisher's Reply.

Professor Fisher: Mr. Chairman and gentlemen, I have very little to say, because very few points having a substantial bearing on my paper have been raised. Because that is so I do not claim that it meets with general approval: that would be too flattering. As to the point raised by Mr. Herbert, in regard to the statement made in my paper that for the type of work on which I am engaged piece rates were at one time frequent, I was endeavouring to suggest that the importance attached to this reform was very much greater than the facts warrant, and as an illustration of that I referred to the fact that until recent years it was common in many universities to pay university teachers according to the amount of work they did—that is, according to the number of their students. That was the practice at the University of Otago and Canterbury College. I have not worked under those conditions myself, and, as I indicated in my paper, every one now agrees that the change from that system to the present one has been a good one. You have to look at the circumstances of each industry. I think that the general case is one that might be studied by both trade-union representatives and employers' representatives. The trade-union representatives became alarmed at the bare mention of piece rates, and on the other hand the employers, if one can judge by some of their remarks, believe that if only people would agree to work under piece-rate conditions all their troubles would disappear. Both views are obviously exaggerated. Mr. Turner asked two specific questions regarding the ill effect of strikes on farmers. The trade-unionists, too, suppose that strikes, under all circumstances, do a great deal of harm, and because they do harm they think it is a good thing to engage in strikes, because it embarrasses the employers. Of course, it is true that in certain types of strikes the loss is very serious, and the loss cannot be measured by statistics in days lost or wages lost. Take a railway strike or a seamen's strike, they would be disastrous, but many strikes do not cause any very serious harm. They are simply futile and irritating, and that is a good reason why people should not

enter upon them. The other point was as to people losing their jobs if they do not do work equivalent in value to the wages they receive. I have discussed this matter with business men, and I must say that I could not get them all to agree with me. But it has always seemed to me to be an extraordinary position for men to say that they have men in their employment who do not earn the wages they receive. I have said, " Why do you not get rid of them, then ? " and the reply was " We cannot get rid of them because the work has to be done." Surely, if that is the position, the money paid to them is the measure of the value of their work. When people continue to employ men at wages which it is complained are greater than the value of their work, the fact that such men continue to be employed is proof that the work they do is equal in value to their wages. This may seem to be merely a debating-point ; but it is in fact of great importance, for it illustrates the enormous difficulty of stating definitely what the value of work done actually is. It is very easy to say you should pay men according to the value of the work they do, but as far as I know there is no easy method of determining what the value of the work is. But there is one pretty satisfactory basis, and that is that if people continue to be employed there is good reason to suppose that the value of their work is the equivalent of the wages they are paid. If they are put out of their jobs, that is an indication that the work they did was not worth the wages paid to them. It would take a very long time to work out detailed statistics for introducing great flexibility into the arrangements existing to-day, and I am not quite certain that economists are really the right people to do that. The suggestion was made by Mr. Fisher that it would be a good thing if industries were able to work out their own machinery. I agree with that if the parties wish to do so. If the parties concerned can work out something on those lines, it should not be discouraged ; but it is certainly a matter of great difficulty for any outsider to lay down any general lines upon which that sort of thing should be developed. If the builders want to work out something with the carpenters and bricklayers, let them consult with them and see about it. It would be much more satisfactory for them to do that than anything I can suggest.

Now I would like to refer to one or two general points raised in the course of the discussion. There seemed to be in the minds of some speakers an idea that we ought to have better distribution, and that this belief was inconsistent with insistence on increased production. Now, I said very little about the importance of production, because I thought that was so obvious that it was not necessary to labour the point. It seemed so obvious that it appeared to me that you should not wait for Professors of Economics to tell you before you believed it. It seems quite obvious that it would be better if we had more houses and better houses, and better clothing, and more books and more facilities for education, and for artistic appreciation. The question would not stand arguing. We certainly do need more production. If that is not an obvious thing it is very difficult to proceed further in the discussion of the methods for carrying on production. At the same time it is true—and I think on this point all my colleagues will agree with me—that it would be a good thing if distribution were less unequal than it is to-day. I do not know any economist who does not hold that opinion. They also think that the range of the Arbitration Court in diminishing inequality is very limited ; but inequality of distribution is a very much bigger problem. We could go on discussing it for a long time, but it would take us far beyond the immediate purpose of the Conference. But there is no harm in saying that we need more production and more even distribution. It is also true that economists agree that in certain respects a more equal distribution will have a good effect upon production. But that is not the whole story. If you want more production you must do other things besides trying to arrange for equal distribution. Economists are reproached for being unduly lacking in positive proposals, but the rather brief experience I have had in this country has convinced me that at the present time the chief function that economists have to carry out is definitely a negative one—to show people that it is wrong to do a great many things they have been proposing to do. I refer to the point raised by Mr. Nash in that connection. Mr. Nash, I take it, would agree with the suggestion that the Arbitration Court has not been mainly responsible for the difficulties in New Zealand. Having stated that point, Mr. Nash then advances a further point, which is only from one-eighth to one-fourth of a truth, but which apparently meets with the support of people who have not the same outlook as Mr. Nash—that is, the suggestion that over-importation is the main factor in explaining New Zealand's position to-day. Now, over-importation has no doubt a certain relevance to the matter, which is explained, or referred to, in Professor Belshaw's paper, and in further detail in the work of Professor Tocker, and that fact makes Mr. Nash's statement at least one-eighth correct. But if you are going to look back over a long period of years and say that the farmers' troubles are due to the fact that in the last seven years the balance of trade was less favourable than in the preceding seven years you are barking up the wrong tree entirely ; because the full facts of the situation show that the variations over a long period in the relation between exports and imports are directly connected, and necessarily so, with the variations in the amount of the Government and private borrowing. Whether the policy of borrowing is right or not I am not discussing, but the explicit suggestion that has been made in regard to over-importation is quite a misleading one that will only lead us into a maze that will be quite unsatisfactory.

One final word : It would, of course, be very easy to refer to all the various economic problems which have a direct or indirect bearing on the work of the Arbitration Court, but if you do that there would be no end to the discussion, and a great many points have not been discussed even in the very wide and rambling debate we have already had. But I take it that the position to-day is that there has been in the last year or two a definite and direct frontal attack on the Arbitration Court as the cause of the farmers' troubles. It is true, as has been stated, that people who have weighed their words have been careful to admit that the Arbitration Court is not the only factor, nor even the main factor, in the present position ; but I think the farming representatives will agree that a great many farmers have been led into the position in which they believe that the Court is the thing to hit at. That is the bogey—if you can get rid of the Court everything will go well. And that is the position I was

concerned to rebut. It seems to me that if people have their attention diverted to attacking the Arbitration Court it means that they will not have time to go in for constructive problems. That would be disastrous; but if the Conference as a whole would come to the decision that the Arbitration Court after all was a minor thing, and was doing a minor but useful piece of work moderately well, we could then turn aside to the really important constructive needs, and then I think the work of the Conference would not be entirely wasted.

Professor Tocker's Reply.

Professor Tocker: In view of the fact that I have more than fifteen specific answers to deal with, may I ask the indulgence of the Conference for an extension of time; I shall be as brief as possible.

(An extension of time was granted.)

Professor Tocker: Mr. Nash has called attention to the faulty distribution of the national income, and referred to my rough guess that about one-half the income of the country went to wage-earners. The census shows about 400,000 wage-earners; and I would stress the point that it is almost certain that wage-earners getting less than £5 a week receive at least one-half the national income. But my objection lies very much deeper, from the point of view disclosed by Mr. Nash's statement. That is the point of view that the Arbitration Court might be used, and is used, for improving the distribution of wealth. In that connection I wish to quote one of the greatest statisticial authorities living, a man who was a leading member of the recent Industrial Conference in England, and who was mainly responsible for introducing the much improved system of wage bargaining on the English railways. I refer to Sir Josiah Stamp, who said: "Attention is almost exclusively focussed upon the struggle for a larger proportion of the total product, whereas statistics show that a material gain in this respect is insignificant compared with what can be got from even the present proportion of a much improved aggregate. This obsession itself kills the prospect of a higher standard of life." Mr. Nash also mentioned the sheltering effect of the B.A.W.R.A. instituted in Australia, with regard to the protection it affords to New Zealand wool. But the B.A.W.R.A. dealt almost entirely with Australian merino wool. The greater part of New Zealand wool is crossbred, and there is very little relationship between the price of Australian and New Zealand wool. I understand that for the last eighteen months B.A.W.R.A. has been devoted to liquidation, and not to marketing, and that for some years before liquidation B.A.W.R.A. has not had any considerable influence over wool prices.

Mr. Parlane asked whether lower costs would raise land-values and neutralize the benefits to labour. I think, with Mr. Brechin, that lower costs would increase land-values; but I emphasize that if land-values are to fall in New Zealand, then all land-values will fall together. Some land is worth £100 per acre, and some is worth nothing; and if land-values fall, then land which is worth at present very little would not be worth anything per acre, and would not be used, and our farming production would tend to decline. By increasing land-values and by increasing the number of farms, the number of people demanding the products of sheltered industries would be increased, and therefore it would be possible for these industries to employ more labour at higher rates. Mr. Bloodworth mentioned the fact that in two or three other countries where there is no Arbitration Court there has also been unemployment; are we to conclude, therefore, that the Court has not been the cause of unemployment?

Mr. Bloodworth asked why there had been a 39-per-cent. and a 61-per-cent. increase in imports and cost of living prices respectively. The answer is that, while many prices are 40 per cent. above pre-war rates retail prices are 60 per cent. above pre-war. The margin between these price levels is one of the big questions to come before this Conference, and we professors have all devoted a good deal of attention to analysing the causes which have led to that state of affairs. Some state that labour costs are a very important factor in the high internal prices; others disagree.

Mr. Semple wanted proof that the workers are not producing a fair thing, but he failed to define what is a fair thing. I hold that a fair thing is that the worker should produce by his labour sufficient value, under ruling market conditions, to pay his wages. If that is so and he is producing no more or no less than this, then his wages are fair. But if he wants his wages to rise it will be necessary for him to produce more value—something that can be sold in the market for more; because, after all, the employer of labour is very largely a middleman; he is buying labour and producing from it something to sell; so that the value of labour is settled very largely by the market value of the goods produced. If the value produced is insufficient to pay the cost of production, the employer cannot carry on his business. If the market will not pay the prices asked at the present time, and unemployment results, one must look to the question of the labour costs.

Mr. Tucker asked a question about wage index numbers and asked me to explain that matter. I said that workers, excluding the agricultural and pastoral workers, have had their wages increased by at least 63 per cent. since 1914, according to the Government Statistician's figures. There is a table in the Year-book showing the rise of wage rates year by year. That table is weighted, and the total weight is given as 853 for all the groups. The agricultural and pastoral group, whose index has risen 47 per cent., has a weight of 188. If you take the 188 weight of the agricultural groups from the total it leaves a weight of 665 for the remaining groups. The average index for all groups, based on 1914 equals 100, is 158. Multiply this 158 by the total weight, 853, subtract the product of the farm wage index and its weight, 147 × 188, and divide the remainder by the remaining weight, 665. The result is 163, the index of all wage groups, excluding agricultural and pastoral. The Government Statistician will vouch for the validity of this method. The wages of the workers covered, excluding agricultural and pastoral workers, have risen 63 per cent. since 1914.

Mr. McBrine said that I stated that labour costs must be reduced and that I made no reference to anything else being reduced. It is not true that I made no reference to anything else. I did refer to capital costs, taxation, and other things; but I took it we were concerned here mainly with

arbitration and the relations of arbitration to the welfare of New Zealand, and my paper was a definite attempt to diagnose the situation and to bring out those aspects of it which seemed important. I cut my paper very severely, in order not to have it unduly long. I had not, of course, heard Professor Belshaw's paper then. I have been accused of not exploring this, that, or the other thing, but a paper such as I presented cannot completely exhaust every point that might be raised. I brought up those points which I believed to be most material to this Conference; the others had perforce to be neglected.

Mr. Roberts brought up the human factor, and urged that it should receive full consideration; and it will, of course, but there is a limit to what can be given to the human factor. Some one else referred to the Australian tribunal of 1920, which determined the wage required to maintain the standard of good living; but the Australian Commonwealth Statistician told them that if they took the whole production of Australia that standard could not be provided. In Europe the International Labour Office built up index figures of the real wages existing in different countries throughout the world, and they found that there were enormous disparities. For instance, speaking from memory and calling the average standard of London 100, the workers' standard of living in Philadelphia was about 180, Ottawa 160, Sydney, 140, New Zealand about the same, London 100, and lower as one goes eastward. Berlin is about 70, Rome 50, Russia 40, and India below 30. The standards of living throughout the world are thus very variable indeed. The standard of the American worker, as shown by these wages, is six times as high as that of the worker in India. There are real reasons for these variations, but the main reason is the varying productivity per worker, and the fact that the limit to the amount that can be given is the amount of production. I have tried to show certain factors that limit production in this country, and I want those hindrances removed in order that the standard of living may rise. I claim to be just as humanitarian as any one else, but my method is different. You are trying to get more for the worker—I do not think this can be gainsaid—by getting it from somebody else; but very little can be done in that way. I want to get more for the worker by getting him to produce more for himself. The Arbitration Court is not an effective instrument by which the standard of living of the worker can be raised. Much more could be done if more attention were given to increasing production. I would suggest that the operation of the Arbitration Court does not educate people in self-reliance, nor give them those opportunities to develop their own ability which might enable them to get the highest standard of living for themselves.

Another point referred to by Mr. Roberts touches matter that I wrote only after serious consideration—it was not lightly written—"It is through such regulations that concrete application is given to many fallacious and futile ideas commonly held." The fallacy is that of raising the standard of living through the Arbitration Court. "Through them," I continued, "we get the demarcation of functions standardized and carried to a degree intolerable in a young and growing country where variety and diversity are the essence of progress. Through them we have limitation of the range of tasks to be performed by one man, the creation of jobs in order that employment may be found, men's wages for boys' work, skilled men's wages for unskilled work, and all the futiltiy of making jobs regardless of their effect on costs, &c." Out of respect for my time limit, I did not bring along a Book of Awards in order to quote specific instances of each of these cases. But, in regard to the creation of jobs in order that employment may be found, I am informed that the number of people employed on threshing-mills is greater than it was. The number of men to be employed on a particular job is specifically set down, and they must be employed to do that particular job. "Men's wages for boy's work." I did work once, so I am not entirely ignorant of what I am speaking about. I find in the motor-machanics' award that the minimum rate for washing motor-cars is something over £4 per week; and I have known boys who could wash them very well indeed; and the same wage is paid men for attending petrol pumps, which boys could do equally well. There are other jobs restricted to men that boys can perform very effectively. Before the Arbitration Court came into existence, and even in the early days of the Court, there were many jobs available for boys just leaving school, without the restrictions of apprenticeship, and under that system boys learned their trades sometimes very effectively. At the present time a great many of these avenues are closed to boys by the rigidity of the present system; and that is one of the difficulties found in placing boys.

Mr. Purtell: Displacing men.

Professor Tocker: If a boy can do the work a man is now required to do, then by all means let the boy do it. Let the man do a man's work. "Skilled men's wages for unskilled work": I looked this morning through the painters' award, and found that "a painter shall get a minimum wage of 2s. 3d. an hour . . . On ships, the painting of passengers' or crews' quarters shall be regarded as skilled work." Now, I am not a skilled man, but I can paint a house satisfactorily. I have done it several times, and I have also painted a bathroom; and I think I could paint crews' quarters and passengers' quarters too. I think that this type of thing is sufficient to show the futility of the system—sufficient to illustrate the points I want to make. Fleece-picking in wool-sheds is another job I might have mentioned now done by men, but which used to be done by boys.

Another point raised by Mr. Roberts was in connection with my estimate of the total production of the sheltered and unsheltered industries, and my statement that the 54 per cent. produced by the sheltered industries was practically all sold in New Zealand. Mr. Roberts asked, "Is this of no value?" It is, of course, of great value. My point is, these people are there all the time, and they will buy as nearly as possible the same whatever the state of New Zealand as a whole. But the farmer has to sell in an unsheltered market, and his purchasing-power depends upon the price of his products in the world's market, increasing as the price rises and falling as it falls. The farmer, in short, is what is known in economics as "the marginal buyer," and he sets the price. You have 50 to 60 per cent. of the market assured, and 40 to 50 per cent., or the farmer's demand, is not assured; sometimes it diminishes and sometimes it increases. And it is that margin that determines the price, and

chiefly determines the conditions of the other industries in New Zealand. The most important thing in my paper is that statement.

Mr. Herbert asked, " Is half the national income paid to the workers in wages ? " I was referring to the 400,000 wage-earners classified as such in the census returns. I do not know whether they get it in wages, salaries, or what. But the proportion is roughly the same in every country for which I have seen the figures. In England, for instance, I found that the wage and salary workers under £160 a year were estimated as getting exactly half of the national income ; and it seems to me that the New Zealand wage-earners are probably getting rather more.

Mr. Bromley says that I did not mention other costs besides labour costs, and that in the dairying industry labour costs are low. I admit the latter point, but I did mention other costs. My point is that sheltered costs and prices are too rigid, whereas unsheltered prices are variable, and costs must be adjusted to them. For instance, between 1921 and 1926 the cost of materials used in dairy factories, which conforms closely with suppliers' receipts, increased imperceptibly, from £16·40 to £16·45 millions. For the same period the charge made for the factory processes undertaken increased from £2·60 to £3·34 millions, or 28 per cent.

Mr. Tucker : What proportion of that was wages ?

Professor Tocker : I have not the foggiest idea.

Mr. Tucker : I could tell you, if you want to know.

Professor Tocker : You will find that the cost of materials has not risen anything like so much since the war as the charge for the process of manufacturing ; and the farmer has had to submit to falling prices and rising prices just as the world's market changes, but the process charges do not seem to fall in that way : they seem to be subject to steady expansion.

Mr. Purtell said that the Conciliation Councils were useless ; but from the other side of the room I have the information that the Conciliation Councils have settled 93 per cent. of the matters in dispute in New Zealand. I think the two statements cancel one another.

Mr. Martin asked that I should prove that the Arbitration Court is a factor in preventing increased production. There can be no possible doubt that the Court does define pretty rigidly all sorts of minute conditions in industry ; and, further, it is not generally realized that when the Court does this it is implied that things shall be done in no way other than that laid down. The essence of progress lies in doing things in different ways ; but this system binds industry in a straight-jacket and prevents people experimenting and exploring improved methods, machinery, and management. The management is not free to make the necessary improvements, and needs to be much freer than it is to-day.

Mr. Churchhouse asked a question as to whether the farmer's industry was sheltered, and he instanced wheat. But he is taking a very small part of the industry and assuming that what applies to that part is true of the whole industry.

Mr. Cornwell asked whether immigration was not the cause of unemployment. I took out the figures over a long period of pre-war years and found that we absorbed 8·9 immigrants per thousand of the population without any serious trouble. For the three years prior to 1926 we absorbed 8·1 immigrants per thousand of the population. The rate of immigration relative to the population was less during the period prior to the recent unemployment trouble than it was during the period before the war when there was no serious unemployment problem. I do not think that immigration can be considered the cause of the unemployment. Other factors have to be considered.

Mr. Cook asked what is meant by " flexibility of arranging jobs." By " flexibility of arranging jobs " I mean giving people the right to arrange jobs in any way they please. Piecework in some cases has been absolutely prohibited in awards. On the other hand, I have heard of people introducing piecework and increasing their output greatly. So that while a good deal has been gained by adopting the piecework basis in some cases, it is prohibited in many other cases. I want to see freedom and variation which will permit people to expand their businesses, and to find out how to expand their businesses. I have here [exhibited] a copy of a sheet of a Time, Wages, and Holiday Book for use in Hotels, Private Hotels, Tea-rooms, and Restaurants. I started to count the columns and the entries that have to be made, but I gave it up. The employee has to sign in one column for wages, and in another for the holidays he gets. " An employer who fails to satisfactorily keep this record is liable to a fine of £10." I object particularly to that split infinitive. There are a number of other matters one might refer to, but I want to quote finally from a recent *Manchester Guardian* Supplement on " Industrial Relations." Mr. Butler, Deputy Director of the International Labour Office, says : " In Detroit (where wages are very high) it is impossible to find a collective agreement, except perhaps in building ; wages are fixed by competition among employers in the local labour market." Then Professor Hobhouse : " If there is one thing upon which employers and workers seem generally agreed, it is the repudiation of compulsory arbitration in wage disputes. Self-respect and self-reliance, the best products of organization, are instinctively opposed to arbitration." Mr. Pybus (Balfour Committee on Industries and Trade) : " The machinery should be split into smaller bargaining-groups. This could scarcely aggravate the conditions which have arisen from the failure of the present ponderous and inelastic system of national negotiation." Mr. A. Henderson : " Conciliation promotes investigation of the facts and circumstances of a dispute. Arbitration leads in practice to the formulation of some principle upon which to adjust wages. In Australia and New Zealand the system begun as a method of prohibiting stoppages but has developed into a system of wage-regulation."

Professor Belshaw's Reply.

Professor Belshaw : Mr. Chairman and gentlemen, there is one thing which I think should be realized in reference to the position of both Professor Fisher and myself, and that is that we have endeavoured to meet the criticisms raised against the Court which we have considered invalid or

exaggerated. It is obvious that when a person is on the defensive he is less likely to have ammunition than if he is attacking an institution or position. I was somewhat perturbed by the attitude adopted by Mr. Polson, because on the two occasions on which we have met we very unfortunately crossed swords. I am sorry for that, but I hope that it will not prevent our working together in the future, and our discussing problems common to the farmer. I have devoted my efforts during the past ten years to the investigation of agricultural problems, and I feel that agricultural problems are the problems that require perhaps the most attention in this country. When last Mr. Polson and I met he twitted me on my youth: since that time three years have passed, and though I have not yet achieved that intellectual aristocracy of old age which perhaps Mr. Polson has attained, yet I notice that he has shifted his ground to-day and twitted me with exaggerated guesswork. He has queried my estimate of the proportion of land which changed hands during the period which I quoted in my paper—I think it was between 1915 and 1924. The figures upon which I based my conclusions were taken from the Year-book, and I made it clear at the beginning of my paper that I did not profess to be able to estimate to the nearest penny the importance of the burdens which were bearing upon the farmer. I also should make it clear that I did not intend to estimate to the nearest half-million acres of land which changed hands. The total area of occupied land is about 43½ million acres. During the period that I have mentioned, the official figures show that about 27 million acres changed hands. That is considerably over half the total area; and I consider that in allowing, say, 6 million or 7 million acres for a margin of error I was being too conservative. But even if you do not accept that point, and you take the estimate of Mr. Polson, which was also in the nature of a guess, you will remember that Mr. Polson said that about 20 per cent. of the land was transferred. That brings it down to 9 million acres. That is to say, Mr. Polson would assert that of the total of 27 million acres which have been transferred, 18 million acres includes land which has been transferred several times, or comes under the category which Mr. Acland referred to—an allowance which is certainly far too large. I should point out here also that the frequent transfer of a particular farm has serious effects upon productivity, and that is a point which I might have stressed with advantage in my paper. Mr. Acland mentioned the fact that men sold farms at inflated values and bought other farms. But surely that is not a relevant criticism of my position. If a man sells his farm at an inflated value and buys another farm at an inflated value, surely the effects of that transfer are not mitigated. In fact, I should say that the duplication of such transactions intensifies the difficulties, because it takes a man some time to know his farm, and there is a loss in momentum involved which is an important factor relating to such transfers. I should say, too, that perhaps there was too much stress laid in my paper upon the question of transfer: perhaps I should have laid more stress on the question of mortgages. The ill effects of transfer might have been liquidated by the present time were it not for what I consider to be the excessive burdens which are falling upon the farmers in consequence of their overmortgaged position. That is why I suggest the importance of the extension of credit facilities in order primarily to relieve the burdens which are pressing upon overmortgaged farmers. An increase in productivity might be expected to result if the machinery for the provision of credit facilities were directed in the first instance to that problem rather than to financing new farmers.

Mr. Williams suggested that I considered that the Arbitration Court was not a factor in labour costs. I did not say that the Arbitration Court has no effect upon labour conditions or upon labour costs, but I do say that in so far as labour costs are raised by restrictions and by the inelasticity of award conditions, those same restrictions and those same inelasticities would still continue if you had strong trade-unions and the Court were abolished. I think, too, that the other aspect of the question has been overlooked—that in this country a great many trade-unions would be essentially weak if the Court were abolished. Therefore the conditions and the pace would be set not by the employers of the type represented here, but by the weak and unscrupulous employers, who would be unable to compete except by pushing wages down and forcing men to do work under conditions which were socially undesirable. In reply to Mr. Turner I do not think he has read the statement aright. He was considerably worried because I put a microscope to the situation instead of a telescope. I think I was putting a telescope on the situation in this sense, that I was visualizing the conditions which would result in the future if the Court were abolished. Mr. Turner is really worried because the "daisies" I have been regarding are not his "daisies." He stated that in my long paper I had only devoted seven lines to the question of restrictive legislation. I find that on two consecutive pages there were over sixty lines to this matter, and I have made incidental reference in other places. You have all been complaining of the length of my memorandum, or dissertation, or whatever you like to call it, but if I had gone further into the question of restrictions I am afraid I might have been banished from the Conference. The important point with reference to restriction I wish to stress is this: that the restriction would still remain if you had strong trade-unions; and if you had weak trade-unionism elasticity would result in a wholly undesirable fashion.

A Delegate: Do you stand for undue restriction?

Professor Belshaw: I do not. I have indicated in my paper some points for consideration with a view to increasing the elasticity of the wage-rates and conditions of work. Mr. Turner also asked me if I had any later figures about strikes and lockouts. The figures given were published in the year 1927, and I have not any later ones. I do not think there are any.

I would like to be excused from answering the question put by Mr. Cook in reference to the probability of falling prices, because that would involve a lecture on finance and banking and the effect on prices regarding the production of gold, and I do not think I could give it in the short time available. I was referring, however, to the long period trend, not to prices in the next year or two.

Mr. Fisher asked if I had thought of an alternative scheme which might be put into operation in respect to the dairy industry. I would suggest the consideration of Trade Boards which would

include the representatives of employers and employees, with an independent chairman. I think in the case of agriculture it might be desirable to set up Minimum-wage Boards such as those that function in the United Kingdom.

I do not quite understand Professor Murphy's statement about price disparity, and I would like half an hour to consider it. My point is this: that the disparity in prices in this country is not as great as supposed; secondly, that the disparity is general and not confined to this Dominion; thirdly, that it is not proved that it is due to the Court. And it was not my job to prove that it was not due to the Court. It was the job of the critics who attack the Court to prove that the disparity is due to the Court, because that is the gravamen of the charge against it in reference to the present position, and I say that in view of the general nature of the disparity throughout the world it is only a presumption to assert that it is the fault of the Court. It certainly has not been proved, and I cannot see any evidence which would lead me to believe that in the case of the sheltered industries a higher level of prices results than would have resulted without the Court. The three groups of industries which have been specially referred to are coal, wood, and the textiles. I suggest, in reference to wood products, that the disparity in prices is due to the fact that the industry is subject to diminishing returns because it is necessary to push further and further into the forests in order to obtain timber, and that is the main reason behind any excessive rise in the price of timber products. In the case of coal it has been admitted that the Arbitration Court is not effective, and therefore I do not think we need deal with the disparity question there. The textile industry is a protected industry in this country, and the small size of the manufacturing units, and the wide variety of goods manufactured in each small establishment is, I think, sufficient to account for the weakness in competition with other countries, to account for the necessity for a tariff, and to account for the difficulties of the manufacturers in adopting improved methods and making more use of improved and expensive machinery.

My point in reference to the weaknesses of the Arbitration Court was this—and this is a practical reply to Professor Murphy's statement—that I did not suggest that the remedy would be found by keeping the Arbitration Court supreme in precisely its present position; but I suggested certain possible amendments which might be adopted to improve the system. I do make this appeal to those who are interested in the industrial welfare of this country—to exploit methods of improving the present system. There has been very little consideration given to means of improving the present system, and I feel that employers and employees who know the conditions of industry intimately, and who are directly concerned with industrial negotiations, are the people who are most likely to be able to make the most constructive suggestions. The economists might be very useful in examining, and criticizing, those suggestions, but I think that the responsibility for making them must rest upon the employers and the employees; and we will endeavour—I speak for myself—to assist wherever possible. Members can readily understand that we do not stand up as authorities on every aspect of the problem. It is only fair to say that the preparation for this Conference has involved a great deal of hurried work. The whole of my preparation, for instance, has been done in the past three weeks, though I have been thinking about the problem for a long time, and it is scarcely fair to expect us to come forward with detailed practical suggestions. I take it that the committees to be set up will be the proper bodies to do that; but I do feel that we should endeavour to try out different methods running parallel to regarding improvements in the present system rather than to smash it, and then say, "Now let us see what can be done." It is a better principle to build up from the existing machinery, despite its imperfections, than to scrap the system without attempting to improve it. There is too much impatience shown, and far too much friction has been engendered, and too much of the criticism has been destructive. I sincerely hope that my suggestion will be adopted. If after a period of further trial we find that it is impossible to improve conditions, and if you are absolutely convinced that if the Arbitration Court is abolished that the consequences will not be more serious than those arising from the working of the Court, then scrap it, and I will have no more to say.

Vote of Thanks to Professors.

Mr. Bishop: It is perhaps not quite in order at this stage, but I think that the work the professors have put into the papers they have presented to us calls for at least an expression of appreciation on our part. I therefore move, That we pass a vote of thanks to the professors for the very valuable work they have put into the task they have undertaken. I do not know whether they are being adequately paid for their services——

A Member: No.

Mr. Bishop: I would like to suggest, in accordance with Professor Tocker's theory, that the remuneration should be in accordance with the volume of their output. I have no doubt that Professor Tocker would reject his theory, and that Professor Belshaw would also reject his, if that suggestion were taken into account. I have much pleasure in moving this vote of appreciation of the work of the professors.

Mr. Roberts: I second the motion, and wish to express my personal obligation as to the papers the professors have presented to the Conference. Sometimes we do not agree with the professors, and we think that perhaps we know more about the subject than those learned gentlemen. No doubt they will not agree with a lot of the things we say; but we are certainly indebted to them for the very valuable information they have placed before the Conference, and I am sure it will be to our mutual benefit. I have not had time to examine the papers—that is the function of other delegates here—but it will be thought no doubt that we have criticized the professors rather strongly, and particularly our friend Professor Tocker. But I assure him that we were only trying to find out just what he means in regard to the figures he quoted, and he has let us down very lightly. The question might be brought in as to whether the payment for the services the professors have rendered should

be based not on the mass production but on the quality thereof. Further than that, I hope that if the question of the remuneration were taken before the Arbitration Court, perhaps Professor Tocker would support Mr. Justice Frazer's dictum that the payment should be based on the amount of time and work put in. On the humanitarian side there is much to be considered.

The motion was carried by acclamation.

Professor Murphy: The professors thank the Conference for that resolution.

The Chairman: The Conference very heartily thanks the professors for the papers they have presented. I personally feel that they are indeed valuable additions to the literature of the very important subject discussed. They will not be lost sight of, I am sure, in the future work of this Conference; and I have no doubt they will be greatly used by the committees that have been set up, and the facts and suggestions contained in them will be given full consideration.

Professor Murphy: Mr. Chairman, the professors thank the Conference for its very kindly vote. We feel that we have done no more than our duty, and have been impressed by the fact that such highly contentious matters could be brought up in such an amiable and friendly atmosphere as has prevailed so far.

Statement by New Zealand Farmers' Union.

The Chairman: The next business of the Conference is the reading of a paper prepared by the Farmers' Union group.

Mr. Polson: Mr. Chairman, may I have permission to begin by making an apology. Professor Belshaw tells you that three years ago I twitted him upon his youth. I do not remember the incident, but I accept his word for it that I was guilty of such discourtesy. I wish, therefore, to withdraw the statement then made and to compliment him upon his youth. I regret that the Farmers' Union was not so wideawake as others have been. We did not realize that we might have got this paper printed for nothing, and consequently some slight errors have crept into it. If the Conference will allow me, I will just indicate them as I go along, and ask the delegates to make the necessary corrections in their copies.

STATEMENT SUBMITTED BY THE NEW ZEALAND FARMERS' UNION, NATIONAL INDUSTRIAL CONFERENCE, 27TH MARCH, 1928.

The main problem facing the Conference is, in the words of the circular issued by the Prime Minister, "attaining industrial peace and industrial efficiency, with a fair distribution of the national income." This union is entirely in sympathy with so worthy an objective, but feels that in any circumstances it can be realized only imperfectly, and that under no conceivable conditions would all interested parties agree as to what constitutes a "fair" distribution of the national income. It is also felt that industrial peace in any full sense is impossible until all sections of the industrial world are convinced that they are justly treated. In a world of change and conflict complete peace in any field, industrial or international, seems to be an unattainable ideal. What should be aimed at is as full a measure of harmony as is consistent with national efficiency and progress, and with individual freedom. Artificially induced and superficial peace is not real peace. The peace of industrial paralysis, or sleep induced by economic chloroform, is not true peace at all. It is hopeless to expect that conflict can be eliminated from economic relations among men. We must face facts, and recognize that, while employers and workers have many interests in common, they have very important interests that cannot be completely reconciled, chief among which is the division of the product of industry. This can never be decided save by bargaining, and supply and demand. What is wanted is effective means for allowing this play of supply and demand to function easily and smoothly, and the removal of checks and hindrances to the process that may disguise, but cannot eliminate, conflict of interests, while in other ways reacting seriously against the interests of the general community, and perhaps securing advantages to favoured sections at the general expense.

It is intended to restrict this memorandum mainly to a discussion of the industrial arbitration system of the Dominion as it appears to this union. Taking the items on the agenda paper in order, the following are the views of the Farmers' Union, and the reasons upon which such views are based:—

(A) *The effect of the present system of industrial legislation on (1) the welfare of the country, (2) the interests of employers, (3) the interests of the workers.*

The union considers the effect of the industrial arbitration system to be detrimental to the welfare of the country, on the following grounds:—

(1) It imposes on our industrial system a rigid and inflexible code of industrial regulation, embodied in awards, with the force of a statute, breach of which is a penalizable offence, and which cannot be altered, even by consent of the parties, without first setting in motion the necessarily dilatory and cumbrous machinery of a peripatetic Court. The awards tend to be standardized in form and phraseology, as all Court orders tend to do, and the result is that a clause governing operative conditions, introduced perhaps in one district without due consideration of its effects, gradually spreads over the whole field of industry as "the Court's usual clause."

Being a Court of Justice administering a complex system of *ad hoc* jurisprudence, the Court is not sufficiently flexible to accommodate itself conveniently to the changing requirements of industry. It is, in fact, on the horns of a dilemma. If it does not develop and maintain both legal and economic precedents, it lands in chaos, since it could hardly be operated with consistency and sanity unless parties could assume that what it had decided before it would decide again the same way in the like circumstances. No tribunal can operate without this basis of rational calculability in its actions, and it cannot help being bound in practice by precedents of its own creation. Moreover, being a compulsory tribunal, it has to provide an elaborate system of inspection and enforcement, and this means

inquisitorial interference with the details of private business. Since the Court prohibits direct action between the parties subject to its jurisdiction, and industrial stoppage is made a technical crime, the Court must necessarily interfere to adjust all industrial relations, however minute. There is no half-way house. Again, this is not the fault of the Court, but of the system. It is, however, a serious handicap, especially as its psychlogical effect on the outlook of both employer and worker is to diminish their feeling of responsibility for the conduct of industrial negotiations.

The awards are legislative in their nature, and have to be imposed over the whole area of the dispute without close consideration of modifying individual or local circumstances. This imports an element of rigidity into an area where flexibility is essentially desirable, and prejudices industrial efficiency. Industry should be multiform, and submit uneasily to the strait jacket of a Procrustean legal system.

"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 it 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."—(Canterbury Chamber of Commerce Bulletin No. 28).

It must be noted here, too, that this is the result of the nature of the system, and not of defective administration. The awards of the Court are subsidiary statutes, and must run in general terms imposed on all. Here, again, there is no half-way house. State regulation of industry necessarily involves this drawback.

(2) From its essentially litigious nature it fosters the devotion of energy and attention to contention rather than production, and tends to obscure in the minds of the parties the fact that wages depend on the output of industry, and can in the long-run be met only out of the product of industry, and can increase only as the product of industry itself increases. It is against the public interest for the parties to industry to look for increased reward to the judgments of a tribunal rather than to progress in production. Unless production is increased the gains of one group will be effected, if at all, only at the expense of another group, and industrial bargaining, instead of being rationally based on the productivity of industry, becomes a game of national "begger-my-neighbour."

"The system of industrial arbitration, with its encouragement of industrial unions, gives opportunity to vigorous trade-unions to establish themselves, enforce large and sweeping demands for social justice, organize themselves politically, and thus intensify the social conflict."—(Northcott : "Australian Social Development," p. 130.)

"Trade-union secretaries now spend much of their time as advocates before Wage Boards, and are naturally inclined to justify their existence by working for fresh awards."—(Thwing : "Human Australasia," p. 56.)

The result of this aspect of the system is to intensify industrial conflict of a litigious character, and retard rather than promote industrial peace. A system in which many parties are constantly applying to a tribunal to alter the terms of the industrial bargain cannot be called one of industrial peace. It is rather the intensification of a peculiar kind of industrial strife. It can have no end. The most that the employer can concede will stop short of what men will demand, and the Court machinery actually fosters the demand for concessions of a type which would never seriously be put forward in mutual negotiations between the parties, but which are worth while as a "try-on" before the Court if there is any chance, through inadvertance or otherwise, of getting away with them. There can be no finality to this litigious process, and it tends to keep the parties permanently apart in opposed camps, though not necessarily to foster personal enmities.

(3) The inflexibility of the system and the difficulty and delay incidental to obtaining any variation of terms to meet the rapid changes with which economic life is faced at the present day means that the system accentuates the disparity between wage and price levels in sheltered and unsheltered industries that is so baneful a feature of contemporary economic conditions. It is not contended that the system had produced this disparity between price-levels in sheltered and unsheltered industries, but it is submitted that it has accentuated the disparity and helps to maintain the disparity. "While," says Professor Murphy in an address from which I am quoting, "it would be incorrect to blame the Arbitration system for the whole disparity, there is little doubt that (*a*) the maladjustment is in part caused by award rates, (*b*) the readjustment is in great part hindered by award rates." The union endorses this view.

The union does not blame the arbitration system for the whole of the economic difficulties that are facing the farming industry to-day. It considers that over-capitalization of land-values, high interest rates due to shortage of capital, duplicated overhead costs in many avenues of public and private life, and public and private estravagance are in part responsible ; but it does consider that the arbitration system is, and always has been, a source of loss to the country and a contributing feature in our economic distresses. Any statistical estimate of the relative burden of these factors is, of course, impossible. The union, however, wishes to emphasize that it is criticizing the system on general principles, and not attacking it merely as a reaction from agrarian difficulties of the moment.

(4) The system has not secured industrial peace. It probably has diminished the number of strikes and lockouts; but this is merely because the parties felt that they could get their will more easily or fully through the Court than by direct action. The power to strike always exists, and experience shows that when labour thinks it will pay to strike, or to adopt irritation tactics or any other form of direct action, it will take this course, whatever the law may say.

"The working of the Arbitration Act under Mr. Seddon, and then later, shows that when the State allies itself with strongly organized labour for the purpose of regulating industry, there is peace while labour is dictating to the State, dispeace when the State dictates to labour."—(Rankin: "Arbitration and Conciliation in Australasia," p. 177.)

The union endorses the following passage from the Bulletin of the Canterbury Chamber of Commerce, No. 28, dated May, 1927:—

"Following upon a period of serious industrial strife, the Act aimed to provide official tribunals before which representatives of employers and wage-earners might meet and, in a calm, judicial atmosphere, discuss and settle their differences dispassionately and without resort to industrial conflict. For the next ten years industrial peace appeared to have been achieved. The Conciliation Boards were used less than had been expected; but the Court, which had been regarded merely as a Court of appeal, before which intractable cases might be brought for final decision, shouldered the additional burden; times were prosperous, prices and wages rose steadily, no serious industrial stoppages occurred, and in many quarters New Zealand's system of compulsory arbitration was regarded as having settled the strike problem.

"Twenty years have passed since that period of peace ended, and it appears now that peace was due not to compulsory arbitration alone, but also to the considerable volume of additional legislation for improving labour conditions, to relief from the depression which prevailed in the early 'nineties,' and to the rising tide of prices and prosperity which made continuous wage-increases possible. From 1906–7, when a temporary setback to the country's prosperity checked the rising trend of wages, the Court's power to secure industrial peace began to wane, and, despite many amendments and consolidations in the Act, industrial troubles became more frequent. The stronger and more militant unions in particular, whose disputes the Court was designed to control, learned to place themselves beyond the Court's jurisdiction at their convenience by declining to register or cancelling their registrations under the Act. The Industrial Disputes Investigation Act, which followed the serious conflicts of 1913, was a tacit admission of the inability of the arbitration system to secure the measure of control which had been expected of it.

"The official records of disputes involving stoppage of work from 1906 to 1925 are summarized in the following table:—

	Strikes.	Lockouts.	Total Stoppages.
1906–10	22	3	25
1911–15	146	1	147
1916–20	221	1	222
1921–25	299	2	301
Totals	688	7	695

"One stoppage of work occurred in 1906; the number gradually increased till it reached 73 in 1913; it fell during the war, but rose to 77 in each of the years 1920 and 1921; it fell to 34 in 1924, but reached the record number of 83 in 1925.

"The official figures for the distribution of disputes since 1906 may be summarized as follows:—

Disputes in	Whole Periods, 1906–25.	Fifteen Years, 1906–20.	Last Five Years, 1921–25.
Food, drink, &c.	102	65	37
Mining	242	135	107
Shipping and cargo-working	215	86	129
Total for three groups	559	286	273
All other groups	136	108	28
Total	695	394	301

"During this period, from 1906 to 1925, the total disputes involving stoppages of work in New Zealand numbered 695, of which 242 were in mining, 215 in shipping and cargo-working, and 102 in food, drink, &c. (mainly freezing-works), or 559 stoppages in these three industrial groups combined. Over this major part of the field of industrial trouble the Arbitration Court has had little effective control, though the Industrial Disputes Investigation Act has probably exercised some restraining influence. During the five years 1921–25 the concentration was even more marked, for, out of 301 stoppages, 273, or 90 per cent., were in the three industrial groups named above, and 28 in all the other groups combined. It appears now that in the industrial groups dominated by strong and militant unions, where compulsory arbitration is most necessary for the settlement of disputes, the system either fails to operate or operates only at the convenience of the unions. Obstructionist tactics are commonly used with impunity, and the unions can compel the employers to accept the awards of the Court; but the employers can exercise no such compulsion over the unions, for they may register under the Act or not, as they please."

Especially is the Act no preventive of strikes among the powerful and militant unions, as the following table shows :—

Period.	Percentages of Total Stoppages among Miners and Shipping and Cargo Workers.
1906–10	20
1911–15	50
1916–20	64
1920–25	78

The figures show that this tendency is increasing, and not diminishing. The Act clearly has not prevented strikes, and must be defended, if at all, on other grounds. The Right Hon. Sidney Webb, P.C., M.P., a most distinguished Socialist and labour advocate, says, "Perpetual liability to a disagreement between the parties to a bargain is a necessary accompaniment of freedom of contract."—("Industrial Democracy," p. 798.)

(5) It follows from the foregoing considerations that the system is detrimental to industrial efficiency, and almost all observers consider this to be the case. Our secondary industries do not seem confident of their position, and are constantly making fresh demands for tariff protection to shield them from the competition of countries where there is no system of industrial arbitration. The resistance to piecework is one manifestation of the little thought that is given to efficiency of output in New Zealand. "The conclusion seems unavoidable," says Professor Nicholson, of Edinburgh University, after a careful examination of the available data, "that compulsory arbitration leads to a demand for a relatively high standard of efficiency, yet in its operation tends to produce a standard relatively low. The gravity of this tendency up to the present had been mitigated by a real scarcity of labour, and by the fact that there are still unregulated trades which help to solve the problem of the inefficient worker."—(Rankin : "Arbitration and Conciliation in Australasia," p. 9.)

(6) The union considers the system to be unsound in principle and incompatible with the system of free enterprise under which our economic life is ostensibly conducted. Wages should depend on mutual bargaining of unions on both sides, thus registering the condition of supply and demand in the rates actually arrived at. There should be a physical anti-sweating minimum below which, in the public interest, labour should not be hired. This, perhaps, was the original intention of clause 32 of the Factories Act, 1921–22. Such a minimum should be revised to bring it into line with modern conditions and re-enacted, and above that minimum it would seem preferable to let ordinary collective bargaining take its course.

"A rising wage, unaccompanied by corresponding efficiency, cancels itself out in the long-run either in less employment or a higher cost of living Employers will not permanently employ men at a loss. Either they pass on the increased cost or they do not. If they do, it raises the price-level ; if they do not, it throws men out of work."—(Professor Murphy.)

To meet competition sheltered wages have inevitably to be bolstered up by tariff protection granted to the industries in which the wages are raised. This promotes a vicious spiral of rising wages, rising tariff duties, rising costs, rising prices, and rising cost of living, resulting in further and further applications to the Court as previous increases in money wages are cancelled out by a higher price level. This can go on until the non-protected sections of the community find their means and inclination to purchase seriously curtailed. When that happens extensively unemployment and a high cost of living generally are likely to result. The union considers that this position is upon us at the present time, and that the prevalent unemployment is in part due to inflated and inelastic money rates of wages. Employers cannot in the long-run employ labour at an uneconomic wage, as that amounts to handing over to their workers portion of their capital or legitimate profit.

The union further considers it in the public interest, and likely to promote efficiency and self-reliance, if the immediate parties to industry, employers and workers, were forced to solve their own problems themselves instead of having an outside tribunal to take the load off their shoulders. The parties will not in fact get together under the present system. Legally there is nothing to prevent it, but in practice the existence of the Court machinery means that for practical purposes it must be used.

Professor Murphy says : "It brings the parties together only in an atmosphere of contention, and continuously emphasizes the points where they are at variance. The Court gets no jurisdiction until there is a dispute, so that the parties cannot meet before it except when they are at loggerheads. It may be rejoined that it is quite open for them to meet privately to discuss common interests if they so desire, but in fact they do not, because the whole atmosphere of compulsory arbitration on a judicial basis fosters a contentious and litigious spirit. I do not say personal bitterness or enmity. The fact is, however, that the representatives of the unions on both sides are a race of quasi-barristers who enjoy the game for the zest of the chase, and who are often anxious to commend themselves to their unions by pointing to the scalps they have won on the field of arbitration battle. This means that the parties are in effect, if not in theory, prevented from exploring other avenues to industrial peace and productivity. The secretaries are more interested in putting technical points across their adversaries than in improving the productivity of industry. Theoretically unions need not use the Court if they do not want to, but once in the system it is not easy or safe to get out, as another union in the industry may be registered and an award made, binding non-members."

The parties to industry are thus prevented from exploring new avenues of settlement and new methods of industrial peace. In particular, it is difficult for them to get together on issues that are, or ought to be, non-contentious. The apprenticeship question, for example, had to be removed into a special subjurisdiction of the Court to try and eliminate the spirit of contention from the problem of industrial training. Compulsory arbitration is in fact, if not in legal theory, inconsistent with the

Whitley system of Joint Standing Industrial Councils. True peace, and efforts to secure it, must be a growth from within, not an imposition from without. The only permanent progress will be that made by the parties themselves. There seems little scope for this under the present system. Since there is no generally recognized principle of social justice in wage-fixation, the system tends to stabilize a wage on the cost-of-living basis, or else to "split the difference." This could be done just as easily by the parties themselves as by a tribunal.

"The settlement of wages under such a system is likely to be comparatively easy at the outset. The adjudicated rates of wages are likely to be, when first fixed, somewhat higher than those previously current, but still 'fair,' and not higher to such an extent as to present a real question of principle. There is usually a certain amount of slack in industrial arrangements which can be taken up without serious strain. But, as time goes on, the workmen and the community in general will again become accustomed to the new scale. The workmen, it is almost certain, will before long ask for more, and then for more and still more, until finally the tribunal will be compelled to consider how far it can go in modifying the terms of distribution. Where stop? What are 'fair' wages? That question cannot be settled without settling what is fair interest and fair business profits. Compulsory arbitration does not content itself with defining the limits within which competition shall work. It supplants competition. Wages, interest, profits, are not to be determined by the bargaining of employers and employees, with liberty for each party to desist at will and see how the other can get on without. They are to be fixed by public authority, and this involves settlement by public authority of the distribution of wealth." —(Taussig: "Economics," vol. 2, pp. 317–18.)

The union feels that the situation described in this passage has just about arrived. In Australia it has already been faced, since some years ago Mr. Hughes pointed out that State fixation of wages would logically lead to State fixation of prices, rent, and profits. The union feels that such an outcome of the arbitration system is against the public interest.

The union considers that the arbitration system may be of advantage to individual employers who are already established, by standardizing their wages bill, and therefore the level of competition, in some degree. It may also help them by protecting them from the competition of new men with new methods that cannot be fitted into the strait-jacket of existing awards. This is done only at the price of inefficiency to the country as a whole. To meet this situation in some degree the union presses for the enactment into law of clause 20 of the 1927 amending Bill, allowing any award to be reviewed by the Court with a view to introducing new methods, on the application of any party, and considers that a party "substantially interested," as defined later, should have the right to make application under that section.

There is no reason to think that labour is better off in New Zealand and Australia, the only countries that have compulsory arbitration, than it is in other countries, similar in other respects, that rely on collective bargaining in labour disputes. The union considers that many of the alleged benefits of the Act are attributable to other causes, and quotes with approval the following passage from a recent address of Professor Murphy:—

"It is generally advanced, in defence of the system, that it has performed four valuable services—

"(*a*) It secures uniformity of industrial conditions, standardizes competition, puts all employers on the same level, and prevents 'good' employers from being undercut on labour costs by 'bad' employers; while by standardizing conditions with certainty for some time ahead (the maximum period of an award or industrial agreement is three years, but it runs on after expiry until superseded by a new award or industrial agreement, or by cancellation of registration) it enables forward quotations to be made with some certainty, and thus eliminates an element of uncertainty and risk from business. No doubt this is so, but at least a fair measure of uniformity of the kind can be secured under ordinary trade-union bargaining without any compulsory provisions at all. This advantage is not exclusive to a compulsory system, though probably more marked owing to the compulsive power conferred by the Act.

"(*b*) It throws a useful light of publicity on industrial conditions, owing to the fact that hearings are held in a Court usually open to the public. This doubtless has a therapeutic effect of a kind, but it does not necessarily mean that all the cards are exposed on the public table, nor does it necessarily exclude unobtrusive private arrangements between the parties, though it makes them more difficult and less probable and frequent. It has, however, the drawback of making the parties posture for public support, and angle for public sympathy; and it may cause more heat than light to be focused on industrial problems; while it also diverts the parties from the essential objective of smoothing out their difficulties, to making out a case before the public, and to raising for that purpose *ad captandum* points of little real relevancy in some cases. Posturing to the public is not an aid in securing industrial peace or industrial harmony and efficiency.

"(*c*) It prevents sweating, and has raised the standard of living and the wage-level. Here again there is a qualification to add. The effect of the other portions of our industrial legislation in preventing sweating and securing good working-conditions are apt to be overlooked; while assuming that because the system, in its earlier years, was accompanied by rising prosperity for all, it was, therefore, the cause of that prosperity, is to fall into the fallacy of *post hoc, ergo propter hoc*, and to beg the question. It is true that after the inauguration of the system wages rose and industrial stoppages virtually disappeared for a time, but that was in great measure due to—

(1) The rise in world prices, which started in 1896, the year when the Court first got into its stride, and went on until 1921. The rise in wages was simply one manifestation of the general rise of prices; it would have come about in any event, and it raised nominal wages more than it raised real wages.

(2) The chronic shortage of labour during that period.
(3) The prosperity of the country due to the effects of refrigeration on our foreign trade.
(4) The prosperity due to huge and continuous imports of capital from foreign loans borrowed for developmental purposes. As the effects of these stimulants have worn off, the potency of the Court as a vehicle for working-class welfare has fallen steadily, and dissatisfaction has steadily increased. The Court registered but did not cause the rise in wages, though it probably brought wage adjustments about more quickly than they would have been made had there been no Court."

The union views the principle of the Act, and its practical effects, with considerable dissatisfaction, and is opposed to the compulsory clauses in it; but should it prove impossible to secure its repeal at the present time, this union asks for the amendments hereinafter set out. These proposed amendments are more fully developed and justified under subsequent headings, but they may be summarized as follows:—

(*a*) To make the penalty of a breach of the "preference to unionists" clause more effective.
(*b*) To give third parties substantially interested in any dispute—*e.g.*, primary producers in the freezing-industry dispute of two years ago—the right to appear before the Court.
(*c*) In making an award, the ability of the industry concerned to bear an award should be taken into consideration.
(*d*) That where possible the principle of piecework be adopted.
(*e*) That farmers and those engaged in related occupations—*e.g.*, freezing companies, which are, in the main, subject to the prices that are realized on the world's markets—should receive exemption from Arbitration Court awards.

(B) *The effect of the present system of industrial legislation on the primary industries of the Dominion, on which the prosperity of New Zealand ultimately depends.*

The most serious aspect of the problem, and that which directly hits the farmers, is the maladjustment between wage and price levels and between groups of industries, partly resulting from the system of judicial fixation of wage-rates. From this point of view the industries of the country can be divided into two groups, sheltered and unsheltered. Sheltered industries, either because of the market for their services—*e.g.*, banking and tramway transport—or because of legislative interference in the form of tariffs or wage-fixation, are shielded from external competition. Unsheltered industries have to compete with foreign commodities either at home or in the markets of the world, and to take the world parity for their products. Their prices are fixed in the world market irrespective of costs of production at home, and they cannot pass on to the buyer any increased cost of production due to special local causes. On the other hand, the sheltered industries, subject to the effect of higher prices on demand, can do this. Award rates can be passed on by the sheltered industries, but not by the unsheltered ones. Now, farming is the most important unsheltered industry in the Dominion.

It is true that award rates directly affect only somewhat less than 30 per cent. of the workers; but these award rates are mainly fixed in the sheltered industries, and become the standard determining what other workers will regard as the wage to be paid in industries not directly regulated by the Court. It is also true that the Court, under its discretionary power, has more than once refused to make an award covering the wages of general farm hands; but some groups of workers whose wages are a direct or indirect charge on the farmer are protected by awards, and all workers tend, whether under the Act or not, to demand the minimum wages fixed from time to time by the Court.

In the sheltered industries the worker is protected by artificially determined wage-rates through the Arbitration Act, and the employer by artificial profits and prices through the tariff. These industries sell their products to the unsheltered primary producers, who are afflicted in two ways: (1) By higher costs of production, due to the increased price of the products of sheltered industries which they buy and use; (2) by higher wage-rates and labour costs in their own industry, indirectly resulting from rates fixed for protected workers and demanded by others.

The farmer cannot pass on this increased cost to his foreign buyer. If, then, the wage demanded is higher than the added value produced by the labour, the farmer must either stop employing men, or pay to them, as part of their wages, a portion of his legitimate profit or working capital. This process cannot be permanent.

The union quotes with approval the following extract from the Canterbury Chamber of Commerce Bulletin No. 28, of May last:—

"The Court reviews the wages and conditions only of those wage-earners who are members of the unions registered under the Act. But only 25 per cent. of the wage-earners of the Dominion are unionists, and, of these, some belong to unions which do their wage bargaining outside the Court. Making full allowances for unfinancial unionists and apprentices, it appears that from 25 to 30 per cent. at most of the wage-earners have their conditions directly investigated by the Court. But the Court's awards apply not only to unionists, but also to non-unionists in occupations governed by awards, and are accepted as standards over a wide range of other occupations as well. Hence the Court, on the basis of its investigation of the conditions of little more than one-fourth of the wage-earners, determines indirectly the general standard of rates for a much larger proportion, and exerts a very considerable influence over the whole range of wage-rates.

"From the earliest times the major part of the Court's attention has been given to wages, and, failing to find any other definite basis, the Court has gradually concentrated more and more on the cost of living as the standard by which to determine wage-rates. The drift towards this standard, strengthened by many judicial precedents, was given legal sanction when, from 1918 to 1923, the Court was authorized to grant bonuses on the basic wage calculated upon changes in the officially recorded cost-of-living index number. It is not surprising, therefore, to find that indexes of wages (mainly award

rates) and of retail prices move closely together, and that the estimated purchasing-power of average wages has changed but little.

"Official comparisons of these index numbers go back only to 1914, when the great changes in prices consequent upon the war began. These official figures indicate that wage indexes lagged behind price indexes during the war years, and though they made up much ground during the post-war slump they have hardly caught up yet. But if allowance is made for the fact that the official index number is pulled downward by the relatively low level of wages in the agricultural and pastoral group, and for the reduction in hours worked since 1914, the purchasing-power of award rates per hour is seen to have been since 1922 slightly above the 1914 level.

"In effect, the Court has succeeded in stereotyping for a large proportion of the wage-earners the standard of living which happened to obtain in 1914. It has adopted the usual definition of a fair wage, which is regarded as a wage similar to what is paid for similar work in other occupations. But the Court's experience of other occupations is, in the main, limited to those it investigates, and for which it fixes the wage-level itself. These occupations are mainly sheltered, for they are subject to little, if any, overseas competition, and it is natural that they should pass on their higher labour costs in higher prices. Their higher prices do not alone determine the whole of the cost of living, but they include the production costs of a considerable part of the goods and services entering into the household budget, and the greater part of the costs of transport and distribution of such goods. These prices, largely determined by wage-rates, have, therefore, a very considerable influence on the cost of living, upon which wages are based. Consequently, though not wholly true, there is a considerable amount of truth in the statement that, in adjusting wages to a rising cost of living, the Court moves in a vicious spiral of its own creation.

"The real limits to the upward movement of this vicious spiral are set by the unsheltered industries—those which have to export their products for sale in competitive markets overseas, which have to accept the world prices ruling there, and which, therefore, cannot pass on increasing costs in higher prices. They have no defence against rising costs, but when pressed between these rising costs and falling produce-prices their demand for goods and services produced by the rest of the community must fall, and with it production and employment fall also. In New Zealand the unsheltered industries are the primary industries. In 1921 they employed about 30 per cent. of the working population, and in recent years the pastoral and dairying groups alone have produced about 55 per cent. of the estimated total net products of the Dominion. Hence these unsheltered industries form an important part of the local market. But their ability to buy in that market depends on the relation between the prices they receive for goods sold and the prices they have to pay for goods and services bought. The following table indicates the disparity in recent price movements:—

Price Indexes.

(Base, 1909–13 = 100.)

	1924.	1926.	Two Months, 1927.
Export prices	177	153	148
Four sheltered groups	197	199	191
Award wages	170	176	..

"At the present time export prices are slightly higher than at the end of 1926, and are about 48 per cent. above the 1909–13 base. Imports and all wholesale prices are 56 per cent. above that level. Award wages and the cost of living are both about 76 per cent. above the same pre-war average, while four important groups of sheltered prices (milled agricultural products, textiles, wood products, and coal) are 91 per cent. above base-period prices. Between 1924 and February, 1927, all wholesale prices fell from 174 to 154, or 12 per cent.; export prices fell from 177 to 148, or 17 per cent.; award wages rose from 170 to 176, or 3½ per cent. Receipts from exports will now pay for 20 per cent. less labour than in 1924.

"It is this disparity of price-levels that is at the source of most of our economic troubles to-day. The higher rewards obtained in town industries are largely responsible for the drift to town, and official figures show that, while the mean population increased by 80,000, or over 6 per cent., the numbers employed on the land decreased by 9,000, or over 6 per cent., between 1923 and 1926. This means a fall of 12 per cent., or almost one-eighth, in the proportion of our population engaged in farming. Price disparity is also the chief cause of unemployment, for, while it tends to encourage the drift of wage-earners to sheltered occupations where award rates set the wage standard, it contracts the market for the products of those occupations, and so lessens the demand for labour there. In fact, under present circumstances, the general level of award rates of wages has probably reached and perhaps passed the maximum capacity of industry to pay, for it is almost certain that any further increases, and perhaps even the retention of the present level, would reduce the total earnings of wage-earners by reason of the unemployment created.

"None would deny the desirability of maintaining and improving by every practicable means the standards of living of the wage-earners. But the present practice of fixing wages in accordance with the cost of living is based on indefensible fallacy. There is never any guarantee that industry will produce enough to maintain a given standard, and the standard of living cannot possibly exceed for long the standard of output. These facts must be faced. Wages are paid by employers who can afford to pay up to the limit of the market value of the workers' net product. That market value is fixed by market conditions, by what the buyer can afford to pay as well as by costs of production, and the costs of production, including labour costs, must be adjusted to what buyers can pay if contraction of both production and employment is to be avoided. It is seldom possible to measure accurately the net product of labour. But every employer knows that the surest road to expansion

of sales is lower prices; hence, to expand production and employment, the cost of production, including labour costs per unit of output, must be lowered. Conversely, if labour costs of production are standardized at a level higher than the market for goods and service will bear, then sales, production, and employment must be reduced accordingly.

"One of the latest and most authoritative pronouncements on the wages question is the South African Wage Commission's report of 1925, in which the hand of Professor Clay, of Manchester, one of the greatest living authorities on wages, is clearly discernible. The report states, *inter alia*, 'A fundamental distinction is to be drawn between policies which increase, or seek to increase, wages by increasing the volume of wealth-production as a whole and policies which increase or seek to increase wages at the expense of other incomes in the community.' We may not realize the fact, but the Arbitration Court has been trying for many years to maintain the standard of living of a particular section, the manual workers in sheltered industries, comprising about one-fourth of the total wage-earners, with little regard to the effect its efforts have had on other sections of the community. The intractable nature of the prevailing unemployment shows that that attempt has now reached its limit."

(C) *The possibility of adjusting the effect of industrial awards and agreements on the primary industries, taking into account* (a) *their fixed income from the sale of their products abroad, and* (b) *any other method of encouraging primary industries.*

The union understands this somewhat obscure item to mean whether any way can be devised of mitigating the burden of awards on the primary industries. Since New Zealand has no control over the prices received for exported primary products, the union cannot see any possibility of "adjusting" awards. It is urgently necessary to reduce costs in primary production, and the only adjustment that the union can see possible is the complete withdrawal of farming and related and ancillary occupations from the jurisdiction of the Court. Even this will still leave the farmer affected (*a*) by the wage standards set in protected industries and demanded by other workers, (*b*) by the higher cost of commodities produced by sheltered industries working under artificial tariff and wage-level conditions. This matter has been fully dealt with under heading (B) above.

(D) *The exclusion or inclusion of any particular industry from or in the Industrial Conciliation and Arbitration Act.*

The union considers that a clause on the lines of section 11 of the amending Bill of 1927 should be enacted, providing that the Court of Arbitration shall have no jurisdiction over the farming industry, or such industries as threshing, freezing, and other occupations connected with or ancillary to primary production. The union considers this matter to be of crucial importance for the welfare of the Dominion and its primary producers.

There is nothing in the present Act to prevent the Court from making an award regulating the conditions of the farming industry, though in practice it has not as yet made an award regulating the working-conditions of general farm hands. The grounds on which the Court has refused to do this are so important, and have been so consistently followed, that it is submitted a strong case exists for stabilizing the existing practice for all time by incorporating the present position in the Act. The Court of Arbitration is not legally bound by its own precedents. Section 80 of the Act reads as follows: "The Court shall in all matters before it have full and exclusive jurisdiction to determine the same in such manner in all respects as in equity and good conscience it thinks fit."

Hitherto the Judges have been too wise to interfere in a direct manner with the farming industry, but some day there might be a Judge on the Bench without the wisdom of his distinguished predecessors, and there is nothing in the present Act to prevent such a Judge from interfering with the farming industry. The above clause is very wide in its terms. As long as the Court acts *bona fide* and in accordance with natural justice, it can do what it likes.

In view of the magnitude of the national interests at stake, of the peculiar nature of farming, and of the mischief that would be wrought in farming by inquisitorial methods or ill-advised interference, it is not safe or in the public interest that farming conditions shall be left, as they are at present, to the discretion, uncontrolled, of a single possibly fallible tribunal. It appears from many cases that the Court is disinclined to make an award if it is inexpedient in the economic conditions of the country, or impossible or highly inconvenient to regulate hours or wages, or to supervise such regulation. There has, however, been a tendency on the part of the Court to make an award governing certain branches of farming whenever a specific schedule of duties can be assigned, and, in fact, awards have been made governing the conditions of shearers, drovers, threshing-mill hands, musterers, and packers. This process may, in unwise hands, go much further, and the definition of "general farm hand" may be gradually narrowed until the farmer is hemmed in, as he is in Australia at the present time, on all sides. In conjunction with preference to unionists this might make the farming industry highly inconvenient to operate, or positively unworkable. If a schedule of duties were assigned, for example, for ploughmen, then ploughmen would refuse any unscheduled duty, and if the duty were within the scope of another award the parties might be liable for breach of the preference clause. It would be impossible to run a farm and react to its ever-varying conditions in such circumstances. A Judge with a labour bias might go so far as to make farming impossible.

Three Judges have refused to interfere with the farming industry, and in two cases have given considered judgments. The Union adopts the reasoning of their Honours in these cases, and bases its case on that reasoning.

In *Re* Christchurch Agricultural and Pastoral Labourers (Book of Awards, Vol. IX, p. 517), an application was made to fix the conditions of ploughmen, harvest hands, general farm hands, and day-labourers. After a lengthy hearing, Mr. Justice Sim refused to make an award, on the following grounds:—

(1) The scattered nature of the industry, which would make enforcement difficult and costly, especially as farmers would resent such inquisitorial conditions.
(2) The magnitude of the interests involved, and the serious consequences to the prosperity of the country that would ensue were regulation by the Court to have adverse effects on the national production. The Court would have to be assured before it took action that the magnitude of the grievances to be redressed was very considerable, that the intervention of the Court would be effectual, and that the benefits to be obtained would outweigh the mischief due to intervention.
(3) Mere discontent with wages and a desire for higher wages are not evidence of sufficient grievance or dissatisfaction.
(4) It seems impossible to make an award that will be fair and workable, especially as to hours and wages, without unduly hampering farming.
(5) Owing to the nature of farm work and its dependence on weather conditions it is impossible to fix regular hours.

This decision to refuse an award aroused much comment in labour circles at the time, yet in that very year Parliament, in the amending Act of 1908, justified the refusal of the Court to make an award by passing what is now section 153 of the present Act, which reads as follows: "When an industrial dispute has been referred to the Court, the Court may, if it considers that for any reason an award ought not to be made in the matter of that dispute, refuse to make an award therein." The position is, therefore, that a very distinguished Judge thought no award ought to be made in the farming industry, and Parliament in the same year impliedly confirmed his view by passing the above section to the Act.

This case was followed *in re* Otago and Southland Musterers (Book of Awards, Vol. XX, p. 1405), and again by the present Judge (Mr. Justice Frazer) *in re* Otago and Southland Farm Assistants (Book of Awards, Vol. XXVA, p. 771). Here an award for general farm hands was refused partly because of the small membership of the union, partly because there was insufficient proof of general dissatisfaction with conditions, but mainly because it is impossible to make an award owing to the general conditions of the farming industry. Conditions vary according to the type of farming carried on, (dairying, wheat, pasture, orchards, &c.), soil, weather, locality, transport conditions, type of crops, and markets. There is also variation from farm to farm and district to district, making uniform conditions impossible.

The union is merely asking that the established practice of the Court be given statutory recognition, and that the views of three Judges and a previous Parliament be given legislative effect as a safeguard for the future, and that existing hampering conditions be remedied. Farming is essentially different from manufacture, which involves repetition of standardized processes that can be reduced to a uniform routine. You can have uniform conditions in manufacture, but not in the primary industries. Hours in farming depend on the weather, and so does the specific work to be done at any time. The weather cannot be induced to obey the Court of Arbitration, neither can an industry which depends on the weather, as farming does. Farming cannot be made a matter of supervised routine.

The essence of the union's contention is that farming is (*a*) vital to the national prosperity; (*b*) quite unsuited to standardized schedule methods of working; (*c*) dependent on the weather; (*d*) infinitely varied as to crops, processes, soil, locality, transport, and markets; (*e*) dependent on a market which is situated abroad, where costs cannot be passed on; (*f*) in a difficult and precarious condition at the present time, and less able to bear harassing restrictions than at any previous time in our history; (*g*) unable to pass on additional costs occasioned by interferences of the Arbitration Court.

(E) *The basis upon which award rates should be fixed.*

The union advocates the passage into law of section 19 of the 1927 amending Bill.

At present the function of the Court is to arbitrate between the immediate parties without any necessary consideration of the public interest, so that it is possible for both sides to come to a wage agreement inequitable to the public, and pass it on. As long as the employer is assured of his ability to pass on wage increments, with a profit on them, he will not make any serious resistance, and will not study the public. It is submitted that it should be made the duty of the Court to consider not only the standard of living—which admittedly is a factor in the situation—but the effect on the consuming public, the general position of the Dominion, and the specific position of the industry affected. As it is, the Court is an arbitral tribunal only between the immediate parties; it should be bound by law explicitly to take into consideration these wider issues. This still leaves the Court its unfettered discretion after it has considered all the factors of the economic situation, but forces it to consider such factors, a thing it is not compelled to do at the present time. The present Act lays down no principles of wage determination.

The decision *in re* Inangahua Gold-miners (Book of Awards, Vol. XIX, p. 1055) and the dicta of the Judge therein show that this amendment is necessary as a safeguard of the public interest. The Court laid down the dangerous proposition that if any industry cannot pay its workers "a reasonable living-wage," then in the interests of the community that industry should close down. The expression "reasonable living-wage" is very elastic, and might justify the contention, "Either you pay the wage fixed, or get a Government subsidy, or close down." This is also the attitude in Australia. If such a dictum were applied to the minimum anti-sweating wage it would be well enough, but taken in its full extent it means that labour must in periods of national adversity get as high a wage as in periods of prosperity, when industry could carry the burden. There is no reason why labour should, above the anti-sweating minimum, be exempted from the fluctuations of national prosperity. The enactment of this clause, which was in operation during the post-war period, would compel the Court to consider what an industry can stand before making an award. It is equitable and in the public interest that this should be so.

Wages cannot be fixed solely with regard to an arbitrary cost-of-living standard, as they are to a great extent at present. The "cost of living" is merely a statistical abstraction, derived from ascertaining the present prices of what workers' wages would purchase in 1914, at the culmination of a generation of unparalleled prosperity in the Dominion. Other sections have had their standard of living cut down; there is no reason why labour should be exempt from national hardship.

Wages should bear an ascertainable relation to productivity, and depend largely on production. The union endorses the following abstract from the address of Professor Murphy already referred to:—

"Wages in the long-run depend on productivity, and are paid out of the product of industry. They should be based on what a man produces, not on what he consumes. The cost-of-living basis of wage-fixation is, in my judgment, economically unsound.

"It is the buyer, not the seller, who in the last analysis holds the price situation in the hollow of his hand, and market prices are determined primarily more by what the buyer can afford than by what it costs the settler to produce. If labour costs are not so adjusted as to allow of production within the range of the buyer's demand, then production, in the long-run, will stagnate and cease. In the short-run, however, an industry paying an uneconomically high wage-rate is really eating up capital disguised as wages.

"Wages, then, in New Zealand tend to be settled on the basis of investigation by the Court of about 30 per cent. or less of the workers in mainly sheltered industries. It is true that the Court probably does all that human sagacity can do in estimating the effect of its awards on other groups of labour; but it is the special problems of the dispute under consideration that it primarily views, and the effect of the award on other industries is seldom explicitly argued, nor would such an inquiry lend itself to judicial methods of investigation, since it can be elucidated only by reasoning and deduction from facts.

"The object of the Court has been to maintain the 1914 standard of living for unskilled workers. This has been substantially obtained. No sensible man will quarrel with so desirable an objective, if the national production warrants it, but you cannot get more than a pint out of a pint-pot, and if the national production in conjunction with export prices will not permit of this standard being maintained, then fall it must sooner or later. Post-war conditions do not permit all industries to bear the pre-war standard of living translated into present-day money values. This is especially true of farming. If this wage-level falls on the farmer either directly in the wage he has to pay, or indirectly through the commodities he has to buy, then the burden of maintaining the pre-war standard is passed on to the primary producers as a special tax. It is inequitable that this should be so.

"The farmer has to bow to the law of supply and demand in the sale of his products, and he has to submit to the law of supply and demand also in the rate he pays for his borrowed capital and credit. He does not object to this, but he thinks that what is sauce for the goose should be sauce for the gander, and considers that if supply and demand rule the price of his capital and commodities it should also rule the price he has to pay for labour. As things are, he loses on the swings and does not make up on the roundabouts. He is ground between the upper millstone of the world price for commodities and capital, and the nether millstone of an artificially protected wage-rate."

(F) *Payment by piecework or otherwise, according to volume of output.*

The union asks for the passage into law of sections 12, 13, and 14 of the 1927 amending Bill.

The union considers that, wherever feasible, it is in the interests of both labour and employers, as well as the public, for wages to vary with volume of production, subject to a minimum limit. This encourages industry, gives exceptional reward to exceptional workers, and does not penalize the slower man in any undue manner. Flat time rates, in industries where piecework is suitable, discourage production and lower efficiency to that of the weakest man. This is economically unsound. Wages are a price for services rendered, and men are paid because they produce value. It is right that reward should vary with the value produced. Under piecework, men are rewarded in proportion to their energy, efficiency, and initiative, production is stimulated, plant and machinery are utilized to their full extent, overhead charges are lowered, and cost of production is reduced. This results in lower prices to the consumer, higher profits for the employer, and steadier work at greater reward for labour.

Piecework is a valuable antidote to go-slow methods of work. The go-slow policy is nationally pernicious. "Its ultimate effects are wholly disastrous. Involving, as it does, a diminished production of wealth, this entails lessened accumulations, consequently higher interest rates, and less demand for labour, resulting in lower wages. Commodities, moreover, are scarcer, and consequently dearer, so that the cost of living is raised. Unrestricted production, on the other hand, means greater accumulation of wealth, lowered interest, more employment, higher wages, and more and cheaper commodities."—(Murphy: "Economics," pp. 202–3.)

The union advocates piece rates, as tending to increase production and lower the cost of living.

The Court of Arbitration has jurisdiction to prohibit piecework, though it is now inclined to permit it. *In re* Northern Carpenters (Book of Awards, Vol. XXIV, at p. 461) Mr. Justice Frazer points out that the prejudice against piecework on the part of the Court is now disappearing with changed circumstances, and that it can now be allowed under reasonable and fair conditions. It is evident that His Honour does not disapprove of piece rates. It is, however, only a matter of discretion, and another Judge might take a different view. The union thinks that the Court should have no discretion to prohibit piece rates, any more than it now has to prohibit the bonus system of reward, and that the position should be defined and made mandatory by statute.

(G) *The constitution of the Court of Arbitration and the representation thereon of parties concerned.*

The union considers that the Court should consist of three Judges of Supreme Court rank. At present the nominated assessors are merely additional advocates for the parties, without any pretence

of a judicial attitude. It is contrary to ideas of British justice that members of a Court should be elected by litigants, and that they should lose their position if they give a judgment that greatly displeases any party or section of the community. What work they now do for their respective sides could be done, and should be done, as advocates from the body of the Court. Their partisanship simply cancels each out as a determining factor, and they are of little assistance to the Judge, but rather an obstruction to him. There is always a tendency for such elective judges to take their instructions from their constituents outside rather than focus their attention on the merits of cases submitted to the tribunal.

The union considers that parties substantially concerned or interested in the matter of a dispute before the Court should have the right to appear, lead evidence, and address the Court, so that all aspects of the problem will be considered when an award is made. It is particularly essential that this should be done where costs as between the immediate parties can be passed on, notably increased costs in the freezing or transport industry. The union bases its contention on the following grounds :—

(1) It is impossible to regulate a dispute in a satisfactory manner unless the position of those directly or indirectly affected by the decision is placed before the Court at the same time. In order to save time, the Court tends to concentrate on the immediate issues, and thus deals only with the immediate problem of arbitration between the litigants, without the position of affected third parties being considered. Farmers, for example, bear the whole cost of wage-increase granted to transport workers and freezing-works employees. They are really parties to the proceedings, in the sense that they will have to pay the piper, and yet they cannot be heard in their own defence. It is a principle of universal justice that no party should be damnified without being heard in his own defence. The present situation is inequitable.

(2) The farming industry is the backbone of our economic life, and any alteration in its working-conditions should be made only after the fullest investigation of those conditions and the effect of such alterations on the prosperity of the industry. Manufacturing industries in New Zealand are secondary in fact as well as in name. Mistakes made in regulating them are of much less grave significance to the Dominion. Mistaken regulation of farming, which has to bear the full brunt of a highly competitive world market, and meet the competition of other countries that do not hamper their economic life by an arbitration system, might seriously impair our national life and cripple or ruin our credit. We cannot afford to take risks in regulating the staple industry of the country.

(3) The ultimate impact of the labour protective system is on the unsheltered producers, and the immediate impact of awards in related industries is on the farmers. It is therefore desirable that the viewpoint of the farmer should be presented when such matters come before the Court for consideration.

(4) Farming representation would bring out the full implication of any proposed change, and show the effect of an award on such related factors as land-fertility, interest, and bank overdraft rates, and other related factors that will be modified if wages are affected. A rise in wages must come from somewhere, and farmers should have the opportunity to argue the incidence of the charge before the Court before it makes an award that may seriously disturb industrial conditions in ways that are not obvious on the surface. This necessitates third-party representation.

(5) The Employers' Federation has interests that conflict with those of the farmers to such an extent that farmers and their interests cannot adequately be represented by a body representing industrial employers, who are often only nominally affected by an award, the cost of which they can pass on.

(6) The fact that the representation of third parties would cause delay is not an argument against it. Litigation cannot avoid delay if the issues are complicated. The trouble is that far-reaching innovations have been inaugurated with too little delay and consideration in the past.

It is doubtful to what extent third-party representation is possible at the present time. *In re* Kaitangata Miners (Book of Awards, Vol. XIII, p. 617) Mr. Justice Sim held that the Court had inherent jurisdiction to permit it, but that it lay in the discretion of the Court, and would be allowed only in exceptional cases. Possibly section 106 of the present Act was passed in 1920 to meet the case, but it does not do it adequately, is obscure in its terms, and does not seem to have been the subject of interpretation by the Court. It applies only to organizations "connected with the industry," and it is not clear what this means. Also, it is at the discretion of the Court or Commissioner.

It seems impossible to frame a satisfactory legal definition of what constitutes a "substantial interest." The union therefore asks for the enactment of a clause to the following effect :—

(*a*) That parties substantially interested in a dispute before the Court shall be allowed to be represented, lead evidence, cross-examine witnesses, and address the Court; and also the Conciliation Council.

(*b*) That the New Zealand Farmers' Union should be the officially recognized representative body for farmers.

(*c*) That farmers shall be deemed to have a substantial interest in disputes arising in the freezing industry, waterside work, land and sea transport, threshing, and all other industries connected with or ancillary to the farming industry.

(*d*) That in other cases the Court shall decide what parties claiming a hearing shall be deemed to have a substantial interest.

(*e*) That applications under section 20 of the 1927 amending Bill be allowed to be made by parties having a substantial interest.

(H) *Preference to unionists.*

The union has no objection to preference to unionists under proper safeguards for reasonable continuity of industry on the part of the persons or union enjoying the preference. The union feels that as long as the system obtains it is reasonable to hold that if unions agree to abandon direct action

and genuinely come under the scope of the Court they are equitably entitled to preference of employment, subject to proper safeguards against a labour monopoly. The union, however, thinks that preference should not be given in the absence of loyal adherence to the spirit of the Act, and that if a union adopts direct action, the strike, or irritation, or go-slow tactics the preference clause should lapse automatically. It is felt that preference has perhaps been conceded too easily at times in the past.

The Court itself has held that if a union goes on strike it forfeits the benefits of the award, including the preference clause; but in spite of the above decision—Greymouth Wharf Labourers *v.* Union Steamship Co. (Book of Awards, Vol. xvi, p. 554)—it is felt that the position requires clearer definition. The union accordingly asks for the enactment of a clause to the effect that where the union concerned has deliberately committed, connived at, or instigated a breach of award, or refused to accept employment, the preference clause shall automatically thereupon lapse; and where in or in connection with any establishment or locality any section or substantial body of the workers in a union either refuse to accept employment or systematically commit a breach of award, the union shall be deemed to have committed, connived at, or instigated such breach or refusal to accept employment.

The Farmers' Union, while sympathetic with the objects of legitimate trade-unionism, feels that labour cannot have it both ways; they cannot have the benefits of the arbitration system and those of direct action at the same time.

(I) *Improved methods of avoiding industrial disturbances and other like delays in carrying on industry.*
(J) *Such Alterations, if any, as are desirable in the industrial legislation of the Dominion.*

These two have been answered incidentally to the discussion of the previous paragraphs. The union would be content to see the principle of the Labour Disputes Investigation Act, 1913, in conjunction with voluntary conciliation, in place of the present compulsory system. The union recommends that sections 20 and 21 of the 1927 amending Bill be passed into law.

(K) *Apprenticeship.*

This union has no comment to make on this heading.

(L) *Immigration.*

Owing to their inability in general to pay wages for labour incurred in improvements, &c., the farmers of the Dominion are unable to absorb much of the unskilled labour drifting about the country. From an economic point of view this union deplores such a sad state of affairs as a considerable amount of recently retrieved land is fast deteriorating, and increase in our production is being hindered.

The following immigration policy has been advocated by this union for some time:—

(1) A better application of the nomination system for all classes of migrants than is at present the case.
(2) A more careful examination of migrants from all sources from the point of view of health.
(3) A closing-down of immigration under the various schemes from April until September in each year. This aspect is regarded as highly imperative.
(4) The establishment of an Immigration Board to handle the whole question at this end, with power to control migrants for a certain definite period, to acquire land for the settlement of migrants, and to administer such lands until the migrants are capable of managing for themselves.
(5) The encouragement of the group system of immigration on somewhat similar lines to the West Australian scheme.
(6) The establishment of numerous farm schools where both native-born New-Zealanders and suitable immigrants could be trained to farming pursuits. A more careful selection of farm labourers should be made in England, as the present financial position of our farmers prevents them from employing any but experienced farm hands.
(7) A closer co-operation and consultation with the Imperial Government in order to take full advantage of the Acts passed by the British Parliament for the encouragement of inter-Empire migration. This union is of the opinion that this has been somewhat neglected in the past.

Business Committee's Report.

Mr. Bishop: I beg to bring up the report of the Business Committee and move its adoption. There is an error in the report of the business transacted at the last meeting of the committee. It states that there is only one sub-committee to be formed, whereas the committee recommended that two sub-committees should be set up from the two main committees, the second one to deal with economics and finance. That should be noted.

To-day's report is as follows: It is recommended—

(1) That the Conference adjourn to-morrow evening and resume on Wednesday, 18th April, at 10 a.m.
(2) That the whole of the proceedings of the Conference be printed on the conclusion of the present sitting, and copies made available for all delegates on resumption.
(3) If the papers have all been dealt with before the adjournment to-morrow evening the committees shall commence their work on the 18th without a further meeting of the general Conference. If the papers are not concluded to-morrow the consideration of the remaining papers to be taken in general Conference on the 18th.

(4) The personnel of the two main committees—Primary Industries Committee and Secondary Industries Committee—should be announced from both sides before the adjournment to-morrow. The setting-up of sub-committees to be arranged by the two main committees when they first meet.
(5) It was not thought advisable to definitely fix the time by which committees must conclude their deliberations and present their reports. This can be done later while the committee work is proceeding.
(6) Reports of the committees should be submitted to the Business Committee before the resumption of the general Conference: the Business Committee to determine the order in which they shall be presented to the Conference.
(7) When the reports of the committees are presented to the general Conference there shall be opportunity for full discussion upon them and upon any of the papers which have been presented to the Conference.
(8) The appointment of the committee to compile the final report of the Conference to be left over until the next sitting of the Conference.
(9) The suggestion that Government departmental officers be appointed as chairmen of committees does not commend itself to the Business Committee in all cases. It is desirable that departmental officers shall give all information which the committees may require upon the various matters they consider, but the majority of the members of the Business Committee consider that the committees will have no difficulty in appointing one of their own members to act as chairmen of their meetings.

The report was agreed to.

Discussion on Farmers' Union Paper.

The Chairman: Mr. Polson's statement is now before the Conference in order that any questions may be asked.

Mr. Henderson: I wish to ask Mr. Polson a question. It seems to be taken for granted all through this discussion that there is a third party to disputes, and I notice that the Farmers' Union state specifically that there is a third party—namely, the public. I would ask Mr. Polson, or anybody else who cares to reply, what justification there is for the intervention of the public interest, or any other third-party interest, in any contract relating to wages, or, for that matter, any other contract that may be entered into between individuals, or sections, or groups of individuals. I have my own ideas on the subject, but it would be just as well if we could obtain from Mr. Polson, or anybody else, a precedent in this connection. Has Mr. Polson any precedent for allowing the public to intervene in what is actually a contract between the two groups of individuals?

Mr. Bromley: In a reference on page 75 of his paper Mr. Polson states that the Arbitration Court, being a compulsory tribunal, has to provide an elaborate system of inspection and enforcement, which means inquisitorial interference with private business. I ask if Mr. Polson has given any attention to the shop-stewards movement in Great Britain, where there is no compulsory arbitration, and whether he considers the system here more inquisitorial than, or less than, that of the movement I refer to in Great Britain. My second question is, whether the employers are more responsible than the workers for the fact that so many cases are referred to the Court for settlement. Further on in his paper he states, in giving the early experience of the Court, that ten years of comparative prosperity followed the establishing of the Court, but that the Conciliation Councils were not used as much as expected, although the Court was brought in to settle disputes more generally than was anticipated; no serious industrial stoppages, however, occurred. That would indicate that the settlements which ought to have been arrived at under conciliation were stopped by the employers in the early stages of the Court, thus establishing the principle of placing on the Court the burden of settling disputes which should have been decided by conciliation. My third point is, will Mr. Polson give the Conference more in detail what the opinion of the Farmers' Union is as to what are legitimate profits.

Mr. Baldwin: I wish to ask a question regarding what is a fair wage, a matter Mr. Polson referred to in his statement. He says that question cannot be settled without determining what is a fair rate of interest, and what are fair business profits. Will Mr. Polson tell the Conference if in his opinion the interest paid on the mortgages existing to-day on the farms by the farmers he represents are fair, seeing that the bulk of them are compelled by every clause in their mortgage to do the bulk of their business with the mortgagor. We all realize that that is a big factor in keeping the farmer in bad straits. Dealing with the third-party question, I trust Mr. Polson will stress that particular point in answering—I refer to the question asked by Mr. Henderson—for the reason that the farmers have not had representation in the past before any tribunal. With regard to the right to strike, I would like to know what Mr. Polson would say to the statement that the wheat-growers and the wool-growers when the war was on absolutely refused to sell their products at under a certain rate. They would not let their wool go at less than 45s. and 55s. above the 1914 prices. In dealing with Mr. Justice Sim's refusal to make an award for farm labourers, I wish to state that Mr. Polson's statement is quite correct, and is on record; but Mr. Polson did not tell this Conference that the farm labourers' inquiry was carried into the whole district of Canterbury, not into one centre only, but over the whole of the arable lands.

Mr. Brechin: I rise to a point of order. Is this speaker asking a question or making a speech?

The Chairman: The position is that questions only can be asked, and a delegate is not allowed to make a speech in that connection, but is allowed three minutes in explaining the trend of the question.

Mr. Baldwin: I have about finished. I say that that inquiry was held before a recommendation was made to the Court to make an award, and it was on the evidence adduced in the whole district; but finally the Court did not carry out the recommendation and make the award. I ask Mr. Polson, is that not a fact, and, if so, why did he not tell the Conference that it was a fact?

Mr. Parlane: Is it not the fact that all the arguments Mr. Polson has put forward in support of the representation of the third party when the worker is bargaining for the sale of his labour applies equally if the workers were to put in a claim to be represented when the farmer is selling the result of his labour—his wheat and other produce; and also when the farmer is buying and selling a farm? Again, Mr. Polson stated that every section of the community has had their standard of living cut down. I ask him if he is aware that on page 736 of the last Year-book it is shown that the average wealth of the community has increased by 40 per cent. after allowing for the increase in prices. Another point I ask about is, in view of the fact that all the economists are agreed that the standard of living of the workers cannot be cut down below a certain point without reducing their efficiency, whether he has given any attention to the basic wage fixed by the Arbitration Court at £4 0s. 8d. a week. I ask him if he considers that wage affords a fair standard of living for a worker. Another matter I would like to ask Mr. Polson about is his claim that preference to unionists should lapse automatically as soon as a union adopts any direct action. Does he not think it only fair that it should be proved that a union has adopted direct action before it is punished? Should not a union have the right of being tried before being punished?

Mr. Roberts: Sir, I want at the outset to congratulate Mr. Polson on the lengthy report he has presented. When I heard it read I thought of the song, "Murphy shall not Sing To-night." I do not think there would have been any song if Murphy was not in it.

Mr. Henderson: Mr. Chairman, what exactly is the implication in that?

Mr. Roberts: The implication is that Professor Murphy is quoted very frequently in this statement. Professor Murphy is an Irishman, like myself, and he will understand. I am talking to him really. I want to put this point to Mr. Polson: I am a transport worker, and I eat butter, meat, and potatoes—particularly potatoes—and use wool for clothing and so on, all grown on the farm. Mr. Polson has stated that the farmers as third parties have a right to representation on transport workers' disputes. If so, have not transport workers an equal right to be represented in the fixing of prices of commodities produced by farmers when the farmers sell them? I, a transport worker, am just not the third party, but the second party, who buys them. At the present time we see the price of butter fixed at a certain figure from a certain date. I am not consulted. I simply smile and say nothing.

A Delegate: Or go without.

Mr. Roberts: I generally go without it. My next question is with regard to certain figures quoted by Mr. Polson—I know they were the same that were given in Professor Murphy's paper—in regard to certain stoppages in the mines and on the waterfront. Would Mr. Polson tell us the exact time of the delay caused by these stoppages, and what the stoppages were due to; because some of the stoppages on the waterfront were caused by things that neither the employers nor the workers can control, and all of them are included in this report. The next point is as to that blessed word "elasticity." We shall soon be using it like "that blessed word Mesopotamia." Mr. Polson has asked that the Court shall allow more elasticity and freedom for employers in the employment of workers, and not bind them in a strait-jacket; and he objects to any legal restrictions. Would he allow the same elasticity in regard to the dairy-factory regulations, and allow the farmers to carry on the dairy industry as they like? I would like an answer to these questions; and I would like him in his reply to state definitely—not to-day, because he cannot give such a list to-day, but when the Conference resumes again—the commodities that can be purchased for £4 0s. 8d.; also how many workers of the unskilled type get £4 0s. 8d. per week throughout the year. Will he tell us, too, what he thinks a family of four can live on, and what those commodites can be bought for to-day? That is all.

Mr. Semple: On page 84 of this paper Mr. Polson makes this statement: "there is no reason why labour should be exempt from national hardship." I would like to ask him, since when has labour been exempt from national hardship? On page 80, the first of his proposed amendments to the Act is "To make the penalty of a breach of the preference-to-unionists clause more effective." I take it that the idea of this paper is to submit proofs and reasons why the farming industry should be exempted from the jurisdiction of the Arbitration Court. Supposing the farmers were successful in getting that exemption, how would you apply preference to unionists in their case? Is it the fact that the farmers are prepared to endorse the preference-to-unionists principle so long as it is applied to the other fellow and they are exempt themselves? It seems to me that that is the idea, in view of the fact that they want exemption for themselves and yet support preference for unionists. On page 78 Mr. Polson suggests "a physical anti-sweating minimum below which, in the public interest, labour should not be hired." I want to ask him, does he contend that the present minimum is too high?

Mr. Kennedy: I would like Mr. Polson to tell me how he would get over these difficulties: On page 75 he complains that the Arbitration Court, "being a compulsory tribunal, has to provide an elaborate system of inspection and enforcement, and this means inquisitorial interference with the details of private business." In the reports of the Department of Labour we find that in 1927 £11,020 3s. 11d. was collected by the Inspectors of the Department for underpaid wages from different employers who paid their workers less than the award rates. In 1926 the amount so collected was £8,966; in 1924, £8,567; and in 1925, £5,949. My question is whether he complains about the enforcement of the award rates; and what system would he adopt if we took out these particular clauses of the Act relating to the enforcement of agreements—how

would he do the work done under the present system in regard to collecting these underpaid wages? On page 76 Mr. Polson adopts the statement made by somebody that the unions have organized themselves politically. I want him to tell me what objection he can take to that when the unions find that the politicians of this and other countries are continually interfering with the laws under which they work. What objection can be taken if the workers organize politically to stop the continual interference of politicians with the Acts we work under? On page 78 Mr. Polson says that instead of the present minimum wage there should be "a physical anti-sweating minimum below which, in the public interest, labour should not be hired." I would like him to tell me how he would arrive at that particular wage? What system would he adopt to ascertain it? On page 77 he states, "During this period from 1906 to 1925 the total disputes involving stoppages of work in New Zealand numbered 695, of which 212 were in mining, 215 in shipping and cargo working, and 102 in food, drink, &c. (mainly freezing-works), or 559 stoppages in these three industrial groups combined." And again he said, "During the five years 1921–25 the concentration was even more marked, for out of 301 stoppages, 273, or 90 per cent., were in the three industrial groups named above, and 28 in all the other groups combined." I want to ask him whether he would be in favour of setting up a National Council to deal wholly with these industries, with full power to determine wages, and with provisions for preventing the stoppages he complains of?

Mr. Cornwell: On page 84 Mr. Polson mentions something about the go-slow methods of workers. I would like to ask him, what is the difference between his interpretation of that phrase as applied to the workers and the action of the sheep-farmers in withholding their products at a time when the nation is under stress? Just go back to the war period, when some of the sheep-farmers deliberately withheld their products for higher prices when the British Government wanted wool to manufacture clothing and so forth for the men fighting in the trenches. He should compare that with the go-slow policy of the workers that he complains of. Again, in the Wairarapa a little while ago some bacon-factories were instructed to restrict production in order to get higher prices for their products; and only, I think, last week, one Cabinet Minister was advocating that the wheat-farmers should withhold wheat until they got higher prices. I would like Mr. Polson to compare the action of the sheep-farmers, the bacon-factories, and the wheat-growers with his charges against the workers of going slow.

Mr. Johns: On page 76, clause 3, Mr. Polson refers to the inflexibility of the system of compulsory arbitration. I would like to ask him what degree of flexibility would he suggest in the dairy-factories of this country? At present the workers in those factories are working sixty-five hours in a seven-day week. There is no limitation in regard to hours in these factories; men have been known to work as much as fourteen to fifteen hours a day, and in one specific case in Auckland, on Monday, 6th February, they worked from 7.15 a.m. till 11 p.m., with half an hour for dinner and three-quarters of an hour for tea. On Tuesday, 7th February, they worked from 7.15 a.m. till 11.15 p.m., with half an hour for dinner and three-quarters of an hour for tea. On Wednesday, 8th February, they started at 7.15 a.m. and worked till 5.30 a.m. on Thursday, with half an hour for dinner, three-quarters of an hour for tea, and half an hour at midnight for another meal. They restarted at 7.15 a.m. and worked till 5 p.m., making 29½ hours of work, with these small breaks for meals. If there is any more flexibility wanted under the Arbitration Court awards than that, how much more can we get if the Arbitration Court deals with these workers? I speak as a practical worker in the industry for nineteen years, and I would not like the dairy-factory workers to go back to the conditions that obtained when I entered the industry. We started work at 4 a.m., and at 8 o'clock we went home and had half an hour for breakfast. Then we worked till 12, had one hour for dinner, and if we finished at 5 or 6 o'clock we could then go home. We worked these hours six days a week; Sunday was called an easy day, a half-day, if we finished at dinner-hour. We do not want such flexibility as that. We have seen the degree of flexibility that we have now. If they are not content with that, what do they want?

Mr. F. R. Cooke: I want to ask Mr. Polson a question in regard to the statement on page 81, which reads as follows: "There is never any guarantee that industry will produce enough to maintain a given standard, and the standard of living cannot possibly exceed for long the standard of output." I want to know how long the standard of living can exceed the output. Will he also say what the elasticity of the Court is supposed to restrict. Has it restricted the boot and shoe trade from increasing its output sixfold during the past twenty years, and the clothing trade from increasing its output fivefold during the past twenty years? These industries have been under the Court. I would like to ask him if he knows that the workers in one section of the clothing trade, which has increased its output fivefold, are to-day getting less remuneration for their work than those in the one that has not increased its output? There are two sections in the clothing trade. Those are some of the questions that I want to ask Mr. Polson. Then, I should like also to follow up Mr. Henderson's question, whether Mr. Polson does not think that a third party coming into a dispute in an industry, and interfering in a Wages Board or the Arbitration Court, would not cause such endless litigation in one way and another that you would get no settlement. It does so in property cases and so on. Wherever a third party comes in, it interferes with the procedure.

Mr. Bloodworth: On page 78 Mr. Polson quotes the Right Hon. Sidney Webb to the following effect: "Perpetual liability to a disagreement between the parties to a bargain is a necessary accompaniment of freedom of contract." Does not that quotation imply that the absence of the Arbitration Court will be more liable for perpetual disagreement than with the Arbitration Court in existence, which limits freedom of contract?

Mr. Martin: When Mr. Polson is replying to Mr. Semple's question in connection with the statement on page 84 that "There is no reason why labour should be exempt from national hardship," will he reply whether that has any connection with the sentence previous to that, that "Other sections

have had their standard of living cut down " ? Does he think that the standard of living of the workers to-day should be cut down ? It seems to me that that is the obvious inference to be drawn from that statement, and when he is dealing with Mr. Semple's question he might reply to that aspect of the question also. Then, on page 85 Mr. Polson says that by law " the New Zealand Farmers' Union should be the officially recognized representative body of farmers." Would Mr. Polson also agree that by law the trades-union or any union of employers should represent the workers or employers in any particular industry—that that should be embodied in the law ? If it is to apply to the Farmers' Union it is only fair that it should apply to the employers or the workers. Then, on pages 85 and 86 he argues that the preference should be cut out of an award where the workers refuse to accept employment. I think there again it should be made to operate both ways, and if the employers refuse to give employment to any section of workers they should be liable to a penalty in the same way that the workers would be if they refused to accept employment.

Mr. Tucker: On page 76 of his paper Mr. Polson deals with efficiency: I should like to know whether he refers to efficiency in quality or in quantity. There has been an increase in the volume of output in this country—that is, in the agricultural and pastoral industries. Then he deals with public interest in production: to what extent can the workers, apart from having a voice in the management of an industry, be held responsible for any low rate of production ? Then, my next question is in regard to the statement on page 84, paragraph 2: what does he mean when he says " Wages should bear an ascertainable relation to productivity, and depend largely on production." Does he mean here that wages shall be fixed upon national production ? Will he also say whether, in face of the fact that he claims that any cost created in a sheltered industry can be passed on to the agricultural and pastoral industries, he claims that a national award should be made to cover all industries ?

Mr. A. Cook: I would like to ask Mr. Polson about twenty-five questions, but I will content myself by asking him, Does he not think that if the country workers, such as farm labourers and forestry workers, were protected by Court awards or industrial agreements, would it not make for more efficiency in the various industries ? That is my question, and I would like to explain it by stating that Mr. Polson himself admits that you will not get efficiency in any industry, particularly in the unsheltered industries, unless there is a thoroughly contented and satisfied working-class operating those industries. It is impossible for the workers to be satisfied under the present conditions, when one set of workers are getting one rate of pay and those adjacent to them are getting another rate of pay. The Arbitration Court in its award for the shearing industry has seen fit—unwisely, in my opinion—to exempt from the operations of the award permanent employees who are workers who have been in the employ of the employer for three months prior to the commencement of shearing. Consequently those permanent employees work side by side with men getting the Arbitration Court award rate, in some cases higher than the permanent rates they are receiving. The result is that there is great dissatisfaction, and efficiency does not take place in the industry. The workers are working one against the other. The man who is getting paid at the lower rate is inclined to neglect his work, which is only human nature. Again, I would ask Mr. Polson to take into consideration the state of affairs in the Australian States, where the whole of this industry is covered by awards of the Court; and if the farmers in Australia can pay the award rates, where they are subject to droughts and all sorts of pests, and still prosper, why is it not possible in a country which is much more fortunate as far as climatic conditions are concerned, and which is practically free of pests ? What undue hardship would result in this country if the whole of the rural occupations were covered by awards of the Court ?

Mr. Churchhouse: I have just one question to ask Mr. Polson. I am afraid that he has brought a lot of questions upon himself by the way in which he has written his paper. I refer to a statement on page 86 as to land deterioration. I would like to know from Mr. Polson whether that is not due to the go-slow policy of the farmer. It is a very important matter to the country that the land should be kept going. In this country to-day we have factories big enough to take double the quantity of produce that is produced from the land. Our freezing-works are big enough, our dairy factories are big enough, our transport system and our shipping trade are big enough to handle the largest possible output, but when we see that our land is deteriorating, as stated by Mr. Polson, I would like to know if that does not come under the heading of a go-slow policy. We do desire to see the farmer getting his rights so far as the national dividend is concerned, and I would like to know from Mr. Polson what the Farmers' Union is doing, or what the leaders are doing, to get the land back to productivity, and to secure for the farmer the money return that should be his. I will take one industry—the production of pork: The pig is sold on the farm at 3½d. per pound in the Wairarapa to-day. The farmer comes down to Wellington and buys a pound of bacon for which he has to pay 1s. 2d. I would like to know what becomes of the difference between what the farmer receives and what the workers—the consumers—have to pay. I take it that it is the duty of the Farmers' Union to attend to that matter.

Mr. Revell: As I can see the freezing industry looming pretty largely in the deliberations of this Conference before it has concluded, I think I might just as well start and put in my note at this stage of the game. By way of preliminary I would ask Mr. Polson one question: That as the Farmers' Union is asking that the freezing-workers be placed beyond the jurisdiction of the Court, is that fact to be taken as an indication that the union is of opinion that the wages of the workers in that industry are too high ?

Mr. Purtell: In Mr. Polson's statement he says, " It is this disparity of price-levels that is at the source of most of our economic troubles to-day. The higher awards obtained in the town industries are largely responsible for the drift to town, and official figures show that while the mean population increased by 80,000, or over 6 per cent., the numbers employed on the land decreased by 9,000, or over 6 per cent., between 1923 and 1926." Does Mr. Polson think, in view of the figures brought before us by the economists, that that might not be the result of our freehold policy especially causing

speculation in land-values, which means that when improved land is high in price it is practically impossible to farm it at a decent rent at all? Then, in another paragraph he says, "The union considers that this position is upon us at the present time, and that the prevalent unemployment is in part due to inflated and inelastic money rates of wages." Does not Mr. Polson think that when people are not selected at Home but are allowed to come out here indiscriminately from England and other places, to the tune of ten thousand or eleven thousand a year, that that is more responsible for the unemployment than, say, the drift to the towns as mentioned in another paragraph? I agree with Mr. Polson that if there were a proper selection of migrants in England it would be to the benefit of all concerned. But I am merely concerned with the two questions I have put.

Mr. Fulton: I would ask Mr. Polson to deal with this question: Dealing with the several awards in the farming industry, there is provision made for piecework; and piecework is actually being worked in those industries, and it is working well. Is Mr. Polson of opinion that this has brought industrial peace in those industries where piecework is actually in force?

Mr. O'Byrne: Mr. Polson referred to strikes, and he also wishes that the dairy industry should be cut off from the Arbitration Court. I wish to ask if he knows of any strike that has occurred in the dairy industry in Southland or Otago during the past seventeen years, during which period unions have been formed in that district. I also ask if he knows of a case where the unions have brought the dairy suppliers before the Court even for a breach of the award, notwithstanding that the men working under the award are working sixty-five hours in the week, and the managers are working seventy hours a week.

A Delegate: When do they sleep?

Mr. O'Byrne: When they can: in their clothes. My friend Mr. Fisher will tell you that. If this industry is cut out from the Arbitration Court, conditions will go back to the old state of affairs before the formation of a union under the Act, when the men worked in the factories considerably longer hours—up to eighty—and had to fetch their wives and families into the factories in order to help them to make a decent living-wage. Those were the conditions prior to the formation of the union under the Act, and evidently some of the farmers—I know that all do not want it—wish to go back to the same condition of affairs again. I can assert that the farmers from the period of the formation of the union in Southland and Otago had a more prosperous time since the union has been in existence than before. Does Mr. Polson know of any strike, or breaches of award? If not, why cut them out from the Arbitration Court?

Mr. Polson: In regard to my reply, it is quite obvious that it is impossible for me to reply to questions asked me at this stage—in fact, I cannot remember all the questions that were asked, let alone reply to the several subjects mentioned. The very learned professorial staff were given the option of considering their replies. The questions I have been asked are being asked seriously, and I want to take them seriously and to give a considered opinion, and answer those that I can reply to. Some of them are in detail, and I will not be able to answer them. I shall have to consult in some cases the dairy representatives here, who are as much entitled to discuss them with me as any one else in the Conference. Under these circumstances, I suggest that the questions be put in writing, so that I can have a chance to understand them, and I hope to be given a further opportunity of dealing with the subjects mentioned to-morrow morning.

Mr. Roberts: Surely we are not going to allow the Conference arrangements to be upset now. The questions have been asked Mr. Polson, and if he cannot answer them now possibly he can do so later; but I think that any delegate giving a paper should be able to reply to any questions asked. I have prepared a paper, and am prepared to reply to questions at the conclusion of the paper. Otherwise, I would not put my views in writing. I think the idea of the Conference is to obtain an explanation of the matters contained in the papers as we go along.

Mr. Purtell: To answer all the questions will take a long time, and I think, in fairness to Mr. Polson, they should be put into writing in proper form, and they could then be answered to-morrow morning. I do not think Mr. Polson has had time to take them down.

Mr. Bishop: I move that the Standing Orders be suspended in this case to give Mr. Polson an opportunity to reply to the questions at the end of the reading of the next paper, or to-morrow morning, whichever is preferable. I do not expect that there will be so many questions asked in connection with later papers. I have not seen all the papers on this side, but I am told that they are all very much shorter than those that have been read. Another point is, that many of the questions addressed to Mr. Polson would have been very much better dealt with if they had been kept back and addressed to the speakers on this side who are representing particular sections of the farming industry. Several questions have been asked with regard to dairy factories. We have dairy-farmers here who will presently read papers bearing on that industry, and they will be in a much better position than Mr. Polson to answer questions on the subject. I ask that Mr. Polson be given an opportunity to reply, say, after the reading of the next paper, or to-morrow morning.

Mr. Brechin: I second that motion. It seems to me, speaking as a dairy-farmer representative, that a number of the questions asked Mr. Polson are of vital importance, and that they should be answered, but after consideration.

Mr. Roberts: I thought the idea was to finish to-morrow night for the present, and I am afraid that this motion is an instance of "going slow." I think the papers being read now should be answered at the conclusion of the reading. We have not time to give Mr. Polson two hours to-morrow morning to answer the questions. Even from the farmers' point of view, I think the questions can be answered at once and finished with, but if Mr. Polson does not wish to answer them now we cannot help it. If this concession is given to Mr. Polson, naturally the next delegate who reads a paper can ask for a similar concession, and would have to get it; and so on until the end of the papers, and we shall be sitting here until May on the papers alone. I think that the questions should be answered now or

left to the committee stage, and that other papers of equal importance should be proceeded with by the Conference in the order already agreed upon.

Mr. Bishop: Might I suggest, Mr. Chairman, that the Standing Orders should only be altered to the extent of allowing Mr. Polson to get his quarter of an hour to answer these questions to-morrow morning. He will then have the opportunity of sorting out the more important questions; and the remainder can, of course, be reserved for committee work. To my mind, there can be no question of him using more than the quarter of an hour allowed.

The Chairman: That should be understood. Mr. Polson's reply will only occupy a quarter of an hour, whether given now or to-morrow morning.

Mr. Polson: Could not the papers be referred direct to the committees? These questions seem to demonstrate the absurdity of the procedure adopted.

The Chairman: That may be, but that is the course laid down by the Business Committee.

Mr. Polson: That does not say that we should not alter it.

The Chairman: But we are bound by it for the present. I will put the motion.

Upon a show of hands being called for,

Mr. Roberts said: You gentlemen [referring to the professors] put your hands down. You have no vote.

Professor Tocker: Mr. Chairman, our right to vote has been questioned. We were invited here just as all the other delegates were invited, and we claim the same status and the same right to vote.

Hon. Mr. Barr: Sir, the question has been raised as to whether the professors who have been invited to attend this Conference have a vote or not. It has been understood right along that the only parties who have no vote are the members of the Parliamentary Committee. That has been understood all along; and, in support of that, I would remind the Conference of the fact that the professors have taken their part in the proceedings of the Conference, and have submitted their papers, which were as liable to objection as the paper under consideration.

Mr. P. Fraser, M.P.: On that matter, I think the minutes of the Parliamentary Committee should be looked up. I think they are quite definite on the matter. Members of the Parliamentary Committee understand that only the delegates of the two parties, employers and employees, have votes.

Mr. Roberts: My information from the Secretary was that no vote was to be taken at all.

The Chairman: That is a matter of procedure.

Hon. Mr. Barr: The understanding was that all things would be decided with unanimity, and that the Conference would deal with its own matters. The Conference has taken the matter into its own hands. The professors are invited members of the Conference, and the matter is now out of the hands of any body other than the Conference.

Mr. Bishop: May I make an appeal to the gentlemen on the other side to give Mr. Polson a fair opportunity to answer these questions, which I think were asked in an honest endeavour to elicit further information from him. If that is so, the intention of the questioners will be defeated if he is to get up immediately and attempt to answer some forty-four questions. I am only asking you to give him a fair chance to sort them out and answer them in fifteen minutes to-morrow morning—only asking you to give him an opportunity to supply the further information you yourselves have asked for.

Mr. Roberts: Mr. Chairman, the delegates on this side, as stated by Mr. Bishop, had the desire that their questions should be answered. We expected them to be answered, and that the gentleman giving the paper would answer them immediately. Seemingly, Mr. Polson is not prepared to give his answers now. We will therefore agree to the suggestion made by Mr. Bishop that Mr. Polson shall answer the questions to-morrow morning, We will not, however, ask for any time on our side. We will answer the questions, whatever they are, so long as time permits. What we wanted was to save time, not to get a point on to any delegate on the other side. I want to say that a vote on this matter would be very undesirable, because we do not want to give the professors the balance of power. They are outsiders, anyhow.

The Chairman: The motion is that Mr. Polson be allowed to answer his questions to-morrow.

Motion agreed to.

Professor Tocker: Mr. Chairman, might it be decided quite definitely to-day whether we are members of the Conference or merely here in an advisory capacity?

Professor Murphy: I do not think the question of a vote is of great importance, but I am not prepared to be a mere nonentity. I was asked personally by the Minister of Labour to join the Conference, and understood I was to be a member of it. We have been advertised as such, and will not accept any other status.

Mr. Nash: I propose that we refer the matter to the Parliamentary Committee to-morrow morning to decide.

The Chairman: The heads of Departments are also present, and they do not claim a vote.

Hon. Mr. Barr: In the circular forwarded to representatives here the question of the heads of Departments is specifically mentioned. They know their position and will not take part, but are present in the interests of the Departments interested in the questions before the Conference.

Professor Fisher: I entirely agree with Professor Murphy. I do not think the question of a vote of any importance. In the letter circulated there was no suggestion of any difference in status between the Professors of Economics and the other members of the Conference.

The Chairman: The question of the status of the Professors of Economics on this Conference will be referred to the Parliamentary Committee and discussed by it to-morrow.

Mr. Bishop: Mr. Chairman, might I ask that we decide definitely that questions should be submitted in writing, and that questioners should not enter into long dissertations on them. The time has been taken up with long addresses, and some of us do not know what the questions are.

The Chairman: That was considered, and it was thought undesirable to adopt that plan. The three minutes was allowed in order that the questioner might state his reasons for asking the question, and as a guide to the writer of the paper as to the nature of the answer required.

Farming or Primary Industries: Report of Delegation representing Workers.

Mr. W. Nash read the following paper on "Farming or Primary Industries," being the report of the delegation representing the workers:—

The Prime Minister, in outlining the procedure to be adopted at the forthcoming Conference, has stated in a few well-chosen words that the real objective of the proposed discussion is to find the answer to "The problems of obtaining industrial peace and industrial efficiency, with a fair distribution of the national income." From the workers' point of view, "Industrial peace" depends upon the fair distribution of the national income. "National efficiency" is a relative term, and, whilst we do not suggest that the New Zealand worker has attained the maximum of efficiency, we are of opinion that he can be classed among the most efficient. We are, however, living in an age of machinery. We have spent millions of pounds on hydro-electricity, which is one of the most adaptable of all powers, and which will soon be available in every sphere of industry, and we should now discard the old idea of a worker as a manual worker only. Electrical energy and machinery are the *workers*, and the man the controlling factor. We should look to machinery and electrical power to relieve man of some of the drudgery of life—we should place man supreme as the brain of machinery, to attain the maximum of production. Nature has been exceedingly lavish to this Dominion in all those factors which are necessary to primary production. We are certainly thirteen thousand miles from our main market (Great Britain), but this handicap is largely offset by the quality of our lands, by a climate and rainfall that is the envy of our competitors, and by access to fertilizers in Ocean and Nauru Islands by which we can maintain the fertility which has already done so much for New Zealand.

We are of opinion that the next step this Dominion should take, if it wants to regain the road to prosperity and do away with unemployment, is to stimulate land development, as distinct from land settlement or land speculation. It is no longer a question only of breaking in the land, but it is a question of developing land so as to get from it the greatest possible return, and this can only be assured by entrusting this work to men who understand it, and by making available to them all possible facilities and equipment. It appears to us that farmers have a right to demand the assistance of the State in providing these facilities and equipment, and that the State has an equal right to demand from the farmer such use of the land facilities and equipment as will give the greatest possible return.

Compared with the earlier years of the Dominion's history farming is no longer necessarily a life of isolation or drudgery. Modern methods of transport, the telephone, wireless, and above all the uses to which electric energy can be put in farming, have made it possible to make work in the country no more irksome than is work in the towns. With these modern developments it ought to be possible—we think it is possible—to carry on the work of farming and ensure to all engaged in it ample leisure to enable them to enjoy social life to the degree that the worker in both town and country is entitled. If that were done, the "drift to the towns" which has been so much in evidence of late years would be checked; for, while the towns can supply certain enjoyments which the country cannot, life in the country under conditions which could be provided to-day has certain attractions which the towns can never provide.

Land development and utilization are, however, only parts of the problem. In the dairying industry the average yield of butterfat from the stock of the Dominion is near to 180 lb. per head. The dairy-farmer with average costs of production is to-day finding it difficult to get a reasonable return for his labour on this average. The country cannot afford to allow this to continue. The possibilities of efficient land and stock utilization for dairying purposes are shown by the fact that there are individual farmers in every province, and a group of farmers (twenty-six in number) in the Manuwera district whose herds have averaged over 300 lb. of butterfat per head. With scientific management and careful culling the butterfat yield should show in a few years a much higher average than the present one of 180 lb., with corresponding increase in export values. The added returns would be nearly all net profit available for either reinvestment in improvements or raising the standard of living of those engaged in dairy production. The average dairy-farmer is not getting full service from the capital invested in his plant and stock, and this in turn reacts detrimentally on the national dividend.

The output of the dairy factories in the Dominion would be largely increased if the farms already settled were adequately drained, grassed, and fertilized. The extra output would not entail any additional expenditure on new roads or bridges, a very small increase of equipment in the factories, and practically no extra cost to the farmer for stock and machinery.

Land development or efficient utilization is dependent on the knowledge and competency of the farmer, and every step that leads to education in this field should be stimulated and encouraged. Scientific research and the technical application of the research knowledge is the fundamental basis upon which modern development of our industries—manufacturing, mining, transport, and agriculture—must rest. The productivity of industry is greatly increased by the application of the results of scientific research. The health and well-being of the community is determined by the degree to which the available knowledge is applied. The value to the nation of scientific research is many times greater than its cost. The increased productivity of industry resulting from scientific research is one of the most potent factors in the ever-increasing struggle of the workers to raise their standard of living. Social justice, to which the Conference is aiming, demands that the results of this enhanced productivity shall be made available to raise the general standard of life.

It may be asked, Is this pertinent to the question of industrial relationships, or a national industrial Conference? We say it is. If it is legitimate for the farmers to criticize the wages of the workers, his standard and cost of living—to occasionally accuse him of going slow, of

inefficiency, and of being the specific cause of our national difficulties, then it is equally legitimate for the workers to point out that the producers who control one and a quater million dairy cows are going slow in butterfat-production, and that they are apparently satisfied with the present low average.

Some critics seem to think that if the workers, by some superhuman effort, could double their output, and could live on 50 per cent. of the present wage-scale, that the troubles of this Dominion would be at an end. Such a supposition ignores the fact that we already have a problem of unemployment to solve. Lower wages and reduced purchasing-power would only aggravate the position. The primary producers have found themselves in difficulties because of the low price realized by the sale of their produce. This is due to the reduced purchasing-power of our customers—the wage-earners. Still lower wages would mean still less purchasing-power and still lower prices for produce.

The primary producers are generally credited with being hard-headed, practical men of experience and not visionaries or theorists. We respectfully suggest to them that they can increase their annual income by many millions easier and better on the farm and through the cows—factors over which they have direct control—than they can by operations through the Arbitration Court or elsewhere, which would increase unemployment and reduce purchasing-power.

The suggestion that the wages and salaries or hours of the workers in the dairy factories have an appreciable effect on the return of the dairy-farmer is not borne out by the facts. Taking one provincial district only, an increase of wages by 10s. per week for every employee in the dairy factories would cost the suppliers in this area less than 6d. per head per week. The relation of wages to the sale price of product is shown by the fact that the total wages and salary cost per pound of butterfat in 1925–26 was less than 1d. per pound. It was shown in evidence before the Parliamentary Committee last year that in the wool industry the amount returned as wages to labour employed in that industry is, in proportion to the total return, much less than it was in 1914.

The value and justice of uniform hours of work in all industries cannot be challenged. We are of opinion that production should be so organized as to allow ample leisure for all engaged in it. We recognize that the Conference is dealing with moral issues, and that there can be no industrial peace if the condition of employment and remuneration rests upon an immoral basis.

Factors other than wages and hours have, however, largely influenced the net return to the farmer. During the past ten years and more we have been passing through a period of land gambling and speculation. Some men have been getting something for nothing out of the national income. We are now faced with the consequences, and it would be a deplorable miscarriage of justice if the workers were now called upon to pay a bill that had been contracted by others. It is not necessary to supply all the facts relative to the orgy of speculation during the war period. During one year alone, if values are taken, one-third of the land changed hands. That this speculation was not confined entirely to land is evidenced by the fact that Justice Frazer, in the memorandum to his judgment of the 4th March, 1927, said, "It is undeniably true that a number of freezing companies are not making any profits, or are making a very low rate of profit, but it is impossible to avoid the conclusion that this is due in the majority of cases to over-capitalization during the war period."

What we have stated with respect to labour employed by the dairy industry applies to all other branches of farming, agricultural and pastoral. There is not sufficient reason for the exclusion of any section of workers connected with the land from the operation of the same industrial laws which regulate the relations between employers and employed in other industries. Any such exclusion resulting in the farm-worker being placed in a less advantageous position than workers in other industries would induce workers to leave the land and seek employment in other occupations. It has been found possible in other countries to apply industrial laws to land occupation, and there is no sound reason why it cannot be done in this country.

Land-utilization.—The importance of adequate and substantial credit with reasonable margins of security cannot be overestimated. For many years our land system has been entirely based on the quickest route to immediate profit. The question of effective utilization to secure the maximum ultimate return has not been considered. The system has resulted in the ruin of our natural timber resources, and our mineral-energy resources have been exploited with a view not to effective utilization, but for the purpose of providing quick returns to shareholders, whose interests are entirely in their capital investment. What land industry will give the greatest national dividend is rarely if ever considered. The comparatively easy return from wool-growing as against dairy-farming, the long wait for returns from timber cultivation, the doubtful markets for our orchard products have all largely influenced our utilization of land. Provided that markets for the products are available, the land should be utilized to produce the commodities that will supply a livelihood for the largest number of people. There are large areas of land held for wool and meat raising to-day, providing a livelihood for the minimum number of persons, which, if fully settled for wool and meat production, or used for butterfat or other production, would sustain many times the number of people. We are of opinion that an inquiry should be made into the possibilities of reducing the number at present unemployed, by a systematic exploitation of our lands from the national viewpoint.

For the information of delegates we are setting out a statement of hours and wages in North Island dairy factories, under the awards at present in operation.

Dairy Factories Workers: Hours.—Butter-factories: From 15th August to 15th March, fifty-six hours per week of seven days; from 16th March to 14th August, forty-four hours per week of seven days. Cheese-factories: From 14th August to 14th May, sixty hours per week of seven days; from

15th May to 16th June, forty-eight hours per week of seven days; and from 17th June to 13th August, thirty-eight hours per week of seven days. The dairying industry is a seasonal one, and during the flush season the maximum number of workers is employed for periods of fifty-six hours in a week of seven days in butter-factories, and sixty hours a week (seven days) in cheese-factories. As the supply of milk or cream diminishes the workers are gradually put off, and this occurs in the winter season when it is most difficult to secure other work.

Wages.—The highest-paid worker under the awards of the Court in the North Island is the first assistant, who receives £5 3s. 6d. per week. He is a highly-skilled workman, largely responsible for the quality of the article manufactured. If his wages are measured by the hours worked the average is less than that of the ordinary unskilled worker. At least three to four years' experience are neeessary before this position can be obtained.

General Hands: The award wages of general hands, who comprise the great majority of dairy-factory workers, are £4 1s. per week, and their employment is casual. During the busy season, comprising the long-hour periods of fifty-six to sixty hours a week, the maximum number is engaged, and as the milk or cream supply diminishes they are put off, and very few benefit from the shorter-hour periods stated in the awards, so that we can honestly base the majority of these workers' wages on the long-hour period.

Whilst the statement we have had the privilege of placing before you is critical, we hope that the criticism is made on a constructive basis. We desire to assure the employers' section of the Conference, and in particular the representatives of the farmers, that we are prepared to co-operate with them to the fullest possible extent to find the most effective means of utilizing the national resources for the national well-being. In the ultimate, the interests of all who render service are common interests, and their progress mutually dependent on each other. We believe that the best measure of co-operation and good will can be obtained by complete recognition of the rights of the parties, and all agreements reached should provide a reasonable standard of comfort both for those who organize the industry and for those who carry out their plans. We will also assist to the utmost any efforts which may be made to remove or reduce the risks of production and distribution.

If the problems of land and labour utilization and rewards for services are approached in this Conference with open minds, and the spirit of good will and co-operation pervades the meetings in and out of committee, we believe that the decision of the Government to call this Conference cannot do other than bear good fruit, and will result in a real advance individually and nationally, economic as well as social.

Discussion.

Mr. Sterling: I would first like to correct what is evidently a misprint on page 93 of Mr. Nash's paper. It refers to the "Manurewa district": this should be the "Manawaru district." The question I wish to ask Mr. Nash is this: Is he not aware that the dairy-farmers of this Dominion—or, at least, that section with which I am closely connected, those in the North Island—are actively engaged in an endeavour to increase the production of the cow by systematically conducting herd-testing operations? Reading Mr. Nash's paper, it will be found that he says on page 94 that the farmers are "going slow" in connection with their one million and a quarter dairy cows, and he says that "they can increase their annual income by many millions easier and better, on the farm and through the cows—factors over which they have direct control—than they can by operations through the Arbitration Court or elsewhere." I would like to ask Mr. Nash whether the farmers are not doing that at the present time. Then I have another question correlated to that one: Mr. Nash in his paper suggested that the farmers are not doing something to help themselves; but I would like to ask him whether he is not aware that the farmers have made a very big constructive effort to increase their net income by decreasing their fertilizer costs. Particularly I would like to know if he is not aware that they are endeavouring to increase their efficiency as producers of butter-fat by having systematic examinations made of their skimmed milk, by which they can make more certain of getting a maximum degree of efficiency from their separators. Those are just three points which occurred to me while Mr. Nash was reading his paper, as combating the inference that is to be drawn from the paper, that the farmer, while shouting about the Arbitration Court, is doing nothing to increase his net income.

Mr. Turner: When Mr. Nash is answering Mr. Stirling's question, I think Mr. Nash should also deal with the question of meat-production. I would like to ask Mr. Nash if he has taken into consideration the big increase which has been made during the last few years in the meat-production of the Dominion, and also the good work that is being done, with the ultimate view of increasing production, in the agricultural colleges of New Zealand—at Lincoln College and at the Massey Agricultural College. Does he not appreciate the fact that steps are being taken there to do the very work which he suggests should be done."

Mr. Carr: On page 1 of his paper Mr. Nash says, "Nature has been exceedingly lavish to this Dominion in all those factors which are necessary to primary production. We are certainly thirteen thousand miles from our main market (Great Britain), but this handicap is largely offset by the quality of our lands, by a climate and rainfall that is the envy of our competitors, and by access to fertilizers in Ocean and Nauru Islands by which we can maintain the fertility which has already done so much for New Zealand." But is Mr. Nash not aware that superphosphate is much higher in price in New Zealand than in Great Britain, so that that is not very much advantage to us? Further on he refers to the large areas which he says are going back to wool-production. I can assure him that if the wheat-growers go back to sheep-breeding it is because of the successive costs that have been placed on the wheat-growing industry in the direction of costs of implements and wages, and not from the desire to do so. I am not on the Dairy Committee here, nor am I a representative of the dairy-farmers, but I do know something of dairying on the practical side. Now, Mr. Nash suggests that with scientific

management the output of butterfat can be increased; but I want him to remember that careful culling costs money. Every time you go and buy a cow for £20 you have to cull one, and you lose from £10 to £12: that sum is lost on each cow that is culled out. To do that a good deal of capital is required.

Mr. Brechin: I should like to ask Mr. Nash a question in regard to a statement appearing on page 94 of his paper. There he makes the statement that "The suggestion that the wages and salaries or hours of the workers in the dairy factories have an appreciable effect on the return of the dairy-farmer is not borne out by the facts." Who made that suggestion? Was it made by the owners of the co-operative dairy factories or by the gentlemen who run the trade-unions? I should also like Mr. Nash to tell me if it is his considered opinion that dairy factories returning an average of 1s. 3d. per pound of butterfat to their suppliers should pay the same rate of wages as they should if butterfat were bringing an average of 2s. per pound to the dairy-farmers? Further, I should like to ask Mr. Nash if he has considered that one of the fundamental reasons for fewer farm employees being required is to be found in the fact that the farmers are taking his advice and using more fertilizers and less plough.

Mr. Nash: I will reply to Mr. Brechin first. His question, as I understand it, is whether, if the butterfat price is 1s. 3d. per pound, the worker in the dairy factory should receive the same wages as if the butterfat price is 2s. per pound. I think that if they make a real endeavour to organize the distribution of the return from the dairy factories they would have reason to ask questions of that type. I would ask Mr. Brechin, Does he suggest that when the price of butterfat is 1s. 3d. the worker should receive the same wages as he gets when the price is 2s. 3d.?

Mr. Brechin: My reply is no, I think the employees should receive more in the latter case.

Mr. Nash: If the farmer cannot pay out of the 1s. 3d. enough to the worker, as compared with what he previously received when butterfat was 2s. per pound, I do think he should do so. The farmer cannot pay more than he gets: that is a fundamental impossibility. You cannot pay out more than is produced. Mr. Brechin also asked a question as to who suggested that the workers' wages should be reduced——

Mr. Brechin: No, the statement is made by you on page 94 of your paper that "The suggestion that the wages and salaries or hours of the workers in the dairy factories have an appreciable effect on the return of the dairy-farmer is not borne out by the facts." I just desire to know, as the representative of the co-operative dairy factories which are controlled by farmers, if you intend to infer that that suggestion comes from them.

Mr. Nash: I would suggest that the inference to be drawn from one of the papers that we had from the farming side was that wages were one of the main factors in the cost of production.

Mr. Brechin: In dairy factories?

Mr. Nash: Oh, yes. I happened to be present at the meetings of the Parliamentary Committee, and the inference then given was that the dairy-farmers could not pay the wages that were demanded by the workers and produce butterfat at the price that it is selling at to-day. With regard to Mr. Carr's question, I quite agree with him as to culling; that steps should be taken to prevent any farmer from purchasing a cow for £20, and on finding it is of no use, endeavouring to sell it again. Steps should be taken to get that class of cow out of the community altogether: the "cows" that sell culled cows to other people should be culled. Mr. Carr asked whether I was aware that the price of phosphate in Great Britain was lower than the price in New Zealand. I am not aware of that. If the inference of Mr. Carr is justifiable, then there should be an inquiry made at once into the price of Ocean and Nauru Island phosphate. There probably has been some inquiry. Replying to Mr. Sterling, I do not think I suggested that the farmers were doing nothing by way of education. Nor do I think that the Government is doing nothing in the way of providing educational facilities for land-utilization. Mr. Sterling also asked whether I was aware that the dairy-farmers are organizing systematic herd-testing. I have before me the *Journal of Agriculture* dated October, 1927, and according to it there have been only 170,150 cows tested out of one and a quarter millions. They are "going slow" if only 170,000 cows have been tested out of a total of one and a quarter millions in the Dominion. They should hurry on with the job.

Mr. Brechin: That is only the official test: that is a different test.

Mr. Nash: The evidence in this table shows that they are going slow.

Mr. Brechin: Those are semi-official tests: you do not understand the question.

Mr. Nash: Does Mr. Brechin know how many cows out of the one and a quarter millions in the Dominion have been tested?

Mr. Brechin: I could not tell you.

Mr. Nash: Roughly, it is only one-eighth of the total number, according to these official figures. Some one suggested that the farmer was already engaged in putting into operation scientific methods on his farm. We are glad to hear that. If he can produce 2 lb. of butterfat where before he produced only 1 lb., we will be glad to see him do it. We are only anxious because if the 2 lb. of butterfat are produced instead of 1 lb. somebody will be displaced, and may have to get assistance from the Charitable Aid Board. That is what happens by the application of scientific knowledge when we increase our production. Faulty production means that every time we increase production we throw somebody on the unemployed market. We should apply our good will to obviate that to the fullest possible extent.

Mr. Brechin: In justice to myself I would like to point out that Mr. Nash has overlooked the point about fertilizers. Is he, as representing the labour party, and defending the use of fertilizers, favourable to the farmer paying off two men for every 200 acres, and putting on fertilizers instead of using the plough?

Mr. Nash: If there are ways and means of using fertilizers to increase the butterfat production of cows, without labour, then I say that fertilizer should be used, but that the added product should be equitably distributed so that the system should not cause starvation amongst the workers.

Mr. Brechin: But if I follow your system of fertilizer-use I displace labour. I cannot afford to buy fertilizer and use labour. Is the labour party sensible to the grave issue at stake? They say, "Use fertilizers to produce more," but if we use fertilizers to produce more, then we displace the worker.

Mr. Nash: The answer to that is that I do not know a dairy-farmer in the Dominion, nor any other type of manufacturer or employer, that can increase production without labour——

Mr. Bishop: Mr. Chairman, could not this cross-fire be cut out of this discussion and taken in committee? There is a short paper to be read by Mr. Acland, president of the New Zealand Sheep-owners and Farmers' Federation. I understand that Mr. Acland is very anxious to leave for the south by the steamer this evening. The suggestion is that this paper be taken now before the Conference adjourns, and that the questions upon it be answered by Mr. Williams to-morrow.

The Chairman: Are you all agreed that this paper be now taken under these conditions?

Delegates: Aye, aye.

Sheep-farmers' Delegates' Statement.

Mr. H. D. Acland read the following statement on behalf of the delegates appointed to represent the sheep-farmers:—

Mr. Chairman, on behalf of the delegates appointed to represent the sheep-farmers I wish to express our thanks to the Government for calling this Conference, and for having given those interested an opportunity to confer before any alteration in our present industrial legislation is placed on the statute-book. I can assure the Prime Minister and the Government that we come to this Conference fully seised of its great importance to the country generally; and, while differences of opinion may be expressed, we trust that the giving expression to those opinions will not affect the cordial relations which are so necessary to be maintained between the workers and their employers if efficiency and a reasonable standard of living for the community generally is to be maintained; and I wish to stress the fact that my federation is not now, nor ever has been, opposed to arbitration in cases of industrial or any other dispute; but we have steadfastly refused to admit the soundness of the underlying principle of the present Act, which provides for the compulsory fixation of conditions in industry and costs of production by a tribunal clothed with statutory authority, and under which in actual practice compulsion can be enforced on one party only. The unfortunate results of the application of this unsound principle have been increasingly apparent to us over a long period of years, and the cumulative effect of compulsory fixation of production costs, irrespective of the selling-value of the product of the labour, is to throw out of balance our whole economic system; primary producers having gradually lost that margin of profit and security of position which was available to them in pre-war days, and, as practically the whole of our national income comes from the land, it will be obvious that this question must be dealt with in the interests of the whole community. We have been made to realize that the main source of this trouble is this same fixation of costs of production within the Dominion without means having been devised for meeting that cost on the markets available overseas, or for the maintenance of a sufficiently high purchasing-power within the Dominion to ensure that all industry can be profitably employed, whether working for export or for our domestic requirements within the Dominion. The result, we think, is that, as industry generally is unable to profitably employ all available labour at the price fixed, chronic unemployment to a greater or lesser degree has resulted in almost every industry.

We can see no reason for the retention of the compulsory clauses in the present Act, and are of opinion that all requirements in the interests of all parties can be met under a system of voluntary arbitration somewhat along the lines already laid down in the Labour Disputes Investigation Act. After meeting in conference, the parties to any dispute could submit their case to the Conciliation Commissioner or an umpire mutually agreed upon, and failing a decision being acceptable to either party at the Conciliation Council, the dispute could be submitted either to the Arbitration Court by consent of the parties or to the arbitrement of public opinion, which would by this time have been fully informed of the merits of the dispute.

In our opinion no one is better able to handle questions affecting the interests of any particular trade or industry than those directly engaged in it, and the only persons competent to deal with wages and conditions in any individual business are the contracting parties themselves. No tribunal can lay down a definite wage or cost in any industry to cover periods of three years without risk of doing an injustice to either one or the other party during some part of that period. While it has only been found possible in a few cases to frame awards for the farming industry, the indirect effect of the fixation of costs of production within the Dominion has been detrimental to primary producers generally, as we cannot pass excessive costs on, being dependent on world's parity for our prices.

I may say that during the war period our experience with the workers' representatives was a very happy one, agreements being made which were satisfactory to both parties, each recognizing the needs of the other under the special circumstances, and we are of opinion that if the same spirit of conciliation and good will which obtained during that period could be assured in the future, that difficulties would be reduced to a negligible quantity, if not entirely eliminated.

I assure you, sir, that the delegates present as representing sheepowners are here with the sole object of endeavouring to come to some arrangement which will be of some assistance to our Legislature when dealing with this important matter, and that we come prepared to work in a conciliatory spirit, in the hope that the anomalies which at present exist may be removed, that every section of the industrial community may receive equally fair treatment, and that the real welfare of the great body of workers in industry may not be detrimentally affected.

The Conference adjourned at 5 p.m.

FRIDAY, 30TH MARCH, 1928.

The Conference resumed at 10.15 a.m.

Right Hon. the Prime Minister: In the absence of the Chairman, Mr. A. D. Thomson, I have been asked to preside at the Conference to-day, and I ask you to deal with that question first.

Mr. Roberts: I move, That the Prime Minister take the chair.

Motion agreed to, and the Prime Minister took the chair.

The Chairman: A question arose yesterday with regard to the procedure, and the Parliamentary Committee met this morning and outlined their decision on the matter, as follows:—

"The Parliamentary Committee, during the consideration of the important matters they anticipated would come before the Conference, were unanimously of the opinion that 'decisions' should be arrived at by mutual agreement and not by weight of numbers.

"While the question that arose yesterday afternoon might be considered as a 'detail of procedure,' we would suggest that where any difference arises during the discussions in open conference and cannot be agreed to on the voices, it be referred to two members, one selected from either side. If they fail to agree, the case to be submitted to the Parliamentary Committee, the decision of that Committee to be final.

"We would suggest that any rule made or agreed to by the Conference should not be varied or departed from without the unanimous consent of the Conference."

I think that states the Committee's view of the position, and I suggest that it is a sound policy to adopt during these proceedings.

Professor Murphy: The professors wish to waive any claim to the status that was in dispute yesterday.

The Chairman: Thank you very much.

Mr. Roberts: We have already a Business Committee of six members, and I think they have done very good work up to now. I also think that if this matter were referred to two members of that Committee they would be able to deal effectively with it. They have already dealt with difficult situations that have arisen up to now in connection with the Conference.

Mr. Polson's Reply.

The Chairman: The next question is the reply of Mr. Polson to the questions asked him yesterday regarding the paper from the Farmers' Union.

Mr. Polson: I wish, first of all, to thank the Conference for the opportunity to give a considered reply to those questions, which were very important and go deep down to the root of the whole matter we are here to discuss. It is therefore desirable that one should give a considered opinion, and I am sure we are not here to count one another out. I feel that, as far as the group I represent is concerned, that is the last thing they want to do. They wish, if it is possible, to bring about better relationships with labour than exist at present, and we are here for the purpose of mutual information. I wish to assure Mr. Roberts also that no individual of the name of Murphy has had any say whatever in the answers to these questions.

Mr. Roberts: I did not think so, Mr. Polson.

Mr. Polson: Before beginning, may I say that the script of the questions asked me would require at least one hour to read, so that I have endeavoured to shorten them as much as possible, and to group them together, so that in many cases I am answering two or three delegates' questions in the one answer. I have given the answers as briefly as possible. The questions were:—

1. What is the justification for third-party intervention in industrial disputes?—My answer is that, as the farmers have to pay the piper, they have a right to at least some say in the calling of the tune.

2. Has Mr. Polson any knowledge of the shop-steward movement in Britain? Does he consider that movement, which is common where the arbitration system is not compulsory, any less inquisitive than the New Zealand system?—My answer is that I know nothing of the details of the workers' interference in the management of British factories. I regret to learn from the question that it is even worse than in New Zealand.

3. Does not your paragraph on page 77 indicate that the employers were responsible for initiating the practice of forcing the Court to settle questions which should be settled by mutual agreement?—My answer is: No. The paragraph does not indicate anything of the kind. Workers are responsible for at least as many cases going to the Court as the employers.

4. Will Mr. Polson please define in more detail what is meant by the term "legitimate profit"?—My answer is: A profit that will enable the employer to carry on his business and get an adequate return for his capital after payment of all charges.

5. Will Mr. Polson tell the Conference if, in his opinion, the interest rates paid on the mortgages existing to-day on the farms are fair, seeing that mortgagors are compelled to do the bulk of their business with the mortgagee?—My answer is: I desire neither to defend nor uphold the conditions stated in this question. Only a small proportion of farm mortgages are held by stock and station agents, and therefore the question is not relevant to my argument.

6. What would Mr. Polson say to the statement that the wheatgrowers and woolgrowers refused to sell their products at under a certain rate?—My answer is that to the extent that this statement implies a general accusation against woolgrowers and wheatgrowers it is incorrect. As a matter of fact, during the war the woolgrowers accepted a price far below the world's market price. It is estimated by some authorities that in this way they presented the British Government with £15,000,000.

7. Why did not Mr. Polson, in dealing with Mr. Justice Sim's refusal to make an award for farm labourers, tell the Conference that the Conciliation Council had recommended that an award should

be made ?—My answer is : It was quite unnecessary for me to refer to the Conciliation Board, because the point I desired to make depended on the reasons given by Mr. Justice Sim for not making an award. The reasons rather than the fact were relevant to my argument.

8. Do not Mr. Polson's arguments in favour of third-party representation when the worker is bargaining for the sale of his labour apply equally to the worker's claim for representation when the farmer is selling the result of the worker's labour, and also when the farmer is buying or selling a farm ?—My answer is : No; because in the case of labour the price is fixed by legal enactment of the Court, and in the case of the farmer he has to sell his product in an open market. This answers also Mr. Roberts's question.

9. In reference to Mr. Polson's statement that every section has had its standard of living cut down, I ask him if he is aware that the average wealth of the community according to the Year-book for last year has increased by 40 per cent. after allowing for the increase in prices ?—My answer is : I did not intend to convey the impression that the standard of living of the people of New Zealand as a whole had been cut down. The whole of my argument was designed to show that the farmer's standard had been unfairly reduced as compared with that of those engaged in sheltered industries.

10. I ask him if he considers £4 0s. 8d. a week a fair standard of living for the worker ?—My answer is : There was no reference in my paper to the amount of wages. I am concerned only with the method of wage-fixation, not with the amount fixed.

11. With reference to the claim that preference to unionists should lapse automatically when the union adopts direct action, does Mr. Polson not think it fair that the fact should be proved before the union is punished ?—My answer is : Yes; I would agree that the union should first be convicted of the offence, and that after conviction the penalty should be the loss of preference.

12. Would Mr. Polson tell us the exact time of the delay caused by the stoppages in the mines and on the waterfront, and what the stoppages were due to ?—My answer is : The information is given in the Year-books. It would only be a waste of time for me to read it, since any delegate can turn it up for himself.

13. With reference to the question regarding the word "elasticity" as applied to the Dairy Regulations by Mr. Roberts, my answer is that this question can best be dealt with under the dairy section. I am not dealing with that industry.

14. Since when has labour been exempt from national hardship ?—My answer is : So far as I am aware, labour represents the only sections of the community whose standard of living is maintained by law quite regardless of their production.

15. Is it the fact that the farmers are prepared to endorse the preference-to-unionist principle so long as it is applied to the other fellow and they are exempt themselves ?—My answer is : In my paper I have endorsed the principle of preference with suitable safeguards. I look upon preference as a suitable reward to any union which loyally discharges its responsibilities.

16. If the compulsory arbitration were abolished, how would Mr. Polson suggest that agreements or awards should be enforced and underpaid wages collected from the various employers ?—My answer is : This is a most pertinent question. If the decision of the Conference is that the Arbitration Act should be abolished, it will be necessary for the Conference to recommend suitable methods for the protection of the workers.

17. What objection has Mr. Polson to the fact that unions have organized themselves politically ?—My answer is : I have no objection to the workers having a political organization, but I think it should be distinct from trade-union organization.

18. What method would Mr. Polson adopt in fixing a physical anti-sweating minimum ?—I want to say at once that I have dealt with this question solely on general principles, and I am not prepared at this stage to present a detailed scheme for the application of the principle in practice.

19. Whether Mr. Polson would be in favour of setting up a National Council to deal wholly with certain industries in which very numerous stoppages have occurred in recent years ?—My answer is : No; experience of one National Council has not been satisfactory.

20. How long can the standard of living exceed the output ?—The question is already answered in my paper.

21. Has the inelasticity prevented the boot and clothing trades from increasing their output ?—My answer is : The increased output in the trades mentioned is, I am informed, due to the introduction of modern methods and machines.

22. Does not the quotation from the Right Hon. Sidney Webb imply the contrary to what Mr. Polson suggests ?—My answer is : It is possible that the interpretation Mr. Bloodworth places upon the quotation is correct.

23. Does Mr. Polson think that the standard of living of the worker should be cut down ?—My answer is : Mr. Martin has drawn a wrong inference from the statement. He asked that this should be answered together with Mr. Semple's question. We certainly have no desire to reduce the worker's standard. We sincerely hope that it can be maintained or improved.

24. Would Mr. Polson agree that the trade-unions or any union of employers should possess the same right to have officially recognized representatives to-day as he claims for the Farmers' Union ?—Workers and employers already have the right to be legally represented by a union. All that is necessary is that the workers or employers in any industry shall register an industrial union under the Arbitration Act, and that union at once becomes their legal representative.

25. To what extent can the workers, apart from having a voice in the management of an industry, be held responsible for a low rate of production ?—My answer is : They must be held responsible for any restrictions imposed by themselves upon efficient production, such as, for instance, insisting upon the employment of unnecessary men on a job, the division of work into watertight compartments, or other similar restraints.

26. Does Mr. Polson mean that wages shall be fixed on national production when he says "Wages should bear an ascertainable relation to productivity and depend largely on production"?—My answer is: No; the production I referred to was that upon which workers are themselves engaged.

27. Do you not think that if the country workers, such as farm labourers, forestry workers, chaffcutters, drainers, &c., were protected by Arbitration Court awards or industrial agreements, would it not make for more efficiency in the various industries, the conclusion being that the workers would be more satisfied and give better service?—My answer is: No. It would, in my opinion, disturb the good relations at present existing. We do not accuse our permanent employees of inefficiency; they are generally efficient.

28. Is land-deterioration due to the "go slow" of the farmers?—My answer is: No; land-deterioration is due to the high and increasing cost of working land. Far from going slow, the farmer to-day is working harder than ever in order to exist.

29. Does Mr. Polson think that the wages of workers in the freezing industry are too high?—My answer is: I think there are too many restrictions in this industry, which are a greater cause of increased cost than high wages. That the wages of slaughtermen are high is proved by the fact that as the rates of payment have been raised the output has been reduced.

30. Might not the increased cost to the farmers be the result of our freehold policy especially causing speculation in land-values?—There is no time at my disposal to discuss freehold *versus* leasehold policy; and, if there were time, it is not relevant. I should just like to say, however, that there has been more speculation in leasehold than in freehold lands.

31. Does Mr. Polson think that immigration is responsible for unemployment?—My answer is: Obviously, too great an influx of immigrants unwisely selected or insufficiently controlled must have an effect on employment. I am informed, however, that most of the immigrants in recent years have come to New Zealand at the instance of workers already here. Therefore the responsibility rests upon the workers, at least to some extent.

32. Is Mr. Polson of opinion that the piecework system has brought industrial peace in those farming industries where the system is in force?—My answer is: No system has brought complete industrial peace under existing conditions, but piecework has meant increased efficiency and improved earning-power, particularly in the shearing industry.

33. Regarding Mr. O'Byrne's question—if I know of any strike that has occurred in the dairy industry in Southland or Otago during the past seventeen years, and during which period unions have been formed in that district—my reply is that the question seems to imply that there has been no trouble. I am prepared to accept Mr. O'Byrne's statement, and am particularly pleased to hear it.

Mr. Semple: I move, That Mr. Polson's time be extended.

The Chairman: No; I keep the time. We must observe the time-limit. The next item is the paper given by Mr. C. H. Williams on behalf of the Sheep-farmers' Federation.

Statement of Sheepowners' Federation.

Mr. C. H. Williams: Mr. Chairman, we, as a matter of fact, are prepared to produce collective opinion on other very important phases of the subject we are here to deliberate upon—the tariff, for instance, or finance—but we thought it advisable to confine this paper strictly to the arbitration system; not because we consider it necessarily the most important of those factors which are affecting us to-day, but for the reason that we do consider it a factor of great importance, and it is one of those factors which are ready to our hand for amendment. Furthermore, our antagonism to the Arbitration Court, as at present constituted, is, I think, one of the reasons for the calling-together of this Conference. That is the reason, gentlemen, why my paper is confined to the one subject. Further, I would like to make it clear that the opinions stated in this paper are the result entirely of our own interpretation of the conditions as we find them to-day. They have been arrived at independently of the opinions of the economists; though, necessarily, they are modified to a certain extent by the general reading of economic questions, which, of course, constitute a part of the education of every one of us. Again, I would like to say that we have purposely avoided going far into detail at this stage, and for this I think the Conference will thank us. One very small matter before I begin the paper: After hearing the questions put to Mr. Polson yesterday, I have listened with envy this morning to his very clearly typewritten condensation of those questions, and I would ask any gentlemen who wish to question me to be kind enough to do their own condensing, because the time at our disposal is not sufficient to enable me to do it. I will be particularly glad if gentlemen from the Labour side will be good enough to put their questions in writing as far as possible. I will listen to their comments, and endeavour as far as I can to give the answer to the questions according to those comments.

We, as representing the Sheep-owners' Federation of New Zealand, desire, in the first place, to congratulate the Government upon their action in convening this Conference, and to thank them for the opportunity thus accorded to us of expressing our views upon the industrial situation. We feel sure that the evidence that will be forthcoming from the different sections of the community concerned will be of the greatest assistance to them in their effort to solve the very important problems which confront the community at the present time.

We are asked to give our views as succinctly as possible upon the advantages and disadvantages of the present system of regulation of industrial conditions. It is to be presumed, therefore, that the existence of certain conditions—viz., the unfavourable economic position of the farmer—the consequent general depression of secondary industries and services, the loss of rural population, and the existence of an acute measure of unemployment—are outside the scope of this paper, except in so far as they are evidence of weakness in the system. It is presumed also that by the expression "system of regulation of industrial conditions" the Industrial Conciliation and Arbitration Act is meant, that

being by far the most important piece of legislation affecting the industrial conditions in this country. The question as to whether we should now be better or worse off had the system never been introduced is beside the point; the real question being: Is there anything in the Act which has contributed to our present difficulties, and, if so, what is it, and is there a practical remedy? There can be nothing said against the principle of conciliation. It is being adopted all over the world as a means of settling industrial questions, and the operations of the Conciliation Council in this country have had a great measure of success. The principle of arbitration also is undoubtedly sound, and is used constantly in a variety of directions other than in industry. There appears to us no reason to doubt that, with strict adherence to sound economic principles, the system of industrial conciliation and arbitration can be made a success. We attribute the lack of complete success in the past and the probability of breakdown in the future to a departure from sound economic principles, most of the more obvious faults of the system being traceable to that cause.

The more important and far-reaching defects appear to us to be as follows:—

False Basis of Wage-fixation.—Wages have been based on cost of living. In other words, men are paid not on what they produce, but on what they, together with certain other individuals (often non-existent), consume. To this we attribute the comparatively poor standard of *per capita* production.

False Precedents in the Framing of Awards.—New awards are frequently based by the Court on precedents of the Court's own creation. This leads to accumulation of error where error has been made, and also to the spreading of that error right through industry.

Lack of Elasticity in Wage-cost Fluctuation.—Under the Arbitration Act labour is the one commodity that has been removed from the operation of the law of supply and demand, and the effort has been made to force the law to conform to the Act. This is a hopeless effort, and results inevitably in unemployment. While violent fluctuations in wage costs are most undesirable, no elasticity at all is still less desirable.

It will be noted that these weak points, with regard to all of which our opinion is supported by economists, are not inherent in the Act, but are merely methods of administration that have been adopted, possibly for lack of more suitable alternatives. They are controlled by the features which follow, and which are incorporated in the Act.

Too Great Power in the Hands of the Judge in One Direction and too Little in Another.—In any dispute the power of the Judge over the employer is absolute; his power over the worker is nil. He has complete control over the wages to be paid, and no control over the output returned for those wages. At all events, no effort appears to have been made to regulate the output, except in the comparatively rare cases in which piecework operates.

One-sided Compulsion.—The one-sided nature of the compulsion exercised is made quite clear in the Year-book description of the Arbitration Act as follows: "It will be noted that the workers may compel any of their employers to come under the Act; while the employers cannot compel their workers to come under it unless the latter have registered as an industrial union or association thereunder; registration is voluntary." This feature is directly responsible for the preceding condition, and indirectly responsible for the others we have mentioned. It also constitutes a point of difference from arbitration in other walks of life, where the principle is so uniformly successful. We are unable to suggest any other serious defect in the Act itself, and we are therefore driven irresistibly to the conclusion that it is this fundamental feature that is crippling the system. This conclusion is confirmed by a consideration of the direct ill effects of one-sided compulsion, a few of which may be mentioned.

Bias Against the Employer.—A gradual, cumulative, and permanent bias against the compelled party—in this case the employer—is inevitable. Small, often trivial concessions in favour of the worker creep into successive agreements or awards and they never creep out again. Concessions in favour of the employer can be pushed out by direct action or by the threat of it. Cancellation of registration enables this to be done in a perfectly legal manner. In the former case these small concessions remain a fixed feature of the industry concerned, which has to adapt itself to the new conditions. Eventually they spread to all other industries. This bias is nobody's fault in particular, least of all the Judge of the Court. It is the logical result of the conditions, and it accounts for the persistent rise in cost of production and cost of living.

Industrial Unrest.—This is largely due to the absence of real bargaining-power on the employer's part, or any power of retaliation. The natural answer to a threat to strike is a threat to lockout or to refuse employment. The former is an effective threat that can be carried out within the law; the latter is easily countered by registration under the Act, and on application for an award. The employer is deprived of his natural means of defence, a circumstance which in itself is an invitation to attack.

Breaches of Agreement.—The proper answer to a broken agreement is the refusal to make subsequent agreements, but the employer is powerless to make this answer. Therefore, little is lost by the worker by a breach of good faith, and breaches of agreement are common.

Creation of Unnecessary Disputes.—While one party can force the other before the Court it nearly always pays to create a dispute wherever possible. Compromise is always to be expected. Something may be gained; nothing will be lost. Deregistration is always possible if the other side try the same tactics.

Friction and Enmity.—These are an inevitable consequence of the ever-recurring battles in the Court of Arbitration. The intervals between litigation periods are devoted to the sharpening of weapons for the next encounter. The spirit of compulsion must enter also into the work of conciliation, creating antagonism where none need exist.

It may be mentioned here that we are not in any sense laying blame upon the worker for the undesirable conditions we have mentioned. He takes the law as he finds it. The fault lies not in the worker for taking advantage of the opportunities or privileges afforded him, but in the statute which confers them.

Another fault in the Act lies in the immense power of the Judge. Hitherto we have had men of exceptional ability to fill this difficult position, but if an unfortunate selection were made the harm that might result in a very short time would be incalculable. The Judge has in his hands the destinies of every industry in the Dominion. Prosperity or depression depend upon the personality of this one individual.

A further condemnation of the Act as it stands at present, lies in the fact that it is incapable of coping with the situation that faces us to-day. A breakdown appears inevitable. The paramount necessity now is a reduction in the producing-costs to meet reduction in world values of our exports. This can be brought about in two ways—either by a reduction in wages, or an increase in *per capita* output. But, as we have shown, the Court has no power over output, and therefore must reduce wages. At the first substantial wage-reduction every union of workers could cancel registration. Arbitration would go by the board, taking with it the invaluable machinery of conciliation. A period of industrial chaos would be the result. The recent rise in the values of some of our exports may postpone such a thing for a while, but eventually it is certain to occur.

The final result of all the considerations we have put forward appears to us a conclusive answer to the question with which this paper opened: "Is there anything in the Act which has contributed to our present difficulties, and, if so, what is it, and is there a practical remedy?" There is something in the Act which has, at all events, to a large extent been responsible for our present difficulties. That something is one-sided compulsion, and its removal is the remedy. We desire to urge this Conference most strongly and emphatically to recommend this course to the Government. Especially do we ask the representatives of labour who are present to give it their serious consideration, for we are convinced that the measure will be not only not detrimental but actually beneficial to their interests.

It has been freely asserted that the removal of compulsion would destroy the Act, but we believe the contrary is the case, and that it would save it. Compulsory conference is now provided for by the Industrial Disputes Investigation Act, and there is no objection to compulsion to that extent. With compulsory conciliation in force, and voluntary arbitration as a possible sequel, conciliation would become the king-pin of the system. There would be no possible detriment to any union, whether of employers or workers, in registering under the Act. The percentage of workers under the Act, instead of 30 per cent., as at present, with a possible decrease to nil, would automatically increase to include all to whom collective bargaining is beneficial. The scope of the Council would be vastly increased and its work more efficient, while arbitration would certainly be resorted to in the great majority of cases where conciliation failed to reach a complete settlement. Thus all that is most desirable in the Act could be preserved. Conciliatory collective bargaining could cope with all the problems that the Court now settles arbitrarily, and without the heat engendered by the present method.

The removal, or even partial removal, of the defects we have mentioned, and of many others, could not but result in a considerable increase of output. As we have remarked, that is the alternative to a reduction in wages. We feel justified in asserting, therefore, that the reform we suggest is the only means whereby the existing standard of money wages can be maintained or the level of real wages be increased. A comparison with industrial conditions ruling in Canada, some of the United States, and South Africa, where a system of voluntary arbitration is in force, would, we think, support this view.

There are some general considerations which should not be overlooked. Compulsion is in itself repugnant to a freedom-loving people. It is the antithesis of true conciliation and the destroyer of good will, the very things that are most essential to peace and prosperity in industry. Placing employer and worker on a precisely equal footing under the law, both parties free from compulsion, must, on the contrary, tend to improve their mutual relations and to promote peace. The removal of the numerous minor defects in the system, which we all know to exist, must involve unlimited strife and difficulty, while adding greatly to the complications of the Act; to remove the one fundamental defect, which we are convinced is the root cause of most, if not all, of these minor defects is comparatively easy, and involves no interference whatever with the machinery of the system.

Finally, there is the consideration of abstract justice. The discriminative nature of the legislation so clearly indicated in Year-book description of the Act which we have quoted is contrary to the spirit of British justice. Whatever may be its effects for good or for evil, its amendment will remove a blot from the statute-book of New Zealand.

Put briefly, we consider that, while the Arbitration Act is by no means the only source of our present difficulties, it is largely responsible for them, by reason of the following tendencies:—

(*a*) To discourage efficiency in the worker;
(*b*) To increase cost of production and cost of living;
(*c*) To accentuate the unfavourable economic position of the primary producer;
(*d*) To increase rather than to lessen industrial friction;
(*e*) To produce conditions leading directly to unemployment.

Against these objections we can find no corresponding advantage either to industry in general or to the worker in particular. Comparison with other countries proves that the Act has actually been a drag upon the upward tendency of wages in times of prosperity. It is merely owing to the fact that it has been a still greater drag upon efficiency that the worker is not in a better position than he is to-day.

This statement we have the honour to present for the consideration of this Conference, as representing the collective opinion of the sheepowners of the Dominion.

Questions.

Mr. A. Cook: There are just two questions which I would like to ask Mr. Williams. I understand that he is taking upon his shoulders the sins of Mr. Acland, inasmuch as he is going to reply to any

questions that may be asked in reference to the paper read by Mr. Acland last night. In the penultimate paragraph of Mr. Acland's paper he refers to the happy relations which existed between the Shearers' Union and the Sheepowners' Federation during the war period. We agree with his remarks on that point, but I desire to ask Mr. Williams to explain the attitude of the representatives of his federation when, upon meeting the union's delegates during recent years, they have absolutely refused to discuss wages and conditions before the Conciliation Council, stating that they desired to place the responsibility upon the Arbitration Court. On numerous occasions I have represented the shearers when we have met the sheepowners' representatives before the Conciliation Council, and they have refused to discuss wages and conditions, always stating that the responsibility must be placed upon the Arbitration Court—that they were not going to get into hot water with their membership. That was their attitude. While the union has adopted a conciliatory attitude, the federation has adopted the reverse, and that has been responsible for the break in the relations which previously existed between the two sides. My second question is, Will Mr. Williams explain why his federation has refused to assist the Shearers' Union by refusing to import shearers' implements in order to enable the shearers to get them at reduced cost. A while ago an understanding was entered into that sheep-shears would be imported into New Zealand, but by the time they were sold by the firms that imported them the price was excessive. There is no question about that. By a joint arrangement, sheep-shears could be imported and sold to the shearers, in some cases in the back country, at 125 per cent. less than the storekeepers are charging the shearers to-day. For some reason or another the Sheepowners' Federation constantly refused to have any further dealings with that matter.

Mr. Kennedy: On page 101 of his paper Mr. Williams states that men should be paid on what they produce: how would he pay men who produce nothing? Take the Professors of Economics, who produce nothing: what would you pay them? On page 101 Mr. Williams deals with breaches of agreements and awards: could Mr. Williams give us the number of breaches of awards and agreements committed by the employers, and also the number committed by the workers? On page 102 he says that the present system provides for one-sided compulsion only on the part of the Court: is he aware that under the present Act the employers can cite and take to the Court a union of workers? On page 102 he says he believes in conciliatory collective bargaining. Would Mr. Williams be prepared to give the Conciliation Chairman the right to vote on questions upon which the representatives of the two parties could not agree?

Mr. Robinson: Mr. Williams in his paper blames the Court for fixing bad conditions—not so much the wages, but the conditions. Does he not know that it is most unusual for the Court to fix conditions at all? Why does he, therefore, blame the Court? There is no agreement about conditions regarding the matters referred to the Court. Very often the Court refers them back to the Conciliation Council on the ground that the Court is not an expert as to the conditions. In a case in connection with the busmen and the Dunedin City Council the employers would not agree to conditions, and the matter was referred to the Court, which said, "You cannot expect us to deal with these matters. You are experts. Get together and deal with them yourselves." So that any conditions are fixed by the parties themselves, and, that being the case, the Court is not justified in making them stand to that agreement afterwards. Further, regarding another question on page 101, it is said, "There is too great a power in the hands of the Judge in one direction, and too little in another," meaning that the Judge has the power to bind an employer, but not to bind the worker. But is it not the fact that, as the Court only has the power of fixing the wages—the volume of wages—the employer can immediately defeat that by raising prices after the award is made? We have seen that for a good many years the wages have never gone up with prices. And the index figures will tell us that for a great number of years since 1914 wages have never kept up with prices; and it has not been a case of wages rising after the prices have risen, but of just the opposite—wages have been endeavouring to keep up with prices, but have not done so.

Mr. Worrall: I ask a question of Mr. Williams, as to whether he infers that there are only two ways to solve the problems confronting us—viz., reduction of wages, or increase in *per capita* output. I suggest to Mr. Williams whether the question of distribution is not mostly to be solved by increased output. Does Mr. Williams think that an increased output must eventually result in greater unemployment? I would like to give an illustration of what I mean, without taking up too much time. I refer to the bootmakers of Northampton. On various occasions these men have increased their output, with the only result that the warehouses have been bursting with the product of their labour, and the workers themselves were amongst the unemployed walking the streets. One could illustrate that aspect again and again, but I think the one example will be sufficient. The other point I wish to ask about is whether the question of distribution must not be first settled before the employers can expect the worker to put his mind into the problem of increasing the output?

Mr. Bloodworth: I ask Mr. Williams if he or the Sheep-farmers' Federation is in favour of a standard minimum wage being fixed; and what steps does his federation recommend in this direction, supposing they are in favour of it? On page 101 Mr. Williams says, "The spirit of compulsion must enter also into the work of conciliation, creating antagonism where none need exist." Yet practically the whole of page 102, and in fact the main suggestion contained in the paper, is for a system of compulsory conciliation. The precise words are: "With compulsory conciliation in force, and voluntary arbitration as a possible sequel, conciliation would become the king-pin of the system." If compulsion now destroys the spirit of conciliation, would not compulsory conciliation equally destroy the spirit, and create antagonism under his proposed system? I personally cannot support compulsory conciliation, and the two words seem to contradict each other. I am speaking with considerable experience of the system as it stands at present, and I have not come across the spirit of antagonism in the Conciliation Council. I have almost invariably found the true spirit of conciliation to exist in the Council chamber. I do not think it is correct, as Mr. Williams says it is, that the spirit of

compulsion must enter into the work of conciliation, creating antagonism where none need exist. I do not think that spirit exists; but, presuming it does, would not the same spirit disturb the system he advocates?

Mr. Parlane: I have two questions to ask: One, would Mr. Williams be in favour of giving an industrial agreement made by collective bargaining between employers and workers in any industry the force of an award of the Court of Arbitration, so that it would apply to and enable it to be enforced against all employers and all workers in such industry. In explanation, might I say that under the Industrial Disputes Investigation Act any agreement entered into between the Shearers' Union and the Sheepfarmers' Association would only apply to the members of the union who were in the union at the time the agreement was made, and to the sheep-farmers who were members of the Sheepfarmers' Association at the time the agreement was made. It would not apply to any subsequent period, and it would not apply to any sheep-farmer who was not in the association, nor to any shearers who were not in the union, and therefore there is not a chance of unfair competition. Will Mr. Williams be in favour of remedying that by giving an agreement made under the Industrial Disputes Investigation Act the force of an award of the Court of Arbitration? The second question I wish to ask is, With regard to the statement that the operation of the Arbitration Act has discouraged efficiency in the worker, does Mr. Williams say that the New Zealand workers are less efficient than workers in countries where there is no Arbitration Act?

Professor Murphy: Does Mr. Williams contemplate that unions on either side should be forced to register even if they do not wish to register?

Mr. F. R. Cooke: Mr. Williams quoted cases of breaches of agreement, making it appear that the employer has no remedy, and the worker is the one committing the breaches. He suggests that, in view of the breaches of agreement, the proper answer to a broken agreement is refusing to make another subsequent agreement. In this connection I want to quote from the report of the Departmen of Labour of last year, which says: "During the year 3,229 complaints of breaches of awards of industrial agreements, &c., were received and investigated. Apart from these a large proportion of the general inspections of factories, shops, &c., totalling 34,794, included an inspection to ascertain whether the awards and agreements were being complied with in respect of wages, overtime, &c. There were 381 prosecutions for breaches of awards and agreements other than subjects of work, 326 against employers and 55 against workers, while 327 convictions were recorded. 14 other prosecutions against employers were taken for miscellaneous breaches of the Act, and 10 convictions were obtained. 49 workers were prosecuted for striking and by otherwise ceasing employment (2 strikes), and a conviction was obtained in one case (35 workers); the other case was dismissed." So that the proportion against the employers is very great. Mr. Williams's paper refers to the rural districts being deserted in favour of the towns, and I wish to ask this question: Is not the loss of rural population due mainly to the advance of machinery, and also the skill of workers, and to the increase in the number of sheep shorn and slaughtered? I remember the time in the Old Country when a man was responsible for shearing about twenty sheep per day. I have seen workers in New Zealand shearing hundreds of sheep per day with the machinery, and with the hand-machines shearing nearly 200 in some cases. Is not the loss of rural population due in some cases to improved methods of farming also, to top-dressing instead of ploughing and cropping, to machine potato-digging, improved methods of fencing, &c.; and not the least to the bad accommodation provided for men with families, and the lack of education for the children. I wish to call attention to practical instances in that connection. I have, in travelling in some of the country districts, come across boys of thirteen and fourteen years of age who have been only in the First Standard of education owing to their parents having changed their districts and their work so frequently. They could never get a chance of studying. I assert that these are some of the factors for the population deserting the rural districts.

Mr. Semple: On page 101 Mr. Williams said, "It will be noted that the workers may compel any of their employers to come under the Act, while the employers cannot compel their workers to come under it unless the latter have registered as an industrial union or association thereunder; registration is voluntary." I do not want to refer to the past, because I regard this Conference as one created by the Government for the purpose of considering the future, and so that we may endeavour as best we can to put our fingers upon the tainted spots of our economic system and try to adjust them so that the country may develop in the interests of all. But I cannot but think of the past for a moment, and I would ask Mr. Williams how he squares the attitude now taken up by the Sheepowners' Federation with the attitude the sheep-farmers took up, along with the rest of the farmers, in 1913. Prior to 1913 a section of industrial workers was dissatisfied with the Arbitration Court, just as it seems the farmers and the dairy employers are to-day dissatisfied with it, and consequently they cancelled their registration and got outside the jurisdiction of the Court. The 1913 struggle developed, and everybody knows that the farmers and the sheepowners took up a very hostile attitude and were instrumental in forming bogus unions and thus forced those workers back under the Court. To-day, however, they ask us to cancel our registration and get outside the jurisdiction of the Court. How can they square their attitude in 1913 with their attitude to-day?

Mr. Roberts: Sir, on page 101 Mr. Williams says, "In any dispute the power of the Judge over the employer is absolute; his power over the worker is nil. He has complete control over the wages to be paid, and no control over the output returned for those wages." Well, I am afraid that shows that Mr. Williams has not attended many sittings of the Court, because if he had he would have found that the power of the Court over the workers is pretty solid. I can assure him it is. I want to ask him, how could the Court or any other labour tribunal control or decide the output of the workers? How could they control output in industry? Another question I want to ask is one that he should be in a very good position to answer without difficulty: Can Mr. Williams explain by what method output could be increased in the freezing and shearing industries, where piecework rates apply; and will he

tell the Conference of any country where the output is higher than, or as high as it is, amongst slaughtermen and shearers in New Zealand and Australia? I want to know from him how you could increase the output of shearers working at piece rates and of slaughtermen on piece rates. And, as he has said that the output in New Zealand is not as high as it should be, will he tell us of any country in the world where the output is higher than, or even as high as, that of these two sections of workers in New Zealand? I would just say this: I think his paper is a very good one, and puts the position of the sheep-farmers very clearly before us. Unfortunately, they do not seem to be conversant with the operations of the Arbitration Court. It does not, in our experience, operate as stated in the paper.

Mr. Tucker: On page 97 Mr. Acland suggests that "After meeting in conference, the parties to any dispute should submit their case to the Conciliation Commissioner or an umpire mutually agreed upon, and, failing a decision being acceptable to either party at the Conciliation Council, the dispute could be submitted either to the Arbitration Court by consent of the parties or to the arbitrament of public opinion, which would by this time have been fully informed of the merits of the dispute." I am not quite sure what he means by the "arbitrament of public opinion." Does he mean a referendum of the whole of the people of the country? Mr. Williams also dealt with a voluntary system of settling disputes. He quoted South Africa, and desired us to make a comparison between South Africa and the United States. In regard to countries where the voluntary system of settling disputes has been in operation for a number of years, can Mr. Williams quote particulars to show that there is a greater measure of trade stability and peace between employers and employees than in New Zealand, and that in these countries the progress of production and the welfare of the people generally has made greater strides than in New Zealand? With regard to South Africa and the United States, if Mr. Williams refers to Kansas, in the case of America—and he may have that in his mind—he will find that the law there only applies to a certain number of industries. I think that is also the case in South Africa; and South Africa cannot bear comparison with New Zealand in regard to wages and the general standard of the workers.

Mr. Herbert: On page 102 Mr. Williams states: "The paramount necessity now is a reduction in the producing costs to meet reduction in the world values of our output. This can be brought about in two ways—either by a reduction in wages or an increase in the *per capita* output." Does not this conflict with the statement by Mr. Polson that he does not favour a decrease of the present basic wage in industry? With regard to the advocacy of similar rights for employers in negotiations in arbitration or conciliation proceedings, has Mr. Williams taken into consideration the economic status of the employers in having full control over the industries concerned? Does he not think that such control compensates the employers for the disadvantages he suggests they suffer under the Industrial Conciliation and Arbitration Act?

Mr. Nash: Does Mr. Williams agree that the well-being of all the people is dependent upon the effective utilization of the land and the efficient organization and functioning of the manufacturing and distributive industries? In the event of disagreement between the parties engaged in any industry affecting national production, would it not be essential that some person or persons should have a determining voice? And with whom would he place the determining voice in the event of disagreement between the parties in such an industry? The point made by Mr. Williams is that the Judge, having in his hands the adjusting of disputes in every industry in the Dominion, has too much power. In whose hands would Mr. Williams place that power in the event of that power not being in the hands of the Judge?

Professor Fisher: Sir, I would like to ask if in the opinion of the Sheepowners' Federation the Statement on page 101—that wages have been based in the Court proceedings on the cost of living—means that no weight need be attached to the repeated statements of the Court that general economic and financial and other conditions have been taken into account by the Judge and other members of the Court in determining wages? And I have a second question to ask in regard to the statement on page 101, that the bias of the Court "accounts for the persistent rise in cost of production and cost of living." Are we to take that to mean that, in the opinion of the Sheepowners' Federation, the operations of the Arbitration Court are the substantial explanation of the changes in the cost of living that have occurred in New Zealand during the past ten to fifteen years?

Mr. Black: What guarantee have the workers that they will benefit by increased production? Has Mr. Williams any scheme to place before the Conference by which such a guarantee can be given the workers? Professor Murphy stated that real wages have not increased since 1914, and I do not think it will be said that production has not increased in that period. Production has increased, but the workers have not got the benefit. Has Mr. Williams, then, any guarantee to offer that in case of any *per capita* increase in production the workers will benefit *pro rata?*

Mr. Purtell: Sir, on page 101, under the heading "False Precedents in the Framing of Awards," Mr. Williams says, "New awards are frequently based by the Court on precedents of the Court's own creation. This leads to accumulation of error where error has been made, and also to the spreading of that error right through industry." If Mr. Williams agrees that this accumulation of error also hits the workers, I agree with him. I happen to represent a class of workers who, because they agreed fifteen years ago to a twelve-hour shift, have had that twelve-hour shift put into their awards right along up to 1926. A man has to work from six o'clock in the morning to six o'clock at night, and his mate commences at six o'clock at night and works till six o'clock in the morning. So, if Mr. Williams agrees that the errors are hitting us as well as the employers, I do not mind. On page 102 Mr. Williams says: "Put briefly, we consider that, while the Arbitration Act is by no means the only source of our difficulties, it is largely responsible for them by reason of the following tendencies: (*a*) To discourage efficiency in the worker; (*b*) to increase the cost of production and the cost of living; (*c*) to accentuate the unfavourable economic position of the primary producer; (*d*) to increase rather

than to lessen industrial friction; (*e*) to produce conditions leading directly to unemployment." On another page Mr. Williams suggests the use of the Industrial Disputes Investigation Act, instead of the Industrial Conciliation and Arbitration Act. I agree that it may be used by workers who do not wish to register under the Industrial Conciliation and Arbitration Act. Some workers I represent are in that position; they had not got the Court's increase of 4s. for the past few years; and when we met the employers, the employees refused to give the 4s, What would Mr. Williams suggest in such a case? Should the workers strike for the 4s., or take the employers' refusal lying down?

Mr. O'Byrne: Sir, on page 102 Mr. Williams states that the only way to solve the problem is by reduction of wages or by increased production. I would like to know how he squares that view with the position now existing in the timber industry, where we have overproduction by millions of feet of timber and thousands of men are out of employment on account of this overproduction. At the same time wages have been reduced in my district, the Southland and Otago District—and I suppose the same applies throughout New Zealand—by something like 2s. a day, down to the economic wage of the Arbitration Court. We have had a reduction in wages and we have overproduction, and still there are thousands of men out of employment. How will Mr. Williams cope with that position?

Mr. Martin: On page 101 of his paper dealing with the "False Basis of Wage-fixation," Mr. Williams says, "To this we attribute the comparatively poor standard of *per capita* production." What comparison has Mr. Williams made from which he concludes that the *per capita* production of the New Zealand worker is poor? Is it with the production of the workers of other countries, or where does he get his figures from, from which he has drawn that conclusion?

Mr. Churchhouse: On page 101 of his paper Mr. Williams says that the Judge of the Arbitration Court "has complete control over the wages to be paid, and no control over the output returned for those wages." I want to say also that he has no control over the amount of labour that the sheep-farmer will employ. That is rather an important question for this Conference to deal with, because there is the unemployment question. That is a problem that we are met here to-day to try to solve. For the moment I am not troubling so much about the man who has a job as about the man who has no job at all. It will be seen that on page 101 of his paper Mr. Williams says, "Under the Arbitration Act labour is the one commodity that has been removed from the operation of the law of supply and demand." I do not know what the economists think about it, but labour is only labour when it is working; when it is not working it is not labour at all; so that we are affected by the law of supply and demand to a great extent. What I want to know from Mr. Williams is whether, under any tribunal for the settlement of disputes, the sheepowners would be able to employ more men than they do to-day, and so tend to assist the country to solve the unemployment problem.

Mr. A. Cook: I desire to make an explanation. When I was speaking about the question of shearers' requisites I should have said that with the assistance of the Sheepowners' Federation we could import shearing requisites and let the pastoral workers have them at 75 per cent. less than they are compelled to pay for those articles to-day.

Mr. Williams's Reply.

Mr. Williams.—The first question I have here is in reference to Mr. Acland's paper. Mr. Acland refers to the happy relations which existed during the war period between the sheepowners' representatives and the workers representatives, and I am asked to explain the attitude of the Sheepowners' Federation in absolutely refusing to discuss wages and conditions before the Conciliation Council, stating that they desired to place the responsibility upon the Arbitration Court. Now, to explain that matter fully would involve a criticism of the Court from the beginning. The sheepowners of New Zealand have never submitted willingly to the right of any one to dictate to them in the matter of wages and hours for their employees, because they preferred that to be put on a legal basis. In recent years, when attending the Conciliation Council, we have always known beforehand that the demands of the workers as formulated were not possible to comply with, and as a matter of policy we have always sought to place the responsibility on the Court for passing on to us and imposing on us rates which we contend that the industry cannot bear.

In the second question I am asked to explain to the Conference why the Sheepowners' Federation has refused to assist the Shearers' Union by refusing to import shearing requisites, so that shearers could get them at a reduced price. This involves the principle of interfering with private enterprise. That is a principle which is not under discussion at the present time, and that principle has nothing to do with the case in point.

Mr. Robinson, in asking his question, states that I blamed the Arbitration Court for bad conditions, and asks whether I am aware that the Court requires conditions to be fixed by the Conciliation Councils, and why I, therefore, blame the Court. I am blaming the system altogether for the conditions, to a certain extent. I have never suggested that the Court or the present system was wholly responsible for the conditions. We have shown a certain tendency which leads to these conditions, and I submit that the question cannot be answered in any other way. Mr. Robinson also asks, "Is it not a fact that, as the Court has the power only to fix the amount of wages, the employer can defeat the increase of wages by raising his prices immediately afterwards?" That question contains the essence of one of our objections to the system—that is to say, the employer can increase his costs, and thereby the increased costs in every industry have been thrown upon the primary industries of this country.

The next question is, "Is Mr. Williams or the Sheepowners' Federation in favour of a standard minimum wage being fixed, and what steps does his Federation recommend in this direction?" The answer to that is, No, our Federation is not in favour of that.

The next question is on the following lines: "Mr. Williams says, 'the spirit of compulsion must enter also into the work of conciliation, creating antagonism where none need exist,' yet practically

the whole of page 102, and in fact the main suggestion contained in the paper, is for a system of compulsory conciliation. Mr. Williams says in his paper: 'With compulsory conciliation in force, and voluntary arbitration as a possible sequel, conciliation would become the king-pin of the system.' If compulsion destroys the spirit of conciliation now, would not compulsory conciliation equally destroy the spirit and create antagonism under his proposed system?" That question hinges on my statement contained on page 102, where I say, "Compulsory conference is now provided for by the Industrial Disputes Investigation Act, and there is no objection to compulsion to that extent. With compulsory conciliation in force, and voluntary arbitration as a possible sequel, conciliation would become the king-pin of the system." I might have been wiser if I had used the word "conference" there again instead of "conciliation." "Conference" is what is meant in that connection, and I think the sense is obvious. The compulsion extends to this extent: that no man can refuse to meet his employers, and no employers can refuse to meet their employees in conference to discuss their difficulties or demands.

The next question is that asked by Mr. F. R. Cooke, who asks whether the loss of rural population is not due mainly to the advance of machinery and also the skill of the workers. No, it is not—emphatically not. I question whether any of these gentlemen who live in the cities have any idea of the immense amount of work to be done in New Zealand to-day. As soon as costs can be reduced in one direction money is available for production in another direction. It is quite clear that by the use of fertilizers, instead of the plough, for instance, certain ploughmen will be thrown out of employment, though they are really not thrown out of employment, for they are placed in other branches of the same industry. It is an economical question which must be considered for the benefit of the country. The immediate result is the employment of more labour in other directions.

Mr. Robinson asks whether I am aware that it is most unusual for the Court to fix conditions, and that, failing an agreement in Conciliation Council, the Court frequently refers these matters back to the Conciliation Council in order to give the parties an opportunity of agreeing amongst themselves. I am quite aware of that fact. I simply stated that the Court has power to fix any conditions it chooses. It is the power of the Court that we are now complaining of, and not whether that power has been used or not by the Court.

The next question is that asked by Mr. Parlane, who asked whether I was in favour of giving an industrial agreement made by collective bargaining between employers and workers in any industry the force of an award of the Court of Arbitration, so that it would apply to and be enforceable against all employers and all workers in such industry. This question brings us down to the consideration of the machinery of the system of the Act that will be created when this compulsion of which we complain is cut out of the Act. The machinery will have to be provided, and we are quite willing to co-operate in the the drafting of the provisions for machinery for carrying out the Act in an equitable manner. It is far too big a question for me to say here what machinery we would suggest. I shall suggest machinery when we are in committee.

Then, the next question is whether I contemplate that unions on either side should be forced to register if they do not wish to do so. That is another question I decline to answer at this juncture, because it is too big a subject. I would want to think that over before making a statement on the matter. My statements have to come as from the Sheepowners' Federation.

The next is Mr. F. Cook's question as to what is responsible for the transfer of the workers from the rural districts to the cities. It is suggested that it is due to bad conditions provided by country employers. I know that it is not due to that, and I also know that the sheep-farmers are agreed upon that point. It is due to the bad conditions of our trade at the present moment. We cannot meet the wishes of the men without incurring losses. I would qualify that by saying that if our prosperity was such as we hope it will be we could give better conditions in the country. There is no doubt about that. Under the present condition of the industry we cannot do so.

Mr. F. R. Cooke: That is an admission that the conditions are not satisfactory.

Mr. Williams: It is not, and I do not admit it for one moment. I think that the conditions ruling in the country at present are very satisfactory. In my neighbourhood the men are well treated, and that is proved by the general present state of the rural workers.

Mr. Semple asked, "How can the sheepowners square the attitude taken up by them in 1913 with their attitude to-day?" I was not concerned with the attitude taken up by the sheepowners generally at that time; but, at all events, I prefer not to go into the past. We are here to-day to consider steps for the present and the future, and I see no good in going back to 1913.

Mr. Tucker asked, "What is meant by public opinion," and he was referring to Mr. Acland's paper. Well, that is a general expression contained in the paragraph mentioned. Everybody here knows that a strike or a lockout is largely subject to public opinion. A strike or lockout is not entered upon unless the parties are pretty sure that public opinion is at their back, and that is a vast protection against strikes and lockouts. It is a greater protection than our Arbitration Act has proved to be.

A Delegate: Take a referendum of the people.

Mr. Williams: I think that is not necessary. In the absence of the Act, and in view of public opinion, strikes, as under present conditions, would disappear, and lockouts would not be necessary.

I have three questions here from Mr. Kennedy: "Are men paid on what they produce? How would you pay men who produce nothing—professors, for instance?" My reply to that is that any one who says that the Professors of Economics did not produce anything yesterday has got me beaten. One of those papers has produced enough to send me pretty well over to Porirua.

A Delegate: Would not you pay them for that?

Mr. Williams: My executors would have to pay. But I ask the same question: Would not the same argument apply to union secretaries?

A Delegate: Hear, hear.

Mr. Williams: Another question from Mr. Kennedy relates to breaches of agreements. He asks, "Can you tell us how many breaches of agreements or awards have been committed by

(1) employers, (2) workers." The answer is, no, I cannot. But that matter does not really have any bearing on the case, because if more agreements are broken by one side than by another the more is the provision for compulsory arbitration condemned.

Another question refers to what is termed " one-sided " compulsion: Has not the employer under the present law to file a case against a union, and take them to the Court for the purpose of obtaining a new award ? My answer is, Certainly they have the power until that union cancels its registration. They have not lost the power in that respect. The next question relates to compulsory conciliation, and is, " Would you give the Chairman of the Conciliation Board or Council a vote to decide a point that the parties could not agree on " ? My answer is, I would not allow the Chairman to vote at this juncture. But that is a machinery matter that requires far more consideration than we can give to it just now.

Mr. Worrall asked me whether, in my opinion, the question of distribution must be solved first, or greater unemployment will be caused by greater production ? My answer is, No, I do not think any of those questions should be solved first. An opportunity is being given us now to solve one particular aspect of this very great question, and the solution of that one will help us in the solution of the others which must follow. I have already said I do not think greater production would in any sense result in greater unemployment.

A Delegate: I move, That an extension of time be granted Mr. Williams.

Mr. Henderson: I am sorry to have to object, but I have to go south to-night.

A Delegate: He is replying to two papers.

The Chairman: An extension can only be granted with unanimous consent, and, as objection has been raised, Mr. Williams cannot proceed.

Statement of Position by Dairy Industry Delegates.

Mr. Sterling: Like some of the speakers who have preceded me, I wish to make a few preliminary remarks before reading the paper I have here on behalf of the dairy-farmers. In the first place, the Conference will probably find that, compared with some of the preceding papers, ours is the briefest of the lot, and therefore, as brevity is the soul of wit, apparently all the wit lies amongst the dairy-farmers. We have considered the question not only from that point of view, but also from the practical point of view, if we are going to get through our job in a reasonable time. We therefore need economy in time, but with it quality in regard to intelligently dealing with the questions involved. We have had many subjects to deal with, but so far we have considered it our duty to essentially deal with the point that we considered was the central one rather, and around which the work of this Conference would revolve. Members will see that we stress that point in the course of the paper. My next point is that our paper is not to be taken as necessarily referring to the dairy industry, or to the activities connected with it, such as manufacturing in our factories, and so on; but is intended to be the dairy-farmers' conception as to how the industrial machine is working generally in the Dominion. My paper is as follows:—

STATEMENT OF POSITION BY DAIRY INDUSTRY DELEGATES.

In presenting this Report to this Conference we realize that we are speaking on behalf of the principal primary industry of the Dominion, the industry which accounts for the greatest proportion of the national income; and, while the statement is particularly designed to convey the collective opinion of our people on the present industrial situation, we desire to say that we have endeavoured to examine the problem essentially from the point of view of the Dominion as a whole.

We commence at the point which seems to stand out clearly and is quite beyond the realm of dispute—that there is a large measure of dissatisfaction with the system of working of the industrial machinery of this country. The dairy-farmers of the Dominion have had it forced on them that for some years past their net income has been diminishing. They have found their expenditure increasing without any commensurate expansion on the revenue side. They have to compete for their revenue with the rest of the world, unassisted by any such artificial protection as may be opened to other industries, commonly called " sheltered." They have felt, on the other hand, that as a result of interference under state regulation with the free operation of economic laws the dairy-farmer has had his expenditure increased, to his disadvantage. Unquestionably, there are a number of factors operating to bring about the present disadvantageous position of the farming community, and among these factors our people are firmly of the opinion that the operation of our industrial machinery as at present manifesting itself is a material one. To understand clearly where the dairy-farmer stands on this matter, we think it necessary to go back to the very genesis of the industrial conciliation and arbitration machinery. The Act was first passed in 1894, and was sponsored by the Hon. William Pember Reeves. He stated the fundamental principles underlying the scheme of the Act very clearly in the following words: " I do not think the Arbitration Court will be very often called into requisition: on the contrary, I think that in ninety-nine cases in one hundred in which labour disputes arise they will be settled by the Conciliation Boards." This statement brings out very clearly what Mr. Reeves regarded as the very essence of the scheme: in a word, " conciliation." With this principle the dairy-farmers have no quarrel. Administered and worked with the idea of conciliation always kept uppermost, we feel satisfied that the present position would not have arisen. But what do we find ? We find that there has been a gradual subordination of the principle of conciliation to that of arbitration, until at the present moment the machinery prescribed in the conciliation sections of the Act has become more or less an empty formality, necessary to be gone through by the parties to enable them to use the machinery of the arbitration provisions of the Act in a manner and to an extent that was never originally contemplated. Obviously, this has tended to make the settlement of our industrial affairs rigid instead of elastic, but more particularly has interposed a third party between the essential parties in the settlement of the industrial affairs of the country. In other words, where

the Act was designed to promote getting together, the effect of the method of working that has gradually been evolved has had exactly the opposite tendency by putting a third party between those who ought to be in immediate contact. Mr. Reeves was far-sighted enough to see the possibility of some such development, and he states his view on that possibility in the following words: "If this measure fails, it will be because it will be ineffectual, and not because it will do any active harm. If it fails, its failure will probably be because its provisions are not taken advantage of. I hope that it may be so administered and so worked that the employers in days to come will welcome it as their best friend." The dairy-farmers feel that Mr. Reeves's hope has not been fulfilled, and that this is the point round which the present dissatisfaction with our industrial machinery revolves. We find that, instead of ninety-nine cases out of one hundred being settled by the Conciliation Boards, the position is rapidly approaching the point that the figures may be reversed. Even in the common language of our everyday industrial life, we find the system invariably referred to in terms of "The Arbitration Court," and the conciliation aspect is so completely in the background as to have practically ceased to be an effective part of our industrial machinery. As our people see the problem, it is absolutely essential that whatever is done shall be in the direction of bringing into immediate and practical effect the original design of the framer of the Act and of the Government that was responsible for its being placed on the statute-book. With that design, the dairy-farmers have, as we have already stated, no quarrel. Their complaint is that the design has been so radically departed from that the wheels of progress in industrial matters, instead of revolving with celerity and smoothness, are being clogged, to the detriment of the Dominion as a whole and of the primary producer in particular. We are of opinion that the ideals of those who created the Act in 1894 are as valid to-day as they were then, and we think the solution of our present trouble, as far as the industrial question is concerned, is to be found in our getting right back to those ideals and manifesting them in the practical affairs of our industrial life. These ideals are essentially practical of attainment. As Mr. Reeves clearly shows, the primary consideration is "Conciliation," with (to use his own words) "Arbitration in the background." Is it not the duty of the State to make available to those who require it machinery for the settlement of industrial difficulties? But essentially the State in the framing of any such machinery must ever keep to the fore the idea of bringing the parties together. The intervention of a third party must be last, instead of, as at present, the first resort. *(Applause.)*

Questions.

Mr. Kennedy: I would like to ask Mr. Sterling one question about his paper, throughout which he states that in the opinion of the dairy-farmers the conciliation sections of the Arbitration Act have failed. Has he studied the records of the cases that have been settled before the Conciliation Councils in this country during the past few years? If I may read them to him, they are as follows: In the 1927 report of the Labour Department he will find, "The above figures indicate that 93·6 per cent. of the disputes dealt with by the Commissioners and Conciliation Councillors were settled, or substantially settled, by them; but it should be noted that in some cases the settlements reached merely followed upon recently-made awards by the Court or settlements through Commissioners or Councils in the same or similar industries elsewhere." In all 142 cases were before the Councils that year. The 1924 report of the Department states: "Out of the total of 130 disputes dealt with by the Commissioners and Conciliation Councils, 120 (equal to 92·3 per cent.) were thus settled or substantially settled by them without recourse to the Arbitration Court. The proportion so settled last year was 78·98 per cent." In 1925, 91·7 cases were so dealt with; and in 1924, 145 cases out of 171, or 84·79 cases, were settled by the Councils without recourse to the Court of Arbitration. In view of these figures, if he was not already aware of them, will Mr. Sterling still persist in his statement that the conciliation sections of the Act have failed?

Mr. Bloodworth: Are the dairy-farmers in favour of a standard minimum wage being fixed; and, if so, what steps do they recommend in that direction? I asked the same question of Mr. Williams, and in explanation I may say that I am personally interested in these suggestions for voluntary conciliation for settling disputes, and I want to know have the farmers considered any basis from which or on which voluntary conciliation can start?

Mr. F. R. Cooke: Sir, when the Act came into operation in 1894 the price of butterfat was low. Butter was sold at 6d. per pound. In fact, when I was farming in 1900 I was selling butter at 6d. a pound. To-day butterfat is 1s. 6d. per pound, and its volume per cow has been increased. Have the workers, with the assistance of the Arbitration Court, taken the bulk of these increased prices?

Mr. Robinson: Is it not a fact that at present conciliation precedes arbitration; and is not the Court in the background simply in order to settle disputes that cannot be settled in the Conciliation Councils? Is it not a fact that at present conditions may be fixed in the Conciliation Councils without the active intervention of the Court? As the Court will not fix conditions, but refers them to the parties concerned, does Mr. Sterling merely wish the Arbitration Court abolished in order that wages may be reduced? because it is really the question of wages that the Court deals with mostly. It would appear that the chief function of the Court is to fix wages, and that it is on this account that the Court is being attacked.

Mr. Churchhouse: Mr. Sterling stated before reading his paper that it applied to industry generally. On page one he said, "They [the dairy-farmers] have to compete for their revenue with the rest of the world, unassisted by any such artificial protection as may be open to other industries, commonly called 'sheltered.'" I want to ask him, are not the unsheltered industries materially assisted or sheltered by the unemployment-relief works, on which men work at a lower rate of wages than that paid under the Court awards? I think that is most important as showing that many of our primary industries are sheltered in some directions. The position is that most of our primary-industry employees are only working during the summer-time. Then there is an off season. They

are engaged during the harvest and in the dairy industry in the summer; and also in the meat-works. The sheltered industries in the cities have got their full quota of labour already—in fact, it is overflowing; and when the workers in the primary industries are put off, they drift towards the cities and intensify unemployment there; and then the Government is called upon to provide money for the relief of unemployment, and the men engaged on the relief works are paid less than the award rate of wages. This matter was touched upon at the Municipal Conference at Nelson the other day, when the Mayor of Wellington put forward some method of dealing with unemployment on the Government lines at the lower rate of wage—12s. for married men and 9s. for single men. If they are going to perpetuate this relief-work system as a slave-compound for the primary industries, so that they may get their labour thence when they require it, something will have to be done. These are questions that the Conference has to deal with; and when we get together, I suppose we will deal with them.

Mr. Roberts: Sir, it has been stated several times in this Conference that there is a desire on the part of the employers in the farming industry to adopt some conciliatory method of adjusting disputes. I want a basis. It is no use talking vaguely about it. I agree, and everybody agrees, that conciliation is the best method. I would therefore ask, as the dairy-farmers have to face the same competition in the local and the overseas markets, would Mr. Sterling be in favour of a National Industrial Council, representative of the farmers and the dairy workers, to discuss and decide conditions of employment, wages, improvements in production, marketing, transport, &c.; and would he be in favour of the third party, the consumers, being represented on this Council to decide the price? I ask that because we want to get clearly down to the question of the third party. These farmers produce a very essential product for the Dominion—dairy-produce, foodstuffs that we all eat, that we must have. The workers have another commodity, their labour-power. If the third party is introduced in regard to the one commodity, it must be introduced in regard to all commodities.

Mr. O'Byrne: Mr. Sterling's paper deals principally with conciliation. I would like to ask him if it is not a fact that the dairy-factory workers' unions throughout the Dominion have had practically the whole of their cases settled by conciliation. In Southland and Otago, during the period since cheese-factory managers came into existence, for seventeen years, they have never been before the Court for an agreement or for breach of an award, except on minor points. The same position applies in connection with assistants. The wages and the whole of the conditions have been settled, either in conference with the dairy-factory directors or in the Conciliation Council.

Mr. Cornwell: Seeing that the dairy-farmers are entirely in favour of settling disputes by conciliation, I would like to ask Mr. Sterling what machinery they would establish for the settlement of those disputes in which the parties fail to come to an agreement in Conciliation Councils.

Mr. Parlane: With regard to conciliation, what would Mr. Sterling do to meet the case where employers would not agree to conciliation?

Mr. Sterling's Reply.

Mr. Sterling: The first question was asked by Mr. Kennedy, and was whether it is not a fact that the records of the work done by the Conciliation Councils disprove the statement in my paper that this phase of our conciliation law has failed. I have not made any such statement—that the conciliation machinery has failed. What I say is that at present, as far as we can analyse the situation, the trouble is due to the tendency that has been developed to subordinate the conciliation machinery to the Arbitration Court.

The next point was raised by Mr. Bloodworth, who asked whether the dairy-farmers are in favour of a standard minimum wage being fixed, and, if so, what steps do the dairy-farmers recommend to be taken in that direction. Mr. Bloodworth added that he was interested in the continual suggestion urging voluntary conciliation, and he wants to know whether the farmers have considered any basis on which voluntary conciliation can start. My answer is that the question involved is one of theory, which will not materially arise in practice. I cannot commit my colleagues upon this question, which is one of policy, and to answer this question precisely I would say that it has not been considered. I cannot commit my people upon a vital question of policy, but I have my private opinion, which I put forward tentatively: it is that, judging from my short experience of the dairying industry, I am satisfied that the question will not arise.

The next question was that of Mr. F. R. Cooke, whose query was as follows: "At the beginning of the Act, in 1894, butterfat was low and butter was selling at 6d. per pound, whereas to-day it is 1s. 6d. per pound, and its volume has increased. Have the workers, with the assistance of the Act, taken the bulk of the increased price"? That is a question of fact, and my reply is that I have not worked it out: I do not know.

Mr. Robinson asked whether it was not a fact that under the Industrial Conciliation and Arbitration Act conciliation must precede arbitration at present, and whether it is not a fact that at present conditions may be fixed in Conciliation Council without the active intervention of the Court, and, since the Court will not fix conditions, but refers them to the parties themselves, do I wish to see the Court abolished so that wages may be reduced? My reply is that there is no suggestion, nor can the inference be drawn from my paper, that we suggest the abolition of the Court. On the contrary, I would draw attention to the final words in the paper: "Is it not the duty of the State to make available to those who require it machinery for the settlement of industrial difficulties?"

Mr. Churchhouse asked, "Are not unsheltered industries materially assisted or sheltered by the unemployment-relief works, working under a lower rate of wages than those fixed by Court awards, thus giving to primary producers the labour they require?" I do not think that is a form of shelter or assistance at all. Relief works are not designed to afford any shelter for unsheltered industries such as the dairying industry, and it is just a question whether the relief works afford any material

assistance. They are designed to meet unemployment to tide the country over a period of difficulty, and to endeavour in some measure to get a return from those men who are out of employment, and who would in any case have to be kept in some way, for since we are dealing with individuals we must realize that they cannot be left to starve, and if they are not kept in one way they must be kept in another. It is just possible that these men, being kept in employment even at lower rates of wages, will buy more butter than would be bought for them if there was just State aid between them and starvation.

The next question was one asked by Mr. Roberts, as follows: "As the dairy-farmers have to face the same competition in the home and overseas markets, would Mr. Sterling be in favour of a National Industrial Council, representative of the farmers and dairy workers, to discuss and decide conditions of employment, wages, improvements in production, marketing, transport, &c., and would he be in favour of a third party, the consumers, being represented on this Council to decide the price?" There are two sections to that question: in regard to the first, it is, like Mr. Bloodworth's question, a very vital question of policy that has not yet been discussed, but I can say that the dairy people will be quite prepared to discuss that matter: at the same time it would not be fair for me to commit them at this juncture. I do say, however, that we are aware that this principle has been applied in industry in New Zealand, and we would consider it our duty to make inquiries of those who have been acquainted with the machinery, to see whether it has worked satisfactorily or not. It is a question for closer investigation. The second part of Mr. Roberts's question is as to whether I would be in favour of a third party, the consumers, being represented on this Council to decide the price. That is another question that involves the difference between theory and practice. It may be that none of us would dispute that the man who has ultimately to pay should have a say in the fixing of the price. That is a matter of theory. What I want to investigate—and I would do so with an entirely open mind—is the practicability of the suggestion. At that point I must leave it.

The next question is on these lines: "As Mr. Sterling's paper deals principally with conciliation, is it not a fact that the dairy-factory unions have generally adopted that course?" Yes, and I heartily congratulate them, and congratulate ourselves. What I want to say is that it has been my first observation of circumstances connected with the industry which has led me to concede that we might find a solution of this difficulty along the lines suggested in the paper. The fact that we have largely been able to solve our industrial difficulties in our industry in the Conciliation Councils, and the fact that our negotiations have been conducted on a pretty satisfactory basis, are the strongest arguments in favour of the idea that permeates our paper.

Then I come to Mr. Cornwell's question, as to what machinery I would suggest to settle those disputes where the parties fail to come to an agreement in Conciliation Councils. With regard to that, there must be some machinery, and the suggestion that we have to offer is contained in the paper as I have delivered it, where we suggest that we ought to have conciliation brought more to the fore in some way. I admit it will be difficult, but arbitration should be kept in the background.

Afternoon Tea.

Mr. Bishop: Before the next business is called on I rise to say that the delegates on this side would be delighted if the members attending the Conference would accept our invitation to afternoon tea to-day at 4 o'clock in Bellamy's dining-room. We feel that a little chance of fraternizing before we separate to-night will be for the good of the Conference, and some of our delegates would like the opportunity of personally meeting some of those on the other side of the room.

Mr. Roberts: On behalf of labour I certainly accept the kind invitation from the other side, and thank them for their courtesy in that direction. Perhaps a cup of tea will tend to better results as regards both sides of the Conference.

The Conference adjourned for half an hour at 4 p.m.

Unemployment, Immigration, Apprenticeship, Sources of Labour-supply: Report of Labour Delegation to Conference.

Mr. Bloodworth: Following the example of those who read previous papers, I wish to make one of two introductory remarks. This paper would not appear to make any special reference to the Arbitration Act, or to the problems relating to farming, but the question of the Arbitration Court will be dealt with in a separate paper. The questions referred to in this paper are all directly relevant to industries, and no doubt the farmers' delegates would claim that the cause of the secondary industries is bound up to a greater or less degree with that of the farming industry. It is therefore clear that in as far as that contention is true the matters referred to in this paper are of concern to the farming community as well as to the industrial section generally. My paper is as follows:—

UNEMPLOYMENT, IMMIGRATION, APPRENTICESHIP, SOURCES OF LABOUR-SUPPLY: REPORT OF LABOUR DELEGATION TO CONFERENCE.

We think it will be readily admitted that during the past two years unemployment has been more in evidence in New Zealand than had been the case for a number of years if ever before. Accurate statistics as to the extent of this evil it is impossible to obtain, but such statistics as there are indicate the extent of unemployment and the problems arising therefrom. A committee of the Auckland Branch of the Economic Society of Australia and New Zealand was set up early in 1927 to ascertain the causes and extent of unemployment in New Zealand. It carefully examined such statistics as were available, and after a long and careful study of the matter published a report, some copies of which are available to members of this Conference. The report sets out what, in the opinion of that committee, are the main and subsidiary causes of unemployment in New Zealand, and suggests some possible remedies and palliatives.

We suggest that the report would be useful to any committee of this Conference which may be set up to report on matters relating to unemployment, immigration, and apprenticeship. We think, however, that it is imperative that a system of unemployment insurance should be introduced during the coming session of Parliament.

Unemployment is one of the most serious problems that faces this Conference, and if a solution cannot be found, at least measures of a far-reaching character will have to be devised to alleviate the position. This social menace breeds crime, reduces efficiency, and destroys home life. The future of the race is involved in this question, as it affects both the moral and physical well-being of our citizens.

We take it that this Conference is concerned to get at the facts, and it appears to us that one fact is that the tendency of development under the present system is towards a rapid growth of the capacity for production, which gives rise to a decline in the number of workers needed to produce a given quantity of goods. Inventive genius, research, and mechanical appliances have so enhanced productive capacity that not only is it possible to provide for the needs of all, but there is ample room for recreative leasure which, given organizers and governing authorities with imagination and will, would create a great advantage in well-being. The effect of this tendency in New Zealand is vividly illustrated by comparing occupations of New Zealand residents for the years 1901 and 1921. The following table is made up from the return of occupations, &c., being Part VIII of the "Results of the Census" for 1921 :—

	1901.	Per Cent. of Total Population.	1921.	Per Cent. of Total Population.
Professional	23,509	3·0	50,011	4·1
Domestic	34,394	4·4	43,868	3·6
Commercial	39,937	5·2	79,340	6·5
Transport	21,750	2·8	50,701	4·1
Industrial	101,184	13·1	140,705	11·5
Primary	111,921	14·5	147,127	12·1
	332,695	..	511,752	..
Independent	7,535	1·0	18,666	1·5
	340,230	..	530,418	..
Dependants, &c.	432,489	56·0	688,495	56·6
	772,719	..	1,218,913	..

The figures show an extraordinary increase in the professional and commercial groups, and a corresponding decline in the industrial and primary occupations. We are fast becoming a nation of lawyers, shopkeepers, and distributors.

The increase in the number engaged in professional work is 34·8 per cent., and in commercial transactions 26 per cent., while the decrease in those engaged in industrial and primary production respectively is 11·9 per cent. and 16 per cent. Put another way, it means that in 1901 35 persons were engaged in the commercial and professional work entailed in the manifold transactions accompanying and related to the goods produced by 100 primary and secondary producers, and that in 1921 the number engaged commercially and professionally had increased to 45 for every 100 engaged in actual production.

It appears that a large proportion of the benefits of research, inventions, and organized production is being absorbed by non-productive workers. Invention and research have raised the standard of living, but a very small percentage of the advantages have reached the working consumer. It still pays better (for the individual) to scheme or sell than to produce.

The question of immigration is one which this Conference cannot overlook, and it has to be considered in its relation to employment. It seems absurd to suggest that this country has no room for more immigrants, or that it can be developed as it should be without increasing its population by that means. Assisted immigration, however, as carried on during the past few years, has been one of the causes of bringing about the present unemployment.

The preliminary to a sound immigration policy, however, is scientific land-settlement. Scientific land-settlement is essentially dependent on permanency of occupation. The first essential of permanency of occupation is an assured payment for labour and energy expended. Land-occupation in New Zealand has no permanency. In the past it has paid individuals better to sell land than to effectively use it. We require readjustment of values, so that it will pay better to use land than to sell it. The productive capacity of the lands of New Zealand cannot be extended beneficially to all the people unless some means are taken to stop speculation in land-values. The charge for credit, the price of fertilizers, the cost of marketing are all reflected in the price of land, and while the present method continues the working farmer will always live on the margin of existence. Yet, in spite of all that has been said, we are of opinion, from study of conditions in both Great Britain and New Zealand, the prospects out here are better than at Home, and, given vision on the part of our administrators, we could provide for a larger population without injuring those already here.

Related to employment and immigration is the matter of apprenticeship. We live in times of rapidly changing industrial conditions: new methods of carrying out work are introduced almost daily; new processes which have revolutionized old trades—and, in fact, new trades—have come into existence during the past few years. Despite these conditions, it remains essential to the well-being of any community that it should contain within its ranks the proper proportion of educated and skilled mechanics, and it owes it to its own citizens that means should be provided for their own sons and

daughters to receive their training. We would be in a very unsafe position if we depended solely on immigration to supply us with mechanics of the necessary training and skill to carry on our industries.

The Apprenticeship Act now in operation could, with some amendment, be made to safeguard the interests of the employer and apprentice so long as the period of apprenticeship lasts. It does not, however, go far enough. Provision should, in our opinion, be made for young people to receive more complete training in technical schools or agricultural colleges when they are unable to get positions as apprentices in the desired industries in private employ. During the present period of trade depression many young people have drifted into blind-alley occupations or into unemployment because their period of ordinary school had finished and they could not obtain positions as apprentices.

Another way in which the Apprentice Act does not go far enough is that it does not ensure to a boy or girl who has served a period of apprenticeship at a trade that he or she will be given any preference of employment at that trade over other youths who have served no period of apprenticeship. In order to overcome this and to ensure efficiency and higher standards of work which would result in cheaper products, we suggest there should be introduced a system of registration for all industries, employers, and employees, similar to that which is now in force for some industries and for most of the professions.

Under the present system there is no barrier on the side of employers—at least, to any one who can find the capital necessary—engaging in any industry. This we think is wrong, and tends to keep the standard of efficiency low; and, as we aim in these proposals to raise the status of each trade and industry, that freedom of entry, with consequent waste of capital, must cease. As employers demand a certain standard of efficiency amongst employees, so employees have a right, though they have never hitherto exercised it, to demand a certain standard of efficiency amongst employers, and industry as a whole should now exercise that right. We suggest, therefore, that there should be a certain standard of efficiency set as a qualification for admission to the unions on both sides, and that only those who were admitted as members of the unions should be allowed to practise either as employer or employee in the industry concerned. This idea, though new to industry, is not by any means unknown amongst us; and if any one thinks it is, let him put up a sign and try to practise in the professions of law, or medicine, or certain other professions: he will soon find that the barriers which we here propose for industry are already in existence in those professions. All we propose is in reality that the status of industry shall be raised to that of those professions. Rules and standards of admissions would not be very stringent at first, but could be gradually raised from time to time by the consent of the industry, and it would be found that the quality of the work performed would improve as the machinery of this scheme operated; and as the work improved, so would it be possible to raise the standards of admission to the industry without injury to any one. We believe that by this method "shoddy work" would be eliminated, as it is usually the result of industry catering for the needs of a market that has never been educated to demand the best article that industry could produce.

We suggest that this Conference should agree to a greater degree of continuous co-operation between employers and employed by the establishment of a National Council of Industry with provision for branches in each district or in each industry. The duty of the Council or Councils would be—

(1) To promote the continuous and progressive improvement of industry, and to advance the well-being and status of all connected with it:

(2) To arrange for and carry out the registration of all now engaged in an industry, employers and employees, and to provide for future admissions to the industry.

(3) Registration to be granted to all who, on the passing of an empowering Act, had been engaged in the industry for six consecutive months, and who apply for such registration within six months after the passing of such Act, and thereafter no person to be admitted unless he can produce from the Apprenticeship Committee of the trade and district a certificate of his competency for admission:

(4) To gather statistics concerning the industry, so as to be able to provide as far as possible continuous employment for all in the industry, and to prevent unemployment or wastage of capital or labour:

(5) To arrange, in conjunction with Apprenticeship Committees and technical schools, for adequate facilities for technical training for members of the industry, and improvement of processes, design and standards of workmanship, apprenticeship, research.

(6) Publicity: To issue information upon all matters concerning the industry; to enlighten public opinion as to the services rendered by the industry, and to educate public opinion to demand ever better services and workmanship from the industry.

Methods: The National Council would set up District Councils and Local Councils similar to the existing Apprenticeship Committee. It would seek the assistance of trade-unions and employers' associations—in fact, any person or organization which could provide assistance or put forward suggestions enabling the Council better to carry out its functions.

Under this system we consider that the standard of work would be improved and at the same time the price to the public for good work would be reduced. Information and experience would be gained which would be invaluable to industry, to the Government, and the public generally, and would stimulate advancement and improvement.

It is obvious that employers, workmen, and the public suffer severely under present industrial conditions. The results show themselves in lockouts, strikes, low wages, unemployment, bankruptcies, and increased costs of production, which will eventually result in a lowered capacity on the part of industry to maintain even existing standards of living. Past and present relations between employers and employed do not conduce to the maximum output or to economy in production and distribution. The proposals herein contained for consideration by conference are put forward as evidence of a sincere desire on the part of organized labour to bring about an improved condition beneficial to all parties. *(Applause.)*

Questions.

Professor Tocker: On page 112 it is stated, "Assisted immigration, however, as carried on during the past few years has been one of the causes of bringing about the present unemployment." I would like to know what is the basis for that statement; and I ask the question because it directly negatives the statement I made yesterday, when a somewhat similar question was asked, and I quoted the rate of immigration per thousand of the population between 1900 and 1910—or it may be between 1903 and 1913, I forget which—as 8·9 per thousand, and the rate to 1926, at the present restricted immigration policy, as 8·1 per thousand. It appears to me that before the war we had a greater relative rate of immigration, and since the nominated system has been much more effective in recent years we have had since then an also relatively much more effective system.

Mr. Bishop: I wish to congratulate Mr. Bloodworth on his exceedingly valuable and carefully considered paper. I ask him not to take it as discourteous if we do not ask him any question at this juncture. The ideas he has advanced are exceedingly novel and original; but we feel that we are not in a position to deal with such a paper as this without a little consideration. No doubt when the questions come to be considered in the committee stage Mr. Bloodworth will be inundated with them, but at the moment we do not think there is anything we can ask without a little further consideration.

Mr. Bloodworth's Reply.

Mr. Bloodworth: Replying to Professor Tocker's question as to the causes of unemployment, I think that if there is any other basis the statements from the different professors confirm the contention that immigration is the cause of the want of employment. Although the volume of immigration may be more now than it was in the years preceding the war, I have no doubt its effects on industry are different from what they were before the war. On account of the improved methods of carrying on works the employers do not need now to employ the same number of men to get through a given job as they did before the war. The fact is that, although the volume of immigration may be exactly the same, or it may be slightly less than before the war, there is no continuance of employment for the men because of the changes in methods of working; and this, in my opinion, makes immigration a contributory factor to the present unemployment. I know from my own personal experience, and from that of many other unions, that men who have recently come to this country are amongst those who are at present unemployed, by reason of the fact that they are not accustomed to the conditions prevailing here. When there is more labour offering than there is work for, a man who is not accustomed to the local conditions is not as readily taken on as the man who is used to them. I accept Mr. Bishop's explanation of the reasons for there being no questions, but I must say that personally I regret it.

Employment Assurance.

The Chairman: The next business before the Conference is the reading by Mr. Finn of a paper on "Employment Assurance."

Mr. Finn: Mr. Chairman, my paper is not a lengthy one; and therefore I will not be called upon, I think, to make any apology for it. I have attended this Conference with a sincere desire to do what I am able to further its objects; and, accepting the statement by yourself that the sky was the limit to the subjects to be discussed here, I am making a break from the subjects which have so far occupied this Conference. This question of employment assurance may, and I hope it will, have an important bearing on the deliberations of the Conference. When dealing with an entirely new proposal it is just as well to omit details wherever possible, and I have attempted to do so. I am here as a representative of the Manufacturers' Association, but I wish it to be clearly understood that the proposals are my own, and that they have not been considered by any representative body. I trust that my questioners, at the conclusion of my paper, will extend to me the same courtesy as has been extended to others, and write out their questions. I shall have very much pleasure in answering them as far as I am able to do so. My paper is as follows:—

EMPLOYMENT ASSURANCE.

We have in New Zealand two problems which are a serious hindrance to the development and progress of the country. One is the fear of unemployment with the worker, and the other is fear of low prices with the farmer. The object of this paper is to show that both of these difficulties can be overcome and result in greater prosperity to the Dominion.

With regard to employment, the readiness with which people respond to an appeal for funds to provide work for the unemployed suggests that responsibility exists, and that better provision should be made to ensure better employment for all requiring it. It is possible for this to be done at very little cost by adopting better methods of production. We have two main sources of wealth, land and labour, and our object should be to keep these in constant employment. If we do that we can provide work for a much larger population than we have at present. No miracle is required. It is not a question of wages, but methods. Farming to-day is a specialized business, competing in the world's markets, and on its success depends the prosperity of the Dominion. We all share in the proceeds of the produce, but one of the complaints of the farmer is that we do not all contribute to its production. Economic waste would be removed and the position of the workers, the farmers, and the Dominion generally would be greatly improved by the establishment of (*a*) Employment Assurance Fund; (*b*) farm service depots; (*c*) Employment and Primary Production Board.

Employment Fund.—What I propose is that all persons over sixteen years of age should contribute 1s. per month to this fund. It need not be compulsory, but those not contributing should lose the

benefit and the right to vote. The cost of collection would be very small. This could be done by having special 1s. stamps procurable at any post-office, and these would be affixed to a card or folder, which would also be procurable at the post-office. The fund would be administered by the proposed Employment and Primary Production Board, and it would be the duty of this Board to keep in employment every one wanting work. Those looking for work would, of course, have to accept the employment offered until they could find work to suit them. The majority of work would be in the country districts, and I propose that there should be a number of farm service stations at distances of, say, thirty miles apart. These stations would be in charge of skilled agriculturists, and would, of course, be properly equipped with all modern plant and conveniences. Accommodation would be provided for thirty or more men, who would be employed on the farm or adjoining farms, wherever work was offering. They would be paid regulation wages for the time worked, and the amount of work per week would be regulated by the number to be provided for, but each man would be guaranteed at least, say, twenty-two hours per week. If conditions were at all normal full time would be possible.

These farm service stations would not only be the means of providing a sort of clearing-house or distributing-centre for labour, but the activities of the station would be educative, and would have a very far-reaching effect for good throughout the country. The advantage to the worker would be that instead of wear-and-tear and waste of time in tramping the country looking for work, and missing it every day, they would know exactly where to go, the class of work awaiting them, and the exact conditions of employment. At present many men are lost to the land owing to their being unable to get a sound training in farm-work, and the country is so much the poorer on that account. To the farmer these service depots would come as "a boon and a blessing to men." Labour is one of the most difficult problems on many farms, but particularly so with the small dairy-farmer, who is often handicapped in getting the best returns from his land through lack of experience, want of horses or implements, or inability to procure labour during temporary ill health, &c. Many a man has been broken down in health and ruined through the latter cause. To be relieved of this anxiety would, I believe, change the whole outlook in regard to the farmer; in fact, the farm service depot would, in my opinion, lessen the cost of labour to the farmer, and add so much to the attractiveness of the farms that the drifting to the towns, which has caused so much anxiety for a number of years, would be entirely checked.

I would like to make special reference to items Nos. 21 and 22 on statements attached. Each depot should be under an obligation to arrange for the planting within its radius of a certain number of trees every winter. The planting of these trees would not only improve the landscape, but the benefit derived from them, and later on the profit would, I am sure, make good any loss which might be made in the working of the depot. If it did not, the next item, No. 22, certainly would do so.

It is well known that many farms are too large for the present occupier to work to present advantage, and consequently the farmer is handicapped by having more land to look after than he can properly manage. Consequently the land is to a certain extent neglected, and the possible revenue from it is not obtained. In many cases these farms, even if it were possible to find a buyer for the excess area, are not suitable for subdivision. It would be possible, however, for the farm service depot to work this land on its own account, or on behalf of the occupier; it would, in fact, be one of the principal duties of the overseer of the farm service station to see that, as far as his powers would allow, the best possible use is made of land within his area. It would be difficult to estimate the value of the increased production if all the land were cultivated and grazed to its full extent, instead of only about 60 to 70 per cent., as at present. I might remark that in assessing this at only 60 to 70 per cent. I have had no definite data to go upon. It is merely a guess, but I think it is not very far out.

Employment and Primary Production Board.—It would be the duty of this Board to administer the Employment Assurance Fund, the farm service depot, and to promote and encourage the increase of production in all primary industries.

One of the chief reasons for unemployment at certain periods is the lack of co-ordination between the Public Works Department and large public bodies with regard to the employment of labour. Extensive works are commenced and timed to finish without proper regard to the consequences resulting from a large number of men being withdrawn from or being released upon the labour-market. Having a properly constituted Board with a fund at its disposal of at least half a million pounds per annum, New Zealand should not hesitate to undertake the responsibility of providing work at a respectable living-wage for all who require it.

TABLE I.—EMPLOYMENT ASSURANCE FUND.

Administration: Employment and Production Board. Contributors: All persons of sixteen years and over—workers and non-workers. Period: Say, forty years. Amount of contribution: 1s. per month. Method of payment: Post-office 1s. stamps. Penalty for non-payment: Loss of vote. Benefits: Employment guaranteed according to number of workers to be provided for. Possible Benevolent Fund and superannuation. No man should be compelled to contribute towards unemployment. All should contribute towards providing employment, for all benefit.

TABLE II.—FARM SERVICE DEPOT.

Value of farm, 200 acres and buildings, £7,000; stock, £1,500; plant, £1,500: total, £10,000.

Dr.	£	*Cr.*	£
Rent of farm	900	Proceeds of farm produce	1,000
Overseer	600	Proceeds of labour and services supplied ..	7,500
Thirty men	6,000		
Benzine and sundries	1,000		
	£8,500		£8,500

Operations to cover fifteen-mile radius. Branch camps.

TABLE III.—FARM SERVICE DEPOT—SUGGESTED ACTIVITIES.

Situation: Proximity to railway-station and sale-yards.	To advise *re* farm work and stock.
1. Cow-testing.	12. Painting.
2. Hospital for sick animals.	13. Building.
3. Cream-carting.	14. Roadmaking.
4. Purebred-bull service.	15. Cropping.
5. Depot for rams, pigs.	16. Ensilage and haymaking.
6. Milking.	17. Hedge-trimming.
7. Laundry.	18. Gardening.
8. Wood and coal depot.	19. Firewood-cutting.
9. Ploughing.	20. Attending to farm during absence of farmer.
10. Fencing.	21. Tree-planting.
11. Draining.	22. Cropping or working idle land inside area.

Men employed, farms improved, production increased.

Mr. Finn added: I might well, sir, have amplified the paragraph above specially referring to items 21 and 22, "tree-planting," and "cropping or working idle land inside area." It is not quite clear, and I might with advantage have extended it. What I meant to refer to was this: We have quite a number of very desirable young men, about eighteen years of age, who come out from Home with the idea that farming in New Zealand is a very good thing. Many of them are of good parentage, and their people are in a position to finance them later on a farm. In many cases that have come under my notice they have come out buoyed up with enthusiasm, but have struck a job where the farmer is a bad employer and a bad farmer; and in a few months' time they are sick of the farm. They drift to another farm, very often with the same result; and then they come to the city, get a job in a motor-works or somewhere else, and that is the end of them as farmers. But on these farm service stations they would get a grounding in the work before going on to the farm, and would know where they were. Tree-planting is one of the things that would engage their attention on the farm service stations.

Table I is simply a summary of the paper. Table II is a balance-sheet of a farm service station or depot, the idea being to show that each such depot could be made self-supporting. One of the duties of the supervisor of a depot would be to advise farmers with regard to farm-work and stock. You may say it would be a pretty big contract, but still he would be able to advise in many ways. The items set out in Table III are put down to show some of the different things the farm service stations could undertake. I have put at the top "cow-testing," which is not carried out to the extent I would like to see it done, or to the extent that it should be. I think that in these farm service stations it could be carried out very simply and efficiently, and with great advantage not only to the workers on the stations themselves but also to the farmers in the surrounding districts. The next item under "Farm service depot" is "Hospital for sick animals." A farmer frequently wastes his time running round his neighbours to find out what to do when one of his animals falls sick. If you had a farm service truck to carry a cow to the farm service depot, and a man to come and take it away, it would save a lot of time and worry on the part of the farmer. In regard to cream-carting, in many districts of New Zealand to-day there are two or three different cream-carts travelling hundreds of miles along the same road, where one cart could do all the work required. There is considerable waste on that account. The next item is "Purebred-bull service." This has been attempted a good many times in New Zealand. It was tried by the Government, but was unsuccessful, and one of the reasons for that failure was the difficulty to get the farmers to look after the animals properly. That could be managed by a farm service depot such as is suggested in this paper. There should also be a depot for rams and pigs. The next item is "Milking." When a farmer is suddenly taken ill, it would be a good thing to know what to do in order to get his cows milked, and if there was a farm service depot he would know where to get some one to assist him. The next item is "Laundry." I have heard it said that farmers' wives would like assistance similar to that which is obtainable by women in the cities. The other items are quite plain, and I have just jotted them down to show that such matters could be dealt with by these farm service stations. *(Applause.)*

Questions.

Mr. Kennedy: I would like to ask Mr. Finn a question about this proposed penalty for non-payment to this employment fund of which he speaks in his paper. He proposes that all persons over sixteen years of age should contribute 1s. per month to this fund; that it need not be made compulsory, but those not contributing should lose the benefit and the right to vote. What right to vote does this mean? To what does it apply? Does it apply to the ordinary franchise vote as we know it? If so, we may get into this ridiculous position: that many people all over New Zealand—possibly more than half of them—would refuse to contribute to this fund, and they could not vote for candidates at election time.

Mr. A. E. Cook: At the end of page 115 of his paper Mr. Finn refers to "a respectable living-wage." Would he explain to the Conference what in his opinion is a respectable living-wage. Will he state to the Conference what he considers is a respectable living-wage for a single man, for a married man with one child, for a married man with two children, and so on.

Mr. Finn's Reply.

Mr. Finn: It is impossible for me to fix what the wage should be, but my idea is that a man should be entitled to a wage upon which he can live respectably. Quite recently some of these works have been asked to provide work for those out of employment, and a reduced wage or sustenance wage has been paid. I do not like the idea of a sustenance wage. I prefer

that you should give a man less work, but pay him the right wage for what he does. If you employ a man for full time and give him only a sustenance wage, when he retires from that job he is no better off: he has had no time to look round for another job. But if you give him three days' work at the ruling rate of wages, he would then have three days in the week to look for a job, and would be much better off. I think that practically answers the question as to the respectable living-wage. I do not need to go into that any further. With regard to the loss of the vote for non-contribution to the Employment Fund, the contribution I suggest is only 1s. per month, or 12s. per annum, whereas under the unemployment insurance system the amount would be £4 11s. per annum. The point is that under the unemployment insurance system it is the worker who pays the money, whereas under this system every one would contribute whether he was a worker or not. You would get a substantial income from it which would go a long way. In fact, in my opinion it should bring in a revenue of £500,000 per annum, and not one-half of that would be required to keep every able-bodied man wanting work in employment, if the employment is properly regulated. With regard to the loss of the vote, I said that if a man failed to contribute he would lose the right to vote. What I mean is that you want to cut down the cost of administering this fund. If you have a holder in which to affix these stamps, when an election comes round you would take it to the post-office, where the official would stamp your book, and that would give you the right to vote. If a person will not contribute to the Employment Fund he should not have the right to vote.

Statement of the Views of the Freezing Industry on the Present Industrial Laws of New Zealand.

Mr. R. S. Chadwick: Mr. Chairman, as one of the delegates of the New Zealand Farmers' Union, and being closely associated with the freezing industry, I have been asked to present to this Conference the following brief summary of the views of the freezing industry.

This industry is essentially a sheltered industry, in that it can always pass on any increased costs; but it can only pass them on in one direction, and that is to the farmer. In other words the farmer has to meet in a very direct manner any increase in costs—either in increased charges, or more usually in decreased prices for his stock. It will be seen from this that the farmer is just as much affected by any increase in freezing-industry costs as he is in the costs of his own industry. This fact is accepted as axiomatic in the freezing industry, and is the clue to the attitude of that industry in identifying itself with the farming interests. For this reason the attitude taken up by, and the expressions of opinion of, the representatives of the primary industries on the matters before this Conference are in accord with and endorsed by the freezing industry.

It is obvious that these two big interests are interdependent—the farmer relies upon the freezing industry to receive, treat, and export his stock, and the freezing industry relies upon the farmer for the supply of stock. This relationship is particularly marked in any happening in the nature of a strike, go-slow, or other industrial disturbance, for the reason that when in any such cases the issue is forced the industry has to rely upon the primary producers to assist in carrying on the work. They are the first to come to the assistance of the freezing industry, not only in the interests of the industry itself, but, of necessity, to safeguard their own vital interests. This has been exemplified in almost every hold-up that has occurred: the farming community has manned the freezing-works and so enabled the industry to carry on its normal functions in the interest of the whole community. Thus whilst work proceeds normally and matters are peaceful the primary industries and the freezing industry, which is ancillary to it, carry on in their mutual interests; but it will be realized that any dislocation in the freezing industry immediately affects the farmer, to the detriment and possible neglect of his own business, the probable necessity of his filling the breach in order to get his stock killed, and the possibility of the consequent depreciation of the value of his stock. The immediate reaction of any disturbances in the shape of go-slow tactics, &c., may therefore be summarized as follows: (1) Delay in taking delivery of his fat stock when ready, and consequent wastage, which is a financial loss; (2) the necessity of the farmer himself having to assist in the killing of his own stock, to the neglect of his other business; (3) increased costs, due to lessened efficiency, brought about by restrictions imposed on the industry, necessarily reflected in the prices which he receives for his stock.

This Conference having been called to consider the working of the Industrial Conciliation and Arbitration Act, it is necessary for the industry to point out the serious consequences which arise from a stoppage of work during the killing season, and its effect upon the freezing companies, the primary producers, and the employees themselves. Under the present system the award under which the freezing companies are working provides ample safeguards for the ventilation of grievances without the necessity for ceasing or hindering work; but the workers, by irritation tactics, go-slow policies, strikes, &c., foster a state of inefficiency brought about by a disregard of awards of the Arbitration Court—awards which in this industry, at any rate, the Court has been powerless to enforce—and the position is such that the employers are forced to seek some remedy whereby efficiency shall not be impaired. Various matters in this connection incidental to the freezing industry and of interest to this Conference will be ready for such committee which may be set up to deal with them, and it is trusted that the statements made and arguments that will be adduced will receive the consideration due to them, coming as they do from such a large industry as the freezing industry, which, I repeat, is inseparable from the farming industry, and which is included in the category of the largest employers of labour in the Dominion, and one of those with the most varied employ. We wish to emphasize the fact that what we aim at is not reduced wages, but increased efficiency, which we find impossible under the existing system. *(Applause.)*

Questions.

Mr. F. R. Cooke: I wish to ask Mr. Chadwick about his reference in paragraph 2 on page 117 of his paper, where he says, referring to the freezing industry, "This industry is essentially a sheltered industry, in that it can always pass on any increased costs; but it can only pass them

on in one direction, and that is to the farmer." I wish to ask Mr. Chadwick this question: Has all the money used to overcapitalize the freezing companies been passed on to the farmers, and has that been a big factor in causing the difficulties of the farmers at the present time?

Mr. Chadwick's Reply.

Mr. Chadwick: In reply to Mr. Cooke, I want to point out that I have not referred to the farmers' difficulties at all in my statement, and I want to make it quite clear that the two industries are absolutely inseparable. If any increased cost is caused to the freezing industry by reason of increased wages or other causes, it has to be passed on. As far as overcapitalization of freezing companies is concerned, we know that there has been frightful loss suffered by the freezing companies, but where their capital has gone I could not say.

Statement on the Freezing Industry.

By Mr. H. C. Revell, Secretary, New Zealand Freezing-works and Related Trades Industrial Association of Workers.

Mr. Revell: Mr. Chairman, this short statement on the freezing industry of the Dominion is presented to bring certain important factors relative to the industry before the delegates.

The first point I desire to make is that the endeavour to maintain surplus establishments and excessive capital in the industry has created a false position, injurious to the industry as a whole and to the workers in particular. Referring to this factor, it is stated in the report of the National Bank of New Zealand that "During the war, when prices were high and the Imperial Government was freely purchasing for the armies in the field, no less than ten new freezing plants were erected, mainly in the North Island. With the close of the war and the cessation of the special demand there was not stock sufficient to supply all these works. They kept on operating, however, and with the continued overhead charges and a greatly reduced output financial difficulty was inevitable for the industry, especially for the majority of the co-operative concerns owned by farmers. How excessive is the number of freezing companies in New Zealand is shown by the fact that for 1923 the forty-six freezing-works had a total output of 149,217 tons, while in the Argentine Republic the output of the ten freezing-works was 673,750 tons." The point is sharply brought out by the fact that the paid-up capital in 1924 was three and a half times greater than in 1914, whilst the actual output was practically the same. If all the capital items are taken into account, and interest charges assessed at the rate of 6½ per cent. the cost in 1924 for interest was nearly three times that of 1914. The attached pamphlet gives fuller information and details of the overcapitalization and its results.

The above factors are entirely outside the range of the workers, and for which they are not in the slightest degree responsible. No arbitration award, whatever the conditions, wages, or hours, has entered into this cost factor. The wages of the industry, however, are not in any way commensurate with the nature and value of the service rendered. The work is disagreeable and dirty; it must be performed at reasonable speed to get the best results; it requires special energy and skill; the occupation is seasonal, and the employment transitional. Added to these factors is the hazardous nature of the occupation, which is illustrated by the accidents reported in the Labour Department Report for the year ended 31st December, 1926, where it is stated that "The total number of accidents in factories reported during the year was 2,768, an increase of 342 over the previous year. This increase is mainly accounted for by the extra number of accidents reported from freezing-works—viz., 1,325." 498 of these accidents resulted in the absence of the worker from employment for more than fourteen days, and 827 for lesser periods. One in every five of the workers in the industry was injured; 47½ per cent. of the total accidents recorded in the Dominion were in the freezing industry. Practically the whole of the industry is carried on in the piecework system. It is impossible to dissociate the abnormal number of accidents from the fact that piecework is the system in operation.

The importance of quality and appearance is recognized by all engaged in the industry. The appearance and quality of the product is largely governed by the knowledge and skill of the workers. It is admitted that the workers in the industry are highly efficient and producing both quality and quantity.

The evidence from the bank reports and a statement by Justice Frazer are conclusive that the main cause of the difficulties which have arisen is overcapitalization. It is impossible for workers by extra exertion to make amends for mistakes of this nature, and they ought not to be expected to take lower wages to rectify defective policies dictated by boards of directors in whose deliberations the workers had no voice.

New Zealand Freezing Industry: Evidence showing Enormous Overcapitalization.

Revealing Statistics presented to the Arbitration Court in the Freezers' Dispute.

The New Zealand Freezing-works and Related Trades Industrial Association of Workers, being faced with the necessity of compiling as strong a case as possible in the dispute with the employers recently before the Arbitration Court, employed Mr. H. G. Stringer, public accountant, of Wanganui (who was previously manager of the Feilding and Wanganui Freezing-works), to prepare statistics dealing with the financial condition of the industry, and showing particularly in what degree it was overcapitalized. The association also asked Mr. Stringer to give statistical evidence revealing the difference in the cost of management and production at various companies' works, and to draw comparisons between the 1914–24 outputs in relation to the difference in the capital invested. He was also asked to indicate the wages cost of freezing for the season 1924–25. Mr. Stringer duly gave evidence along these lines when the case was heard by the Arbitration Court on the 14th February last, his figures not being subjected to any process of cross-examination.

The association feels that these statistics, the accuracy of which cannot be contested, must have an enlightening effect upon all who are anxious to know the real conditions of the industry and to appreciate the strength of the workers' case for improved conditions. For this reason it has been decided by the association to circulate these statistics in this form for your information and guidance. We hope they will win your support for a request by the association for a Governmental inquiry into the position of the industry.

Kaiapoi. H. C. REVELL, General Secretary.

(N.B.—The figures only are supplied by Mr. Stringer; all comment is by the editor.)

The Increased Interest Charge.

Mr. Stringer's first table showed the increase in the interest charge on the capital invested in the industry between the years 1914 and 1924. In both cases he took the rate of interest to be 6½ per cent. His table is as follows:—

Annual interest charge on stock killed, at 6½ per cent.:—

	£ s. d.
1924	346,297 10 2
1914	118,143 18 3
Increase in annual interest charge	£228,153 11 11

As it is certain that the rate of interest in 1914 did not reach the figure of 6½ per cent., the actual increase in the charge must have been greater than Mr. Stringer estimated.

Comparison of Freezing Companies' Financial Position.

Mr. Stringer's next table is on the face of it so informative as to require no comment:—

——	Nominal Capital.	Paid-up Capital.	Bank Overdrafts.	Credits at Banks.	Buildings, Machinery, Land, and Plant.	Interest at 6½ per Cent.
	£	£	£	£	£	£
1924	5,582,155	3,521,531	1,034,034	84,260	5,327,654	346,297
1914	1,605,670	1,002,620	188,891	37,745	1,817,598	118,143
Increases ..	3,976,485	2,518,911	845,143	46,515	3,510,056	228,154

It will be observed that the increase in the paid-up capital alone is equal to two-and-a-half times the total amount invested in 1914. This, of course, would not be serious if a corresponding increase in production had been possible, but as the output has been comparatively stationary, for the simple reason that no substantial increase took place in the flocks and herds, it is apparent that the industry is carrying a crushing burden. The most objectionable feature of this is that those responsible claim that the workers, who are quite innocent in the matter, should meet the cost, by loss of conditions and wages, of this wasteful and visionless investment.

Stock killed.

The evidence that the stock killed was little greater in number in 1924 than in 1914, despite the enormous increase in the invested capital, bank overdrafts, and buildings and plant, is contained in Mr. Stringer's next table. This reads:—

	1914.	1924.	Increase.	Decrease.
Cattle	134,545	215,001	80,456	..
Sheep	2,755,220	2,208,668	..	546,562
Lambs	3,598,136	4,814,776	1,216,640	..

N.B.—Three sheep are equal in weight to five lambs.

At this proportion between sheep and lambs, the decrease in the sheep in major part cancels the weight of the additional lambs. Hence the increased capital investment practically effected no appreciable change in the output.

In confirmation of these statistics of stock killed, Mr. Stringer handed the following letter to the Court:—

"Department of Agriculture (Live-stock Division), Wellington, 6th January, 1927.

"H. G. Stringer, Esq., A.M.P. Buildings, Wanganui.

"DEAR SIR,—I have your letter of the 4th instant, and have pleasure in giving you the figures required:—

	Year ended 30th September, 1914.	1924.
Cattle	134,545	215,001
Sheep	2,755,230	2,208,668
Lambs	3,598,136	4,814,776

"Yours faithfully,

"J. LYONS, M.R.C.V.S., Director of Live-stock."

Finances of Individual Companies.

The position of each company at present doing business in New Zealand was then given by Mr. Stringer as under:—

1914.

Name of Company.	Nominal Capital.	Capital paid up.	Bank Overdraft.	Bank Credits.	Value of Property, Buildings, and Plant.
	£	£	£ s. d.	£ s. d.	£ s. d.
1. Auckland Farmers	75,000	43,825	..	1,093 6 10	51,271 11 8
2. Canterbury F.M. Co. ..	225,000	183,870	..	..	270,188 14 1
3. N.Z. Refrigerating Co. ..	300,000	173,254	..	18,801 2 6	253,898 19 1
4. Gisborne Sheep-farmers ..	75,000	41,714	23,471 8 2	..	114,096 2 6
5. Gear Meat Co.	146,000	92,000	..	16,347 8 6	85,000 0 0
6. Hawke's Bay Farmers ..	70,000	44,119	18,783 18 0	..	70,736 7 5
7. Patea Farmers	40,000	20,261	9,854 6 6	..	20,546 12 10
8. Southland F.M. Co.	89,678	68,283	..	1,503 18 10	127,079 4 9
9. South Otago	75,000	66,555	..	..	70,615 1 1
10. Wellington M.E. Co.	200,000	105,766	50,794 7 3	..	177,247 8 5
11. Wanganui F. Co.	100,000	52,617	28,519 0 4	..	94,185 6 2
12. Wellington Farmers	60,000	47,747	43,663 1 11	..	73,729 17 3
13. Nelson Freezing Co.	50,000	16,310	1,719 6 2	..	22,218 11 1
14. Tokomaru Freezing Co. ..	100,000	46,299	12,085 17 7	..	86,784 17 10
	1,605,678	1,002,620	188,891 5 11	37,745 16 8	1,517,598 14 2
Estimated value of Birt and Co., Borthwicks, Nelson Bros., South B. and H.B., and Longburn ..					300,000 0 0
					£1,817,598 14 2

1924.

Name of Company.	Nominal Capital.	Capital paid up.	Bank Overdraft.	Bank Credits.	Value of Land, Buildings, and Plant.
	£	£	£ s. d.	£ s. d.	£ s. d.
1. Auckland Farmers	400,000	224,740	131,488 9 0	..	463,522 10 3
2. Canterbury F.M. Co.	275,000	212,500	..	..	323,251 11 1
3. Feilding Farmers	150,000	54,061	107,388 8 9	..	127,740 17 3
4. Gear Meat Co.	460,000	460,000	..	28,994 1 0	60,555 0 0
5. Gisborne Sheep-farmers ..	1,000,000	420,334	110,894 13 4	..	662,984 19 2
6. Hawke's Bay Farmers ..	100,000	76,000	6,992 6 4	..	147,635 14 4
7. N. Canterbury Farmers ..	200,000	85,500	..	8,126 16 4	126,902 18 5
8. N.Z. Refrigerating Co. ..	1,000,000	600,000	..	10,107 7 6	777,727 18 9
9. Patea Farmers	195,000	168,926	125,906 5 0	..	187,821 6 2
10. Southland F.M. Co.	150,000	113,539	..	32,668 4 0	128,095 2 1
11. South Otago	75,000	66,519	..	3,385 8 4	72,455 8 5
12. Wairoa Farmers	200,000	68,093	86,566 16 10	..	170,721 14 2
13. Wanganui Freezing Co. ..	200,000	122,010	94,120 9 9	..	167,169 8 6
14. Wellington Farmers	120,000	90,423	255,097 18 4	..	287,014 16 8
15. Wellington M.E. Co.	300,000	227,606	77,464 2 10	..	285,124 15 11
16. Nelson Freezing Co.	50,000	34,785	5,757 16 3	..	49,631 3 5
17. Tokomaru Farmers (Gisborne Sheep-farmers)	..	..	..	..	..
18. Waitaki Farmers	110,000	46,678	..	978 3 5	191,123 10 9
East Coast Co-op.	150,000	75,348	(Not shown)	..	160,609 17 3
Taihape Farmers	100,000	50,848	32,357 1 4	..	68,021 12 5
Poverty Bay	500,000	224,057	(Not shown)	..	612,822 5 6
Taranaki Farmers	150,000	99,564	..	..	220,711 3 5
	5,885,000	3,521,531	1,034,034 7 9	..	5,301,643 13 11
Add Ocean Beach, Borthwick (3), Vestey Bros. (3), Longburn	..	..	..	..	625,000 0 0
	5,885,000	3,521,531	1,034,034 7 9	..	5,926,643 13 11
Less works that have ceased operations	302,845	..	..	..	598,989 0 0
	5,582,155	3,521,531	1,034,034 7 9	..	£5,327,654 13 11

At 6½ per cent. equals £346,297 10s. 2d.

Gisborne Sheep-farmers' Frozen Meat Co., Ltd.

Mr. Stringer's next table dealt with the affairs of the above company, and told an amazing and almost incredible story. Here it is :—

1914.

Value of land, buildings, and plant .. .. £97,960 11s. 4d.

	Sheep.	Lambs.	Cattle.
Killings	190,393	81,634	7,198
Killings— 1926.			
Hick's Bay	24,813	8,715	202
Tokomaru Bay	64,752	33,953	1,741
Kaiti	126,331	116,009	10,874
	215,896	158,677	12,817

Value of land, buildings, machinery, and plant, Gisborne, Tokomaru Bay, Hick's Bay, &c. .. .. £581,388 6s. 9d.

——	Sheep.	Lambs.	Cattle.	Capital Value, Buildings and Plant.
				£ s. d.
1926	215,896	158,677	12,817	581,388 6 9
1914 (one works)	190,393	81,634	7,198	97,960 11 4
Increase	25,503	77,043	5,619	483,427 15 5

1914. Per Head.

	s. d.
Capital value of land, buildings, and plant, per head of stock killed (one head of cattle equal to ten sheep)	5 8·3
Annual interest charge per head	0 4·4

1926.

Capital value of land, buildings, and plant (one head of cattle equal to ten sheep) ..	19 6·2
Annual interest charge per head	1 3·2
Increase in capital value	13 9·9
Increase in annual interest charge	0 10·8

It is astonishing that the farmers who got themselves into this financial tangle should dare to criticize the workers. The above figures indicate a proceeding completely uninformed by judgment, knowledge, and even bare intelligence.

Auckland Farmers' Killings.

In Auckland the situation is on a par with that revealed above, if not worse. With reference to Auckland Mr. Stringer submitted figures as under :—

	Lambs.	Sheep.	Cattle.
1915 (previous to opening Horotui and Moerewa)	117,131	95,842	21,076
1926 (after expenditure of £120,000 Horotui, and £226,623 Moerewa—a total of £346,623)	115,242	23,100	6,163
Decrease	1,889	72,742	14,913

The figures on expenditure, Horotui and Moerewa, are exclusive of expenditure in Auckland for butter and cheese, or for additional storage for meat during the period of shortage of shipping.

Apparently an increase of capital investment totalling £346,623 was made in order to slaughter nearly 90,000 less animals.

A Company Perquisite.

Mr. Stringer than stated that the increased value of runners (entrails, &c.) per lb. weight of sheep and lambs slaughtered to-day as against 1914 is as follows: Lambs, 0·337d.; sheep, 0·333d. In 1914 lamb runners were worth £5 per 1,000; sheep, £10 per 1,000. In 1926 lamb runners are worth £50 per 1,000; sheep, £85 per 1,000.

Wages Cost of Freezing, 1924–25.

Mr. Stringer next gave the wages cost of freezing in the above year as follows. The figures are in pence per pound of meat slaughtered: Slaughtering, 0·0981d.; assistants, 0·0463d.; grader, 0·0044d.; ticket boys, 0·0021d.; cooling floor, 0·0088d.; freezing hands, 0·0509d.; yardmen, 0·0012d.; bag-room, 0·0061d.; firemen, greasers, &c., 0·0748d: total, 0·2927d. This is less than one-third of a penny per pound. The 10 per cent. increase asked for by the unions would be 0·0297d., or one-thirtieth of a penny per pound.

Wages only.

Fellmongering wool: All wages, per pound—1·3d. at 10 per cent. = 0·13d. per pound of wool.
Curing pelts: All wages, per dozen—16·7380, at 10 per cent. = 1·6738 per dozen.
Rendering tallow: All wages, per hundredweight (including gutties)—2s. 9·760d. at 10 per cent. = 3·37d. per hundredweight.

Excessively Costly Farmers' Administration.

Mr. Stringer then gave a table showing the value per head of stock slaughtered and annual interest charge per head against same, based on the stock killed for year ended 30th September, 1926, taking each head of cattle as ten sheep, and the rate of interest at 6½ per cent.

	Capital Charge.		Interest Charge.	
	s.	d.	s.	d.
1. Average all works in New Zealand	11	7·3	0	9·0
2. Gisborne Sheep-farmers	19	6·2	1	3·2
3. Hawke's Bay Farmers	5	10·4	0	4·5
4. Gear Meat Co.	2	0·0	0	1·5
5. Feilding Farmers' Freezing Co.	10	2·5	0	7·9

The difference between the capital charge to the Gear Meat Co. and that of the farmers' concerns is remarkable.

Comparison between Annual Interest Charges on Stock.

The final table laid before the Court by Mr. Stringer made the above comparison. His figures are below :—

	s.	d.
Value of land, buildings, works, plant, &c., per carcase killed in 1914	4	7·2
Annual charge interest at 6½ per cent.	0	3·5
Value of land, buildings, works, plant, &c., per carcase killed in 1924	11	7·3
Annual interest charge at 6½ per cent.	0	9·0
Increased value of land, buildings, plant, &c., in 1924 over 1914	7	0·1
Increase in annual interest charge at 6½ per cent.	0	5·4

These statistics speak for themselves. The load the industry is now carrying is plainly due not to excessive wages paid to the workers, but to the unnecessary and extravagant increase in the capitalization. This over-capitalization and the construction of superfluous factories which followed have sadly affected the workers' position in the industry, by making the killing seasons shorter and the work more irregular. The remedy is not to reduce wages or take away ameliorative conditions, but drastically to reorganize the industry on an economic basis. *(Applause.)*

Questions.

Mr. Turner: I only desire to ask two short questions. The first one is, whether Mr. Revell can give us the figures of the proportion of pieceworkers and timeworkers in the industry; secondly, whether he has taken into account Mr. Justice Frazer's remarks in the last award in which he said he desired also to impress on the workers the necessity of their showing a spirit of willing co-operation, and of the avoidance of friction. In asking these two questions I would like to say that I do not think that the employers on this side will ask any more questions on this paper. That is not out of any discourtesy to Mr. Revell, but because these are largely matters of detail that will be dealt with in committee.

Mr. Revell's Reply.

Mr. Revell: I should say that the proportion of pieceworkers to timeworkers in the freezing industry would be about 60 per cent.; but they are so distributed through the industry that their influence is felt in every department. The piecework system is undoubtedly so much wedged into the scheme of things that the pieceworker is used for the purpose of speeding up the unfortunate time-worker in front of him or behind him. He is in fact used for that purpose. The other question referred to Judge Frazer's remarks about the award. In that connection His Honour also said that the time had gone past when an employee or labourer should be treated merely as a commodity: so that we are about "fifty-fifty" on that point.

Workers' Compensation Act.

Mr. Roberts: Possibly some delegates attending this Conference may consider that the question of workers' compensation is not one for the Conference to consider, but we on this side think that the

whole field of industrial activity should be placed before you, and that is my reason for reading this paper this afternoon. It is as follows :—

The representatives of the workers recognize that the main function of this Conference is to discuss and, if possible, arrive at decisions on the question of improved legislation for the settlement of industrial disputes, to bring down recommendations to deal with the problem of unemployment, the questions of apprenticeship, immigration, methods of production, transport, prices of commodities, wages, finance, and other economic questions. The Conference should also consider what may be termed subsidiary legislation to these issues, for without doubt such legislation as Workers' Compensation, the Factories, and the Shops and Offices Acts have an important bearing on the questions of production and finance.

We propose in this paper to deal with the Workers' Compensation Act—how it affects the workers engaged in industry ; its uses and abuses ; and the legislation necessary to make this Act beneficial to the men and women who operate industry, to the industry itself, and the nation as a whole.

Under pressure of public opinion, the Legislature has in recent years improved this statute by amendments which increased the compensation payments to the workers. Despite the fact of these improvements, however, this law and the methods by which compensation payments are computed and payments allowed are far from satisfactory. The considered opinion of the labour movement is that an important principle underlying our present compensation law is wrong.

In the first place, it requires no argument to prove that when a worker becomes incapacitated during the course of his employment the cost of upkeep to that worker and his dependants will, at least, be as great during the period he is unable to work as it is when he is in employment. Indeed, every one who has had this unfortunate experience knows that the cost of upkeep is higher during periods when a worker is unable to follow his employment through sickness or accident. Although this statement is universally admitted to be correct, our compensation law lays down the principle that a worker and his family require only two-thirds of the ordinary necessaries of life when he meets with an accident which prevents him from following his usual occupation. This is proved by the fact that the worker is only entitled to two-thirds of his average weekly wage under the present law. It is apparent, therefore, that if a worker meets with a serious accident and is laid off work for any lengthy period he and his dependants suffer serious economic hardships. He is compelled to bear a burden which should be a charge on industry.

One of the main essentials in a Workers' Compensation Act is that when a worker meets with an accident the best medical and surgical service should be available in order to restore this worker to health and enable him or her to resume his or her normal occupation ; but it appears that this essential is not recognized in the present law. The worker is only entitled to £1 medical expenses, and we have known cases where the total amount of compensation paid did not meet the medical and surgical expenses incurred. The result of the pittance allowed for medical and surgical expenses is that the worker is unable to pay for proper medical and surgical treatment. He is, therefore, on compensation pay a much longer time than he would be if the law made provision for the proper treatment of injured workers. In addition, the insurance companies or the employers frequently refuse to continue the weekly compensation payments to the worker. The worry and anxiety thus caused becomes a costly proposition in the end, for we pay thousands annually by way of lump-sum compensation payments to neurasthenics, which need not be paid if these injured workers received proper medical and humane treatment from the beginning.

The next question to be considered is the amount which is expended annually in the way of legal expenses in order to obtain the compensation to which the workers are legally entitled. We have only to attend a sitting of the Court of Arbitration in any city or town in New Zealand to see an array of the legal fraternity pleading the case for some unfortunate worker, and on the other side an array of the legal fraternity pleading the case for some insurance company or some wealthy corporation. It is admitted that the workers succeed in most of the cases, but this only proves that their claims should have been paid without any recourse to law.

In 1926 the Workers' Compensation Act was amended so that the worker now receives 66⅔ per cent. of his average wage. This was an increase on the payments allowed previously, and since that time we find that the refusals of insurance companies to continue weekly payments have become far more frequent ; indeed, it has amounted to an abuse during the last six or seven months. The usual practice adopted is that the employer refuses to continue weekly payments, with the result that the unfortunate worker has to wait until the next sitting of the Court of Arbitration to obtain the compensation to which he is entitled or accept such lump-sum payment as the insurance company or the employers decide. The sums offered are usually much below that to which the worker is entitled, and, as a rule, the case goes before the Court. Most of these cases are finally dealt with as neurasthenics, and, instead of the compensation law assisting to restore the worker to normal health, it operates frequently in the opposite direction. The labour movement has given the Workers' Compensation Act operating in many countries careful consideration, and we find that wherever a system similar to that in operation in New Zealand is in vogue the same evils exist.

In the Province of Ontario, in Canada, there has been in operation a Workers' Compensation Act which aims at restoring the worker to health and making provision for his dependants during that period, and at the same time insuring him that if he is totally or partially incapacitated his interests will be protected. We believe that a similar system should be introduced in New Zealand, and would be to the interests of the employers and the workers alike. The system is briefly this :—

(1) The Administration Board is charged with the responsibility of using every means to prevent industrial accidents.

(2) Provision is made for the injured worker to receive full medical and surgical attendance free of charge.

(3) Compensation will be paid until the Board which administers the Act are satisfied that the man is fit to return to normal employment.

(4) After the worker resumes his employment, if he is unable to continue work as a result of the injuries, his compensation is guaranteed.

(5) The law provides the dependants of the injured worker with an industrial pension.

(6) There are no legal expenses incurred in recovering compensation under this Act.

No doubt there are many who will say that any improvements to the Workers' Compensation Act would be an extra charge on industry, but the operations of the Ontario Act prove otherwise. We believe that full medical expenses, together with a payment at least equal to the worker's average daily or weekly wage, could be paid to those who meet with accidents during the course of their employment on the same premiums which are paid to insurance companies at the present time. The overhead expenses and the administration of the Ontario Act are only between 5 and 7 per cent. A few years ago careful comparisons were made of the total premiums paid in New Zealand and the amount received by way of compensation by the workers, and it was found that the workers did not receive 50 per cent. of the total. Probably the amount received by the workers would be higher at the present time, due to the increase in the weekly compensation payments during recent years. However that may be, it is clear that the workers cannot and will not receive the full benefits of any compensation law so long as private insurance companies carry on a business to obtain profits from the misfortunes of those who operate industry.

The labour movement is of the opinion that workers' compensation should be a social service, and that insurance companies should not be allowed to reap huge profits annually out of the premiums paid to protect the workers. We are firmly of the opinion that an amendment to the law is necessary, and that every employer in New Zealand should support the claims of the labour movement in this direction. The law should be amended, first, that the State should take over as a social service all the business in connection with workers' compensation. This service should be administered by a Board, and thus end for all time the legal tug-of-war which takes place to obtain compensation at present. The legislation should provide that the best medical and surgical attendance be available to the worker free of charge, and the Administration Board should be authorized to pay whatever expenses are incurred for this medical service. In addition, sanatoriums should be established in New Zealand where injured workers could receive attention during the period of convalescence. The objections raised to a law of this kind will be that it will be too great a charge on industry, but those who have given this matter full consideration and deal with industrial compensation cases from day to day are firmly of the opinion that the payment for workers' compensation would be a lower charge on industry than it is at the present time.

Occupational Diseases.—The law is very unsatisfactory at the present time in regard to this matter. We know that workers employed in certain occupations are liable to contract certain diseases, and, although the law makes a half-hearted provision for this, it is very difficult for the worker to succeed in his claim for compensation. An Administration Board dealing with the Workers' Compensation Act could make full investigation into questions of this kind, and in addition could introduce such provisions as may be deemed necessary to prevent as far as possible workers contracting these diseases.

Sickness.—The Conference should also give consideration to the payment of workers who are laid up through sickness. It will be apparent to everybody that a worker who is unable to follow his employment through illness, and his dependants, must live during that period. The first question that should be asked is, "To whom is he to make application to obtain the money necessary to buy foodstuffs, pay rent, and obtain other essentials?" It is recognized that the Court of Arbitration allows only the bare existence wage for the married man; therefore there is no surplus left over. As a matter of fact, most of the workers are in debt from year's end to year's end. The result is that the unfortunate worker becomes a pauper and a charge on the Charitable Aid Board. He does not recover from his illness nearly as quickly as he may do if he received proper treatment, and the worry and anxiety to meet his creditors keeps him in a state of depression, which is not conducive to a speedy return to normal health.

The labour movement claims that there must be more humanitarianism in industry—that workers are entitled to payment from a national fund during periods of illness. The argument put forward against legislation of the kind suggested in this paper is that it would be too great a charge on industry; but the people who make these statements have examined the question only superficially. They all agree that the worker and his family must have food, but they usually suggest that he should obtain the medical treatment, together with food, clothing, and other necessaries for himself and his dependants, from the Hospital and Chairtable Aid Board during periods of illness. But, after all, the medical service tendered to the worker in the hospital, and the food, clothing, and shelter paid for by the Charitable Aid Board, must in the last analysis come from industry. It cannot come from anywhere else, and it would be far better, in our opinion, if it were a direct charge on industry than the present indirect method. The labour movement will always object to any law or custom which compels those who produce wealth to seek charitable aid when they are unable to follow their usual employment through sickness or other causes over which they have no control.

Mr. Roberts added: May I say, Mr. Chairman and gentlemen, that in our opinion employers and insurance companies are now paying compensation to men that they need not have paid, and should not have paid. But the bad medical attention given these men at the first, and the worry and anxiety caused them by the present system keep them ill much longer than they would be if they got good medical attention from the start and had none of the financial worry due to the inadequate compensation now paid. While we believe that cows, and pigs, and sheep are very valuable to the welfare of New Zealand, and raise no objection to the great care that is taken to ensure their health and well-being, we contend that New Zealand does not exist primarily to maintain cows, and pigs, and sheep, but exists and should be utilized to maintain its people, including the workers, and they are or should be the first consideration. *(Applause.)*

Questions.

Professor Murphy: Sir, may I ask Mr. Roberts if he can give us any approximate estimate of the loss and waste caused through litigious proceedings over workers' compensation, and through the competitive action of insurance companies touting for workers' compensation business.

Mr. Bishop: I would like to ask three questions: (1) It might be inferred from the paper that under the Ontario Act injured workers receive payment of full wages: is Mr. Roberts aware that under the Ontario Act the weekly payments are 60 per cent. of the wage, or less than is paid in New Zealand? (2) Will Mr. Roberts tell us to what industries the Ontario Act does not apply? (3) In reference to his claim in regard to insurance against sickness, is Mr. Roberts in favour of a contributory scheme?

Mr. Roberts's Reply.

Mr. Roberts: In reply to Professor Murphy, I may say that in 1923 a commission of 2s. 11½d. in the £1 was paid for this insurance business—a very large amount; in fact, about one-fifth of what the workers get in compensation. The amount of money expended in litigation over a year must be enormous. I could not give anything like an accurate estimate, however, because the lawyers charge very high fees; but I can cite some cases which may serve as a guide. On different occasions we have taken action for damages at common law, the worker has succeeded in his action, and the case has been taken to the Appeal Court and has then gone against him and he has been cast in very heavy costs. In one case that I know of the worker was given £2,000 damages at common law, but on appeal the case went against him, and the costs more than swallowed up the whole of the £500 that he ultimately received under the Workers' Compensation Act. In another case recently the worker got £50 compensation, and after paying legal expenses the total amount received was only some £15 out of the £50. That is what we want to avoid if possible.

Mr. Smith: But under the Workers' Compensation Act the lawyers' costs have to be certified by the Judge.

Mr. Roberts: When you pay the other fellow's costs that is what happens; but when you engage a lawyer he receives your compensation money, and I need say no more—everybody knows what happens. In reply to the question as to legal expenses, it is very hard to estimate the total legal expenses incurred by the insurance companies and the workers annually in connection with compensation cases. I cannot go into it here. I have no figures other than our own. I have handled many cases for the workers, and I know the legal expenses amount to a large sum. In my opinion, it represents a lot of waste, and there should be a more humane and a more common-sense system established.

The next question is that asked by Mr. Campbell, as to whether I would be willing to form a society that would guarantee to give all the benefits enumerated by me, provided the employers agreed to pay into such a fund a sum not exceeding that now being paid to the insurance companies. What Mr. Campbell wants to know is whether the labour movement would be prepared to subscribe a certain amount to a fund from which the worker would be paid full pay during accident-recovery period and sickness, if the total sum paid to the fund by the employers would not exceed the amount which is now paid as premiums to insurance companies. I do not think that Mr. Campbell expects me to give him a definite answer to that question. Personally speaking, I am of the opinion that it could be done. Certainly the labour movement would be prepared to pay its quota to a sum to be used for sickness and unemployment. We will pay our quota, but I would say this: that if the amount paid to-day by the employers as a tax to our Charitable Aid Boards, together with the amount paid for the upkeep of men who meet with accidents, and the amount paid to maintain workers who get sick during their employment—if these sums were lumped together, with the sum subscribed by the workers, the whole of the expenses could be met quite easily, and in addition you would get a far better feeling in industry than there is at the present time. I would like to enlarge upon that point a little. In two or three industries in New Zealand, on an average, every worker employed meets with an accident once every four years: in each four years he has to be paid compensation once. If that worker thinks he is badly treated by the employer—and he does not look to the insurance company—he carries a grievance for life, and that is not conducive to good production. We want to wipe that out.

A question has been raised by Mr. Bishop, who says that it might be inferred from my paper that under the Ontario Act injured workers receive payment of full wages, and he asks if I am aware that under the Ontario Act the weekly payments are 60 per cent. of the wage, or less than is paid in New Zealand. I did not intend in my paper to convey the idea that payment of full wages to injured workers was made in Ontario. I meant that every effort was made to prevent accidents occurring, which is very important. I pointed that out in paragraph 1 on page 122 of my paper, where I said, "The Administration Board is charged with the responsibility of using every means to prevent industrial accidents." Mr. Bishop said that under the Ontario Act the weekly payments to an injured worker are 60 per cent. of the wage; I think that the amount paid in Ontario is 63 per cent. I am also asked by Mr. Bishop if I am aware that only certain industries are included under the Ontario Act. Certainly several industries are excluded. I know they are; but the expressed intention in Canada to-day is that they will all be included. In extension of my argument regarding payments, I would point out that we have certain public bodies in New Zealand to-day who are insuring their own men. For instance, one public body, if it paid in premiums what it should pay, would pay £15,654 17s. 11d.; but it insured its own workers and the total claims paid, including clerical charges, amounted to only £6,651 16s. 1d., which leaves a balance of over £9,000.

Procedure.

Upon Mr. Bishop being called upon to read the paper prepared on behalf of the Employers' Federation,

Mr. Bloodworth said: Mr. Chairman, as there are three more papers to be read, I suggest that they should be handed to the secretary and printed with the proceedings of this Conference, and read when the Conference resumes.

Hon. Mr. Barr: It has been arranged that those papers will be handed to me, and they will be incorporated with the printed volume of the proceedings, which will be handed to delegates when the Conference resumes.

A Delegate: Would it be possible to have them posted to us?

The Chairman: I understand that there is an objection to the papers being handed to delegates now, or supplied to delegates before they are read. In lieu of that, they will be printed in the report of the Conference, so as to be available for delegates when they return after the adjournment.

Mr. Williams: Might I ask whether there is any serious objection to our retaining the copies which have been handed to us. Here we are going home for a couple of weeks, and we have our information incomplete for want of an hour or two in which to have the papers read. Under the present proposal we are not to be allowed to read those papers until we return. I submit that the reading and studying of these papers would be of the utmost value to all delegates.

Mr. Roberts: I would point out that the Business Committee has already agreed upon the procedure to be adopted in regard to those papers which are not read this afternoon. There is only one paper which our Manager requires to complete the whole set for printing with the proceedings of the Conference so far as it has gone. We have decided that only those papers that can be read to-day before the adjournment will be distributed. It is not fair to the reader of a paper that delegates should be given a fortnight at it.

The Chairman: The intention was that Mr. Roberts's paper on the Industrial Conciliation and Arbitration Act, and the Chamber of Commerce paper, which have not been read, will be printed with the report of the proceedings, and be made available to delegates when they return after the adjournment.

Mr. Roberts: I quite agree that it is not fair to Mr. Bishop that he should be asked to read his paper now, and that the delegates should go away with it and have a fortnight in which to prepare their questions on it.

The Chairman: Is it agreed that the papers to be presented by Mr. Bishop, Mr. Roberts, the representative of the Chambers of Commerce, and Mr. Williams be printed and included in the volume of proceedings, so as to be ready for the delegates when the Conference resumes after the adjournment, and that no more papers be taken to-night?

Delegates: Aye, aye.

Hon. Mr. Barr: Mr. Bishop's paper is already in print in the newspaper office, but the reporters assure me that it will not be released. I assume that that is satisfactory.

Committees appointed.

Committees were set up as follows:—

For the Workers—

Primary Industries Committee: Messrs. Roberts, Nash, Herbert, O'Byrne, Revell, A. Cook, Churchhouse, Martin, Parlane, Baldwin, Bromley, Fulton, John.

Secondary Industries Committee: Messrs. Bloodworth, Brooks, F. R. Cooke, Black, Kennedy, Cornwell, Worrall, Robinson, Semple, Purtell, McBrine, Tucker.

For the Employers—

Primary Industries Committee: Messrs. Weston, Smith, Polson, Chadwick, Carr, Acland, Williams, Nicholson, Turner, Finn, Brechin, Morton, Middleton.

Secondary Industries Committee: Messrs. Mainland, Henderson, Bishop, Mulholland, Colbeck, Morten, Jessep, McGowan, Campbell, Barber, Sterling, Fisher.

Mr. Roberts: It has been decided by the Business Committee that each of these committees shall appoint two sub-committees to deal with different sections of industry—viz., (1) the dairy industry and the sheep-freezing industry; (2) production and distribution.

Procedure.

Mr. Bishop: I take it that when the Conference resumes we will take the questions and the papers undealt with, and then immediately go into committee. That will be at 10 a.m. on the 18th April.

Professor Belshaw: I wish to ask whether the economists will be required at these committees.

The Chairman: I hope you will all be present.

Professor Belshaw: It will be extremely difficult for us to get away from our professional duties for any length of time, and I wonder whether an arrangement could be made to allow us to come to Wellington at a later date when the deliberations will be commenced after more analysis of the papers.

The Chairman: Will the economists be available in the event of the committees requiring information?

Professor Belshaw: Yes, I think so. I think arrangements could be made for us to come on special occasions, or for information to be obtained direct from us.

The Chairman: It is a matter for the Conference to express an opinion upon. We recognize that the professors have been very good to attend, and they have undoubtedly given the Conference some very valuable information and provided food for much thought. We are indebted to them accordingly. I know their position thoroughly, and that they are busy men. On the other hand, I would like them to consider this point further: that this is a most important meeting, and for the first time we have had an opportunity of obtaining their views on this matter personally. This is probably the most important representation ever brought together of all the interests involved in this question, and I am sure the interests in question recognize the value of the professors' services, and it would be a pity if we were unable to continue to have the benefit of their services and co-operation when required. I think I am speaking for the Conference generally, that if the professors can make it convenient to be present it would

certainly be for the benefit of the Conference as a whole. If they find that they must stay away, we recognize that it is due to a sense of obligation to the institutions they are attached to.

Mr. Roberts: I have a suggestion to make that may meet the desires of the professors. The committees may sit for days, and we would not require their services for a time. I suggest that the matter be left in the hands of the Business Committee, and if the professors are wanted the committee to be empowered to communicate with them and ask them to attend.

Professor Belshaw: We have a difficulty in providing the necessary teaching staff for our students, and it is not because we object to coming down. I should be very glad indeed to come.

Hon. Mr. Barr: If the Business Committee calls any one they are responsible for the payment of their expenses, and if they do call the professors the latter have a chance of getting something.

Votes of Thanks.

Mr. Bishop: Before separating I wish to take this opportunity of moving a very hearty vote of thanks to the Prime Minister, our present Chairman, for presiding over this Conference at times, for the lead he gave us in his opening remarks, and particularly for having arranged that this Conference should take place in the first instance. Personally, I am hopeful that at the end of the Conference we shall have some tangible result to show; and if we have no tangible result we shall still have something to congratulate the Dominion on—viz., that for the first time we have had in this country the primary producers and all employers in the secondary industries meeting together with all sections of labour in one room for mutual discussion of their difficulties. The knowledge which each side will gain from this meeting will, I honestly believe, be well worth the trouble you, sir, have taken to bring us all together. I certainly hope for a more tangible result; but if nothing more tangible accrues, then the Conference will still have been worth the while.

The vote of thanks was carried by acclamation.

The Chairman: Thank you, gentlemen. I can assure you that if the bringing of you all together at one table is likely to assist in solving the various difficulties that confront the Dominion I shall be very pleased with any humble efforts I have put forward in that direction. I know our desire is to help the community generally and the country we are all proud to belong to. May I also say again that I am sure the Parliamentary Committee is quite satisfied with the progress made in the Conference up to the present. The credit is not due to me, but I think, Mr. Bishop, it is largely due to my colleagues on the Parliamentary Committee. On that committee we have had to show a very similar forbearance in regard to our individual opinions on matters which we have had to discuss relating to the setting-out of the business and how it should be arranged, and I assure you we understand one another very much better now than when we first commenced our duties, to say nothing of some very trying hours when the question was before Parliament itself. I want to thank the members of the Conference for the mutual forbearance shown and for the fine spirit in which the Conference has been carried on. I want again to emphasize the point that, so far as the Parliamentary Committee, the Government, and the officers of State present are concerned, we are all at your service to assist in any way we possibly can. I sincerely thank you, Mr. Bishop, for your kind words in regard to us. I am afraid I am in rather an invidious position just now, because your Chairman (Mr. A. D. Thomson) is present, and I have no right to be where I am, but it was thought that I might as well finish up the day, in order that if any points cropped up requiring consideration by the Parliamentary Committee I might be present to help to elucidate them. Again I thank you.

Mr. Roberts: I have to move a vote of thanks to our Chairman (Mr. Thomson), who presided at the two previous days of the Conference. In doing so, I may say that he had a very easy job, not a difficult job at all. Both sides had confidence in him that he would give fair play and a fair deal to every one concerned; and that he did in every possible way. I am sure that everybody is very pleased with the way in which Mr. Thomson conducted the proceedings. In order not to delay the Conference too long, I refrained from speaking when Mr. Bishop moved the vote of thanks to yourself, Mr. Chairman, but on behalf of the workers I have to extend to you and to the members of the Parliamentary Committee our thanks for the arrangements you have made for our convenience. From the very setting-up of the Conference everything has been done to make it the success which I hope it will be; and I am specially pleased that the proceedings have been marked by such a splendid spirit of forbearance. All kinds of papers have been delivered—papers which many of the delegates possibly disagreed with; but the delegates have accepted their fellows' point of view, and if we only continue that till the end of the Conference I believe that very good results to the workers, the employers, and the Dominion as a whole will ensue. For the success that has attended the Conference so far I think the Parliamentary Committee is very largely responsible, and we have to thank you, sir, as Chairman, and the members of the committee for the good work that has made that success possible. I have very great pleasure in moving a hearty vote of thanks to our Chairman (Mr. Thomson) for his fine chairmanship during the two days I have referred to.

The vote of thanks was carried by acclamation.

Right Hon. the Prime Minister: Mr. Thomson, it is my duty to convey to you, the real Chairman, the thanks of every member of the Conference, and, may I add, the thanks of the Government, to you for undertaking this work at, no doubt, considerable inconvenience to yourself.

Mr. Thomson: I thank you sincerely, gentlemen, for the expression of your good will. Frankly, I feel that the vote of thanks should be the other way about, from me to you, because I have learnt a great deal during the two days I have been in the chair that has been very informing to me, and will, I believe, be of use to me for the rest of my life. The work has been most interesting to me, and I hope I will be able to make it fruitful to myself. I thank you.

Right Hon. the Prime Minister: I think that is all. I declare the Conference adjourned until Wednesday, the 18th April, at 10 o'clock a.m.

The Conference adjourned at 10 minutes to 5 o'clock p.m.

SECOND SESSION

OF

NATIONAL INDUSTRIAL CONFERENCE.

WEDNESDAY, 18TH APRIL, 1928.

The Conference resumed at 10 a.m., Mr. A. D. Thomson presiding.

The Chairman: The first item of business this morning is the paper by the Employers' Federation, to be read by Mr. Bishop.

Paper submitted by the New Zealand Employers' Federation.

Mr. Bishop: Mr. Chairman and gentlemen, I am sorry that the paper is rather a lengthy one, but we have quite a lot of members in our organization, and they all have their views on the subject. I am sure you will therefore recognize the difficulty of condensing those views in order to bring them within the compass of a short paper. But there is this atonement for the length of the paper I have to read: the Manufacturers' Association has accepted it as an expression of their views also; so that you will not have another paper from that section.

At the outset it is necessary to emphasize that the real question for this Conference is not an inquiry into the working of the Arbitration Act, but into the methods by which the costs of production and distribution in this era of a slow but steady fall in prices can be reduced with the minimum of industrial loss and disturbance. This is a universal problem which all nations throughout the world have to face.

During the war the purchasing-power of the various nations, previously measured by their national incomes (the aggregate of the individual efforts of their citizens), was enormously increased by national borrowing. The extent of this can be appreciated by the fact that in four years and six months the English national debt was increased by some £8,000,000,000. In England and America this borrowing was effected legitimately by the sale to the investing public of national stocks carrying interest; in some of the European countries it was met by the issue of paper money. This latter method amounted to a forced loan, and is probably in the long-run the most unjust and expensive method of borrowing. The expenditure of these loan-moneys created an abnormal demand for commodities, and hence in the absence of an increased supply, due to the employment of so many in war operations, prices rose enormously. In the British Empire the increased number of transactions and volume of business required an enlargement of the currency, and, in order to meet this legitimate demand and to conserve the Empire's stores of gold, paper money had to be issued in large quantities. On the Continent the legitimate demand for an increase in the currency was greatly added to by the use of paper money in lieu of asking for loans. For a short period after the war there was a period of intense business activity, due to the various nations endeavouring to get back to normal and to reinstate or erect buildings, plant, and materials destroyed by or not erected during the war. The demand for commodities thereby caused, and the removal on the conclusion of the Armistice of all patriotic feelings which had checked industrial greed, produced a further rapid rise in prices. Suddenly the world was faced with the real position. Nations could no longer borrow money, owing to the scarcity of capital; rates of interest even on national loans had become prohibitive; national expenditure had to be brought within the limits of national revenues; the limits of taxation had been reached by those nations who were not continuing a policy of forced loans effected by constant issues of a depreciating paper money. The inevitable consequence was a tremendous fall in the purchasing-power of nations throughout the world. The decreased demand for commodities caused thereby immediately led to a heavy fall in prices. This was accentuated by the existence of large stocks of many important commodities accumulated by the British Government in the expectation of the war lasting longer than it did, and which, being no longer required, were thrown on the market to be sold in competition with commodities being produced. No better example can be had of this phenomenon as regards Australia and New Zealand than the position of the wool-market in 1920. Low as were the prices realized then—5d. per pound for coarse crossbreds—the price would have been lower and would have continued low longer if Bawra had not been established to deal with the British Government's stocks of wool. The point one desires to make, however, is that, so far as the British Empire was concerned, deflation of the currency did not bring about the post-war collapse. It was the cessation of the abnormal war expenditure and the consequent limitation of national expenditure to

the actual national income that brought about a reduced demand, and hence the fall in prices. It is true certain countries—notably Germany, France, and Italy—continued abnormal Government expenditure in excess of their internal revenue and provided for it by forced loans—*i.e.*, further issues of paper money. This, however, had to be discontinued after producing its inevitable result of individual hardship and equivalent heavy financial loss. Both France and Italy have had to stabilize their currency on a value about 400 per cent. lower than its pre-war value. Germany had finally to repudiate payment of the whole of its paper money—*i.e.*, its forced loans. Nations have had to return to a currency based on gold or on a gold exchange.

Consequently the increased demand for gold due to the increasing business dealings of the world will mean a slow appreciation of gold, just as occurred in the decade prior to the war. This will be increased by the greater competition both of primary and secondary products: as to the first, due to the opening-up of new sources of supplies during the war and improved methods, and, as regards the second, to the growth of manufactures in countries which before the war had been content to purchase them from more highly developed countries. Hence it would appear as if during the next decade or two there will be a slow but certain reduction in prices. In the face of the inevitable competition, prices, and hence costs of production, will have to be reduced. This problem is one which not only New Zealand but the whole world is feeling to-day. If it were possible to reduce the prices of all commodities and the various items of their costs of production simultaneously and proportionately, not so much hardship and difficulty would be incurred. Competition, however, does not act equally. Some trades are more protected artificially or naturally than others; hence the prices of the goods produced and services rendered by these will not be so seriously affected, and wages and other costs of production reduced. It is this natural force, however, which, unconscious of it as so many business men and workers are, is the main cause of the lowering of net profits, so perplexing and annoying to individuals to-day.

There are three main factors in the cost of production—labour, costs of raw materials and plant, and wages of superintendence; and one minor one—rent of premises. Unless there are improved methods of production and increased co-operation between labour and those directing it, resulting in greater production for the same cost, wages of labour and of superintendence must in the end be reduced. Unemployment, which is becoming prominent in every country throughout the civilized world, even in the United States, is a sure sign that money wages in each country are at such a height that all the labour available cannot be absorbed at the standard of money wages now current in those countries. It is nature's warning sign and also nature's method of adjusting the reduction to a proper level. In England the present private industrial conference is investigating this problem and endeavouring to discover how far improved industrial efforts, and, above all, the co-operation of labour with management in a joint whole-hearted endeavour to improve methods of production and returns, will render unnecessary a further reduction in money wages. In England, after the brunt of the post-war boom, the consequent heavy fall in the cost-of-living figures rendered big reductions in money wages necessary. This inevitable result was only effected after serious strikes had been fought out to their bitter end. The national and individual losses due to the big engineering stoppage, the seamen's strike, the two railway strikes, and two coal strikes in England were enormous. These strikes could not postpone the reduction in money wages which natural forces, in the control of no one, had made necessary. The only pity is that man's reason could not have arranged those reductions without those losses. Probably a reduction of perhaps 5 per cent. in present prices could be faced without a reduction in the present award rates of money wages, provided trade-union leaders and the members unanimously decided to avoid all stoppages and to loyally assist managers towards increased production. It may be that, when tried out, we may find this co-operation more effective; if so, all the better.

It is always wise to do voluntarily what ultimately you will be compelled to do. No trade or business can continue to employ men at a loss. Sooner or later they must either reduce hands or stop altogether. Many men will then be out of jobs. The fear of being in a similar position will induce those men in jobs to give of their best. Private generosity and the State, which is not an industry, will not—indeed, cannot—indefinitely find relief funds for the unemployed in order to maintain money wages at artificial standards. The Australian Governments have tried to do so by their Customs tariff. If we are to believe the last report of the Federal Customs Tariff Board, their efforts are bound to fail.

Coming now to the New Zealand Conciliation and Arbitration Act, how far will it help in the solution of this problem? If the purposes of this Conference are to be served, it is essential that this Act be reviewed calmly and dispassionately in the light of the knowledge which has been gained by experience of its past operation. The criticism of the theorists—economists and others—who have had no experience whatever of dealing with organized labour must not be given undue value. The weakness of all such criticism is that those from whom it emanates are ignorant of facts which are only brought home by practical experience to those who have been actually engaged in industrial negotiations. The theoretical critic, working upon the basis of his theories, draws conclusions which in themselves are logical, but which fall short of real value because the theories upon which they are based may be, and usually are, completely upset by the human element which enters into all discussions between employers and workers. Some economists, for instance, write as though trade-unions and individual workers conform to theories as pawns on a chess-board move under the guidance of a master player. Those who have had experience of dealing with organized labour know that there is no greater fallacy than this. All theories and all rules are ignored by workers who, moved by a natural ambition, are striving always to better their conditions of life, or who have a grievance, real or imaginary, to redress.

In order to consider the effect of the Arbitration system upon the industrial development of New Zealand it is necessary to understand, first of all, why the Arbitration Act was framed—what its authors hoped to achieve. It sometimes appears as though writers on this subject entirely forget that prior to the passing of the Act we had considerable experience of those industrial conditions

which prevail where there is no arbitration system. That experience led to the passing of the Arbitration Act in the first place. Moreover, a study of the industrial conditions in England during the last thirty years is sufficient proof that without some legislative control progress towards improvement in industrial relationships is slow and attainable only at the cost of long and expensive strikes and lock-outs.

In the years 1889 and 1890 this country participated in an industrial upheaval which commenced with the great dock strike in England, and which spread throughout the Mother-country and the colonies. This experience demonstrated very forcibly two things—first, the growing strength of trade-unionism, and, second, the heavy losses which industrial stoppages were capable of inflicting upon the community. The object of those who in 1894 secured the passage of our Arbitration Act was to apply some measure of sane control to trade-unionism; and to direct it as far as possible into safe and useful channels by giving the unions due recognition, bestowing upon them certain privileges and imposing upon them certain responsibilities. In other words, it was hoped to make trade-unions a useful part of the industrial machine.

The question now to be answered is not whether the arbitration system is a perfect remedy for industrial unrest—no remedy devised or devisable has been or ever will be that—but whether it is of sufficient value to be worthy of retention either in its present or in a modified form. If the latter, then what amendments are necessary to make it more effective? In searching for the answer to the question we must admit all the facts, whether or not they support preconceived theories. The arbitration system has advantages and disadvantages. Both must be examined and a balance struck if a correct estimate of its worth is finally to be presented.

At the commencement of the examination it would be wise to remove a general misconception that the Industrial Conciliation and Arbitration Act provides for universal compulsory arbitration. This is not so. The machinery of the Act may be set in motion for the purpose of securing an award in any industry by an employer or registered union of employers, provided only that connected with the industry there is a registered union of workers against whom a citation can be filed. A registered union of workers can file a citation against an employer or group of employers whether there exists a registered union of employers or not. Reference of a dispute to the Court of Arbitration, therefore, is not compulsory, but optional—the option being entirely that of the workers in the industry. If they elect to form a union and register it under the Act, they can compel their employers to accept arbitration; if they do not, arbitration cannot be invoked in their industry.

At this stage it may be well to admit also that awards of the Court of Arbitration are not enforceable against workers, and are only partially enforceable against employers. It is impracticable to enforce compliance with the terms of an award upon workers if they choose to leave their employment, and, though the law provides penalties for breaches of awards by workers, those have seldom been enforced in recent years against members of strong unions. On the other hand, although it is possible to enforce legal penalties for breaches of an award by employers so long as the latter remain in business, the whole award would become a dead-letter if the employers were to find it unprofitable to carry on.

There are three obvious points of criticism in the Arbitration Act: First, the Judge of the Court may be a faddist or a man of strong prejudices, dishonest, without the necessary economic and business judgment, and weak in character; second, awards of the Court may be too inelastic and restrictive as to details; third, Councils do not take into sufficient consideration the effect of the wages paid upon the general public, and this is accentuated by the fact that the consumer cannot appear by representatives before the Court. So far the first has not been apparent, because the successive Judges of the Court have been men of the very highest calibre; it is, however, a possible danger. As to the second, while it is true that in many cases awards appear to be unduly restrictive, it is a fact that in the majority of cases restrictive provisions, apart from what may be called standard clauses covering hours, wages, overtime, and similar matters, have come into awards by mutual agreement of the parties. A comparison of many New Zealand industrial awards with Trade Board agreements made in England reveals the fact that the latter are quite as detailed and fully as restrictive as the former. Under any system of collective bargaining it is natural that every time an agreement has to be renewed the workers' union will seek to include provisions covering more and more matters connected with the conditions of work; and while considered alone any one of such new provisions may appear reasonable and comparatively harmless, the accumulated total after some years of agreements and awards may become a real burden for an industry to carry. Undue regulation and the restrictions on workers contained in the agreements on the Clyde between shipbuilders and their men has been one of the big hindrances towards a revival there of activity. It is difficult to see any remedy for this other than watchfulness and the exercise of common-sense and reason by those who on either side carry on the negotiations. As to the third, if there were no Court, there is at least as great a danger that masters and men in a sheltered industry would, in the absence of an Arbitration Court, agree upon rates of pay which, having regard to the conditions of the unsheltered industries, are inequitable. If anything, the danger is greater because one of the duties of the Arbitration Court Judge is to consider the effects of an award upon the general public and the country as a whole.

Admitting, then, that our arbitration system is not compulsory, but optional—the option being the workers'—that it is only enforceable within certain limits, and that it has certain inherent weaknesses, we may proceed to examine it and endeavour to decide whether on the whole its influence on New Zealand industries has been helpful or otherwise.

The Arbitration Act effected a revolutionary change in industrial relationships. Workers were encouraged to form unions, collective bargaining was legally established, and a tribunal was set up to settle industrial disputes when the unions and the employers failed to make agreements. The

object of the Act was to prevent wasteful strikes and lockouts; to substitute industrial arbitration for industrial warfare. How far has this object been attained? The history of the operation of the Act may conveniently be divided into four periods—1894 to 1906, 1906 to 1914, 1914 to 1921, and 1921 to 1928.

During the first period—twelve years—New Zealand was rapidly developing, the country as a whole enjoyed prosperity, prices were rising. The machinery of the Act came into operation and dealt with the workers' demands for increased wages and improved conditions proportionate to the general prosperity. There are two outstanding facts in relation to this period: First, there were no strikes or lockouts; second, the employers gradually, if reluctantly, accepted the idea of collective bargaining with trade-unions, and the relationship between the two became less hostile.

Entering upon the second period—1906 to 1914—prices became stabilized. The unions met with a greater resistance from employers to their demands for increased wages and met with less success from the Court. It may be said that the first real testing of the value of the system then began. In 1906–7 occurred the first strike since 1894. This affected practically the whole of the freezing-works throughout the Dominion. Although there was one industry alone affected, the strike is recorded by the Labour Department as twelve separate strikes; and again in 1912–13, when there was what might be called a Dominion strike in the same industry, the Department recorded the trouble as nineteen separate strikes. If this method of recording be not understood it is apt to be misleading. Any one not otherwise informed, reading that there were thirty-one strikes in the freezing-works from 1906 to 1913, would imagine a state of industrial unrest in that industry far beyond that which actually existed. In reality there were only two strikes—one in 1906–7, and one in 1912–13.

The freezing-workers' strike in 1906–7 was followed by a coal-miners' strike at Blackball in 1908, which resulted in a stoppage of work for eleven weeks. There were no other serious strikes until 1912. For the year ended 31st March, 1913, two serious strikes were recorded—the Waihi and Reefton gold-miners' strike, which lasted six months, and the strike, previously mentioned, in the freezing-works. In the following year occurred the so-called general strike which, commencing with the Wellington waterside workers, involved waterside workers at all ports, practically all coal-miners and seamen, and some building-trade workers in Auckland. As was the case of the Waihi strike in the previous year, this strike was marked by some disorder at the four main ports. It is to be remarked that but few unions registered under the Act took part in the strike, and that the provisions of the Industrial Conciliation and Arbitration Act assisted to bring it to an end, since new unions formed and registered under the Act took the place of the workers on strike.

The third period—from 1914 to 1921—embraced the four and a half years of the war and the post-war boom. The fourth period covers a period of falling prices. They must, however, be recognized as abnormal periods, and due allowance should be made for particularly difficult conditions. During the war there were few labour disputes which involved a stoppage of work, and those which did so were almost wholly confined to the coal-mines. The Arbitration Court met the necessities of the workers by a system of bonuses on award rates of wages, and acted as a governor acts on a steam-engine, controlling the rate of acceleration Since the collapse of the post-war boom, in a period of seven years there have been four major strikes—the West Coast miners' strike in 1923–24, which lasted four months; the railway strike; the seamen's strike in 1922–23, which lasted two months; and the strike of freezing-works hands in 1926. The comparatively large number of petty strikes of from one hour to two or three days' duration recorded by the Department of Labour and quoted by recent critics in support of their attacks upon the arbitration system, while undoubtedly serious in their effect upon production, are such as are more or less inevitable in all industrial nations. Nothing short of revolutionary changes in human nature will prevent the recurrence of brief sectional strikes, some of which arise from petty causes, often of a personal nature. For instance, at one works about three years ago there was a stoppage of work every few weeks. Investigation revealed that the cause of all the trouble was an entire absence of tact on the part of the foreman who directly controlled the labour When this cause was discovered and removed the trouble ceased. Each of those stoppages is recorded in the Department's records as a strike, and helps to make up the number quoted by the critics. No one with experience of dealing with labour could consider such happenings as having any but the slightest bearing on the general question of the value of arbitration. The class of strike which must be considered is that which arises from some real dispute between employers and their employees upon such questions as wages, hours, holidays, overtime, or general conditions of employment which are suitable for reference to and settlement by the Court of Arbitration. The only strikes coming within this description are those which have been mentioned. While it is necessary to make this point clear, it must not be assumed that the effect of a large number of petty strikes is negligible. On the contrary, petty disputes and short stoppages are a serious evil in trade and industry. There is need for clearer appreciation by both parties that the cumulative effect of these stoppages inevitably is to prevent the lowering of costs of production and hence of prices.

To summarize the foregoing: during the first twelve years of the operation of the arbitration system there were no strikes; during the next period of eight years strikes commenced again, but there were only five in all which should be considered; and during the last two periods—1914–21 and 1921–28—there were practically no strikes during the war years and only four of importance since the war ended.

It must be noted that while prices were rising and the Court was in a position to adjust wages upwards there were no strikes. This was only natural and to be expected. It does not, however, indicate, as certain recent critics have said it does, that the same result would have been obtained without an arbitration system. The industrial history of England during the last thirty years gives the lie direct to that statement. Every student of this subject should read Lord Askwith's book, "Industrial Problems and Disputes," which presents both a history and an exhaustive analysis of

labour disputes in England from 1890 to 1922. A comparison of the conditions existing in New Zealand with those described by Lord Askwith as existing in England during the same four periods is most instructive.

Taking the first period—1894 to 1906—prices were rising in England during the early part of the period just as they were in New Zealand. It is admitted now that wages had to be increased there just as they had to be increased here; but there the resemblance ends. While we in New Zealand had twelve years of industrial peace, the same period in England, particularly in the years 1894 to 1900, was one of intensely bitter industrial strife. Practically every advance made by the workers was secured as a result of costly, wasteful fighting; and, further, the bitterness of the fighting was accentuated by the refusal of the employers organizations to recognize the trade-unions or to meet the men's official representatives. The fight for recognition was ended only by the passing of the Trades Disputes Act of 1906, twelve years after the same result had been secured in New Zealand by the passing of the Industrial Conciliation and Arbitration Act. It must be noted also that in 1896 the English Parliament had passed the Conciliation Act, or "An Act to Make Better Provision for the Settlement of Trade Disputes." Of this Act Lord Askwith writes: "This Act was practically permissive in its terms Clause 1 allowed any Board constituted or authorized for the purpose of settling disputes between employers and workmen by conciliation or arbitration to be registered with the Board of Trade; but this clause had been utilized to a very small extent. Clause 2 (1) gave power, where a difference exists or is apprehended—(*a*) to inquire into the causes and circumstances of the difference; (*b*) to take such steps as to the Board may seem expedient for the purpose of enabling the parties to the difference to meet together, by themselves or their representatives, under the presidency of a Chairman mutually agreed upon or nominated by the Board of Trade, or by some other person or body, with a view to the amicable settlement of the difference; (*c*) on the application of the employers or workmen interested, and after taking into consideration the existence and adequacy of means available for conciliation in the district or trade and the circumstances of the case, appoint a person or persons to act as conciliator or as a Board of Conciliation; (*d*) on the application of both parties to the difference, appoint an arbitrator. A conciliator so appointed was to inquire into the causes and circumstances of the difference and report his proceedings to the Board. By clause 4 the expediency of establishing Conciliation Boards for a district or trade might be discussed, and by clause 7 three obsolete Acts of 1824, 1867, and 1872 were repealed. Any success likely to occur under this Act entirely depended on the acceptance by both parties of any aid which an inquiry might give, but it gave no power, without agreement of both sides, for any arbitration to be held, and no power to get one side or the other to accept any suggestions made by a conciliator, either in a report or at a meeting where he might be present."

The number of strikes which have occurred in England since this Act was framed should be an object-lesson to those who in New Zealand are urging that some entirely optional system of conciliation should be substituted for our present system of combined conciliation and arbitration.

It is not necessary to discuss in detail the industrial disturbances of the next period, 1906 to 1914. It is sufficient for our purpose to note that the position year by year became more serious, and the number of disputes which led to prolonged stoppages of work affecting almost the entire nation was greater than in the previous period. Of these disputes Lord Askwith writes: "What is to be said about these disputes? My own strong opinion is that they were economic. Trade had been improving, but employers thought too much of making money without sufficient regard to the importance of considering the position of their workpeople at a time of improvement in trade. Prices had been rising, but no sufficient increase of wages, and certainly no general increase, had followed the rise. It may be said that employers had waited too much upon each other."

That is an effective answer to those who are claiming that if there had been no arbitration system in New Zealand during the period of improvement in trade the workers would have automatically received without strikes or dislocation of industry the wage-increases to which they were entitled.

The history of the last two periods—that embracing the war and that embracing the subsequent years—should be fresh in everyone's mind. In England there were constant strikes which threatened the very life of the nation in the war years; and since the war the engineering dispute, the two railway and coal strikes, and the strike of seamen paralysed the trade of the country for long periods, delaying the recovery from the war losses. England had no machinery for the peaceful settlement of the workers' demands which resulted from an alteration in prices. In the absence of such machinery strikes followed the refusal by the owners of the workers' appeals, and after the nation had suffered enormous loss from the strikes in each case the Government had itself to intervene. In regard to Government intervention in the coal dispute (1920–21) Lord Askwith says: "The coal-miners were not alone in pressing forward demands. Once again the system of sectional settlement, without any co-ordination by different Ministers, had full sway. On the railways, in answer to large claims, the locomotive men and firemen obtained advances which only served as an inducement to other grades to press forward demands for themselves on the same principles, although the locomotive men had pressed for special treatment on the ground of skill. The unrest grew, section after section in different trades demanding more wages and new conditions; and, as each section advanced, a patchwork settlement was effected, first by one department, then by another, with the chance in every case of carrying an appeal from one department to another department, from one Minister to another Minister, and, when the union was powerful enough to cause much trouble, from minor Ministers to the Prime Minister; co-ordination and system were ignored at a time when peace and rest was of the utmost importance to the welfare of the country."

It must be admitted by any reasonable student that after considering the English industrial law, with its right to strike and lock-out, the principal object of the framers of the Industrial Conciliation and Arbitration Act in New Zealand—the prevention of strikes—has been attained to a reasonable

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, and 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

grievances they may have, and of obtaining a decision upon their demands promptly and without having to use a show of force to obtain a decision from their employers, and that this obviates serious disputes. Nevertheless, this system of creation of disputes is a ground for criticism. It brings the Court in between employers and their workers unnecessarily, it is apt to cause a feeling of unrest and hostility between managers and their workmen, and it has caused the Court to become a legislative body framing regulations for industry rather than a Court of appeal to settle only those industrial differences which the parties themselves cannot settle by negotiation.

Summary.—

(1) The Arbitration Act has given us a greater measure of industrial peace than has been enjoyed by any other British community during the period of its operation.

(2) It has broken down the old hostility of employers to trade-unions and produced a friendly atmosphere of collective bargaining.

(3) It has acted as a governing factor over wages, regulating the rate of increase and of decrease, preventing too rapid fluctuation in either direction—a national evil, as causing corresponding excessive fluctuations in prices.

On the other hand,—

(1) The arbitration system is not compulsory, but operates in any industry at the option of the workers.

(2) Although the great majority of unions accept awards made by the Court, experience has shown that awards are not enforceable against strong unions against their will.

(3) Awards of the Court are unavoidably inelastic and restrictive as to details. Lack of elasticity in times of severe trade depression is apt to impede recovery.

(4) The system does not prevent, though it may be an influence against, the making of agreements between employers and their employees contrary to public interest.

On the whole, during the last thirty years, the advantages of the arbitration system have outweighed its disadvantages. It must be admitted, however, that, except for brief periods, trade conditions have been favourable to its operation. Even so, the weaknesses already discussed have become apparent, and under unfavourable trade conditions the effect of these would be greater than hitherto. In the case of all systems much depends upon the users. Whatever success has been achieved in the past, a correct appreciation by both sides of these weaknesses and a joint determination to remedy them would yield better results. During the last two years there has been expressed a general demand for the removal of these weaknesses. Many suggestions have been put forward, but none have been acceptable to all concerned. The problem still remains to be solved.

Proposals.—The following proposals are submitted for consideration :—

(1) Since the application of arbitration to any industry is not compulsory, but depends on the decision of the workers, and because it is not wholly enforceable, even when it does apply, remove the compulsion and make it wholly optional.

To bring this about, amend the Act so as to provide that if no agreement is reached by a Conciliation Council in any dispute, reference of the dispute to the Court of Arbitration shall require a unanimous agreement of the assessors on both sides. In any case in which no agreement is reached by a Council, and the assessors do not agree to refer the dispute to the Court, the existing award or agreement shall cease to operate as from the date of its expiry or the date of the Council sitting whichever is the later. The existing provisions for conciliation are the best machinery that has yet been devised for bringing employers and workers together for the settlement of disputes. This machinery should not be disturbed in any way. The present proposal will not disturb it. On the other hand, the responsibility of the assessors on both sides will be increased, since they will know that failure to make an agreement may result in a deadlock.

(2) The Court of Arbitration to be retained, and in its present form. It must be retained because the only alternative would be a special tribunal for each dispute, an impracticable suggestion because of the difficulty of obtaining arbitrators. The qualities that go to make a successful arbitrator are many and are rarely found in business men. In England, where arbitration in industrial disputes is purely optional, the procedure in any grave dispute has been strike or lockout, followed in most cases as a final result by arbitration. There the Board of Trade has been able to supply as chairman of the arbitration tribunal men of the necessary natural ability, high character, and economic and business knowledge. In New Zealand there has been no opportunity to train such officials and none such are available.

The present constitution of the Court—an arbitrator from each side and a Judge as umpire—ensures the confidence and good will of both sides, and should be retained. The Act already provides that a special expert assessor from each side may be added to the Court in an advisory capacity in any case calling for expert technical knowledge.

(3) Provide that for the purposes of the Industrial Conciliation and Arbitration Act all unions, whether registered under that Act or any other Act or not registered at all, shall be deemed to be registered under that Act. Under the Act as it stands now, some unions have declined to register because they have objected to being compelled to refer their disputes to the Court and have preferred to settle them by direct negotiation with their employers. If proposal No. 1, giving either side the right to a conference with the other side and making reference of a dispute to the Court entirely optional, be adopted, this objection will be removed, and there will be no reason why all unions should not automatically come under the same Act. The penalty for a union convicted of a serious breach of an award or agreement should be deregistration, depriving the union of all rights under the Act and of the right to collect fees or to enter into any collective agreement with a union of employers.

(4) To meet the case of no agreement being reached by a Conciliation Council and a refusal of the assessors to refer the dispute to the Court of Arbitration, incorporate in the Industrial Conciliation

and Arbitration Act provisions similar to those contained in the present Labour Disputes Investigation Act for the taking of a secret ballot precedent to a strike or lockout.

(5) Repeal the Labour Disputes Investigation Act.

(6) Amend the section of the Arbitration Act dealing with strikes or lockouts as may be necessary in view of the foregoing proposals.

Summed up, the proposal amounts to a combination of the Arbitration Act and the Labour Disputes Investigation Act, retaining the best provisions of both. It would make this paper unduly long and cumbersome to set out in detail the various amendments which will be required to give effect to those proposals. If the principles be adopted, the details will not present any great difficulty.

Briefly the advantages which may be looked for if these proposals are adopted are:—

(1) A decrease in the number of disputes filed.

(2) An increase in the number of complete settlements arrived at by direct negotiation between the parties.

(3) The restoration of the Court of Arbitration to the position it was originally intended to fill—that of an arbitrator in real disputes—instead of that of an industrial regulations factory.

(4) A greater freedom of the parties in any particular industry to embody in an agreement provisions designed to meet special conditions peculiar to the industry.

On the other hand, a deadlock may be reached in some cases. However, this has happened during the last few years under the present law, and there is no reason to think that under the proposed system it would happen more frequently. Neither employers' assessors nor workers' assessors would accept lightly the responsibility of refusing to refer to dispute to the Court for settlement if serious industrial trouble were threatening.

In this paper a sincere attempt has been made to present an accurate statement of the effects of the Industrial Conciliation and Arbitration Act during the years of its working, neither ignoring nor exaggerating either its good points or bad points, and to offer constructive suggestions for its improvement. (*Applause.*)

Discussion on Paper.

Mr. Robinson: Mr. Chairman, I would like to ask Mr. Bishop this question: On page 128 of his paper he says, "Unless there is greater co-operation between labour and those directing it, resulting in greater production for the same cost, wages of labour and of superintendence must in the end be reduced." How does Mr. Bishop propose to increase the quantity of production without increasing wages? Will he do it by intensifying production during the same working-hours, or by increasing the length of the working-day, or by improving the method of production, which is within the power of the employers only? On the same page Mr. Bishop says that the cause of unemployment is the height of money wages in the United States and many other countries. If that is so, how does he account for the unemployment in Germany, Austria, Jugo-Slavia, Hungary, and Czecho-Slovakia, where money wages are low? My third question is that Mr. Bishop advocates the abolition of compulsory arbitration. As he quoted with approval Lord Askwith on the failure of the voluntary system in England, how does he expect it to be successful here?

Mr. Kennedy: Mr. Chairman, Mr. Bishop, on page 133, makes a suggestion that in the event of no settlement being arrived at by the Conciliation Council there can be no reference to the Court. I notice that he would still retain the penalties on the worker. What penalty does he suggest should be imposed on the employers' assessors who will not agree to a reference to the Court? Then, on the same page he suggests the repeal of the Labour Disputes Investigation Act. What does he intend should be done with the agreements that are in existence under that Act as between the employers and workers unions—scrap them? Then he suggests that a union convicted of a breach of the award or agreement should be deregistered. What penalty does Mr. Bishop suggest should go on to the employer who commits a breach of the award or agreement?

Mr. Bloodworth: Mr. Chairman, there are one or two points that I suggest Mr. Bishop could correct for the sake of historical accuracy. On page 130, referring to the general strike in 1914, he says some building-trade workers in Auckland were involved in the strike, inferring that only the building-trade workers were on strike. He must know that all the workers were on strike, whether registered or not.

Mr. Bishop: It is not so recorded.

Mr. Bloodworth: On page 132 Mr. Bishop says, "Over 70 per cent. of the workers are in receipt of more than minimum rates." For the sake of historical accuracy he should say "were," and that would refer to only a very limited time, and that some years ago.

Mr. Bishop: I do not think it is right that members of the Conference should be allowed to make statements in connection with the papers. Anything said should be in the nature of questions.

The Chairman: I do not think we should take any exception to what Mr. Bloodworth has said.

Mr. Bloodworth: On page 131 Mr. Bishop says the results of the optional system in England should be an object-lesson to New Zealand. Yet the main suggestion contained in his paper, on page 133, clause 1, is a suggestion for an optional system of arbitration. Why point out that the English

system is an object-lesson to be avoided, and yet recommend a similar system for New Zealand to adopt? The second question I would like to ask Mr. Bishop is, Are the employers represented by Mr. Bishop in favour of a standard minimum wage being fixed; if so, what steps do they recommend in that direction? If not, what will prevent reverting to sweating conditions in the event of an optional system of arbitration such as Mr. Bishop suggests being adopted?

Mr. Roberts: I think Mr. Bishop has diagnosed the case for the patient very well. He has gone into detail very closely, and has told us all that is the matter with the patient, but I believe if he administers the medicine prescribed, instead of curing the patient he will kill him. He has really adopted the course of all practical surgeons, of eventually killing the patient if he continues to deal with him long enough. I would like to draw Mr. Bishop's attention to one matter, as I am sure he has not seen the obvious mistake he has made in the second paragraph of his proposal No. 1. I will read it: "In any case in which no agreement is reached by a Council, and the assessors do not agree to refer the dispute to the Court, the existing award or agreement shall cease to operate as from the date of its expiry or the date of the Council sitting whichever is the later." I will refer now to proposal No. 4 on the same page: "To meet the case of no agreement being reached by a Conciliation Council and a refusal of the assessors to refer the dispute to the Court of Arbitration, incorporate in the Industrial Conciliation and Arbitration Act provisions similar to those contained in the present Labour Disputes Investigation Act for the taking of a secret ballot precedent to a strike or lockout." It must be obvious that if an award or industrial agreement ceased to exist when the Conciliation Council met, there is no contract of service. Therefore the two cannot harmonize in any possible way. I believe Mr. Bishop will recognize immediately the discrepancy between these two clauses.

Professor Murphy: Mr. Chairman, on page 128—about the middle of the page—Mr. Bishop says, "Some economists, for instance, write as though trade-unions and individual workers conform to theories as pawns on a chess-board move under the guidance of a master-player." Will Mr. Bishop name these intellectual malefactors, in order to save the reputation of the economists at this Conference and to apportion the blame to the proper shoulders? On page 131, in about the fourth paragraph, Mr. Bishop says, "This is an effective answer to those who are claiming that if there had been no arbitration system in New Zealand during the period of improvement in trade the workers would have automatically received without strikes or dislocation of industry the wage-increases to which they were entitled." I refer specially to the word "automatically." Will Mr. Bishop name the persons who have ever made that ridiculous statement? It is very easy to put up a man of straw and knock him down, but the professors have their intellectual reputations to safeguard.

Mr. Parlane: Mr. Chairman, in his paper Mr. Bishop refers to the item "rent" as a minor factor in the cost of production. How does he arrive at this conclusion?

Mr. Nash: On page 133 Mr. Bishop, in clause 3 of his proposals, suggests that "the penalty for a union convicted of a serious breach of an award or agreement shall be deregistration." Would Mr. Bishop make that penalty apply to the employers in like degree as to the employees, and say whether he would prevent, say, the Union Company collecting fares from intending passengers if it committed a breach of the award. What I would like to ask Mr. Bishop is in connection with the factors which he suggests enter into the cost of production. On page 128 he refers to three main factors. I want to ask him whether he has left out purposely the cost of credit, or whether he is of opinion that credit or capital is not a cost in production, or should not be a cost in production? Then he suggested that this Conference is considering the methods that enter into the cost of production and distribution. I want to ask him, is he suggesting that the Conference is confined to the methods of production and distribution, and is not in any way to enter into the distribution of the product itself?

Mr. Black: Mr. Chairman, on page 130 of his paper Mr. Bishop states, "Nothing short of revolutionary changes in human nature will prevent the recurrence of brief sectional strikes, some of which arise from petty causes, often of a personal nature." I would like to ask Mr. Bishop, does he know, and, if so, will he admit, that a large number of these short strikes which workers are involved in they are compelled to make with the object of preventing loss of life? Does he know that? We know that especially on construction works very often the workers are compelled through the action of unreasonable employers to become involved in a strike in order to make the place safe to work in. Mr. Bishop knows that we have an illustration of that not two miles from where we are sitting now, just a short time ago, when the men's contention proved correct, inasmuch as a number of men nearly lost their lives two days ago, and Mr. Bishop was one of the tribunal which inspected that place and said it was safe? The other question is on page 128. He says there, "The object of those who in 1894 secured the passage of our Arbitration Act was to apply some measure of sane control to trade-unionism." I want a definition from Mr. Bishop of "sane control of trade-unionism." I have never heard the definition, although those words are bandied about throughout the country.

Mr. Cornwell: Mr. Chairman, in his proposals Mr. Bishop is making arbitration entirely optional, but conciliation is to be compulsory. I notice that further on he details the Industrial Disputes Investigation Act, and wishes to insert there a proviso dealing with strikes and lockouts. The question I wish to ask is this: If under his proposal arbitration is to be optional, will Mr. Bishop agree that strikes and lockouts be legal, and the parties to have full and free use of the actions usually adopted during the periods of strikes and lockouts? By that I mean the boycott, pickets, &c.

Mr. Bromley: Mr. Chairman, I want to ask Mr. Bishop whether his proposals for penalties upon workers would preclude the assistance of a strong union of workers being given to a weaker union handicapped in the settlement of a dispute by an employer who has not yet joined the ranks of those who are prepared to recognize trade-unionism? In asking that question I want to point out that

notwithstanding the fact that Mr. Bishop has written in his paper that one of the results of the arbitration system has been the recognition of trade-unionism by the employers and a freer atmosphere for collective bargaining, yet within the last few days we have the exhibition of an employer's representative who writes in the newspapers about the "union bounders," to "throw them out" and to "call their bluff," and to advise unionists not to pay their dues into the trades-unions, stating further that when they get a demand for their union dues it is only one of the many branches of the Red Federation. The signer of those letters is at present sitting at the table opposite—Mr. Brechin—and I want to know how Mr. Bishop will deal with suggestions like that?

Mr. Purtell: Mr. Chairman, I would like to ask whether Mr. Bishop can give some substantial instances of the bankruptcy of employers who have been compelled to go out of business through the operation of the Court in regard to the minimum wage. I do not now refer to small builders employing only two or three men, but big firms from whose failure he draws the inference that things are deplorable.

Mr. Polson: Like Mr. Roberts, I am in some confusion as the result of hearing the very able paper which has just been read by Mr. Bishop. I agree more with his conclusions than with his diagnosis. On page 132, at the top of the page, he says, "The Arbitration Court does exercise a restraining influence upon the sheltered industries"; and on the same page he says, "The system does not prevent, though it may be an influence against, the making of agreements between employers and their employees contrary to public interest." I would like Mr. Bishop to reconcile those two statements, which appear to me to disagree. As a matter of fact, speaking as the representative of the primary industries, I believe that the latter statement is more correct than the former one. We in the primary industries are not able, of course, to pass anything on which comes along in the way of increased wages or increased tariffs, to assist in the development of the industry, and so to increase wages. I am, however, very generally in agreement with the conclusions which Mr. Bishop has come to. It seems to me at the first blush—and only at the first blush, because it is impossible to give a considered opinion about his proposals on the spur of the moment—it seems to me that Mr. Bishop has suggested something which will be of very great value to this Conference. He is proposing to emphasize conciliation and to remove compulsion from arbitration: as far as I can understand it, his idea is to cut out altogether the compulsory provisions of the Act. Well, gentlemen, I think that that is a valuable suggestion, and one which is eminently workable. I believe that it is one that should be very fully explored by this Conference, because I believe that it is along such lines as those, possibly with some alterations and amendments, as this Conference can suggest, that we may find some way out of the difficulty.

Mr. F. R. Cooke: Mr. Bishop, in submitting his paper, according to my interpretation of it, is trying to take away from the workers whatever privileges they have had, and to give the benefit to the employers. It seems so to me. On page 127 he says that "The expenditure of loan-money created an abnormal demand for commodities," and that "prices rose enormously in the absence of increased supply." Then he further states that there was no increase in commodities. I want to ask Mr. Bishop this question: If there were no increased supplies brought about by increased money, how does Mr. Bishop explain the wool, meat, and ships which were in the hands of the British and American Governments at the end of the war? If that money did not bring about increased supplies, how can Mr. Bishop explain those surplus supplies which were in the hands of those Governments, and which affected the prices for wool, meat, and ships after the end of the war?

Mr. Churchhouse: It appears to me that this paper is a history of the war period, of which we are all aware. We know that during the war period the financial barometer of the nation was thrown out of adjustment, and now we are trying to get back to financial stability as regards the productive value of our land. It appears to me, from all the papers which have been read, that labour is asked to make all the sacrifice, that we are asked to work for lower wages and accept unemployment—and all the ills that follow low wages and unemployment—without the same amount of sacrifice being made by the other side—the employers. What happened during the war? While the manhood of this country were away at the front, the farmers and their friends were sitting at home; they were supposed to be keeping the home fires burning. They were throwing the dice and gambling with their land, and that brought about the high prices and the high values.

Mr. Brechin: Where were their sons?

Mr. Churchhouse: We all know where our sons were. My question is, If there is to be sacrifice made in this country, should not that sacrifice be universal? Should not the capitalists be required to make sacrifices by the amount of mortgages being reduced, just as labour is being asked to accept lower wages and suffer unemployment? I want to ensure that the sacrifice shall be universal.

Mr. Herbert: On page 132 of his paper Mr. Bishop makes reference to the question of piecework. Can we take it that this is a non-committal opinion of the Employers' Federation on the question of the universal introduction of piecework into industries? The paragraph refers to piecework, but it does not make any definite statement as to whether the employers generally desire to adopt the system of piecework or not. I would like Mr. Bishop to make that clear.

Mr. McBrine: I would like to ask Mr. Bishop whether he believes that the workers can increase their production, without increase in wages, sufficiently to afford relief by reduction in prices to the farming community, which will compensate for the enormous increase in rent or interest with which their industry is burdened; and, if so, whether that is an equitable proposal? The cost of production is increased by the charges upon the land occupied by the farmer. Every one knows that within the period under review by Mr. Bishop there has been an enormous increase in charges for the use of the

land. Now, apparently a demand is being made upon the workers in the secondary industries that they should produce more, in order that the farmers may be able to meet the heavy payments due to the holders and controllers of credit, who, after all, are not active factors. Does Mr. Bishop think that the workers can possibly relieve the farmers to an extent in proportion to the burden placed on them from the other side, and, if so, is it a fair proposition that they should be asked to do so?

Mr. Martin: Mr. Bishop, in the first paragraph on page 132, deals with the question of the low standard of production of the workers. I would like to ask him whether it is not a fact that there are numerous instances in which the employers have restricted their output by dribbling their commodities on to the market to keep up prices, because it was more profitable to them to do so, and whether it is not a fact that there have been instances where combinations of employers have paid other employers to keep their plants idle because the restriction of output would keep up the price of the article concerned, thereby securing a low standard of output as far as the employers are concerned. This system is probably a more culpable one than the restriction of output by the employee, as suggested in this paragraph.

Professor Tocker: On page 132 Mr. Bishop states, "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." As it stands the statement refers to all wage workers outside the occupations specified. I would like to ask Mr. Bishop if that statement is correct as it stands, and, if not correct, to what particular period does he refer, and what industries does it cover?

Mr. O'Byrne: Seeing that Mr. Bishop admits the employers pay more than the Court minimum wage in the ratio of 70 per cent., how can the minimum wage be responsible for the present depression?

Mr. Black: Mr. Bishop suggests the deletion of the compulsory clauses from the Arbitration Act. I wish to ask, is it not a fact that if the compulsory clauses were deleted, disputes would then be settled in favour of the stronger party at the time?

Mr. Bishop's Reply.

Mr. Bishop: I will do my best to reply to the numerous questions. I would have liked to have had a little time to consider some that are rather far-reaching, but I will do what I can in the short time at my disposal. The first question calls attention to an apparent omission in my statement as to the prime cost of conducting industry, and mentions that I did not refer to rents. Well, we do not deny, of course, that rent, and interest on capital, is a factor in the cost of industry, and we endeavoured to show what were the principal costs, and I do not think there is anything in the main which will detract from the value of the arguments throughout the whole of this paper. In reply to Mr. Robinson, who asked, how do I propose to increase the quantity of production without increasing wages—will I do it by intensifying production during the same working-hours, or by increasing the length of the working-day, or by improving the method of production, which is within the power of the employers only: It may be necessary to apply all those methods. The desire is to increase the quantity of production in the present working-hours, and this Conference is seeking the best method of bringing that about. It may even become necessary to increase the hours; but there is no suggestion of that kind. There is no criticism of the workers in my paper; there is no accusation that they are not producing efficiently; but the whole object of this Conference is to seek methods by which we can produce more, or at less cost, and so avoid interfering with the rate of wages. Mr. Robinson also said, "On page 128 Mr. Bishop says that the cause of unemployment is the height of money wages in the United States and many other countries. If that is so, how does he account for the unemployment in Germany, Austria, Jugo-Slavia, Hungary, and Czecho-Slovakia, where money wages are low"? My reply is that I think the questioner might have read that paragraph a little more carefully, and then he would have found that I had simply instanced the fact that there is unemployment—widespread unemployment—as a proof that the market cannot absorb the whole of the available labour to-day at the present money-rates of wages. Mr. Robinson also makes reference to my advocating the abolition of compulsory arbitration, and instances that I quoted with approval Lord Askwith on the failure of the voluntary system in England, and he asks how do I expect it to be successful here? Again, I do not think I have been quite understood. What I am recommending is not anything like the English system, which was discussed by Lord Askwith in reference to the British Conciliation Act. I am not alluding to anything of that kind here, which is a purely optional system in all the States. I am recommending that the present machinery for bringing together Conciliation Councils should be retained without any alteration whatever. I am only suggesting that the reference to the Court of Arbitration should be optional, not that the whole bringing-together of employers and workers should be optional. Mr. Bloodworth says "On page 131 you say that the results of the optional system in England should be an object-lesson to New Zealand." That matter has been already dealt with in my answer to the last question. Mr. Bloodworth also asks, "Are the employers represented by Mr. Bishop in favour of a standard minimum wage being fixed? If so, what steps do they recommend in that direction? If not, what will prevent reverting to sweating conditions in the event of an optional system of arbitration such as Mr. Bishop suggests being adopted?" My answer is, in the first place, the employers represented by me are not in favour of a standard minimum wage being fixed. That is the system which has been in operation in some of the Australian States for some years, and it has not been a success. The employers of New Zealand—those represented by me—are not in favour of the fixing of a standard minimum wage for this Dominion. As regards the prevention of sweating conditions, I think that public opinion is in itself almost a sufficient safeguard. And there will be the additional safeguard that the Arbitration Court will still be functioning, with the acquiescence of the parties in the majority of industries of the Dominion, and so far will there-

fore still exercise an influence. Mr. Parlane said, "In your paper you refer to the item of rent as a minor factor in the cost of production. How do you arrive at that conclusion?" Well, we regard rent as a minor factor in the cost of production, because in most cases in the industries we are writing about the rent is a comparatively small item as compared with wages and the cost of raw materials. Mr. Nash asked whether I suggest that distribution and production methods are not matters for the consideration of this Conference. I have attempted to lump the matters which I think this Conference should deal with, or make any suggestions with regard to which would fit in with any desire to co-ordinate the subjects we should consider. Then come some questions by Mr. Kennedy. The first is, "You suggest that unless mutually agreed to by assessors there should be no reference to the Court. What penalty do you propose should be on the employers who will not agree to a reference of a dispute to the Court of Arbitration?" I do not suggest there should be any penalty; neither do I suggest there should be any penalty on workers who do not agree to the reference to the Court. To-day the workers have the option, and I suggest the employers should have the same option in the future that the workers have had in the past. The next question is, "You say that unions convicted of breaches of awards and agreements should be deregistered. What do you propose shall happen to the thousands of employers who have, or may be, convicted of same offences?" I pointed out that the penalties against employers for breaches of awards, or of the Arbitration Act, are enforceable to-day, but there are no such enforceable penalties against organized labour. I am not suggesting that any of the penalties provided by the present Act should be removed, and I think they are quite sufficient to keep the employer pretty well within the confines of the straight and narrow path. Mr. Kennedy added that I suggested the repeal of the Labour Disputes Investigation Act, and he asked me, "Do you mean by that that you are prepared to scrap all agreements now in existence under this Act between employers and unions?" My answer is "No; that would have to be provided for, of course." Then Mr. Cornwell asked, "If arbitration is to be optional, will you agree to strikes and lockouts being legal, and the parties to have full, free use of the actions usually adopted during the period of the strike?" Of course, as I have already indicated, the strike or lockout would be legalized in the event of a dispute proving incapable of settlement and either side refusing to refer it to the Court. As to agreeing to the parties having full, free use of the actions usually adopted during the period of the strike, I am not prepared to endorse that. There must be some restrictions on the parties in the interests of the community, as has been found necessary in England recently, where the Trades Disputes Act of 1906 had to be very extensively amended by the Act passed last year. "Admitting the depression at the present time," asks another speaker, "can he give specific instances of bankruptcy or of employers going out of business through the operations of the Court or the minimum wage?" In reply I may say that there is nothing in my paper to show that I regard the minimum wage as a cause of bankruptcy. Wages are only one factor in the case. I think it was Mr. Purtell's question, and if he wants a direct answer, it must be, "No; I cannot tell him of one case of a man becoming bankrupt through the Court fixing a minimum wage." Mr. Bromley asked me, "Would your proposal for penalties preclude the assistance of a strong union of workers being given to a weaker union handicapped in the settlement of a dispute by an employer who has not yet joined the ranks of those who are prepared to recognize trade-unionism?" Mr. Brechin has disclaimed any responsibility for me, and I will take the same line and disclaim any responsibility for him. Mr. Polson asked me if the sentence beginning in the first line of page 132, "The Arbitration Court does exercise a restraining influence upon the sheltered industries," does not seem to contradict the statement at the bottom of the page, "The system does not prevent, though it may be an influence against, the making of agreements between employers and their employees contrary to public interest." I do not think that the two statements are in conflict. Both statements are complete, and both are correct. The Arbitration Court does exercise a restraining influence upon the sheltered industries in some degree, but not sufficient to prevent entirely agreements between employers and employees which inflict hardship upon other industries. Another question is on very much the same lines as one I have already dealt with in regard to penalties being inflicted upon employers. It is the same question, and I give exactly the same answer.

Mr. Nash: Would you read my question?

Mr. Bishop: Your question is, "Mr. Bishop says 'The penalty for a union convicted of a serious breach of an award or agreement should be deregistration, depriving the union of all rights under the Act—the right to collect fees, the right to enter into collective agreements.' What corresponding penalty would he inflict on employers and employers organizations?" I have already pointed out in my paper that the object of the arbitration system was to give the unions certain privileges and impose on them in return certain responsibilities. If the union honestly accepts its responsibilities and endeavours to carry on the industry peacefully and effectively, no penalties are required; but if the union refuses its responsibilities, then it should be deprived of the privileges. The whole of this Act is designed in the interests of the workers, and privileges are given to the workers and the unions. I do not think any corresponding privileges are given to the employers, and therefore there is nothing to deprive them of. But you have many penalties provided by the Act which force employers to comply with its provisions and with the awards of the Court; and I think those penalties are sufficient. There are other questions that I have not time to deal with now; but I will be pleased to answer them in committee, or to delegates privately.

Mr. Revell: I would like to know your answer to Professor Murphy.

Mr. Bishop: I think I can answer Professor Murphy by a well-known quotation, "Thou art the man."

Professor Murphy: I do not want to reply, but I want to say that statement is absolutely untrue.

The Industrial Conciliation and Arbitration Act: its Effect on Industry, the Workers, and General Prosperity.

Mr. Roberts: Prior to the year 1890 the people of New Zealand were suffering from many disabilities. Railways and roads were needed; landed proprietors owned big estates throughout the country; they employed a few shepherds for sheep-raising; the interest rate on money was very high for the small farmer and the business man. Wages were low; business was bad; the conditions of employment of the workers were frightful. So bad were they indeed that a Commission was set up by Parliament, entitled "The Sweating Commission," which took evidence at Christchurch and Dunedin, and the report of this Commission indicates that there was general poverty throughout the country. The workers were compelled to work long hours under the worst conditions of employment possible. They received only a pittance in wages, and reports from the newspapers of that time indicate that the really useful people in society—namely, the working-farmer, the worker, and those who rendered useful service generally—were in a bad state. As an illustration: the *Lyttelton Times* of the 1st March, 1890, quotes the following prices for wool and dairy-produce from the New Zealand Loan and Mercantile Co. Wool—Half-breeds, 8½d. to 10½d.; cross-breeds, 6¾d. to 9½d. Butter, 6d. per pound. Cheese, 3d. to 3½d. per pound. This indicates quite clearly that the working-farmers, together with the workers engaged in industry, were suffering from the so-called depression that then existed.

Recently there have appeared in the press statements by employers of labour and one or two economists which would lead people to believe that low wages are necessary to obtain general prosperity in any country; but when we point out that in this Dominion in 1890 sworn evidence was tendered before the Sweating Commission that experienced girls worked at dressmaking and in the clothing trades from seventy-five to eighty hours a week for 15s., and that a man worked in the meat-works from 6 in the morning till 7 or 8 at night for 6s. a day, and that "unemployed" workers were being paid in road-construction at 2s. 6d. per day, it demonstrates very clearly that low wages, instead of creating general prosperity, create industrial depression and general disaster in the country.

As a result of the report of the Commission the Conciliation and Arbitration Act was introduced by the New Zealand Parliament in 1894, and came into operation on the 1st January, 1895—that is to say, it has been in operation in New Zealand for thirty-three years on the 1st January of this year.

Along with the introduction of this Act Parliament introduced legislation for the bursting-up of large estates and placing people on the land. The Industrial Conciliation and Arbitration Act improved the conditions of employment of the workers and increased wages and improved their standard of living generally. That, together with the placing on the land of hundreds of hitherto landless people, inaugurated a period of general prosperity throughout the country.

We desire to point out that the improvement in the general welfare of the people was not due to the industrial legislation alone. It was due to the general sympathetic legislation of the then Government, which provided the farmers with cheap money for development, and increased wages which enabled the people to purchase the farmers' commodities. The Government assisted in opening up new markets for New Zealand primary products, and through this very legislation they founded the landed proprietorship which is opposed to the progressive industrial legislation of to-day.

The legislators of that day framed legislation to suit the then economic conditions, but every one will admit that economic conditions have changed considerably within the past thirty years, but our Industrial Conciliation and Arbitration Act, instead of being amended to meet economic changes due mainly to increased production and changed social conditions, has been amended to restrict the liberties of the workers, particularly in the methods of industrial organization. The operations of the Court of Arbitration undoubtedly increased the standard of living of the worker, and in this way put an end to the unfair competition which existed prior to its coming into operation. As already stated, the standard of living of the worker was raised, and this led to all-round prosperity, for, with the exception of the war period, the most prosperous time experienced in New Zealand was for the ten years 1898 to 1908.

In 1908 the Industrial Conciliation and Arbitration Act was amended, and by that amendment the Conciliation Boards were abolished and replaced by Councils of Conciliation; and at the outset we desire to emphasize that these Councils of Conciliation have done far better work in bringing the workers and the employers together, and these parties to recognize the necessity of an amicable understanding, than the Court of Arbitration has ever done. These Councils of Conciliation performed splendid work until the war period, when their function was to a great extent curtailed by the Court of Arbitration granting bonuses to the workers. The Councils of Conciliation were hamstrung, so to speak, by the pronouncements made by the Court of Arbitration from time to time.

During this period the staunchest supporters of the Court of Arbitration were the primary producers. Indeed, it may be as well to remind the farmers that in 1913, when the waterside workers and seamen attempted to withdraw from the Court of Arbitration altogether, which resulted in a lockout by the employers, the farmers organized free labour and by the use of force the transport workers were driven back under the Court of Arbitration. It seems strange that the passing of time has completely altered the opinion of the primary producers, for to-day we find farmers demanding that the men in their employ shall not be governed by awards of the Court of Arbitration or industrial agreements made through the Councils of Conciliation.

We desire it to be definitely understood that the labour movement has no hallucinations whatever about the Court of Arbitration. We say unhesitatingly that we have not received justice from that institution for many years past. During the war period the bonuses allowed by the Court of Arbitration were only conceded to the workers months after the cost of living had increased, and when these bonuses were conceded they did not by any means compensate the workers for the increase in the price of commodities. For instance, the purchasing-power of £1 in 1920 as compared with the purchasing-power of £1 in the period 1909–13 was—for groceries, 9s. 8¾d.; for dairy-produce, 10s. 3¾d.; for meat, 11s. 10¾d.; or for the three food groups, 10s. 7¾d.; and for rent £1 had to be

paid for what was obtained for 8s. 3½d., in 1914. Take one class of work—waterside work: The rate of pay in 1913–14 was 1s. 5d. per hour. The rate of pay which was granted in accordance with the bonus allowed by the Court of Arbitration was, in 1920, 2s. 3d. per hour. The rate that should have been paid in accordance with the reduction in the purchasing-power of the £1 was 2s. 8d. per hour. This indicates quite clearly that the Court of Arbitration did not at any time during the war period increase wages in accordance with the increase in the cost of living.

In 1921 Parliament gave power to the Court of Arbitration to reduce wages by general order; but it may be as well to point out that Parliament gave no such power to the Court of Arbitration to increase wages by general order. In other words, when prices were rising, wages were increased by the retail method; but when prices became stationary or showed any inclination to drop, wages were reduced by the wholesale method.

In 1914 the Government Statistician and the Court of Arbitration divided the expenditure of the total wage of the worker in purchasing commodity requirements as follows: Rent, 20 per cent.; food, 34 per cent.; clothing, 14 per cent.; fuel and light, 5 per cent.; other items, 27 per cent. It seems that the Court of Arbitration adopted this rule and adjusted wages accordingly; but, while the cost of commodities such as groceries, bread, meat, &c., rose by as much as 80 per cent., house-rent increased by fully 100 per cent. However, in 1924–25 the Court of Arbitration based the rental of a four- or five-roomed house only at 15s. 4d. per week, while the actual rent paid by the workers was fully double that amount.

To put it plainly, the workers are not satisfied with the basis which the Statistician has given us for fixing wages. We say definitely that in assessing the wages of a worker the Court of Arbitration should state—(1) The commodity requirements of a family—say, of four or five people; (2) the prices of these commodities; and (3) the wage necessary to purchase these commodities.

If the manufacturers of these commodities, or the importers of goods not produced in New Zealand, are willing to reduce prices, then definite reasons can be given why wages should be reduced; but when the basic wage now paid to the workers—£4 0s. 8d.—will only purchase two-thirds of the commodity requirements of a family, it is only reasonable to expect that the workers will be dissatisfied with the Court of Arbitration and the wage-fixing institutions generally.

On the other hand, the labour movement does not desire industrial upheavals. We recognize that strikes are generally undesirable and often cause considerable economic loss to the community. We are further of the opinion that it should be the duty of our legislators to amend the law in such a way as will give the parties concerned every opportunity of adjusting any industrial dispute that may arise. A strike should not, in our opinion, take place except as a very last resource on the part of the workers to secure economic or social justice. Even when a strike or lockout does take place, the parties must resort to some system of arbitration or conciliation in the end. It may be that the workers or the employers are in the best position to adjust a dispute after a strike takes place, but this does not settle the dispute. For that reason we are in favour of arbitration as against the strike weapon; but in saying so we assure this Conference that we do not desire an arbitration system which is loaded against us. Further, we are of the opinion that there are several methods of arbitration which could be adopted in the settlement of industrial disputes independent of the Industrial Conciliation and Arbitration Act.

Last year the Government introduced an amendment to the Industrial Conciliation and Arbitration Act, and we are directed by the representatives of 110,000 workers to state to this Conference that they would prefer to have no arbitration or conciliation Act whatever than to attempt to carry on a trade-union movement under the proposed legislation. The original framers of our arbitration system set out as a general principle to foster industrial unionism both from the employers' side and from the workers' side. The recent proposed amendment to the Industrial Conciliation and Arbitration Act set out to strangle trade-unionism as far as the workers were concerned.

The Act at present is far too narrow in its outlook. It confines the operations of trade-unions to one locality, when every one knows that manufacture and transport to-day as a general rule are operated from a national centre. There should be a provision in our industrial law, then, for the registration of national unions and national awards and industrial agreements.

The labour movement insists on the right of the industrial unions to decide whether they shall register under the Court of Arbitration or not. We contend further that neither the Government nor the employer should be empowered by law to compel a majority of the workers in any industry to submit an industrial dispute to the Court of Arbitration if the workers are opposed to this course. Under the present law the employers of labour, with the assistance of a minority of the workers in any industry, can compel the majority to accept a decision of the Court of Arbitration even if this majority were opposed to submitting their dispute to the Court. If, for instance, a union cancels its registration under the Industrial Conciliation and Arbitration Act at the present time they are compelled to take a ballot, and if the majority of the workers engaged in the industry are in favour of cancellation the Registrar usually grants cancellation; but fifteen men in any industry can re-register a new union, and the Court will usually grant them an award. We suggest that, in order to obtain harmony within the industry and between the workers and the employers and amongst the workers themselves, if a union takes a ballot to cancel its registration and a majority decide on that course, then before any union is registered under the Industrial Conciliation and Arbitration Act another ballot must be taken, and if a majority are in favour of re-registration, then the decision of the majority should be carried out.

Dealing with disputes in industries where awards or industrial agreements are current at the time, if there is a stoppage of work through a strike or lockout, power should be given to either the Minister of Labour, the Registrar of Industrial Unions, or the Court of Arbitration to convene a compulsory conference of the parties. No section of workers is of sufficient importance to stop the wheels of industry in New Zealand, and no employer or section of employers is of sufficient importance to create an industrial upheaval in the Dominion. An industrial dispute in any important industry

not only affects the parties directly concerned—it affects the nation as a whole; and power should be given to some controlling authority to compel the parties to meet in conference with a view of ending the dispute. This has been in operation in Australia, and has proved successful in ending many industrial disputes which have occurred there in recent years.

We now come to consider the question of the concessions given by the Court of Arbitration to the wage workers of New Zealand. We have stated previously that the wages have not been increased in accordance with the cost of living since 1914, and we desire to emphasize at the outset that the labour movement is satisfied that the workers were entitled to a higher standard of living than that which they were receiving in that year.

The Government Statistician, Mr. Malcolm Fraser, published a booklet in 1915 entitled "Report on Cost of Living, 1891–1914," and he pointed out in that book that from 1911 to 1914 the increase in the cost of living was 11·4 per cent. This increase was not conceded to the overwhelming majority of workers prior to the outbreak of the war; yet the Court of Arbitration based wages on the 1914 standard, and completely omitted to take into consideration that 11·4 per cent. increase in the cost of living. But even if that 11·4 per cent. increase were conceded prior to the outbreak of war, and the Court of Arbitration fixed wages on the 1914 basis with that increase added, and wages were increased in accordance with the cost of living since that period, the workers have still a further claim. New methods of production and new machinery have been introduced, and the workers are entitled to receive a share of the prosperity created by the improved methods of production. Improved machinery displaces labour and causes unemployment; it therefore makes work more casual. The wages of the workers are consequently reduced through lack of continuity of employment. Generally speaking, the position of the workers is worse when improved machinery and new methods of production are introduced. The industrial organizations contend that instead of the introduction of the machine being a hardship on the workers, it should assist their general prosperity and welfare as well as lighten their burden of toil.

In short, what the workers claim is an improved standard of living commensurate with the improved economic opportunity due to new methods of production. If this were conceded to the workers it would mean more prosperity all round, for the purchasing-power of the worker would be increased and these periods of depression which we have experienced would not occur. There would be a greater demand for the commodities which the farmers produce, together with those which are produced by the manufacturers in New Zealand. More money would be in circulation, and instead of depression and economic pessimism we would have prosperity and progress.

Powers of the Court.—We are of the opinion that the Industrial Conciliation and Arbitration Act as it is at present constituted gives too much power to the Court of Arbitration. The labour movement considers that the Act should be amended in such a way that the Court shall be compelled to follow certain definite rules. At the present time the Arbitration Court has no standard rule either for wages, hours of work, or conditions of employment. Although the principle of the eight-hour day has been recognized in New Zealand for at least forty years, the Court of Arbitration has never established that rule during the whole of its career, for we find awards being made where the workers are compelled to work as high as seventy hours per week. Indeed, the awards of the Court range from forty-four upwards to seventy. The same applies as far as wages are concerned. We have wage-rates for so-called unskilled adult male workers from £3 10s. to £4 5s. per week. Why this differentiation in the rates of pay should exist we cannot understand. It is only the plainest common-sense to recognize that the cost of living must apply equally to all workers.

The reply given by the Court and the employers of labour to our argument on this question is that the Court only lays down the minimum wage, and the employer is empowered to pay a higher wage than that awarded by the Court if he so desires. But what are the facts? Minimum rates in recent years have become the standard rates in the overwhelming majority of industries.

Preference to unionists is, as a rule, conceded by the Court of Arbitration at the present time, but power to refuse or concede preference should not be given to the Court. This should be a basic principle of the arbitration system, and a direction given to the Court that it must concede preference to unionists in all industries, and that when an award is made the common rule shall apply—that is to say, an award should govern all workers engaged in the industry and all employers carrying on business in the industry governed by the award.

The recent proposed amendment to the Industrial Conciliation and Arbitration Act suggested that workers engaged in the dairying and farming industries generally should be excluded from the operations of any award or industrial agreement under the Industrial Conciliation and Arbitration Act. The reasons put forward for the exclusion of these workers was that primary produce was subject to fluctuation in a world market over which New Zealand legislation had no control. We have to point out that in Australia the rural workers are organized into trade-unions, and have been for a number of years past. They have received increases in wages in recent years to a greater extent than workers engaged in other industries, and are at present working under awards of the Court. The Australian producers have to compete in a world market the same as New Zealand producers; indeed, the same applies to all New Zealand's competitors in the London market generally. Therefore, the argument put forward by the primary producers in this respect cannot be accepted.

The labour movement has considered the question of the exclusion of the rural workers from the operations of any of our industrial laws, and we desire to state that in our opinion, if these workers were excluded from the operations of any of our industrial laws, or whatever protection is offered by the Industrial Conciliation and Arbitration Act—in other words, if these men were outlawed as far as that statute is concerned—the sympathy of the workers in other industries with those engaged in the agricultural and pastoral industry would be such that there would probably be a demand on the part of the larger labour organizations to cancel registration under the Industrial Conciliation and Arbitration Act, and thus make this law to a great extent inoperative. In the past the Court of Arbitration has refused to make awards for farm labourers; but, instead of excluding the rural workers from the operations of the Industrial Conciliation and Arbitration Act, the labour movement claims

that every facility should be given to cover these workers by an award of the Court or by an industrial agreement.

What is the position to-day amongst the rural workers? It is simply this: that the wages paid are so low that it is recognized in New Zealand that any occupation on a farm is a single man's job; in other words, the industry will not pay a wage sufficient to enable a married man to maintain his wife and his family. If he is married, his wife has to work on the farm as cook; and advertisements appear in our daily papers for "Married man; wife to cook; no encumbrances."

Revision of the Industrial Conciliation and Arbitration Act.—There are three questions which the labour movement considers should receive serious consideration from this Conference: (1) Has the arbitration system as we know it in New Zealand outlived its usefulness? (2) What amendments are necessary to our present Arbitration Act to meet modern requirements? (3) What system, if any, should be introduced to take the place of the Industrial Conciliation and Arbitration Act in New Zealand?

The labour movement has given full consideration to this matter, and, although it may appear to some that we are in favour of the Industrial Conciliation and Arbitration Act in its present form, this is not the case. We recognize that some method of adjusting industrial disputes is necessary, and in the absence of any other system we naturally adhere to the system which is at present in operation; but we are desirous to effect some improvements, and indeed some drastic changes, in our present arbitration law.

We believe that penalties for striking are, in the main, not effective. They do not prevent strikes, as they occur frequently. What the labour movement desires is a system by which the organizations of the employers and the organizations of the workers can co-operate in adjusting disputes and in carrying on the industry to the advantage of the parties concerned and the public generally.

We now come to the question of the method by which wages shall be adjusted. We have in New Zealand a Statistical Department. We have also a great number of Labour Department officers who are in a position to ascertain the retail prices of the necessaries of life. They could give every item of expenditure, and supply a definite statement to the Statistical Department on these prices. It should be the work of this Conference to discuss fully and, if possible, arrive at a decision as to what the commodity requirements of a family are—the amount of food which four or five people would require for a week, the clothing they would require for a year, miscellaneous expenditure (which includes small items such as life and furniture insurance, friendly-society contributions, tram fares, education, &c.), lighting and fuel, and the very important question of rent. It would then be an easy matter for the Statistical Department to ascertain what the actual cost of these commodities are. There would therefore be no bad award or good award given by the Court of Arbitration. The Court could fix the rates of pay for the workers quite easily by stating in sterling the actual cost of these commodities. To-day many workers are fleeced of half their wages in paying rent.

Then we come to the Court of Arbitration itself. The labour movement has fully considered the question, and we see no reason why other methods of adjusting industrial disputes could not be put into operation. As an example, in the waterside industry provision is made for the establishment of Local Disputes Committees and a National Disputes Committee. The principle underlying these Disputes Committees is that when a dispute occurs work shall proceed in the usual way, and the question shall be referred first to the Local Disputes Committee, and, failing an agreement there, to the National Disputes Committee. Our experience of the operations of these Disputes Committees is that the work on the waterfront is continuous. The number of stoppages are very few, and if the operations of these Disputes Committees or Industrial Councils can be successful with casual labour which is employed from hour to hour, we see no reason why a similar system could not operate in other industries or in all industries.

In adjusting the wages of the workers and the conditions of employment in any industry, consideration must be given to the following questions: (1) The actual capital invested in the industry; (2) the overhead expenses, and the profits derived from the undertaking; (3) the cost of living, and the standard of living, and the conditions of employment of the men engaged in that industry.

If Industrial Councils were established, one for each industry or group of industries, they could give far more consideration to these questions than could the Court of Arbitration. This system would have a twofold advantage—namely, that the workers actually concerned in the industry would be directly represented on the Council, and the employers actually concerned in the industry would also be represented on the Council. This Council should not only concern itself with the adjusting of wages and conditions of employment, but should take into consideration the welfare of the industry generally. It would be in the interests of both parties to operate the industry in such a manner that would insure that it would be in a flourishing condition, well managed, and carried out in the most efficient manner. It would be to the interests of the parties that the marketing of the commodities produced should be carried out to the best advantage of the workers and the employers. Last, but not least, the parties interested would in time, we believe, look upon the industry from the point of view of all parties having a collective interest in it, and this would certainly be conducive to more efficiency in production.

The labour movement claims that the time has arrived when the workers should be allowed some voice in the control and management of industry. At present they are accused of being irresponsible, and this no doubt is partly correct, but what is the reason? Is it not the system itself? The worker performs a task for a certain wage. He is given no responsibility other than the performance of that particular task. The cure for irresponsibility is responsibility, and until you allow the workers a voice in the control and management of industry this irresponsibility will be with you. In other words, if you give the worker that social and economic status to which he is entitled as one who renders a social service to the community, co-operation and efficiency will take the place of the irresponsibility which the wages system has created.

Discussion on Mr. Roberts's Paper.

Mr. Williams: Mr. Chairman, I would like to ask Mr. Roberts one question. On page 135, in the last paragraph but one, we find the following statement: "The labour movement insists on the right of the industrial unions to decide whether they shall register under the Court of Arbitration or not," and that they shall not be compelled by law to submit an industrial dispute to arbitration. I would like to ask Mr. Roberts why he should deny this right to the employers. It appears to me that, so far as one can see, there may be individual employers who are not all they should be, but as a class I contend that we are not inferior to the gentlemen sitting opposite—at least, I hope not—and I cannot quite see why labour should claim the right of such privileges under the law. I would like to ask Mr. Roberts whether there is anything particularly villainous about the employers, that such restrictions should be imposed upon them. One other question. On page 136, in the fourth paragraph from the bottom, referring to the minimum wage rates, Mr. Roberts says: "The reply given by the Court and the employers of labour to our argument on this question is that the Court only lays down the minimum wage, and the employer is empowered to pay a higher wage than that awarded by the Court if he so desires. But what are the facts? Minimum rates in recent years have become the standard rates in the overwhelming majority of industries." I would like to ask Mr. Roberts does he not think that a very strong argument against fixation of minimum rates by Acts of Parliament. On his own showing the thing works unsatisfactorily, and as it appears to me it does constitute an argument against arbitration fixation of wages at all. I would like here to make one remark, and that is to say that Mr. Roberts's paper is very fine, and well worth studying, but I regret that it is impossible to find all the errors in it, and put questions on them, in the short space of three minutes.

Mr. Brechin: I also would like to offer my congratulations to Mr. Roberts. Next to the paper put in by the dairying section, I think his is the best yet. In our paper we made matters quite clear. In Mr. Roberts's paper he left one or two matters in doubt. Are the workers dissatisfied with the Court? On page 136 Mr. Roberts says: "Generally speaking, the position of the workers is worse when improved machinery and new methods of production are introduced." I would like to ask, does Mr. Roberts disagree with Mr. Nash's suggestion with regard to improved methods being introduced on our farms? It will be seen that there is a fundamental difference of opinion. Again, on page 136 Mr. Roberts deals—and I think he deals with the question quite honestly, but is ignorant of the exact facts, and I want to assure him and those associated with him that I think they are as genuine about the Conference as I am in hoping that we will arrive at some settlement—with the recent proposed amendment to the Industrial Conciliation and Arbitration Act. That amendment, he said, suggested that the workers who were engaged in the dairying and farming industries generally should be excluded from the operations of any award or industrial agreement under the Industrial Conciliation and Arbitration Act, and then went on to say: "The reasons put forward for the exclusion of these workers was that primary produce was subject to fluctuations in a world market over which New Zealand legislation had no control. We have to point out that in Australia the rural workers are organized into trade-unions, and have been for a number of years past. They have received increases in wages in recent years to a greater extent than workers engaged in other industries, and are at present working under awards of the Court. The Australian producers have to compete in a world market the same as New Zealand producers; indeed, the same applies to all New Zealand's competitors in the London market generally. Therefore the argument put forward by the primary producers in this respect cannot be accepted." I would ask Mr. Roberts, is he aware that in Australia the town worker is compelled to pay from 4d. to 6d. per pound more for his butter than the farmer receives for that portion of his butter sold in London? The whole point is this: that there is no comparison. Two-thirds of the Australian production of butter is sold in that country, whilst not one-quarter of ours is sold here. With regard to page 138, is Mr. Roberts in favour of profit-sharing in industry?

Mr. Turner: Mr. Chairman, I want to ask Mr. Roberts a question with reference to this statement, made on page 135: "We contend further that neither the Government nor the employer should be empowered by law to compel a majority of the workers in any industry to submit an industrial dispute to the Court of Arbitration, if the workers are opposed to this course." Then, further down on the same page, he says: "Dealing with disputes in industries where awards or industrial agreements are current at the time, if there is a stoppage of work through a strike or lockout, power should be given to either the Minister of Labour, the Registrar of Industrial Unions, or the Court of Arbitration to convene a compulsory conference of the parties." I want to ask Mr. Roberts whether those two statements do not in effect mean that he agrees with the suggestion made by Mr. Bishop in his paper read this morning, that we should drop compulsory arbitration and get on to voluntary arbitration and compulsory conciliation. It seems to me that there is no difference between Mr. Roberts and Mr. Bishop there, and I am pleased to see that particular phase of the discussion coming out at this point. I want to ask Mr. Roberts a question also with reference to the last paragraph on page 138, in which he talks about the right of labour to take some part in the management of industry: I want to ask him whether it is not the function of the worker to work and that of the manager to manage. It will be noticed that twice in Mr. Roberts's paper he suggests that wages should be based on a family of four or five. The figures based on the census returns show that there is a breadwinner to every two and a half of the population. I would like to know what basis there is for Mr. Roberts's suggestion that wages should be based on a family of four or five.

Mr. Smith: I intend to follow the example of Mr. Bloodworth and ask one or two questions for the purpose of ensuring historical accuracy. In regard to one of these questions there is possibly some excuse for inaccuracy on the part of Mr. Roberts, because in 1913 he was not in Wellington, or, if he

was, he was certainly not an official of the union. On page 134 he says: "During this period the staunchest supporters of the Court of Arbitration were the primary producers. Indeed, it may be as well to remind the farmers that in 1913, when the waterside workers and seamen attempted to withdraw from the Court of Arbitration altogether, which resulted in a lockout by the employers, the farmers organized free labour and by the use of force the transport workers were driven back under the Court of Arbitration." The first point I want to make in connection with that statement is this: that the farmers did not come into the ports to show their support of the Arbitration Court at all; they came in to load their produce and get it away to the overseas markets so as to avoid disaster, financial and otherwise, which might have come upon them. The question I want to ask is this: Is Mr. Roberts not aware, first, that in October, 1913, when the strike occurred, the waterside workers had been outside the Industrial Conciliation and Arbitration Act for nearly two years; and, secondly, that the seamen had been outside the Industrial Conciliation and Arbitration Act for nearly eighteen months.

Mr. Roberts: That is what I say.

Mr. Smith: No; Mr. Roberts said that they proposed to withdraw from the Court altogether. They had already withdrawn. Thirdly, is Mr. Roberts not aware that the trouble in October, 1913, was a strike and not a lockout, and that it arose from the Wellington watersiders striking in support of the shipwrights as the result of the decision of a stopwork meeting to do so, following on a written threat in the previous August that the watersiders would stand by the shipwrights in the event of trouble arising. That trouble with the shipwrights arose through the watersiders presenting, on behalf of the skilled workers, demands for increased wages and conditions, and in regard to travelling-time, which were of such considerable magnitude that the employers could not agree to them. My fourth question has reference to the statement on page 135, wherein Mr. Roberts refers to the cost of living. As regards the statement that the waterside rate on the basis of the cost of living should be 2s. 8d. an hour, is Mr. Roberts not aware that in 1912 the waterside workers received an increase of 2d. per hour, equivalent to 13·3 per cent., whereas the increase in the cost of living between 1903 and that date was only 12 per cent; and that in March, 1920, they received (following increases in 1916, 1917, and 1919) an increase of 3d. per hour, and in November, 1920, a further increase of 1d. making the percentage increase over 1914 64·7 per cent., whereas the Government Statistician's figures show the cost-of-living increase since 1914 to be 61 per cent. only. So that the watersiders were well ahead of the increase in the cost of living.

Mr. Polson: Mr. Chairman, I rise to a point of order. Assuming that a delegate has half a dozen questions to put, is he allowed only three minutes in which to put the lot of them?

The Chairman: Yes.

Mr. Polson: Then can he rise again and have another three minutes later on?

The Chairman: No. The writer of the paper has only fifteen minutes in which to reply to all the questions put by delegates, and if there are more than eight or ten questions it is not possible to reply to them all, and some of the questions are wasted altogether.

Mr. Bishop: On page 134 Mr. Roberts writes: "Recently there have appeared in the press statements by employers of labour and one or two economists which would lead people to believe that low wages are necessary to obtain general prosperity in the country." I think Mr. Roberts is mistaken there. I do not think that low wages have been advocated by anybody, but we have advocated strongly a lower cost of production. The question I want to ask Mr. Roberts is: How does he suggest we are to produce from the land and in our manufacturing industries at such cost as will enable the products to be sold at a profit in competition with lower-priced articles produced and manufactured in other countries? Then, on page 135 Mr. Roberts says: "In 1921 Parliament gave power to the Court of Arbitration to reduce wages by general order; but it may be as well to point out that Parliament gave no such power to the Court of Arbitration to increase wages by general order." I want to ask Mr. Roberts whether it is not a fact that the Court did increase wages prior to 1921 by awarding bonuses on its own initiative, practically by general order. Further, is it not a fact that the reductions of 1922 were based upon the cost-of-living figures for the previous six-monthly periods, so that the reductions lagged behind the fall in prices?

Mr. Jessep: On page 135 Mr. Roberts quotes waterside wages for 1913–14 at 1s. 5d. per hour, and for 1920, 2s. 3d. per hour. Following on this subject I want to ask whether Mr. Roberts claims that waterside workers or any one else is entitled to be permanently maintained on a pre-war basis. Secondly, in connection with the question of the actual rate of wages paid to waterside workers, and bearing upon the cost of handling goods, seeing Mr. Roberts quotes the wages, will he tell the Conference the percentage increase in the number of men now employed on waterside work to do the same jobs as in 1913? On page 134 Mr. Roberts refers to our produce, and I would like to ask him what proportion of the farmers' produce is purchased in New Zealand, and what is the governing factor in fixing the value of same to the farmer? Does not the wages fix the New Zealand value? Then, in connection with Mr. Roberts's remarks in regard to accommodation for married people in the country, is Mr. Roberts aware that the restrictions imposed upon the building trade have more than doubled the cost of erecting cottages in the country during the past ten years. I want to emphasize this, as it is the main point and our chief objection to the Arbitration Court.

Captain Colbeck: I wish to ask a question which has already been put in another form: How would the farmer benefit by the increased purchasing-power of the worker, since the farmer has to sell at world's parity? The next question is: Since labour is the largest factor in the cost of living, would not an increase in wages mean that the worker would lose more by such increase as a consumer than he would gain as a producer? I have here the figures relating to the cost of a suit made in America, and the figures have been prepared by the Federal Reserve Bank of the United States of America, and they show the cost of labour to be 44 per cent.; overheads, 34 per cent.; all material,

including trimmings, 11 per cent.; and the profit, 11 per cent. All the trimmings were made by labour also, the distribution is done by labour, and consequently, with labour costing 44 per cent., if you raise the cost of labour you would naturally raise the cost of the article to the consumer. I ask Mr. Roberts if that is not so. I also ask if it would not be wise for the labour people, instead of trying to increase wages, to concentrate on a reduction in the cost of production. In this connection I would like to call attention to the following figures prepared by the Cambridge Economic Service, showing the wholesale price index of eleven countries, based on sixteen articles of food, and nineteen materials: Sixteen articles of food accounted for 40 per cent., and the nineteen materials for 60 per cent., making 100 per cent. In England the regulation index number is 145. There is only one other country which is higher, and that is New Zealand, with 154. Sweden is 141; Canada and Belgium, 137; United States of America, 136; Italy and Holland, 129; Germany, 124 (all on gold); Africa, 117; France, 104. Our present price index is the highest in the world, and if you raise labour rates how will the poor farmer be able to feed the rest of the world?

Mr. Roberts's Reply.

Mr. Roberts: I am afraid that fifteen minutes will not permit me to deal properly with all the questions that have been asked regarding the cost of living and many other matters. The first question was asked by Mr. Williams, who called attention to this statement in my paper: "The labour movement insists on the right of the industrial unions to decide whether they shall register under the Court of Arbitration or not," and shall not be compelled by law to submit an industrial dispute to arbitration. Mr. Williams asks if I would not concede the same right to the employers of labour. My answer is this: As a student of history I know that the employers of labour throughout the world had all the right prior to restrictive laws being enforced against them. Every student of history knows what the employers did to the workers, and the state to which they reduced them. Would it be necessary for me to remind you of the slavery that went on in the British coal-mines?

Mr. Turner: Answer the question.

Mr. Roberts: I am doing so, and it is my question, Mr. Turner, and not yours. We have been gentle enough to your side. What is the position? The employers of labour cannot be trusted to extend the same treatment to the workers that the farmer expects to receive when he is working hard. Does he expect another man to sit on him and grind him to pieces? But the worker belongs to the subject class, and if the employers were allowed that freedom that some want, where would the English race be? I am not quoting a labour man in my reference, but I am quoting Shaftesbury, an employer of labour himself. No, we cannot allow what you ask, because of the fact that if the employer wants to raise the standard of living for himself he can do so by starving the worker without starving himself—he can, in fact, withhold the means of life from the worker. That is another reason for not giving the employer the same right. And let me call your attention to the fact that prior to the Arbitration Act coming into force you had a Sweating Commission in New Zealand. The employers had all the power prior to that Act, and what was the result? Women were working fifteen hours a day for 15s. per week. You cannot expect liberty under such conditions.

A Delegate: Men are working longer hours at less money to-day in primary industries.

Mr. Roberts: The employers are doing that. The men are not working the long hours where an award of the Arbitration Court is in existence, but where there is no award they are still working the long hours—that is, where the employers have that right without any laws to stop them. That is my answer to Mr. Williams. There is no comparison whatever. That is not the fault of the employers. I am not saying the employer is any worse than the worker, because it is the competitive system that compels the employer to-day to act as he does. An employer engages labour without any regard to whether the payment will help the workers to live comfortably. He is pressed down by the competitive system, and he has, possibly, to sell his commodity at a low rate. So the good man has no option but to follow the lead of the man who is indifferent to the needs of the workers, and the great stand-by of the reasonable employer of labour to-day is the trade-union movement, that forces all employers to follow the same methods of production, and improved conditions of employment. The next question by Mr. Williams is as follows: "Mr. Roberts stated that the minimum rates in recent years have become the standard rates in the overwhelming majority of industries. Is not this an argument against statutory wage-fixation by any tribunal?" My reply is this: Take, for instance, men who are digging up the streets, or men who are putting through a cutting—they are all doing the same amount and class of work: why should one man get a wage higher than another? The reason why the minimum rate has become the maximum rate on the waterfront is because all workers are expected to do the same amount of work, and they do as a rule carry out the same kind of work. I remember in New Zealand twenty-five years ago when employers gave another man a shilling a day extra to drive the other men along by speeding them up. That was dishonest; and these things created a grievance, distress, and discontent on the part of the labour movement against the employers, and there is no reason why it should not be ended. Under the present system there is no reason why there should not be a rate fixed by law definitely in that matter. The next question is that by Mr. Brechin: "Are the workers dissatisfied with the Court of Arbitration?" Certainly they are dissatisfied—not with the Court of Arbitration, but with the treatment the Court has meted out to them. They are in favour of settling all disputes by an arbitration tribunal; but they have held, and rightly so—and we can prove it—that they have not received justice on the basis laid down by the Court itself. I have in my paper some figures to show how the value of the pound has been reduced as regards its purchasing-power. I have indicated also that the workers to-day do not receive a wage-increase corresponding with that decrease in the purchasing value of the pound. In other words, their standard of living was less than that of other sections of the community; and, while the standard

of comfort was lowered, equal service is still demanded from them for the former value of the pound. The next question from Mr. Brechin is: "Generally speaking, the position of the workers is worse when improved methods of production are introduced. Does Mr. Roberts disagree with Mr. Nash's suggestion with regard to improved methods being introduced on farms, such as manuring?" My statement is not a contradiction of Mr. Nash in any way whatever. If there are one hundred men employed in a factory—let it even be a farm or any other place—and new machinery is introduced and it displaces fifty of those workers, throwing them on the unemployed market, it is naturally only common-sense to recognize the fact that those fifty workers are worse off than before the machinery was introduced. They are not able to find a new market. If, as Mr. Nash stated, reviving the soil of the present farms by artificial manuring increases the production of the farms, and that increased productivity allows the farmer to employ more labour on the farm because of his better income, then it would not affect the position.

A Delegate: He does not need the labour.

Mr. Roberts: He does not need the labour! If you concentrate all the manure in the world on the farm it still needs the addition of the human element, because it does not stop the noxious weeds and plants from growing up, as one can see all over New Zealand to-day. On the other hand, there are many of us here who have worked on farms, and we know what the conditions are. But one has only to travel on the trains to see farms going to waste in New Zealand at the present time through lack of proper attention and capital. One only needs to read the Government reports to find that that is true. As an illustration, I may say that I worked for some time in the Wellington Gas Co.'s Works. At that time there were thirty-six stokers employed, but a new machine was introduced and to-day nine or ten men are producing more gas than forty men previously.

Mr. Brechin: Well, what about it? That is our question.

Mr. Roberts: There is this much about it: that the money paid to the workers in wages in those days is now being paid in interest on borrowed capital for new plant—generally paid outside New Zealand—and this prevents the workers purchasing more of Mr. Brechin's produce—butter, and so on.

Mr. Brechin: Would you do away with machinery?

Mr. Roberts: No. But I have yet to learn that the farmers or the manufacturers have invented all the machines. The workers are responsible for more inventions of machines than anybody else, and they should benefit.

Mr. Brechin: Do not they get better gas?

Mr. Roberts: Well, I pay more for gas than I ever paid before, except for the "gas" here, which is a deluge. The next question is also from Mr. Brechin: "Is Mr. Roberts aware that in Australia the farm worker is compelled to pay 4d. to 6d. more per pound for butter than the town-dweller?" He is in a position to do it—in a very sound, strong position to do it. I have here a copy of the *Queensland Industrial Gazette*, and here are the wages paid in Queensland: First of all, their maximum hours are forty-four per week, as against the fifty-six to sixty hours under our cheese and butter factories award; and they get overtime for any hours worked in excess of forty-four.

Mr. Brechin: That has nothing to do with my question. What I asked was, "Are you in favour of the town-dweller having to pay 4d. to 6d. more than the farmers get for their butter overseas?" The farm-dweller is a very small user of butter, and he does not pay for it. You are hedging the question.

Mr. Roberts: I am not hedging your question.

Mr. Brechin: You are dodging it.

Mr. Roberts: I am not. You do not want to quarrel, do you?

The Chairman: His time is very nearly up.

Mr. Brechin: We will give him an extension.

Mr. Roberts: To proceed; In Queensland the rate of pay for the buttermaker is £5 10s. per week; for graders, £5 5s. a week; for testers, £5 a week; for butter-cutters (cutting over 4½ tons a week), £5 3s.; and for all other male employees, £4 15s. per week. As against these figures, the wages under our award here are: First assistant, £5 3s. 6d. a week; second assistant, £4 17s. 6d. a week; third assistant, £4 10s. 5d.; fourth assistant, £4 7s.; all others, £4 1s. per week: showing clearly that these men are unable to pay the higher price.

Mr. Brechin: Sir, I want to rise to a point of order. I do not know whether Mr. Roberts is intentionally evading the point.

Mr. Roberts: I am not evading it. Here is your question; read it yourself.

Mr. Brechin: My question is: "Is Mr. Roberts aware that in Australia the town worker is compelled to pay from 4d. to 6d. a pound more for butter than the farmers receive for butter on the London market?"

Mr. Roberts: I was only giving the case of the dairy-workers; and the Australian town worker is able to do that, too.

Mr. Polson: I move that Mr. Roberts be given an extension of time. We have asked him a large number of questions; it is only fair he should have more time.

Mr. Brechin: I second the motion.

The Chairman: If you are all agreeable, of course, Mr. Roberts can have an extension.

Delegates: No, no.

Mr. Roberts: Well, I say I should at least get the time I have lost through people interrupting. The position is that the workers in Australia are well able to pay that for their butter, and we say that the same should apply to New Zealand. The higher the wage—within reason, of course; there must be limits—the higher the price the worker can pay for what the farmer produces. Just another question I would like to answer, and that is the one raised by Mr. Smith about the 1913 strike. He

wants to tell us that it was not a lockout. I suppose we have not settled that point yet, but I declare it was a lockout. I was in Wellington in 1913 and took part in the strike, and I am proud of it.

Mr. Smith: Not as a union official.

Mr. Roberts: No; but a man can be alive without being a union official. When the waterside workers proposed and attempted to withdraw from the Court altogether, the farmers came down and drove them back by force.

Mr. Smith: They had withdrawn two years before.

Mr. Roberts: They attempted to continue away from the Court, and what I said was correct.

A Delegate: Ask Mr. Semple what occurred in Auckland.

Mr. Roberts: He can speak for himself. The farmers, as I stated, objected to the waterside workers withdrawing altogether from the Court, and drove them back under the Court in 1913. That is the point I want to make as against the attitude of the farmers to-day. It is necessary for me to take out figures very often on the wages of the waterside workers. I keep a register of the whole of the waterside workers employed in New Zealand, and I have taken out some figures showing the losses they have sustained during the period 1919 to 1927 on the basis of the diminishing purchasing-power of the pound as compared with the increases in wages obtained for the waterside workers either through the Court of Arbitration or through industrial agreements. In the table the average number of men for each year is set out, together with the average number of hours worked per week, the decreased purchasing-power to the total number of workers each year, the decreased purchasing-power of all the workers for the nine years, the decreased purchasing-power of each worker for the nine years, and the decreased purchasing-power of each worker for each year:—

Year.	Number of Waterside Workers in New Zealand.	Average Hours per Week.	Average Weeks per Year.	Amount per Hour under 1914 basis.	Amount short paid.
				d.	
1919	6,673	32	45	3½	£140,133 (on four groups).
1920	7,591	32	45	5½	£250,503 (on four groups).
1921	7,724	32	45	..	All square.
1922	6,539	32	45	1	£39,234 (on four groups).
1923	5,928	32	45	2	£71,136 (on four groups).
1924	6,315	32	45	1¾	£67,307 10s. (on all groups).
1925	5,952	32	45	1¼	£49,640 (on all groups).
1926	6,286	32	45	1¼	£47,145 (on all groups).
1927	6,500 (approx.)	32	45	1	£39,000 (on all groups).
					£704,098.

Mr. Smith: The central office shows that on the average they have gained 73 per cent. from 1913 to date.

Mr. Roberts: The figures quoted show that they have lost, from 1919 to 1927, £704,098, that is to say, the average number of 6,473 waterside workers was underpaid to that extent in that period. Each waterside worker was short-paid £108 15s. on the average for the eight-year period; or each worker was short-paid on the average £13 12s. each year. These figures have been checked, and I challenge anybody to show that they are wrong. There are other compensations which Mr. Smith would mention, but I have not time to deal with them now. (*Applause.*)

The Associated Chambers of Commerce of New Zealand.

Mr. Turner: 1. The questions that are referred to this Conference have been the subject during the past twelve months of much inquiry and discussion by the various Chambers of Commerce throughout New Zealand, and were the subject of a special report by the Associated Chambers of Commerce in conference in October last. It will be understood, no doubt, that the Chambers of Commerce include representatives not only of every class of business and commercial men, but in many cases of primary producers also. We therefore think that their point of view represents a sort of average of the views of all the other bodies on the employers' side of this Conference. That means, in fact, that our views have been, or will be, put forward substantially by the representatives of the other interests on this side of the Conference, and we think the Conference will therefore welcome our decision to submit only a condensed report.

2. In October last, at the Annual Conference of Chambers of Commerce, a report was adopted embodying the views of the Conference on the whole subject. This report was adopted when the Government's Amendment Bill was before the House, and in some respects is out of date; but the following points from the report are submitted as setting out substantially the view of the Associated Chambers on the main question before this Conference.

3. Before the Conference met the Associated Chambers issued a questionnaire to one thousand representatives of business and commerce, including manufacturers, leaders of industry and public life, merchants, builders, editors, farmers, members of Parliament, labour leaders, shopkeepers, and professional men. Analysis of the two hundred replies received show the following significant opinions:—

(*a*) Is the arbitration system responsible for the economic disabilities of high overhead cost of production and insufficient production?—*Answers:* 57 per cent., "Yes"; 7 per cent., "Partly"; 13 per cent., "Yes, jointly with other causes"; 15 per cent., "No"; 8 per cent., no reply.

(*b*) Should the Arbitration Court's power to impose regulations on industry be restricted ?—*Answers:* 77 per cent., "Yes"; 5 per cent., "Power should be revised"; 7 per cent., "No"; 11 per cent., no reply.

(*c*) Is the arbitration system in any way responsible for unemployment ?—*Answers:* 59 per cent., "Yes"; 23 per cent., "No"; 12 per cent., "No with qualifications"; 6 per cent., no reply.

(*d*) Should the Arbitration Court be abolished ?—*Answers:* 27 per cent., "Yes"; 44 per cent., "Functions and constitution should be revised"; 26 per cent., "No"; 3 per cent., no reply.

(*e*) Is the lack of adjustment between the price of primary and secondary products due to fixation of wages by the Arbitration Court ?—*Answers:* 42 per cent., "Yes"; 23 per cent., "Yes, with qualifications"; 16 per cent., "No"; 7 per cent., "No, with qualifications"; 12 per cent., no reply.

(*f*) Is the principle of preference to unionists a good one ?—*Answers:* 72 per cent., "No"; 6 per cent., "No, with qualifications"; 15 per cent., "Yes"; 5 per cent., "Yes, with qualifications"; 2 per cent., no reply.

The above figures indicate impatience with the regulation of the conditions and rewards of industry in widespread degree.

4. The report which we referred to in paragraph 2 above summarized the complaints which had been made against the system in the following terms: (*a*) That the system was good while wages and prices were rising, but now that the tide has turned it does not operate to general benefit; (*b*) the system limits production; (*c*) it increases costs; (*d*) it hampers progress; (*e*) it stifles initiative; (*f*) it promotes unemployment; (*g*) there is too great rigidity in the fixation and interpretation of conditions governing unemployment; (*h*) the welfare of the general public is disregarded.

5. The following is a summary of the principal recommendations which were adopted:—

(i) The Arbitration Court should be continued if its functions and constitution are revised.

(ii) Payment should generally be by results, and should be based on the value and volume of output. The principles enunciated in the Bill providing for payment by piecework should be adopted, and there should be in general less restriction of conditions under which industry may be carried on, and conditions in awards should be interpreted reasonably, not with cast-iron rigidity. Further, it should be made a penal offence for any persons to coerce or cajole any worker to restrict his output.

(iii) Wages should not be based on such artificial conditions as the size of a man's family, or the pre-war cost of living, but must be based on the economic position of the Dominion as a whole, the state of the primary producers, and the interests of the consumer.

(iv) Due regard must be given to the economic fallacy of attempting to maintain wages at an unduly high level under protection.

(v) Preference to unionists should be abolished.

(vi) Full opportunity should be given for all parties affected to make representations through their own representatives or counsel, or through other medium.

(vii) Employers should be advised and must be induced to adopt improved methods, and institute more efficient administratration in order to do their full part in the economic readjustment now facing the Dominion.

(viii) Finally, the Conference stated that it was not antagonistic to trades-unionism, but favours its legitimate existence and operations; it has not, and will not, oppose increase in money wages when justifiable; it nevertheless unequivocally affirms the principle that all movements in wages, costs, and prices must be directed towards the increase of real wages and reduction of the cost of living.

6. During the twelve months November 1926 to 1927 a wide and careful survey of the effects of the arbitration system and all other matters bearing on the problems involved was undertaken by the Department of Economics of Canterbury College, in co-operation with the Economics Committee of the Chamber of Commerce. The results were published in bulletin form, and we think that these are of such importance that we take the liberty of submitting as exhibits to this Conference the following seven bulletins:—

No. 22—A Survey of Production and Occupations.
No. 24—Economic Organization.
No. 27—Position of the Wage-earner.
No. 28—The Arbitration System.
No. 30—The Relations of Capital and Labour.
No. 31—Unemployment.
No. 34—Costs and Prices in Primary Production.

7. From time to time this investigation brought the Economics Committee up against what they consider are from the national point of view evil results of the arbitration system, and we have attempted in the following paragraphs a brief indication of what seem to be the most important of these aspects of the system. The notes are brief, and in many directions, no doubt, suffer from condensation. Any or all of the points, however, can be amplified if the Conference desires.

8. The Arbitration Act was passed in 1894 with certain definite and very laudable objects. We do not, however, think that it was ever intended it should develop into a wage-and-condition-fixing machine as it has done. It is submitted that not only has it gone far beyond its original intention, but that it has gone far beyond the point where the State should interfere with economic forces. It is submitted further that as a result of (*a*) its policy of basing wages not on the market value of the product of labour but on the cost of living, and (*b*) the hindrance which the system

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 increasd 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 (Agricultural and Pastoral).	Sheltered Manual Workers).
1926	170·0	149·4	175·6
Last quarter, 1926	170·6	149·4	176·2

PRICE INDEXES.

	All Wholesale Prices.	Import Prices.	Export Prices.	Animal Products.
1909–13	100·0	100·0	100·0	100·0
1926	161·9	158·9	152·6	141·0
Average of last quarter, 1926	160·7	158·6	138·1	133·2

SHELTERED PRICES.

	Milled Agricultural Products.	Textile Manufactures.	Wood Products.	Coal.
1909–13	100·0	100·0	100·0	100·0
1926	192·8	209·4	207·4	187·5
Average of last quarter	194·1	205·9	203·3	188·2

These are the prices of articles having for the most part a sheltered local market. There appears to be a close connection between high prices in these sheltered industries and high wages in the corresponding groups of wage-earners employed in the sheltered industries, and an equally close connection between the lower wages and the low prices of the unsheltered industries.

The crux of the matter as an argument against the arbitration system is that if the Court had not increased the wage in this instance the worker economically would have been unable to buy as much of the article as he used to do, and the producer would have been forced to adopt means to bring down the price to the level where he could sell it freely again. In other words, the matter would tend to adjust itself on economical lines without putting up costs all round to the ultimate damage of the farmer more than any one else.

14. The arbitration system of wage-fixation is held to be responsible to a large extent for the increase in unemployment. This argument is based on the case argued above, and the resulting unemployment is due in the main to two direct causes :—

(*a*) The farmer finds that with increased costs he cannot afford to pay the increased wages that are required, and there is a tendency for him to reduce the number of his workmen. There was a very good example of this kind of thing in Dunedin recently, though not in the farming industry. The City Council, faced by an increase in wages awarded by the Court, and with the same income as before, had to make the inevitable decision to reduce the number of their employees.

(*b*) The increased wages in the town attract men from the country, so that an oversupply is created in the town.

In support of these two arguments it is submitted—

(*a*) That there is evidence that farms have been abandoned in some cases, and that in many cases farm-work has fallen into arrears. It is not, of course, suggested that all this can be attributed to the system, but that much of it can be traced back to that cause. (See Year-book, pages 80, 96, and 444.)

(*b*) That official figures show that between 1923 and 1926 the mean population increased by 80,000 (over 6 per cent.), the numbers employed on the land decreased by 9,000 (over 6 per cent.)—*i.e.*, there was a fall of 12 per cent., or nearly one-eighth in the proportion of our population engaged in farming. By 1927 the decrease of farm employees had reached over 13,500, and there had been a considerable further increase in the mean population.

We submit that it is a fair inference that the unemployed are recruited from men who have drifted from the country into the towns, or from men displaced by such newcomers. The prevailing unemployment is due partly to the contraction of industry and partly to the drift to town ; but the farmer's unfavourable position is mainly responsible for both these factors.

15. Although we understand that the commonly quoted basis of a man, his wife, and two children, has no legal place in the wage-fixing system, it is commonly referred to, and we believe is commonly claimed as being the minimum basis for wage-fixing. We wish to draw attention to the fallacy of this assumption. The census figures show that 45 per cent. of the total population are bread-winners and 55 per cent. dependants, so that instead of one wage having to provide for four persons it has on the average to provide for less than two and a quarter persons. Other statistics can be abstracted from the census returns confirming the fact that the four-unit family is very far from being usual.

16. We wish to make it quite clear that, like, we are sure, every other body of employers in New Zealand, we do not want to see any lowering of the standard of living of a single worker in this Dominion. What we want is the relaxation of a system which we believe limits production. We want this relaxation in order that industry may, by regaining its natural economic flexibility, be able to provide a larger production, the benefits of which would be felt by the whole country, wage-earners as well as employers.

A Survey of Production and Occupations.

(Canterbury Chamber of Commerce Bulletin No. 22.)

INTRODUCTORY.

Population figures show that New Zealand is growing in numbers at a rate more rapid than that of almost any other country. Our people numbered 627,000 in 1891, 1,008,000 in 1911, and 1,325,000 in March, 1925, excluding Maoris in each case. We have approximately doubled in numbers during the last thirty years. This rapid development is likely to continue for many years to come. But the uncertainty and instability of economic conditions on produce prices, production costs, of industrial relations, markets and trade, that have been so marked a feature of the war and post-war years, have occasioned much industrial dislocation and many other economic difficulties. These disturbed conditions have led to some conflict of opinion and many varied suggestions regarding the direction our development should take. But the only sound ground on which to base constructive policies for furthering development is a wide and accurate knowledge of the past, present, and probable future of our industrial organization.

It is proposed, therefore, in this and following bulletins to attempt a general survey of our economic organization and its development, and to make some inquiry into the nature, distribution, and the interconnections of our industries, the position of those employed in industry, and into the general question of various industrial costs and industrial organization. It is hoped that such a survey, together with the presentation and scientific analysis of the facts of the case, will help to widen that essential knowledge of our economic organization without which really constructive proposals and policies are impossible. In making the survey the following topics will be discussed:—

(1) A Survey of Production and Occupations; (2) The Relation of Primary and Secondary Industries; (3) The Tariff Question; (4) The Position of the Wage-earner; (5) The Arbitration System; (6) Unemployment; (7) The Expansion of Overhead Costs; (8) Costs in Primary Production; (9) The Burden of Rates and Taxation.

The Distribution of Production.

The best account we have of the total value of production in the Dominion over a period, and its division amongst different industries, is that published in the Official Year-book. The figures are admittedly estimates only, and they do not include distributive services, but they are assessed on a uniform system throughout, and are therefore directly comparable from year to year, and they afford a very fair basis of comparison between the various productive groups. The official figures may be summarized as follows:—

Net Value of Production.

(In millions.)

Produce.	1900–1.	1910–11.	1920–21.	1923–24.
	£	£	£	£
Agricultural	4·1	4·0	9·0	7·2
Pastoral	11·0	20·2	27·5	32·9
Dairying, &c.	2·8	6·4	25·7	25·2
Mines	2·7	3·8	3·4	3·1
Forest	2·1	3·5	5·6	6·0
Fisheries	0·1	0·2	0·4	0·5
Factories	5·3	8·1	19·1	19·6
Building, &c.	3·9	5·8	9·2	11·5
Totals	32·0	51·9	100·0	106·0

All these figures are for net production only, and the definitions may appear somewhat artificial. Pasture grasses and fodder crops, for instance, are not included as agricultural products, as they reappear in the value of pastoral and dairying products. Factory products are assessed at added values only—that is, the gross value of factory products less the value of the materials used in production—and represent, therefore, the value of net factory output, and they do not include the products of freezing-works and dairy factories, which are included as pastoral and dairy-produce.

If the first six classes are regarded as the extractive or primary industries, and the last two classes as the complementary or secondary industries, the figures show that the proportionate values of output of these two groups has varied but little during the present century.

Percentage of Value of Total Product.

——	1900–1.	1910–11.	1920–21.	1923–24.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Primary group of industries ..	71	73	72	71
Secondary group of industries ..	29	27	28	29
	100	100	100	100

There has, however, been considerable change in the percentages contributed by the main industries in the primary industries group, where the share of dairying has increased greatly, while that of agriculture has fallen by almost half, and that of the pastoral industries has fallen slightly. The proportionate share of mines, &c., has decreased, but this is mainly due to the fixed price and the reduced output of gold. The figures are as follows:—

Percentage of Values of Primary Produce.

From	1900–1.	1910–11.	1920–21.	1923–24.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Agriculture	18·0	10·5	12·6	9·6
Pastoral	48·0	53·0	38·4	44·0
Dairying, &c.	12·3	16·8	36·0	33·6
Mines, forests, and fish ..	21·4	19·7	13·0	12·8
	100·0	100·0	100·0	100·0

Owing to the difference in classification the official figures for factory production are not strictly comparable with those given above. The definition of a factory is comprehensive, and includes every "establishment engaged in manufacture, repair, or preparation of articles which employs at least two hands, or uses motive power," with certain unimportant exceptions. Jewellery, boot and saddlery repairing, are here included, as are dairy factories, meat-works, newspaper offices, establishments producing heat, light, and power, &c., as well as

others generally recognized as factories. The statistics for the latest year available, 1923–24, show the gross and net product, value of plant, and number of establishments to be as follows :—

Factory Production, 1923–24.

Class of Product.	Gross Value of Product (in Millions).	Value of Net Product (Added Value in Millions).	Value of Plant, &c. (in Millions).	Number of Establishments.
	£	£	£	
Animal food	33·1	6·8	8·5	538
Vegetable food	6·4	1·7	1·9	130
Drinks, &c.	1·9	1·1	1·2	211
Other animal matter	1·1	0·5	0·4	66
Wood products	5·9	4·3	3·3	625
Heat, light, and power ..	4·6	2·2	15·8	146
Stone, clay, and glass	1·9	1·5	1·4	166
Non-precious metals	3·1	1·9	1·9	375
Publications	3·6	2·7	2·5	292
Vehicles	1·9	1·2	2·2	738
Leatherware and saddlery ..	3·0	0·8	0·6	161
Furniture	1·4	0·7	0·9	294
Chemicals, &c.	1·0	0·4	0·5	60
Textiles	1·5	0·7	0·8	16
Apparel	3·9	1·8	1·6	311
Other classes	2·7	1·7	2·0	342
Totals	77·0	30·0	45·5	4,471

The connections between the facts disclosed in this and preceding tables will be analysed when the relations of primary and secondary industries are discussed.

Distribution of Occupations.

A survey of the numbers of people employed in the various occupations supports the conclusions reached from some of the tables presented in the last section. The following table shows a great increase in the numbers employed in dairying during the last ten years, a slight decrease in those employed in pastoral pursuits, and a big decrease in those employed in agriculture :—

Numbers employed on Land.

	Agricultural.	Pastoral.	Dairy.	Total.
1915–16	25,000	53,000	49,000	127,000
1917–18	16,000	56,000	47,000	119,000
1919–20	16,000	60,000	56,000	132,000
1921–22	18,000	48,000	69,000	135,000
1923–24	15,000	52,000	77,000	144,000

Comparable figures for the secondary industries are not available over a long period on the basis of the classification used in the previous sections and taken from the official figures for production. But the census returns give some interesting information regarding the distribution of individuals amongst various occupations. Here, however, the classification is again different. Primary industries are taken to include fishing, mining, and sawmilling, as well as farm production, and industrial pursuits include treatment of raw materials, all manufactures, building and construction of all kinds, and gas, water, and electricity supply. The next table gives the percentage of all persons occupied in the various classes over a period of thirty years :—

Percentages occupied in Industrial Groups.

——	1891.	1901.	1911.	1921.
Primary production	35·8	32·9	28·7	27·7
Industrial	27·9	29·7	29·4	26·5
Commerce and finance ..	11·0	11·7	14·5	15·0
Domestic service	9·9	10·1	9·7	8·3
Public administration and professional	6·3	6·9	7·2	9·4
Transport and communication ..	6·1	6·4	8·0	9·6
Indefinite	3·1	2·2	2·4	3·5

This table shows a considerable fall in the proportion employed in primary production. Most of it is due to the relative decline in numbers employed in agricultural as distinct from pastoral occupations, and the last decade shows but little decrease. The heavy fall in the industrial group during this decade is more noticeable as it occurred before the full effects of the depression of 1921 were felt. The increase in the proportions occupied in commerce and finance is due mainly to an increase almost eightfold in the number of women employed; in the public administration and professional group women have increased slightly more than men, and in the transport and communication group the increase has been mainly of men.

Summary and Conclusion.

The foregoing survey of the facts of our industrial development brings out certain broad features that need to be stressed. Of the total value of production as estimated by the Government Statistician, from 71 to 73 per cent. is represented by primary production, and the greatest part of this is directly from the land. On the land, dairying has been growing rapidly at the expense of agriculture, and pastoral farming, which has been subject to greater fluctuations, appears to have declined relatively to the primary industries as a whole. There is little difference to be distinguished between the rate of growth of the secondary group industries and the primary group. The apparently parallel rate of progress is due to the fact, obvious from the analysis of the secondary industries, that they are in the main complementary to the primary industries. The largest of

these industries are engaged in the finishing processes for primary produce, meat-works, dairy factories, and the timber-mills, and there is an important secondary group engaged in the provision of necessary services, heat, light, and power, publications, and the manifold repair industries. The connection between the primary and secondary industries will be further analysed in the next bulletin of this series.

The analysis of occupations shows a marked trend of population from rural to town employment, and from directly productive to distributive and administrative services, during the last thirty years. The drift is sufficient in itself to occasion concern, and further inquiry will be made into its causes. It is the aim of this bulletin to set out the facts. The analysis of causes must be reserved for later stages in the inquiry.

Economic Organization.

(Canterbury Chamber of Commerce Bulletin No. 24.)

1. Production and Occupations.

A preliminary survey of production and occupations was undertaken in Bulletin No. 22 of this series. It showed in brief that, according to the official figures, the total value of net production in New Zealand approximated £106 millions 1923–24, the latest year for which figures are available. The shares of total production contributed by the primary and secondary industries respectively have varied little since the beginning of the present century, the primary industries contributing from 71 to 73 per cent., and the secondary industries from 27 to 29 per cent. of the total. Within the primary industries group the proportion contributed by agriculture, mines, forests, and fisheries has fallen considerably during the past twenty-five years, that of the pastoral industry has fallen slightly, while the share contributed by dairying has increased greatly.

Under the official classification used for estimating the value of production, in which the output of meat-works, dairy factories, &c., is included under primary products, the net factory production was £19 millions. But under the different official classification of secondary industries, the gross product of these industries for 1923–24 was valued at £77 millions, which is the figure most commonly quoted; the net product, or value added at current prices in the manufacturing processes undertaken, was £30 millions.

Analysis of the secondary industries, however, shows that the largest and most important of the secondary industries are engaged in preparing primary products for market—animal foods account for £33 millions of the total gross product—and there is a further important group engaged in supplying essential local services, such as heat, light, and power.

But the initial production, or the creation of economic goods, although fundamental and of first importance, is not the whole of economic life. Production and exchange must both be financed, and the goods produced have to be collected and distributed throughout the community and the world. Hence a considerable part of our resources, both human and material, are devoted to transport and communication, commerce and finance, administrative, professional, and other services, all of which are more or less directly interconnected with production. The distribution of population amongst various occupations varies from country to country, and depends mainly upon marked differences in resources of production. A significant comparison of these variations is presented in the 1921 Census Report, where the New Zealand occupations have been so classified as to make them directly comparable with those of South Africa and of England and Wales.

Industrial Distribution of Population.

(Percentages.)

—	New Zealand.	South Africa (Europeans only).	England and Wales.
Primary production	27·8	34·0	14·2
Industrial	21·8	18·4	39·8
Transport, commercial, professional, &c.	50·4	47·6	46·0
Total	100·0	100·0	100·0

In each of these countries about half the employed population is engaged in directly productive occupations, the percentages being 49·6 in the case of New Zealand, 52·4 for South Africa, and 54·0 for England and Wales. But South Africa was nearly two-thirds of her producers engaged in primary production, England and Wales has little more than one-fourth, and New Zealand about four-sevenths; the remainder in each case are employed in industrial production. Those engaged in services which are not directly productive, the commercial, transport, and administrative services, &c., number slightly more than half the total in New Zealand, and a little less than half in the other two countries.

2. Distribution of Occupations.

The root causes of the differences in industrial organization here revealed lie very deep. They are to be found in geographical differences, in the widely different types of physical resources which are the basis of all production. South Africa's mineral wealth, her sparse population, and her wide expenses of veldt make her mainly a country of extractive industries. Britain's endowment of coal and iron, her unique geographical position at the centre of the world's trading peoples, and her dense population make her mainly a manufacturing and commercial country; New Zealand's wealth of soil and climate, combined with her position remote from centres of world production and trade, and her sparse population, make it inevitable that her chief products should come directly from the soil and be exported in the most concentrated form, such as animal foodstuffs and wool.

The usual broad division of our industries into the primary and secondary industrial groups, though useful and necessary for statistical classification, is unduly simple and is therefore misleading. A much truer picture is presented in the following classification of persons employed in the Dominion (from the 1921 Census Report). Detailed figures are given only where over 5,000, and then to the nearest thousand.

Distribution of Occupations.

	Number.	Percentage of Total.
Primary production (dairying, 58,000; sheepfarming, 32,000; agriculture, 17,000; mixed farming, 11,000; forestry, 10,000; mining, 8,000)	152,000	27·8
Industrial production (building, 25,000; food, drink, and tobacco, 20,000; engineering, 13,000; road and railway construction, 8,000; books and printing, 5,000) ..	119,000	21·8
Commercial (property and finance, 13,000; textile trades, &c., 14,000; mixed businesses, 10,000)	79,000	14·5
Transport and communication (railways, 15,000; post and telegraph, 10,000; shipping, 8,000; carrying, 6,000; on wharves, 5,000)	55,000	10·1
Professional (local and general government, 9,000; law and order, 5,000; health, 11,000; education, 15,000)	52,000	9·5
Domestic and other groups (domestic service, 22,000; hotels and boardinghouses, 14,000; independent, 32,000; not stated, 13,000)	88,000	16·1
Total breadwinners	546,000	
Dependants	673,000	
Population (excluding Maoris)	1,219,000	

This classification shows that more than a quarter of our occupied population is engaged in primary production, a little over a fifth in industrial production, and just over half in other pursuits which are not directly productive. The primary industries are a homogeneous group easily recognized, and consisting mainly of farming of all kinds, timber, and mining. But the industrial group is decidely heterogeneous and includes all the minor industries of the Dominion, road and railway maintenance workers, refuse-collectors, undertakers, and all the miscellaneous repair industries, such as the village blacksmiths, plumbers, carpenters, painters, &c.

3. The Classification of Industries.

The census classification of occupations is the best available for a composite presentation of the distribution of our population throughout the various types of employment, but for an analysis of the nature of our industrial production it is better to refer to the official classification of factory production. A factory is here defined as an "establishment engaged in manufacture, repair, or preparation of articles for trade or export which employs at least two hands or uses motive power." Hence repair shops as well as factories are included, as long as two employees are engaged or motive power is used, and a large number of very small businesses supplying purely local needs come within the classification.

The following is the official classification of these industries:—

Factory Production, 1923–24.

Class of Product.	Gross Value of Product (in Millions).	Value of Net Product (Added Value) (in Millions).	Value of Plant, &c. (in Millions).	Number of Establishments.
	£	£	£	
Animal food	33·1	6·8	8·5	538
Vegetable food	6·4	1·7	1·9	130
Drinks, &c.	1·9	1·1	1·2	211
Other animal matter ..	1·1	0·5	0·4	66
Wood products	5·9	4·3	3·3	625
Heat, light, and power ..	4·6	2·2	15·8	146
Stone, clay, and glass ..	1·9	1·5	1·4	166
Non-precious metals ..	3·1	1·9	1·9	375
Publications	3·6	2·7	2·5	292
Vehicles	1·9	1·2	2·2	738
Leatherware and saddlery ..	3·0	0·8	0·6	161
Furniture	1·4	0·7	0·9	294
Chemicals, &c.	1·0	0·4	0·5	60
Textiles	1·5	0·7	0·8	16
Apparel	3·9	1·8	1·6	311
Other classes	2·7	1·7	2·0	342
Total ..	77·0	30·0	45·5	4,471

The fortunes of these industries are greatly influenced by the conditions governing the marketing of their output. But the market conditions under which they sell their products differ greatly, and the differences, which are not apparent in the above official classification, are of great practical importance at the present time. It is well, therefore, to regroup these industries in a way that will reveal these significant differences in market conditions. This rearrangement has been attempted in the table given below. Group I contains industries manufacturing primary produce mainly for export, but partly for the local market. Group II includes industries producing mainly, and as a rule wholly, for the local market, but subject in very small degree to the competition of imports. Group III comprises industries producing usually for the local market only, but subject in considerable degree to the competition of imports.

Secondary Industrial Groups.

Product.	Gross Value of Product (in Millions).	Value of Net Product (Added Value), (in Millions).	Number of Establishments.
Group I—	£	£	
Animal food	33·1	6·8	538
Other animal matter	1·1	0·5	66
Totals	34·2	7·3	604
Group II—			
Drinks, &c.	1·9	1·1	211
Heat, light, and power	4·6	2·2	146
Stone, clay, and glass	1·9	1·5	166
Publications	3·6	2·7	292
Vehicles	1·9	1·2	738
Furniture	1·4	0·7	294
Chemicals	1·0	0·4	60
Totals	16·3	9·8	1,907
Group III—			
Vegetable food	6·4	1·7	130
Wood products	5·9	4·3	625
Non-precious metals	3·1	1·9	375
Leatherware and saddlery	3·0	0·8	161
Textiles	1·5	0·7	16
Apparel	3·9	1·8	311
Other classes	2·7	1·7	342
Totals	26·5	12·9	1,960
Grand totals	77·0	30·0	4,471

The products included in Group I have to be sold, as a rule, in competitive overseas markets, after meeting transport costs to those markets. They are entirely unsheltered against the competition of rival producing countries. The products of Group II enjoy an almost completely sheltered local market, for, though a fraction of the products classed as glass, publications, vehicles, &c., may meet some competition from imports, the bulk of the products included in this group has the local market to itself, either because the product must be locally produced to meet particular local needs, as in the case of repair industries, newspaper publications, and heat, light, and power, or because, as in the case of bulky goods such as stone and clay goods or furniture, transport costs from overseas are prohibitive. Group III contains almost all the products which are subject in appreciable degree to the competition of imports. But some part of each class in the group is not subject to such competition. Vegetable food is mainly flour; wood products include the output of sawmills and sash and door factories; non-precious metals include all the engineering repair industries; and a considerable part of saddlery, apparel, and the other classes is either repair work or has for other reasons a secure and sheltered local market.

The net output of this group is valued at £12·9 millions. If allowance be made for repair work and the proportion of new output in each class which enjoys a secure local market, then the remainder of the output of this group is perhaps worth, at a generous estimate, about £8 millions. This residue is sheltered, in that competing imports have to pay transport costs to the local market, and in most cases pass a Customs barrier as well, but it does not enjoy a secure local market as do most of the products of Group II.

Analysis of secondary industries grouped along these lines is essential to any effective consideration of the relations and relative importance of our various industrial interests. The net total product of New Zealand is valued at £106 millions; that of the industries which really have to meet foreign competition in the local market is in the neighbourhood of £8 millions, or less than 8 per cent. of the whole. The product of the big export industries (pastoral and dairying), which meet world competition in our export markets, is £58 millions, or about 55 per cent. of the total. The remaining 37 per cent. of our production, both primary and secondary, is sold in a naturally sheltered local market.

The chief economic difficulties of the Dominion in the post-war period are traceable to the disparity between prices and costs throughout these groups of industries. The sheltered industries still receive high prices for their output, many of these prices being in the neighbourhood of double the pre-war level. The unsheltered industries have the prices for their produce determined by overseas competition, and these competitive prices cluster round about 50 per cent. above the pre-war level. The prices received by the sheltered industries, as well as those of the various commercial and transport industries, determine costs in the unsheltered industries, and in many cases these basic industries cannot make costs and prices meet.

Position of the Wage-earner.

(Canterbury Chamber of Commerce Bulletin No. 27.)

1. The Wage-earners.

Some estimate of the relative numerical importance of wage-earners, and of particular groups of wage-earners, is essential as a basis for investigation of their position in the economic organization of the Dominion. The figures given below are all from official sources—from the occupational statistics of the latest available census report, that of 1921, and the statistics of the Abstracts and the Year-book, which are more up to date. These statistics show that the relationships of the broader groups within our population change but little, and over many years about 44 per cent. have been classed as breadwinners, about 56 per cent. as dependants, while about 30 per cent. are classed as wage-earners and included among the breadwinners. Changes in the distribution of population between the chief occupational groups are greater in extent, but slower in development, and are therefore small over short periods. The following table shows the details of occupational distribution in 1921:—

Occupational Distribution of Population, 1921.

	Numbers (Thousands).	Percentages of Total.		
		Males.	Females.	Both Sexes.
Employers	50·5	7·6	0·5	4·2
Own account..	72·9	10·3	1·5	6·0
Relatives assisting	12·1	1·1	0·9	1·0
Wage-earners	370·6	45·0	15·2	30·4
Not applicable	711·9	36·0	81·9	58·4
Totals	1,218·0	100·0	100·0	100·0

The "not applicable" group of 712,000 includes, besides dependants, who number 688,000, a small number of breadwinners (24,000), whose occupations are undefined. But in order to bring out the relative proportions of proprietors (employers and one-man-business workers) and wage-earners, the whole "not applicable" group and the "relatives assisting" may be omitted, and the remainder of the table summarized as follows:—

Proprietors and Wage-earners.

	Numbers (Thousands).	Percentage.		
		Males.	Females.	Both Sexes.
Proprietors	123·4	28·5	11·6	25·0
Wage-earners	370·6	71·5	88·4	75·0
Totals	494·0	100·0	100·0	100·0

This table shows that over that part of our population actively engaged in industry there are, on the average, almost exactly three wage-earners to each proprietor. The proportion of male wage-earners is a little less than this; that of female wage-earners considerably greater.

The next table shows the distribution of both proprietors and wage-earners amongst the chief industrial groups. Unclassified groups are omitted, and the totals are therefore a little less than in the preceding tables :—

Industrial Groups.

—	Proprietors.		Wage-earners.	
	Number.	Per Cent.	Number.	Per Cent.
Primary production	69,600	56·8	71,900	20·0
Industrial	19,700	16·1	98,700	27·5
Transport and communication	4,900	4·0	50,300	14·0
Commerce and finance	16,000	13·1	59,700	16·7
Public administration and professional ..	7,600	6·2	42,500	11·8
Domestic and personal service	4,700	3·8	36,000	10·0
Totals	122,500	100·0	359,100	100·0

This table shows the same average proportion of one proprietor to three wage-earners, but there are wide differences in the industrial groups from which the average is taken. In primary production the number of proprietors almost equals the number of wage-earners. More than half the proprietors and one-fifth of the wage-earners are found in this group, and together they constitute the most numerous and important single group of producers in the Dominion. Obviously, the dominant type of organization in this group is the one-man farm. In other groups the number of wage-earners per proprietor varies from ten in transport and communication to less than four in commerce and finance. But the whole table, with its average of only three wage-earners to each proprietor, furnishes convincing evidence that the commonest type of business in New Zealand is very small, and that the great majority of businesses are under the control of working proprietors whose incomes and standards of life probably differ but little from those of the wage-earners they employ.

2. Wage-earners, Trade-unions, and Arbitration.

To compare the foregoing figures (from the 1921 census report) with figures for 1925 and 1926 they require to be brought up to date. They are the latest available, but the proportions of wage-earners and proprietors have changed little over the fifteen years ended 1921, and it is fair to assume they have changed little in 1921–26. Between 1921 and 1925 the population increased 8½ per cent. A similar increase brings the total of proprietors up to 134,000 and the total of wage-earners up to 402,000.

It is commonly assumed that the Arbitration Court settles wage disputes between wage-earners and their employers; but wage-earners approach the Arbitration Court only through their registered trade-unions. Out of the 402,000 wage-earners, only 100,500, or 25 per cent., were financial members of trade-unions in 1925. In addition, there is a varying number of unfinancial members not included in the union returns, but estimated by a labour authority at about 20 per cent. These unionists are not fully representative of the whole of industry, but rather represent special industrial groups. The range and extent of representation are shown in the following tables. Estimates have been made for the 1925 numbers in industrial groups by adding 8½ per cent. (the population increase) to the 1921 census numbers for each group, and these are compared with the trade returns for each group in 1925 :—

Wage-earners and Trade-unionists—Numbers.

—	Total Wage-earners.	Trade-unionists.	Estimated Non-unionists.*
Industrial	107,000	51,000	56,000
Transport and communication	54,500	26,900	27,600
Domestic and personal service	39,000	7,800	31,200
Primary production	78,000	6,100	71,900
Commerce and finance, public administration, professional, and unclassified	123,500	8,600	114,900
Totals	402,000	100,400	301,600

* Including unfinancial unionists, totalling perhaps 20,000.

In the next table these figures have been reduced to percentages :—

Wage-earners and Trade-unionists—Percentages.

—	Per Cent. of Total Wage-earners.	Per Cent of Total Unionists.	Per Cent. of Groups who are Unionists.*
Industrial	26·6	50·8	47·7
Transport and communication	13·5	26·7	49·3
Domestic and personal service	9·7	7·8	20·0
Primary production	19·4	6·1	7·8
Commerce and finance, public administration and professional, miscellaneous	30·8	8·6	7·0
	100·0	100·0	25·0

* Financial unionists only.

It is not certain that the industrial and unionist groups are exactly comparable in the above tables, but they are certainly comparable in sufficient measure to justify the general conclusions of the table, which brings out clearly the comparatively narrow range of trade-unionism amongst the wage-earners. In the industrial group, mainly manufacturers, building, printing, &c., about half of the wage-earners are unionists. This proportion would be greater if apprentices and other embryo unionists were included. A similar proportion holds for the transport group, including shipping, wharves, railways, &c. Domestic and personal service has 20 per cent. of its wage-earners in trade-unions, and these are mainly hotel and restaurant workers. In primary production less than 8 per cent. of the wage-earners are unionists, and of these unionists more than half are miners. There are 8,600 "miscellaneous" unionists, who may be spread over the other groups; but it appears that, though there are some guilds and other associations, unionism is negligible in the agricultural and pastoral, commerce and finance, and public administration and professional groups, who together constitute, roughly, half of the total wage-earners.

This means that they are not directly subject to review by the Arbitration Court. The Arbitration Court does directly review and determine the wages of most unionist wage-earners; but a large group of 11,000 unionist railway workers lies outside the scope of the Court. These set off, in part, the unfinancial unionists, apprentices, &c., not included in the returns of trade-unionists. It seems a fair conclusion, therefore, that, as recorded trade-unionists represent 25 per cent. of the wage-earners, the proportion whose conditions are reviewed for the purpose of Court awards is somewhat larger than this, but not more than 30 per cent. Acting largely upon the information obtained in its examination of the conditions of this limited section of the wage-earners, the Court makes decisions which apply not only to trade-unionists, but also to non-unionists in occupations governed by awards, and which are accepted as standards over a wide range of other occupations as well. Consequently the Court exerts a powerful though indirect controlling influence over the wages of a proportion of the wage-earners much larger than the estimated 25 to 30 per cent. who come directly under its examination.

3. Wage Levels and Prices.

These conditions exercise a considerable influence upon the wages and conditions prevailing in the various industrial groups, and upon the amount of public attention they secure. The Arbitration Court, dealing directly with the wages of less than 30 per cent. of the wage-earners, determines indirectly the wage standards for a much larger section; while the trade-unions, including only one-fourth of the wage-earners in their financial membership, are often regarded as representing the whole of the wage-earning groups.

Consideration of wage-rates brings out again the disparity noted in previous bulletins between the conditions of sheltered and unsheltered industries. The published information regarding wage-rates is practically confined to manual workers—about one-half of the total wage-earners—and a marked difference appears between recorded wages of manual workers in sheltered and in unsheltered occupations. With the single exception of the agricultural and pastoral group, which is the largest individual group, the official index number of wages is confined to rates for mainly manual workers in sheltered industries—the industrial, transport, and hotel and restaurant groups. In fact, the Year-book states that, with the exception of agricultural wages, obtained from the Labour Department, and railway wages, obtained from the Railway Department, the index number is based almost entirely upon the awards of the Arbitration Court. The official "average wage for all industrial groups combined" is thus representative of special groups rather than of all groups of wage-earners. As given in the *Abstract of Statistics* it indicates that wages in 1926 were 58 per cent. above the 1914 level. This is the figure most commonly quoted, and it is usually regarded as comparable with other pre-war price indexes. But the chief of these indexes, those for wholesale, export, and import prices, are on the broader and safer base of the five pre-war years, 1909–13. The Year-book publishes indexes for wage-rates based on Dominion averages for the same years, which are therefore directly comparable with these price indexes. The comparison is made in the following tables, where figures have been computed from the official indexes:—

Wage Indexes.

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

—	All Wage Groups.	Unsheltered Agricultural and Pastoral.	Sheltered Manual Workers.
1926	170·0	149·4	175·6
Last quarter, 1926	170·6	149·4	176·2

Price Indexes.

—	All Wholesale Prices.	Import Prices.	Export Prices.	Animal Products.
1909–13	100·0	100·0	100·0	100·0
1926	161·9	158·6	152·6	141·0
Average of last quarter, 1926 ..	160·7	158·6	138·1	133·2

The wage indexes show a wide disparity in wage-rates, unsheltered agricultural and pastoral wages being about 50 per cent. above the 1909–13 wage-level, and sheltered wages about 76 per cent. above that level. Sheltered wages, too, determined mainly by the Arbitration Court, have been rising since 1923, and are apparently still rising. Wholesale prices have fallen steadily since 1924, import prices since 1920, and export prices, which fell heavily in 1925–26, are at a relatively low level. These low prices are for unsheltered products, sold mainly in competitive overseas markets. It is instructive to compare the price-levels of certain more sheltered products:—

Sheltered Prices.

—	Milled Agricultural Products.	Textile Manufactures.	Wood Products.	Coal.
1909–13	100·0	100·0	100·0	100·0
1926	192·8	209·4	207·4	187·5
Average of last quarter, 1926 ..	194·1	205·9	203·3	188·2

These are the prices of articles having for the most part a sheltered local market. There appears to be a close connection between high prices in these sheltered industries and high wages in the corresponding groups of wage-earners employed in the sheltered industries, and an equally close connection between the lower wages and the low prices of the unsheltered industries.

4. Conclusion.

In the absence of fuller information regarding wages among the non-manual wage-earners precise and definite conclusions cannot be drawn regarding the relative positions of all the different groups. There is, however, considerable indication that wages in sheltered industries, and subject mainly to Arbitration Court awards, are relatively high compared with wages in unsheltered industries. These high wages are partly the effect, partly the cause of the high prices received for the products of those industries, and they exert a considerable influence on the cost of living, which is undoubtedly a chief factor considered by the Arbitration Court in making its awards. There is reason, too, for believing that the relatively high wages of workers in sheltered town industries, where the influence of the Court is great, have attracted many wage-earners from the unsheltered rural industries, where the Court's influence is less. But the unsheltered industries provide a large part of the market for the products of the sheltered industries. Wages in the latter industries are 76 per cent. above the pre-war level; prices higher still. It is difficult to see how the

unsheltered industries, receiving prices only about 40 per cent. above pre-war level for their products, can afford to buy at present prices their usual quantities of goods produced by the sheltered industries; or how all the workers can continue to be employed in those industries if the market for their products is curtailed because buyers' incomes are unequal to sellers' prices. Is this a cause of the present unemployment problem? The question raises large and important issues. It includes the whole question of the soundness or unsoundness of our present arbitration procedure, and the general problem of unemployment as well. These two questions will provide the subject-matter for Bulletins Nos. 28 and 30.

The Arbitration System.

(Canterbury Chamber of Commerce Bulletin No. 28.)

1. Its Aim—Industrial Peace.

More than thirty years have passed since in 1894 the Parliament of New Zealand, "mildly interested, rather amused, very doubtful," passed the Industrial Conciliation and Arbitration Act. Its object was to encourage the formation of industrial unions and associations, and to facilitate the settlement of industrial disputes by conciliation and arbitration. "Frankly," said Mr. Reeves, who introduced it, "the Bill is but an experiment, but it is an experiment well worth the trying. Try it, and if it fail, repeal it."

Such was the spirit in which New Zealand accepted the experiment of compulsory arbitration. Following upon a period of serious industrial strife, the Act aimed to provide official tribunals before which representatives of employers and wage-earners might meet, and in a calm judicial atmosphere discuss and settle their differences dispassionately and without resort to industrial conflict. For the next ten years industrial peace appeared to have been achieved. The Conciliation Boards were used less than had been expected; but the Court, which had been regarded as merely a Court of appeal, before which intractable cases might be brought for final decision, shouldered the additional burden; times were prosperous, prices and wages rose steadily, no serious industrial stoppages occurred, and in many quarters New Zealand's system of compulsory arbitration was regarded as having settled the strike problem.

Twenty years have passed since that period of peace ended, and it appears now that peace was due not to compulsory arbitration alone, but also to the considerable volume of additional legislation for improving labour conditions, to relief from the depression which prevailed in the early "nineties," and to the rising tide of prices and prosperity which made continuous wage increases possible. From 1906–7, when a temporary setback to the country's prosperity checked the rising trend of wages, the Court's power to secure industrial peace began to wane, and, despite many amendments and consolidations in the Act, industrial troubles became more frequent. The stronger and more militant unions in particular, whose disputes the Court was designed to control, learned to place themselves beyond the Court's jurisdiction at their convenience by declining to register or cancelling their registrations under the Act. The Industrial Disputes Investigation Act, which followed the serious conflicts of 1913, was a tacit admission of the inability of the arbitration system to secure the measure of control which had been expected of it.

The official records of disputes involving stoppage of work from 1906 to 1925 are summarized in the following table:—

——	Strikes.	Lockouts.	Total Stoppages.
1906–10	22	3	25
1911–15	146	1	147
1916–20	221	1	222
1921–25	299	2	301
Totals	688	7	695

One stoppage of work occurred in 1906; the number gradually increased till it reached 73 in 1913; it fell during the war, but rose to 77 in each of the years 1920 and 1921; it fell to 34 in 1924, but reached the record number of 83 in 1925.

The official figures for the distribution of disputes since 1906 may be summarized as follows:—

Disputes in	Whole Period: 1906–25.	Fifteen Years: 1906–20.	Last Five Years: 1921–25.
Food, drink, &c.	102	65	37
Mining	242	135	107
Shipping and cargo-working ..	215	86	129
Totals for three groups	559	286	273
All other groups	136	108	28
Totals	695	394	301

During this period, from 1906 to 1925, the total of disputes involving stoppages of work in New Zealand numbered 695, of which 242 were in mining, 215 in shipping and cargo-working, and 102 in food, drink, &c. (mainly freezing-works), or 559 stoppages in these three industrial groups combined. Over this major part of the field of industrial trouble the Arbitration Court has had little effective control, though the Industrial Disputes Investigation Act has probably exercised some restraining influence. During the five years 1921–25 the concentration was even more marked, for out of 301 stoppages, 273, or 90 per cent., were in the three industrial groups named above, and 28 in all the other groups combined. It appears now that in the industrial groups dominated by strong and militant unions, where compulsory arbitration is most necessary for the settlement of disputes, the system either fails to operate, or operates only at the convenience of the unions. Obstructionist tactics are commonly used with impunity, and the unions can compel the employers to accept the awards of the Court, but the employers can exercise no such compulsion over the unions, for they may register under the Act or not, as they please.

2. Wages and Arbitration.

It was shown in our last bulletin, No. 27, that the Court reviews the wages and conditions only of those wage-earners who are members of unions registered under the Act. But only 25 per cent. of the wage-earners of the Dominion are unionists, and, of these, some belong to unions which do their wage bargaining outside the Court. Making full allowances for unfinancial unionists and apprentices, it appears that from 25 to 30 per cent. at most of the wage-earners have their conditions directly investigated by the Court. But the Court's awards apply not only to unionists, but also to non-unionists in occupations governed by awards, and are accepted as standards over a wide range of other occupations as well. Hence the Court, on the basis of its investigation of the conditions of little more than one-fourth of the wage-earners, determines indirectly the general standard of rates for a much larger proportion, and exerts a very considerable influence over the whole range of wage rates.

From the earliest times the major part of the Court's attention has been given to wages, and, failing to find any other definite basis, the Court has gradually concentrated more and more on the cost of living as the standard by which to determine wage-rates. The drift towards this standard, strengthened by many judical precedents, was given legal sanction when, from 1918 to 1923, the Court was authorized to grant bonuses upon the basic wage calculated upon changes in the officially recorded cost-of-living index number. It is not surprising, therefore, to find that indexes of wages (mainly award rates) and of retail prices move closely together, and that the estimated purchasing-power of average wages has changed but little.

Official comparisons of these index numbers go back only to 1914, when the great changes in prices consequent upon the war began. These official figures indicate that wage indexes lagged behind price indexes during the war years, and, though they made up much ground during the post-war slump, they have hardly caught up yet. But if allowance is made for the fact that the official index number is pulled downward by the relatively low level of wages in the agricultural and pastoral group, and for the reduction in hours worked since 1914, the purchasing-power of award rates per hour is seen to have been since 1922 slightly above the 1914 level.

In effect, the Court has succeeded in stereotyping, for a large proportion of the wage-eaners, the standard of living which happened to obtain in 1914. It has adopted the usual definition of a fair wage, which is regarded as a wage similar to what is paid for similar work in other occupations. But the Court's experience of other occupations is, in the main, limited to those it investigates and for which it fixes the wage-level itself. These occupations are mainly sheltered, for they are subject to little, if any, overseas competition, and it is natural that they should pass on their higher labour costs in higher prices. Their higher prices do not alone determine the whole of the cost of living, but they include the production costs of a considerable part of the goods and services entering into the household budget, and the greater part of the costs of transport and distribution of such goods. These prices, largely determined by wage-rates, have therefore a very considerable influence on the cost of living, upon which wages are based. Consequently, though not wholly true, there is a considerable amount of truth in the statement that, in adjusting wages to a rising cost of living, the Court moves in a vicious spiral of its own creation.

3. Sources and Limits of Wages.

The real limits to the upward movement of this vicious spiral are set by the unsheltered industries, those which have to export their products for sale in competitive markets overseas, which have to accept the world prices ruling there, and which, therefore, cannot pass on increasing costs in higher prices. They have no defence against rising costs, but when pressed between these rising costs and falling produce-prices their demand for goods and services produced by the rest of the community must fall, and with it production and employment fall also. In New Zealand the unsheltered industries are the primary industries. In 1921 they employed about 30 per cent. of the working population, and in recent years the pastoral and dairying groups alone have produced about 55 per cent. of the estimated total net product of the Dominion. Hence these unsheltered industries form an important part of the local market. But their ability to buy in that market depends on the relation between the prices they receive for goods sold and the prices they have to pay for goods and services bought. The following table indicates the disparity in recent price-movements:—

Price Indexes.

(Base, 1909–13 = 100.)

——	1924.	1926.	1927 (Two Months).
Export prices	177	153	148
Four sheltered groups	197	199	191
Award wages	170	176	..

At the present time export prices are slightly higher than at the end of 1926, and are about 48 per cent. above the 1909–13 base. Import and all wholesale prices are 56 per cent. above that level. Award wages and the cost of living are both about 76 per cent. above the same pre-war average, while four important groups of sheltered prices (milled agricultural products, textiles, wood products, and coal) are 91 per cent. above base-period prices. Between 1924 and February, 1927, all wholesale prices fell from 174 to 154, or 12 per cent.; export prices fell from 177 to 148, or 17 per cent.; award wages rose from 170 to 176, or 3½ per cent. Receipts from exports will now pay for 20 per cent. less labour than in 1924.

It is this disparity of price-levels that is at the source of most of our economic troubles to-day. The higher rewards obtained in town industries are largely responsible for the drift to town, and official figures show that while the mean population increased by 80,000, or over 6 per cent., the numbers employed on the land decreased by 9,000, or over 6 per cent., between 1923 and 1926. This means a fall of 12 per cent., or almost one-eighth in the proportion of our population engaged in farming. Price-disparity is also the chief cause of unemployment, for, while it tends to encourage the drift of wage-earners to sheltered occupations where award rates set the wage-standard, it contracts the market for the products of those occupations, and so lessens the demand for labour there. In fact, under present circumstances, the general level of award rates of wages has probably reached and perhaps passed the maximum capacity of industry to pay, for it is almost certain that any further increases, and perhaps even the retention of the present level, would reduce the total earnings of wage-earners by reason of the unemployment created.

None would deny the desirability of maintaining and improving by every practicable means the standards of living of the wage-earners. But the present practice of fixing wages in accordance with the cost of living is based on indefensible fallacy. There is never any guarantee that industry will produce enough to maintain a given standard, and the standard of living cannot possibly exceed for long the standard of output. These facts must be faced. Wages are paid by employers who can afford to pay up to the limit of the market value of the workers' net product. That market value is fixed by market conditions, by what the buyer can afford to pay, as well as by costs of production, and the costs of production, including labour costs, must be adjusted to what buyers can pay if contraction of both production and employment is to be avoided. It is seldom possible to measure accurately the net product of labour. But every employer knows that the surest road to expansion of sales is lower prices; hence, to expand production and employment, the costs of production, including labour costs per unit of output, must be lowered. Conversely, if labour costs of production are standardized at a level higher than the market for goods and services will bear, then sales, production, and employment must be reduced accordingly.

One of the latest and most authoritative pronouncements on the wages question is the South African Wage Commission's report of 1925, in which the hand of Professor Clay, of Manchester, one of the greatest living authorities on wages, is clearly descernible. The report states, *inter alia*, "A fundamental distinction is to be drawn between policies which increase, or seek to increase, wages by increasing the volume of wealth-production as a whole and policies which increase or seek to increase wages at the expense of other incomes in the community." We may not realize the fact, but the Arbitration Court has been trying for many years to maintain the standard of living of a particular section—the manual workers in sheltered industries, comprising about one-fourth of the total wage-earners—with little regard to the effect its efforts have had on other sections of the community. The intractable nature of the prevailing unemployment shows that that attempt has now reached its limit.

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 abitration, 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.

The Relations of Capital and Labour.

(Canterbury Chamber of Commerce Bulletin No. 30.)

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:—

Results of Disputes, 1921–25.

	Number of Disputes.	Number of Workers involved.
In favour of workers	54	3,221
In favour of employers	84	22,217
Compromise	59	8,339
Indeterminate	104	14,952
Total	301	48,729

About one-sixth of the number of stoppages resulted definitely in favour of the workers; but these were obviously small disputes, for the workers involved in them were only one-fifteenth of those involved in the total stoppages. In the remainder of cases, measuring by the workers involved, nearly half of the total disputes resulted definitely in favour of the employers; about one-sixth in compromise, where some concessions were made; and nearly one-third were indeterminate or petered out without any definite solution being reached.

The next table gives the official classification of the methods by which disputes were settled:—

Method of Settlement of Disputes, 1921–25.

	Number of Disputes.	Number of Workers involved.
Negotiations under Industrial Conciliation and Arbitration Act ..	15	934
Negotiations between parties	46	6,294
Substitution of other workers	23	1,623
Otherwise (see below)	217	39,878
Total	301	48,729

Once stoppages of work had occurred, the arbitration system aided in the settlement of only 5 per cent. of the disputes, which covered 2 per cent. of the workers involved. The remaining 95 per cent. of disputes, covering 98 per cent. of the workers involved, were settled by the parties concerned without resort to official machinery. Measuring again by workers involved, 2 per cent. were settled by the State machinery, 13 per cent. by negotiation between the parties, 4 per cent. by taking on other workers in place of strikers, and 81 per cent. by other methods, which means in most cases that one side gave in without any solution being reached.

In the light of this evidence, it may fairly be concluded that as a means of advancing the workers' interests strikes are a lamentable failure. Out of every fifteen persons involved in stoppages during the five-year period, only one is officially classed as successful in his dispute. Further, out of every fifty workers involved in stoppages, only one had his dispute settled by the arbitration machinery; the remainder either petered out or were settled by the parties themselves.

2. The Organization of Industrial Peace.

It was shown in Bulletin No. 27, dealing with "The Position of the Wage-earner," that the arbitration system confines its investigations to the disputes of recognized trade-unionists; it takes no direct part, therefore, in settling differences for non-unionists, who constitute three-fourths of the wage-earners of New Zealand. Over this larger part of the field of employment differences which arise are settled by the parties immediately concerned, and there exists between the parties a fair measure at least of understanding, loyalty, co-operation, and of those relations which make for efficient working. Industrial strife is conspicuously absent. Trade-unionists alone, and not all of them, submit the settlement of their differences to the external tribunal provided by the arbitration system.

The trade-unionists comprise about one-fourth of the total wage-earners. Over this smaller part of the field of employment not only is industrial peace less well assured, but the measure of loyalty, co-operation, &c., between employers and employed is more variable. For three-fourths of the trade-unionists industrial relations may be regarded as fairly satisfactory, since these unionists were involved in only one-tenth of the total stoppages of work in the five-year period examined; but for the remaining one-fourth of the trade-unionists industrial relations must be considered unsatisfactory, for they were involved in nine-tenths of the stoppages in the same recent period.

There are thus, broadly divided, three parts of the field of employment within which marked differences in industrial relations exist. The largest and non-unionist part, about three-fourths of the whole, employs no external machinery for mediation, but enjoys industrial peace. For the remaining unionist one-fourth the arbitration system is provided. A fair measure of peace is secured over about three-fourths of this unionist part; but in the remaining section, where unionism is more militant, industrial unrest is more prevalent and conflict is frequent.

The militancy of this last small section, comprising about 6½ per cent. of the total wage-earners, is probably due in part to the characteristic forceful methods natural to men engaged in somewhat dangerous and precarious occupations; but it is accentuated by the fact that the nature and size of the industries in which such men are engaged makes big organizations of workers possible, and at the same time prevents that constant contact of employers and employed which makes for mutual understanding. Misunderstanding and mutual mistrust tend to arise, and emphasis is given rather to the conflict of the two parties engaged in the industries than to their mutual interests.

The tribunal of the Arbitration Court, set up to secure industrial peace, appears to have now but little success in achieving this aim. It operates continuously only over a part of industry where industrial unrest never was common and is unlikely to develop in the near future. Over that small part of industry where industrial conflict is more frequent the Court has little influence in promoting peace, for the unions dispense with the Court's services at their pleasure.

Moreover, the Court has tended to promote the organization of conflicting parties and interests in opposite camps, to encourage the emergence on either side of a type of industrial advocate to whom the representation of interests is delegated, and to make the settlement of differences a matter to be decided by a Court of law rather than by agreement between the parties directly concerned, who alone can appreciate fully the real points at issue. The system of delegating authority to specialists in advocacy, the interests of the advocates themselves, the further representation of the opposite parties by assessors who tend to be regarded as additional advocates, the compulsion and finality of conditions imposed by the Court's awards—all these factors tend to widen rather than close the gap of misunderstanding, suspicion, and mistrust which divides employers and employed, and which is the prime cause of industrial strife.

This tendency is increased by further effects of the Court's operations. It is not practicable for a centralized tribunal, making awards binding on the parties, to avoid standardizing its decisions. In consequence of its inevitable standardization, the Court has imposed on the industrial organization and industrial relations within its jurisdiction a peculiar rigidity, which, by preventing that variety, flexibility, and elasticity or internal organization on which the efficiency and progress of industry must always depend, has prevented also the development of that more effective application of labour in production which alone can make higher wages and improved conditions possible.

This rigidity has worked out its effects in two ways. Firstly, the minimum wage has tended to become the standard wage, and the efficient worker is usually degraded to the level of pay of the inefficient. Consequently the powerful incentive to efficiency provided by differential rates of wages dependent on variations in ability and skill has been removed, and the tendency has been to reduce effort, skill, and efficiency to a mediocre level. The cumulative effects of this tendency over the period of more than thirty years during which the system has been in operation have not been adequately measured, but what evidence there is points to the conclusion that in some occupations at least they have been very considerable. Secondly, the Court's awards cover a very wide range, and include almost every detail of industrial organization which can be interpreted as a cause of dispute. Thus there has accumulated a mass of minute regulation throughout industry which is probably unequalled in the rest of the world, and the effect of which is towards stereotyping methods of production and stultifying efforts for improvement. Practically all progress and improvement depend on variety of methods and on experiment, and are due to successive

small changes, adjustments, modifications, and tests rather than to big revolutionary changes. But the rigid and detailed regulations of the Court hinder these slight changes being made in the industries it controls; hence much progress is cut off at the source, and the development of improved industrial organizations, owing to the stereotyping of methods, is made unnecessarily difficult.

3. The Revision of the Machinery.

The existing official machinery of compulsory arbitration was devised mainly with a view to securing industrial peace. Over three-fourths of the field of employment it has neither been needed nor used. Where it is most needed to secure peace it fails to operate when needed. Where it does operate, it maintains an atmosphere of opposition and conflict; it standardizes wages and therefore tends to standardize efficiency at a mediocre level, and it tends to stereotype the organization of industry by over-regulation and to hinder improvement in methods of production.

Under these conditions, imposed on industry from outside, the progressive development of efficiency and increasing production are seriously retarded or altogether prevented. Wages, which must come out of production, cannot be increased. Because wages and conditions remain practically stagnant and improvement in the workers' standards is not attained, industrial unrest is promoted and a fertile soil is provided in which to propagate imported and destructive doctrines, alien to New Zealand conditions, which stimulate further unrest. Compulsory arbitration, unable to escape the effects it has been instrumental in creating, probably does more now to prevent them than to create better industrial relations.

But better industrial relations must at all costs be fostered. To secure this end the machinery stands in need of revision, and whatever revision is made should be based soundly on the facts of industry. It must be recognized that better relations are bound up with closer mutual understanding between employers and employed, and with rising standards of life and improving conditions of employment. Of these the standard of living provided is the most important, for it is the main object of industrial organization. It depends almost entirely on the standard of output. Here the interests of employers and employed are identical. Both stand to gain from higher production; both stand to lose from lower production. The gain possible for the wage-earners from a better distribution of present production is negligible compared with what can be gained from greater output. Production, therefore, is of paramount importance. Consequently it should be freed from all unnecessary hampering restrictions; it should be encouraged by all reasonable incentives. In particular, it would be wise to avoid flat rates of wages wherever possible, and to adopt methods of payment according to results. Such a plan recognizes the variations in human capacity and develops efficiency. Probably even the most inefficient have nothing to lose by it; the great majority of wage-earners and employers both have everything to gain.

In this connection special attention should be given to the question of demarcation of functions between various types of workers. Regulations which make unnecessary work or cause delays and inconveniences, and the rigid demarcation of labour which requires several men to do a trivial job, both fail to consider the effect on cost, which means that, though work is created, the market for the output and for labour as well is narrowed. Such regulations tend to accumulate, but must at times be drastically revised with a view to the lowering of labour costs in order that the market for both labour and goods may be widened.

Because of the great need for effective production in order that standards of consumption may be improved, means should be sought which will promote the development of better co-operation and understanding between employers and employees. To this end it appears that voluntary conciliation might be much preferable in that part of industry now subject to compulsory arbitration. The latter system has done much to keep the parties apart; the former might bring them together. It would also permit the trying-out of decentralized machinery for solving the problem of industrial unrest, which the present centralized machinery has left unsolved. It would permit, too, a variety and flexibility of arrangements between the parties in keeping with the wide variations in conditions and methods of organization and operation in various firms and industries, which the present standardization effectively prevents. Present methods seek to relieve industry of the responsibility for solving what is specifically an industrial issue—the problem of industrial relations. It appears that much might be gained if the responsibility for securing industrial peace were imposed upon the active participants in industry who stand to gain most directly from peace, and if they were left free from any compulsion to develop their own voluntary organizations for its achievement.

This does not necessarily mean that the Arbitration Court should be abolished. But our whole system of regulation of industrial relations has drifted far from the original intentions of its authors, and has developed in the process features which retard rather than aid industry in its struggle against present-day difficulties. Revision is needed, but the details of revision cannot adequately be dictated from any single point of view. All aspects need to be fully considered—the immediate interests of employers and employed, and means of developing better relations between them, the interests of groups outside the scope of the system and of the general public; and, what is most important, the broader statesman's view of the effect of the machinery provided on the general welfare and progress of the Dominion. These are matters which call for full and searching inquiry.

Unemployment.

(Canterbury Chamber of Commerce Bulletin No. 31.)

The facts necessary for a complete survey of unemployment are never easy to collect. In New Zealand, owing to the diversity, the relatively small size, and the seasonal nature of many of the industries, and to the consequent mobility of much of the labour-supply, the collection of adequate data is particularly difficult. For many years the official records have used information collected at five-yearly periods by means of the census; this is supplemented by the records of the Labour Department's employment bureaux; and since 1925 additional estimates have been collected from trade-unions. Some of the information so collected is used in the tables which follow, but it is in every case indicative rather than complete. The Government labour bureaux are probably used more fully by the unemployed in times of severe than of slight unemployment, hence their records may exaggerate the variations in unemployment. The trade-union returns of unemployment cover only about half of the total trade-unionists. Over the whole range of public-service, professional, commercial, and financial occupations, which lie for the most part outside the field of trade-unionism, there is normally but little unemployment; hence the trade-union sample, being confined to occupations where unemployment is common and variable, cannot be regarded as a measure of the percentage of unemployed to total wage-earners. These limitations must be borne in mind in interpreting the tables below.

The first table gives some indication of recent changes in the extent of unemployment.

Government Bureaux: Applications on Books at End of Period.

Mid-week of	1925.	1926.	1927.
February	297	466	1,501
April	342	571	1,768
June	493	2,247	2,282
August	451	1,815	..
October	429	1,604	..
December	344	1,226	..

The table shows a marked seasonal variation in each year. Even in a good year, such as 1925, there are some unemployed in the summer-time. More than half of these are usually unskilled workers who are probably drifting from one casual job to another. In the winter the numbers increase for almost all the occupational groups. In 1926 unemployment reached a peak with 2,247 applicants unplaced in June; the number fell to 1,226 in December, and rose again to 2,282 in June, 1927. The table thus shows both a seasonal swing and a recent big increase in unemployment,

which has changed little from the last to the present winter. It is possible that this winter's increase might have been greater had it not been for the increased employment found on relief and public works.

A somewhat similar seasonal variation is shown in the trade-union figures, which are percentages of unemployed to total unionists in selected groups, covering about half the total unionists in the Dominion. Estimates are published for a mid-week in each quarter since November, 1925, and are as follows :—

Percentage Unemployed in Certain Trade-unions.

Week in	1925.	1926.	1927.
February	..	5·0	9·4
May	..	6·6	9·7
August	..	8·3	..
November	5·4	6·7	..

Though the table covers a short period only, it shows trade-union unemployment heavier in winter than in summer. It indicates also a marked increase in unemployment among unionists for 1927 as compared with 1926; but this is very largely due to big increases in the building and sawmilling groups, and is not general over all the groups covered.

The next table shows the occupational distribution of applicants unplaced by Government labour bureaux at various periods :—

Government Bureaux: Applicants unplaced at Mid-week.

Industrial Group.	June, 1926.	December, 1926.	June, 1927.
Unskilled	1,299	620	1,378
Building	125	33	170
Farming, &c.	124	94	148
Mechanical	160	116	155
Transport	146	108	128
Other	393	255	303
Totals	2,247	1,226	2,282

The table shows the preponderance of unskilled labourers, who constitute more than half the total at each period; the seasonal variation between summer and winter; and indicates that the number of applicants unplaced in the various groups, excluding building, is little greater than it was a year ago.

The occupational distribution of unemployed trade-unionists, given below in percentages, shows the range of unionists covered in greater detail.

Percentages of Unemployed in Various Trade-unions.

——	May, 1926.	November, 1926.	May, 1927.
Sawmilling, &c.	7·0	10·5	25·8
Shipping	18·7	23·0	24·9
General labourers	?	?	15·2
Building, &c.	6·8	8·0	11·1
Hotel, restaurants, &c. ..	5·8	4·9	9·4
Metal-workers	7·0	5·6	9·3
Other manufacturers ..	14·0	11·3	8·4
Clothing and drapery ..	4·6	4·8	4·2
Food, drink, &c.	3·2	1·8	3·2
Land transport	2·0	2·2	2·9
Paper and printing ..	2·3	1·6	2·7
Mining	1·5	3·5	2·6
Textiles	2·1	..	0·9
Miscellaneous	10·5	11·5	8·2
Total	6·6	6·7	9·7

The details of this table throw considerable light on the unemployment situation. Unemployment is severe in the timber trades, in shipping (which excludes wharf labour) and general labour, amongst hotel, restaurant workers, &c., and metal-workers. It is fairly heavy for other manufactures, but much less than last year. For the remaining groups, excluding miscellaneous, it is about the same as a year ago, and is not severe and probably not very abnormal.

Another important aspect of unemployment is its geographical distribution throughout the Dominion. The records of the Government bureaux have until recently been confined to sixteen leading towns, for which they are as follows :—

Government Bureaux: Unplaced Applicants at Mid-week.

——	June, 1926.	December, 1926.	June, 1927.
Auckland	837	561	558
Wellington	313	253	494
Christchurch	262	178	339
Dunedin	203	116	424
Four chief towns ..	1,615	1,108	1,815
Twelve secondary towns	632	118	467
Total, sixteen towns	2,247	1,226	2,282

The table indicates that town unemployment this winter is distributed roughly in proportion to population, though Dunedin has more than its share. Last winter and during the summer it appears to have been more severe in the North Island, and heaviest in Auckland. For the latest period—June, 1927—it appears to be least acute in Christchurch.

The trade-union figures for geographical distribution are based not on towns, but on industrial districts, and are again expressed in percentages.

Percentages of Trade-unionists Unemployed in Industrial Districts.

District.	May, 1926.	November, 1926.	May, 1927.
Northern	9·7	10·7	13·0
Wellington	5·1	5·6	9·3
Canterbury	2·8	2·8	4·6
Otago-Southland	6·8	5·6	9·8
Marlborough-Nelson ..	2·2	1·6	9·8*
Westland	3·9	5·1	5·8
Total for New Zealand ..	6·6	6·7	9·7

* Taranaki is included with Marlborough and Nelson for May, 1927.

These figures indicate that amongst the trade-unionists covered by the estimate unemployment has increased in every district since last winter. It appears to be heaviest in the northern district, fairly heavy in Otago and Southland and the grouped smaller districts, and lightest in Canterbury.

2. The Immediate Causes of Unemployment.

From the foregoing survey of the available statistics of unemployment certain general conclusions may fairly be drawn:—

(1) Unemployment in New Zealand is subject to decided seasonal variations, and is usually most common in winter.
(2) The years 1926 and 1927 indicate a marked increase of unemployment over what may be regarded as normal.
(3) Unemployment is at present most severe in the timber and building (*i.e.*, the constructional) industries, amongst seamen and unskilled labourers, and lightest in industries producing for daily consumption.
(4) Unemployment is heaviest in the Northern Industrial District, fairly heavy in Wellington, Otago and Southland, and lightest in Canterbury.

The statement of these conclusions suggests certain causes of the present unemployment. The seasonal variation noted is common in greater or less degree to all countries. It varies with the extent of dependence on seasonal industries, and with the range of climatic variation between seasons. In New Zealand it is undoubtedly due to the fact that all industry and employment is directly or indirectly dependent on farming in its various forms, where activity is least in the winter months.

The increased unemployment of the last two years is undoubtedly due to the prevailing depression. This began with, and was mainly due to, the fall in export prices in the 1925–26 export season. On account of the fall in export prices, together with increased imports, the balance of overseas payments became very unfavourable, and this reduced the spending-power of the community. Part of that reduction is temporary and will be remedied as the balance of payments becomes favourable. But a considerable part is likely to be permanent. For the fall in prices meant a reduction in the farmers' incomes from exported produce of approximately 20 per cent. below the 1924–25 level, and, though some prices have improved a little and production has been increased in some cases, the average farm incomes have not recovered. Further, though farmers have suffered serious reductions in the prices of the goods they sell, there has been no similar reduction in the prices of the goods and services they buy. Pressed between low prices and high costs, their incomes have been contracted, their purchasing-power reduced, and the local markets in which they buy both goods and services have suffered in turn. The results are seen in contraction of output amongst industries producing to meet the farmers' needs, in a consequent decrease in the numbers employed to produce that output, and in the lessened employment available on the farms.

The fact that the total persons employed on farms in 1926 numbered nearly nine thousand less than in 1923 is sufficient to indicate a marked drift to town. This drift, which may account largely for the numbers of unskilled workers unemployed, is due in the main to the superior attractiveness of town employment. Many workers in the towns enjoy the advantage of tariff protection or natural shelter from competition for the products of their labour, of the wage standards and regulated conditions set by Arbitration Court awards, and of the increased employment that has been created by the expenditure of money borrowed by local bodies in recent years. The farmers have no such advantages, for their expenditure is limited by their receipts from produce sold against world competition. Hence the more favourable conditions create a drift of labour to the towns, but the town industries depend in large degree on the farmers for their market. The recent fall in the farmers' spending-power has decreased the capacity of that market to absorb the output of town industries and led to the contraction of those industries. The prevailing unemployment is due partly to the contraction of industry, partly to the drift to town, but the farmers' unfavourable position is mainly responsible for both these factors.

In addition, some districts have suffered more than others from the reduction in their produce-prices. Unemployment appears to be heaviest in Auckland; fairly heavy in Taranaki, Wellington, Otago, and Southland. All these districts depend to a considerable extent on dairying, and the prices of dairy-produce during the past season have been lower than any others in the export group. In Canterbury, where wheat, wool, and meat are of greater importance, produce-prices, though low in comparison with the internal price-level, have been better, and unemployment appears to be less severe. Such fluctuations in the fortunes of particular industries appear to be mainly responsible for the district variations in the severity of unemployment.

The timber and building industries, which are suffering from exceptional unemployment, appear to be in a special position. War legislation restricting rents, and the conditions of war generally, restricted building for several years, during which there developed a considerable scarcity of buildings. The scarcity increased demand, caused prices and profits to rise, attracted both labour and capital to timber-production and building, and so brought a considerable expansion to those industries. The monthly average value of building permits was £440,000 in 1921–22, rose to £847,000 in 1925–26, and has fallen since to £719,000 in the first five months of 1927. It appears, therefore, that the peak of the building boom has been passed, that the accumulated arrears in building have been overtaken, and that the industry, which expanded to meet an exceptional situation, must now be adjusted to more normal needs. This adjustment means contraction, and while contraction is taking place some depression and unemployment are inevitable.

These appear to be the chief immediate causes of unemployment. Little evidence can be found to support the commonly held view that unemployment is mainly due to excessive immigration. During the years 1901–13 the average annual net immigration (excess of arrivals over departures) was 8·9 per thousand of the population; during the period 1924–26 it was only 8·1 per thousand, so that over these three years immigration has been relatively less than was normal before the war. But the unemployment of the last two years, due primarily to other causes, may have been aggravated by recent increases in immigration, and it is in the interests of both immigrants and unemployed to check immigration until the situation improves.

3. Other Causes and Remedies.

There are other causes of unemployment which lie deeper and which must be remedied if permanent improvement is to be achieved. They are partly the result of the experimental legislation of many years past, the effects of which, though concealed during a long period of rising prices, prosperity, and expansion, are being severely felt now that falling prices have brought depression, industrial contraction, and unemployment; for the effect of much of this legislation is to hamper the necessary adjustment of industry to changed conditions. There is far too much rigidity and regulation in industry where elasticity and freedom of initiative are needed. Regulations often appear desirable, but if they increase costs, however indirectly, they must inevitably narrow the markets both for goods produced and for labour employed.

Standardized wage-rates fixed by authority to maintain a particular standard of living fail to ensure that all labour will be employed at those rates. Taxation which discriminates in favour of public and against private borrowing encourages expenditure on public works and retards the expansion of more productive industry. Tariffs which protect certain town industries impose heavy burdens on primary industries. In addition, there are many undesirable legacies left over from the war period. Over-capitalization and debt, with their burden of interest charges, scarcity of working capital, the attention given by many groups in industry and commerce to price-maintenance rather than to more effective production, wasteful methods and poor organization for production and marketing—all these tend to maintain both costs of production and prices at a high level, and therefore to limit demand, though present market conditions make it necessary to reduce both costs and prices in order that demand may be increased.

It is mainly in the removal or modification of conditions such as these that permanent remedies for unemployment must be sought. Relief and relief work are emergency measures unfortunately necessary in times like the present; but they are palliative measures, often uneconomical, and essentially temporary in nature, which, though they relieve immediate distress, do not remove causes. The surest road to permanent relief from unemployment lies in the creation and maintenance of such conditions as will promote the development of production and prosperity.

If this road is to be followed, the interests of the primary producers must be watched and safeguarded by all who are concerned with industry, for on their prosperity the prosperity of the whole country must ultimately depend. The primary producers can always market the greater part of their product overseas, while other producers have no option but to market most of theirs within the Dominion. Both are dependent on their markets, but the local market is always dependent, directly or indirectly, on the purchasing-power of the primary producers. It follows, therefore, that anything which makes for the prosperity of the primary industries will react favourably on other sections of the community, but anything which brings adversity and depression to the primary industries will in due course bring trouble to the rest of the community. Some part, at least, of our present unemployment, and many of our other difficulties, are mainly due to the long neglect of this elementary principle.

Costs and Prices in Primary Production.

(Canterbury Chamber of Commerce Bulletin No. 34.)

1. The Producer's Burden.

The last bulletin (No. 33), which investigated the expansion of overhead costs in New Zealand since 1914, reveals a somewhat disquieting position. Official statistics indicate that our present production per head of population is no greater than in the years immediately before the war. Wage indexes provide evidence that the wage-earners covered are approximately as well off as before the war—that is, they secure about the same proportion of a volume of production which is no greater per head. There can be no doubt that overhead costs have expanded greatly on account of higher capitalization, increased indebtedness, higher interest rates, heavier taxes and rates, and other items, and that overhead costs are therefore a considerably greater proportionate charge on total production. Production per head has not increased: apparently the same share goes to labour; a greater share goes to meet overhead costs; consequently the residual claimants, the producers, who secure a proportionately smaller share of the product, bear an unduly large share of the burden of an increase in overhead cost for which they are by no means wholly responsible. The rest of the burden is spread mainly over salaried workers and recipients of professional and other incomes whose earnings have increased less than the general increase in prices. All these find now that their incomes possess less purchasing-power than they did in more normal times. Their occupations are thus rendered relatively less attractive, and the dislocation of balance in the relative attractiveness of various occupations may have significant long-run effects. For the present discussion, however, the effect on producers alone will be considered.

Although this burden falls so largely on producers in general, many of them can pass it on, and the ultimate incidence is not evenly distributed, but tends to be concentrated upon particular groups of producers. The distinction between sheltered and unsheltered industries affords some assistance in analysing this unequal distribution. It has been shown in previous bulletins (Nos. 24 and 25) that the pastoral and dairying industries alone account for about 55 per cent. of our total production; 37 per cent. is produced by mainly sheltered industries supplying a purely local market; while industries partly sheltered, but competing with imports, and also supplying only the local market, provide the remaining 8 per cent. The first group of primary producers is alone subject to the full force of world competition, and it must accept for its produce the prices offered in the world's markets. The two latter groups are more sheltered; they sell their products only in local markets, where the force of competition is less and where custom and protective regulation combine to maintain their prices at levels which yield, for the most part, reasonable profits. This difference in marketing conditions is sufficient to enable many industries in the sheltered groups to pass on their increased overhead costs in prices higher than they would otherwise be. But these higher prices enter largely into the production costs of the unsheltered industrial group, who, selling in more competitive markets, cannot pass them on, but must bear them.

It appears, therefore, that a considerable part of the burden of the increase in our overhead costs is passed on until it has to be borne by the primary producers. Wage-earners, for instance, whose wages are adjusted to maintain the pre-war standard of living, are thereby protected against carrying any part of the burden of taxation and rates increased to meet war charges or to provide additional social services; many industries sheltered from competition in their local markets can pass on such increases; it is mainly the exporting producer who cannot pass them further and who must eventually foot the bill.

2. The Evidence of Prices.

The manner in which expanded costs are passed on, to be borne mainly by producers for export, is indicated by the relative levels of these producers' prices and general internal prices. Price-levels for primary produce are best shown by the official index numbers of export prices; no perfect measure of costs of production is available, but on average they are likely to follow closely the general level of internal prices. The best indication of internal price-levels is probably the cost-of-living index, for the other available index number, that of wholesale prices, is determined largely by the levels of export and import prices. In the following table, which must be regarded as a general indication rather than an exact measure, the official index numbers of export prices and of the cost of living are compared, and an index is computed from them showing the real purchasing-power of those producers who use their income from exports to buy local goods.

Indexes of Prices and Purchasing-power of Exports.

—	Export Prices.	Cost of Living.	Purchasing-power of Exports.
1914	100	100	100
1915	118	107	110
1916	138	116	119
1917	157	129	122
1918	162	143	114
1919	167	157	107
1920	164	178	92
1921	152	177	86
1922	115	160	72
1923	140	158	88
1924	160	160	100
1925	170	162	105
1926	138	163	85
First half of 1927	135	163	83

The most significant feature of this table is brought out in the last column, which indicates the real income accruing to farmers from the sale of exports. It appears that during the war years farmers, as a whole, gained greatly. From 1914 to 1917 they were able to exchange the same volume of primary products for an amount of local goods which increased steadily until in 1917 their purchasing-power was 22 per cent. higher than 1914. This was due to the fact that export prices rose rapidly and in advance of local prices. But from 1917 a change set in and local prices rose more rapidly than export prices, and continued to rise, or remained fairly high, while export prices fell and fluctuated around a lower level. By 1920 farmers were able to buy, for the same amount of exports, only 92 per cent. of the local goods they could buy in 1914. By 1923 they could buy only 72 per cent. of such goods. By 1924 they reached again their 1914 level of purchasing-power, and were 5 per cent. above it with the exceptionally favourable prices of 1925. Since then export prices have fallen about 20 per cent., while internal prices show practically no change, and the farmer in the first half of 1927 is 17 per cent. worse off than in 1914, being able to buy now only 83 per cent. of what he could buy then for the same amount of exports.

It is undoubtedly true that primary producers made considerable gains during the war period, and it is often considered that the subsequent losses may fairly be balanced against those war gains. But war gains, and the expectation of the continuation if such gains, were in large measure capitalized during the land boom of 1919–21, and, where the overcapitalization induced has not been written off, it now remains largely an added burden to the industry. An average of the whole period, too, shows that the farmers have been losers on balance during the years 1914 to 1927, for their bad years have brought losses much greater than the gains of the good years. But the period is too long to average in this way. Farmers expect some alternation of better and worse conditions over short periods, and allow for these changes. But over the last seven years they have averaged only 88 per cent. of their 1914 purchasing-power. Even including the exceptionally good year of 1925, farmers have been able to buy, over the whole period, 12 per cent. less local goods for the same quantity of exports. Such a contraction of purchasing-power might be borne easily enough over one or two years, but over a period as long as seven years it suggests a permanently changed situation which must inevitably react, and react unfavourably, on the economic life of the country as a whole.

But this contraction in the purchasing-power of exports as compared with local goods is not the whole story; for out of a real income, depressed because the expanded costs of other industries are passed on to him, the farmer has yet to meet other unavoidable charges which have expanded to an extent far greater than his export prices. Some indication of these charges is given in the next table, where various figures are shown for 1914 and 1926, and the percentage increases are compared.

—	1914.	1926.	Increase per Cent.
	£	£	
Land-tax paid	767,000	1,266,000	65
County rates	755,000	1,797,000	138
Total mortgages	112,700,000	282,700,000	151
Valuation of land (unimproved) in counties only	159,800,000	231,600,000	45
Cost of living	100,000	163,000	63
Farm wages	100,000	147,500	47½
Export prices	100,000	138,000	38

All these increases concern primary producers very closely. Land-taxes and county rates are paid largely by farmers; the rise in mortgage indebtedness and in land-valuations indicate the causes of further charges on their incomes. The cost of living has risen 63 per cent., and this figure probably indicates fairly closely the increase in many of the costs of farm production. But farm wages have risen only 47½ per cent., and that figure is considerably higher than the level of farmers' incomes, for export prices have risen 38 per cent.

It follows, therefore, that, while the purchasing-power of producers' incomes from exports has been, over the last seven years, 12 per cent. lower than in 1914, their costs of production and their overhead charges appear to have increased considerably more than their produce-prices. Pressed between high costs and lower prices, their net income has been contracted, and its purchasing-power further reduced, owing to the relatively higher level of internal prices. But this decline in effective purchasing-power reacts again on the sheltered industries. For they, like the farmers, are dependent on their market; but their market is purely local, and the farmers comprise a large proportion of that market. Since the export industries produce more than half of the estimated total production, the producers for export probably constitute directly about half of the local market, and the other half is all dependent, more or less directly, on the purchasing-power of the primary producers. Contraction of that purchasing-power means inevitably a contraction of the local markets for sheltered products, with overproduction and unemployment in the sheltered industries as a direct result. Depression in the towns must therefore follow upon depression in the rural industries, and during recent years the position has been made worse because both capital and labour have been attracted from the country to the towns by the more protected and hence more attractive conditions prevailing there.

This disparity between the price levels of the sheltered and the unsheltered industries is undoubtedly a main cause underlying the economic difficulties which have afflicted the Dominion since 1920. Variations in the balance of trade and payments bring alternations of relative prosperity and depression, but these are temporary and pass. The permanent basis of sound prosperity and progress in New Zealand is and must long continue to be the primary industries, for they alone are strong enough to export and sell in competition with the rest of the world. Other industries, being unable to export goods in any quantity, must rely upon the local market, the condition of which varies with the fortunes of the big exporting industries. When primary producers suffer depression, their depression must inevitably be communicated, through contracted local markets, to other producers. While present conditions persist, the primary industries must suffer some depression, and it follows that some measure of general depression is unavoidable.

3. Remedies.

It becomes necessary, therefore, to look for means to alleviate present conditions and to restore prosperity to those primary industries on which the prosperity of the whole Dominion is so closely dependent. Since present difficulties are largely due to the disparity between farmers' costs and prices, they might be remedied either by lower costs, by higher produce-prices, or by both. But little is to be expected from higher farm prices. It appears probable that export prices will improve somewhat during the coming season. But they depend on world levels of prices, and world prices are now much more stable than at any time since 1914, and they are well below the internal price-level in New Zealand. It is practically certain that, in the future, as in the past, our export prices will fluctuate alternately above and below a fairly stable general level of world prices, which means that they will average considerably below our present level of internal prices. The disparity between price-levels is therefore unlikely to be much reduced in this way.

Much more is to be hoped from an increase in farmers' incomes without corresponding increases in their produce prices—that is, from increased farm production at about the present level of prices. Something has already been done in this direction, for farmers, enjoying none of the artificial protection of sheltered industries, and suffering little directly from the restrictive regulation imposed upon those industries, have relied more on their own ability and energy to meet their difficulties. Close attention to the business side of farming, better farm management and organization, elimination of wastes, fuller utilization of resources, methods such as herd-testing and top-dressing of pastures—all these have been advocated as means whereby production might be expanded without corresponding increases in costs, and some measure of success is being achieved. Such methods are the foundations of solid progress in any industry, and it is highly desirable that their use be extended in every kind of production.

But the adoption of improved methods such as these should not be confined to primary production alone, and the increased production effected in some of the primary industries might be much enhanced were expansion not retarded by the prevailing high costs due to high internal prices. The internal price-level is kept up by high overhead charges, heavy taxation and rates, overcapitalization, &c., and by high prime costs for which the tariff and State regulation are largely responsible. To the burden imposed by taxation and rates we shall return in an early bulletin.

With a view to lowering internal prices, which bulk so large in our present difficulties, the easiest and most beneficial reform appears possible in drastic revision of regulations which now restrict production and increase cost. The need for increased production at lower cost is universally recognized, but it is futile to expect that this desirable end should be fully achieved while we fail to recognize how greatly industry is hampered by the cost-increasing regulations and restrictions imposed by Arbitration Court awards and by public authorities. At the present time the State appears to be doing its utmost to help particular industries with one hand and to hinder industry in general with the other, while it imposes on all industry the swollen costs of both its help and its hindrance. The basic primary industries, unsheltered, unprotected, and but little regulated, have achieved soundness and health in the past largely because their freedom threw the onus of achieving success on the initiative and enterprise of individuals. If we wish other industries to achieve the same sound health, to produce more at lower cost, thereby widening the local market for their goods and for the labour they employ, to ensure their own well-being without State aid, and to help rather than hinder the progress of the primary industries and the Dominion as a whole, then the restoration of a similar reasonable measure of freedom appears to be essential.

Discussion on Paper.

Mr. Revell: I would like to ask Mr. Turner whether he supports the system of employment which tends to endanger the life of the workers employed by requiring them to work at a speed which is dangerous. I am referring to the piecework system. In view of the alarming figures shown in the Labour Department's report in connection with the workers in the freezing industry, I want to ask Mr. Turner whether it is a fair thing to ask them to go any further.

Mr. Robinson: In paragraph 4 of Mr. Turner's paper complaint is made that there is too great rigidity in the fixation and interpretation of conditions governing employment; but I want to know whether it is possible, in covering a multitude of parties, to have elastic awards without the elasticity being taken advantage of by some of the less scrupulous parties. Is it not a fact that such watertight clauses as appear in awards have been put there because some employers have taken advantage of loosely-worded clauses in order to do things that were never intended by the assessors at the Conciliation Council? In paragraph 5 (ii) it is stated that payment should be generally by results. Now, is it equitable to base wages on results when the workers at present have no control over the machinery of production? Would the employers agree to permit the workers to produce as much as they can, and guarantee that there should be no limitation of production by managerial interference? Would they agree that the workers be given a share in the control of industry? In paragraph 5 (iii) he says, "Wages should not be based on such artificial conditions as the size of a man's family." Since when have families been manufactured artificially? Does Mr. Turner know that the Dunedin City Council, which could not find an increase of 1d. per hour without reducing hands, had no difficulty in financing out of the profits of trading departments the cost of a new Town Hall, a proposal which the ratepayers had turned down?

Mr. Fulton: Mr. Turner infers on page 141, paragraph 14, that the Court has reduced the purchasing-power of the workers, and that the producers would be forced to adopt means to bring down the price to the level where they could sell it freely again. Does not Mr. Turner think that the main cause of the loss of the farmers' purchasing-power is due to the overlapping expenditure and mismanagement on the part of the employers and farmers? I would like to qualify that question by quoting from the *Dairy-produce Exporter* an article contributed by Mr. Singleton, in which he states that the overlapping in cream-collection is responsible for over £35,000 loss to the farmers. One of his statements reads as follows: "There is one extreme instance referred to me in which cream-cartage is estimated to have cost a company £9 per cow for transporting the cream from two farms." The suppliers should realize that these extra costs are paid out of the proceeds of butterfat sales, and if the farmers do not get a higher price for their butterfat is not that responsible for reducing the purchasing-power of the farmers?

Mr. Martin: The papers which we have had from the other side in this Conference have all suggested the limitation of output and restriction of output as far as the workers are concerned. I have already asked two questions in connection with this matter, but have not received the courtesy of a reply, and I want one this time. One gentleman said that by making a comparison—I do not know what his comparison was—he came to the conclusion that the output of the worker in New Zealand had been considerably reduced. In this paper by Mr. Turner we have the statement, "It

should be made a penal offence for any person to coerce or cajole any worker to restrict his output." Well, I want to ask, what about employers who restrict their output to keep up prices, and combinations of employers who subsidize firms to keep their plants idle for the same purpose ?

Mr. Baldwin : I want to ask a question relative to the second-last paragraph on page 140. The fact is there emphasized by Mr. Turner that he thinks that if the whole of the primary-produce workers were relieved from the operation of the law, that would probably solve the whole difficulty. He points out in that paragraph that the pastoral industries alone provide practically 100 per cent. of our exports. But the pastoral section of the primary producers do not come under any burden or conditions that apply to workers, because there are only two sections of their employees that come under any awards of the Court, the shearers and the musterers.

Professor Murphy : And the freezing-workers.

Mr. Baldwin : That is indirect. I wish to ask Mr. Turner whether he would be satisfied if the primary-producing workers were exempted from the provisions of the law.

Mr. Bloodworth : I desire to ask Mr. Turner whether the answers given to the questions on page 1, submitted by the Chambers of Commerce, have been weighed according to their importance ; if not, of what value are the answers ? I take it that the circulars were sent to thousands of employers : they may have been sent to the Union Steamship Co., which employs thousands of men, and they may have been sent to an employer who employs only one man. Then the Chamber of Commerce claims—I think, correctly—that their point of view represents a sort of average of the views of the parties. They state definitely that they do not want to see any lowering of the standard of living in this Dominion. In view of the statements made on behalf of the Chambers of Commerce, and of the fact that the arbitration system has resulted in establishing a rough system of a standard minimum wage, are the Chambers of Commerce in favour of the establishment of a standard minimum wage ? If they are in favour, what steps do they recommend in that direction ? If they are not in favour of a standard minimum wage being fixed, have the Chambers of Commerce considered what would be the effect on the trade of the Dominion if the present minimum-wage system were abolished and no alternative method of fixing a minimum wage were agreed upon ? The result would be a general lowering of wages without any increase in production, and there would be a consequent reduction in the purchasing-power of the workers, who in a large measure are the customers of the members of the Chambers of Commerce throughout the Dominion. If the Chambers of Commerce are not now in favour of fixing a standard minimum wage, will the Chambers continue to be in favour of fixed retail prices for proprietary articles, which are an important factor in the workers' cost of living ? How do the Chambers of Commerce expect the workers to agree to any system of piecework or payment by results unless they are in favour of fixing a standard minimum wage below which payment by results cannot operate ? Have the Chambers of Commerce considered what would be the result to a large portion of their members of a fall in wages to workmen, with its consequent reduction in purchasing-power ?

Mr. Johns : With regard to the last portion of Mr. Turner's statement, it seems that what we want is a relaxation of the system which limits production. My question is, would he be in favour of increasing the work or the output of the dairy factories of this Dominion ? The workers in those factories for the last twelve years have been covered by Arbitration Court awards, and I do not think there is any country in the world where the output can equal the output per unit of those factory workers. I would like to quote from the *New Zealand Dairy-produce Exporter* of the 26th March, 1927, which says, " During the visit of the Duke and Duchess of York to New Zealand the Waharoa Butter-factory was inspected by their Royal Highnesses. The packing of butter both in bulk and in pats was keenly watched, and favourable comment was passed on the dexterity of the men employed in this particular branch. Amazement was expressed at the speed displayed by the men in wrapping the pound pats. The Duchess wished to know how many hands were employed in the factory, and both she and the Duke were astonished to learn that such an output could be controlled by so small a staff. This fact evidently impressed the Duke, because on learning that the estimated output for this season would be 3,200 tons he again commented on the efficiency of the organization." Further on we find this published in the *Auckland Star* under the heading " The Last Word in Dairy Efficiency : On Tuesday the Waharoa Butter-factory broke its own record for the greatest one-day output of butter, which it is claimed is a world's record." There are about thirty-one men employed in that factory. The extract continues : " On the day mentioned no less than eighteen churns of butter were put through in less than nine hours, the result of this being 21 tons 6 cwt., or 47,712 lb. of butter." This output was a triumph of efficiency, was a world's record output, and was brought about under the Arbitration Court system. If we get rid of that system and outlaw those works and workers, how are we going to get on ? We are beating the world now, Surely we are not going to try and beat the angels in Heaven ? That is the last word in dairy efficiency.

Mr. Roberts : On page 141 of the paper it is pointed out that 45 per cent. of the total population are breadwinners and 55 per cent. dependants. I know how these figures are arrived at, and in all our investigations we find that the Government Statistician really is a statistical matchmaker. He provides every man who has not a wife with a wife, and then with a child or two, or with one-fifth of a child, or something of that kind. What we want is the average number of children per married male worker working in an industry covered by an award of the Court. Mr. Turner will no doubt admit that some men have more than two children, and when the Court makes an award is it right to ask what is the man's value going to be if he has four children ; or is he, like the dog-fancier, going to keep the best two and drown the others ? The fact seems to have escaped the investigation of the Canterbury Chamber of Commerce regarding the wages position, as to what percentage of the 45 per cent. of the breadwinners are actually

wage workers employed in industries covered by an award of the Court of Arbitration. An investigation of that matter proves that there were nearly three children to every average married male wage worker. When we send out papers we do not ask a "single" man if he is married, and, if he is not, how many children he has. We send that paper to the "married" man, and ask him how many children he has. This statistical matchmaking does not get over the question, and does not lead to the conclusion Mr. Turner suggests. Has the Canterbury Chamber of Commerce made the investigation on the lines I suggest? Otherwise their results are fallacious for comparison purposes, since they include all kinds of people—professors, doctors, parsons, and that kind of individual—who are not really producers at all in the sense we generally use the term.

Mr. Nash: I wish to call attention to the published index figures on page 141 of Mr. Turner's paper, and to ask him if the deductions he makes in that connection are not entirely disproved by the statements of the economists at this Conference? Mr. Turner brings forward certain indexes which tend to show that prices of what are called sheltered industries or goods are much higher than the prices for goods exported by the farmer. If he will refer to page 39 of the official report of the Conference he will find there a paper by Professor Belshaw, in which he indicates a comparison of the producer's material costs, showing that farm requisites have not advanced to the same extent as export prices. One other question is: Will Mr. Turner tell the Conference how many of the 44,560 workers referred to on page 140 were working under the Industrial Conciliation and Arbitration Act at the time the disputes he referred to took place? My last question is in reference to page 139, where he refers to wages, and says "that the system was good while wages and prices were rising, but now that the tide has turned it does not operate to general benefit." I take it he means that the system was good while wages and prices were rising during the war years. I wanted to call attention to the fact that, according to the Government Statistician, not in one year from 1914 to 1924 were the effective wages of the worker equal to what they were in 1914. The following figures are taken from the Government Year-book, and they show that the effective wages for the years 1914 to 1924 were as follows. Taking 1914 as £1, in 1915 they fell to 19s. 7d., in 1916 to 18s. 9½d., in 1917 to 17s. 9d., in 1918 to 16s. 8d., in 1919 to 16s. 3d., in 1920 to 16s. 5½d., in 1921 to 17s. 10½d., in 1922 to 19s. 4d., in 1923 to 19s. 2½d., in 1924 to 19s. 0½d. The figure expresses in money the amount of goods which could be purchased with the wages in each year as compared with 1914; or, in other words, for every £1 received by the worker in 1914 he received a lower sum in the other years. I ask Mr. Turner if his opinion is that the reason why the arbitration system was effective during the war years was because at that time it had kept the workers' wages below the effective wages of previous years.

Mr. Black: The reader of the paper states on page 141 that the Dunedin City Council, faced by an increase of wages awarded by the Court, and with the same income as before, had to make the inevitable decision to reduce the number of their employees. Does he know that the Dunedin City Corporation, because it had spent a deal of money in relieving unemployment during the past two years, had decided on a reduction in hands long before the Court had given an increase of 1d. per hour to Corporation labourers? Does he know that the Corporation had intimated many months before that it would have to reduce the number of regular hands on account of the amount of casual labour it had to employ in the relief of unemployment, which the Corporation felt should have been relieved by the Government?

Mr. F. R. Cooke: I want to arrive at an understanding as to whether the gentlemen on the other side are sincere in their papers, and I would like to ask Mr. Turner if he stands for the Chamber of Commerce paper as being a balanced statement of the cause of this Dominion's present difficulty. There are 77,661 workers in what are named as sheltered industries, receiving £16,573,441. The total wealth-production of the Dominion is £116,000,000, and the exports are £50,000,000—46 per cent. of the total product. This year, I think, they are £54,000,000. That was 46 per cent of the total product of New Zealand, for which £116,000,000 were paid. Income-tax has been lowered the past few years, and bank-share interest increased at a much bigger percentage than wages. In face of these facts and others, do the gentlemen on the other side, and Mr. Turner in particular, credit the Chamber of Commerce paper with being a true statement of their opinions and their ideas with regard to the Dominion's difficulties at the present moment?

Mr. Tucker: Mr. Turner refers to the paper issued by the Chamber of Commerce when the Bill was before the House last session, and the statement on page 139, clause 4 (*e*), that the present system stifles initiative in industry. I should like to know in what way the system stifles iniatitive in industry. It is an important suggestion that any system is stifling initiative, especially in regard to industrial matters, and it deserves clearing up. On page 141, paragraph 16, he says, "What we want is the relaxation of a system which we believe limits production." I would like to ask him what form of relaxation he suggests could be made in the present arbitration system that would not in any way detrimentally affect the standard of comfort of the workers of this country.

Mr. Kennedy: On page 139 Mr. Turner quotes the Chamber of Commerce as recommending the abolition of preference to unionists. When recommending that, is the Chamber of Commerce agreeable to taking out all of the penalties on the workers now in the system?

Mr. Purtell: Would Mr. Turner be in favour of prosecuting companies found guilty of restricting output? This question has been asked before. We have on record the famous Golden Bay Cement Co.'s case, which was justified by the Supreme Court; and it seems to me that we ought to have a declaration by the Chamber of Commerce as to the justice or otherwise of it. I happen to be secretary for some workers in Auckland where half a dozen works that are manufacturing a certain

commodity have pooled the demand for their particular commodity and a number of the men will be discharged. On two occasions works employing forty men closed down. In one case there was a prosecution under the War Regulations Act. I think we should have some explanation of this matter. I am an Englishman, and I wish to say that the average New-Zealander, mentally and physically, is better than the average I have come across in the Old Country. Can Mr. Turner justify over-capitalization and expecting the same return on capital? It is on record that during the war period and immediately afterwards tremendous sums were paid in buying out certain companies: does Mr. Turner suggest that employers can ethically demand the same return on capital in such cases? On page 139 the argument put forward is simply that if the Arbitration Court had not increased wages perhaps prices would have come down; but our whole experience has been that wages have followed prices all the time. In fact, discussing the matter over a cup of tea last time with one of the employers, he agreed with me that the fixed retail price of certain New Zealand manufactures is restricting output. I would like an answer to some of these points.

Mr. Churchhouse: On page 140, clause 12, Mr. Turner says, in subclause (*b*), "that the prices of our exports in the world's markets have not increased in the same proportion as our costs of production." If the farmers cannot get the price they are asking for, there should be an increase in production; and it will be our job to show them in committee how they can increase production. The whole trend of the paper is that the arbitration system aggravates this position. I want to say with regard to the points that the workers are sheltered under the Industrial Conciliation and Arbitration Act, and the sheltered industries are sheltered by taxes as against the farmer, surely the farmer must admit that the State is doing something for the farmer. In 1913 the Agricultural Department cost the taxpayer £180,000, and to-day it must be costing a very much larger amount of money. Surely the farmer is receiving some benefit from all that expenditure? I have here a newspaper cutting, a Vancouver cablegram dated the 2nd December, which says: "Officially reporting on the results of his investigations during his visit to New Zealand and Australia, Mr. Alexander Lucas, British Columbia's Special Commissioner, states that New Zealand's system in aiding farmers is well nigh perfect. New Zealand, consequently, leads the world in its output of domestic products. As British Columbia strongly resembles New Zealand, Mr. Lucas recommends that a similar system be adopted here." Through the Agricultural Department the farming industry has undoubtedly received a great deal of benefit from the State. The farmers are trying to prove all the time that it is we who are sheltered by the State, but we could enumerate along many lines the assistance the farmers receive from the State. We are big enough to say where the State assists us, and surely gentlemen on the other side will be big enough to admit they are receiving something from the State. They are assisted by the State just as much as any other portion of the community. The Government is going to put the pork industry on a better wicket. It has already advanced a large sum of money, and a great deal more will be spent by the State in putting that industry on a better footing. Is the farming industry not materially assisted by the State through the Agricultural Department and by cheaper rates on the Government railways?

Mr. Turner's Reply.

Mr. Turner: Mr. Revell has asked me whether I support a system of employment that tends to endanger the lives and limbs of the workers by requiring them to work at a speed which is dangerous. In asking me that question he made special mention of the freezing industry. Of course, neither Mr. Turner nor any one else supports a system such as he describes; but in connection with that matter I may have an opportunity in committee of producing figures to show that the slaughtermen have not increased their rate of work since I do not know how far back, but, at any rate since 1912. Mr. Johns asks, "What would he (Mr. Turner) do to increase the work or output of the dairy-factory workers of this country?" Mr. Johns drew a glowing picture of the high efficiency of the dairy industry. I am sorry I do not know anything about that industry, but I have had a word with Mr. Brechin, and I understand that the dairy industry is highly efficient, and it is quite possible, apart from putting in more labour-saving machinery, that nothing can be done to increase efficiency. I accept Mr. Brechin's statement. Mr. Purtell asks, "Has not wages followed prices?"

Mr. Purtell: My point was, Was it not a fact that wages had followed prices, even during the war period?

Mr. Turner: Not always. They seem to run in a circle. Sometimes wages follow prices, and sometimes wages get ahead of prices. Sometimes when prices are going up wages are going down, and sometimes when prices are going down wages are away above them, It is impossible to generalize on a thing like that. Then Mr. Purtell asks, "Can Mr. Turner justify over-capitalization?" No, Mr. Turner cannot, neither can any one else; but a great deal is said about over-capitalization which has nothing whatever to do with the case. For instance, Mr. Revell put in a paper when we met last showing over-capitalization in the freezing industry. If I get a chance I propose to play Mr. Revell out, and show that there is nothing whatever in the suggestion that over-capitalization has had anything to do with the wages of the worker. The effect of over-capitalization has been felt by the people who put the capital in. Mr. Purtell also asks, "Would Mr. Turner be in favour of prosecuting companies who are found guilty of restricting output?" He referred very freely to the case of the Golden Bay Cement Co. I understand in that case the result of the so-called restriction of output was a decrease in the cost of cement. In fact, half the stories talked about restriction of output do not reach the point at all, because so-called restriction of output is nothing of the kind; it is merely an attempt on the part of the employer to decrease overhead expenditure per unit for the benefit of the community. That, I understand, was the position in the case of the Golden Bay Cement Co. Mr. Robinson puts this question: "In paragraph 4 (*h*) a complaint is made about the rigidity of agreements. In covering

a multitude of parties is it possible to have elastic awards without the elasticity being taken advantage of by some of the less scrupulous parties?" Mr. Robinson knows that I have said I support Mr. Bishop's suggestion of voluntary arbitration, and I think it covers the point. Mr. Robinson next asks, "Is it not a fact that such watertight clauses as appear in awards have been put there because some employers have taken advantage of loosely-worded clauses in order to do things that were never intended by the assessors at the Conciliation Council?" I have said that I object to the whole system of the Court fixing conditions in industry. I do not like it; I think it is economically unsound. I can only answer the question by making that general statement, which, after all, is the text on which the whole of my paper was based. Then Mr. Robinson puts this: "Paragraph 5 (ii)—Payment should be generally by results: Is it equitable to base wages on results when the workers at present have no control over the machinery or production? Would the employers agree to permit the workers to produce as much as they can and guarantee that there should be no limitation of production by managerial interference? Would they agree that the workers be given a share in the control of industry?" I have already said that in my opinion the function of the workers is to work, the secretary to do the secretarial work, the manager to manage, and so on. A further question from Mr. Robinson is: "Paragraph 5 (iii)—Wages should not be based on such artificial conditions as the size of a man's family: Since when have families been manufactured artificially?" I do not know that that question needs any answer. Mr. Robinson's last question is, "Does the speaker know that the Dunedin City Council, that could not find an increase of 1d. per hour without reducing hands, had no difficulty in financing out of profits of trading departments the cost of a new Town Hall, a proposal which the ratepayers had turned down?" I had a talk about that question while we were outside just now, and I merely want to draw attention to the fact that I put in the Dunedin City Council as an example. I do not know much about the circumstances, but the point I was making was that when a man has a fixed amount of money to spend on wages, if wages go up he must get rid of men eventually. That was really the case I was making—that the farmer, owing to the fact that the price of his produce is out of his control, had a limited amount of money to spend on wages. Therefore if wages go up he must employ less men. Mr. Fulton asks: "Mr. Turner infers on page 141 that the Court has reduced the purchasing-power of the workers, and that the producers would be forced to adopt means to bring down the price to the level where he could sell it freely again. Does not Mr. Turner think that the main cause of the loss of the farmers' purchasing-power is due to the overlapping expenditure and mismanagement on the part of employers and farmers?" Mr. Turner does not think that is the main cause. Mr. Martin was very anxious that his question which he has asked before, but to which he has not received a reply, should be answered. After quoting our recommendation—"It should be a penal offence for any persons to coerce or cajole any worker to restrict his output"—he says, "What about employers who restrict output to keep up prices, and combinations of employers who subsidize firms to keep their plants idle?" I answered that question when dealing with Mr. Purtell's inquiry. I referred to the Golden Bay case, and said that the most serious efforts to restrict output were really attempts on the part of employers to reduce overhead expenditure in the interests of the public. Mr. Baldwin asked, "Would Mr. Turner be satisfied if the primary-produce workers were exempted from the provisions of the law?" That is a question that Mr. Turner cannot answer. It is a question for the primary producers, but I think it is answered by the statement I made when I supported Mr. Bishop's suggested compromise to which I have drawn the attention of the Conference, and with which Mr. Roberts also appears to agree. Mr. Bromley asked whether I agreed that the wages of capital (interest) should also fluctuate with the value of the product. Yes, I think that very largely it does; but I do not know whether I have quite got the "hang" of the question. I think that profits generally fall before wages. Mr. Bloodworth asked whether the replies to the questions given on page 139 have been weighted according to their importance; and, if not, what is the value of the answers? Well, if Mr. Bloodworth wishes to see the analysis of the answers I can give them to him. They have not been weighted in the manner he suggests. We had replies from 116 representatives of trade and commerce; thirty-two from representatives of local and national public men, including members of Parliament, officials, employers' associations, Chambers of Commerce, and so on; forty were from professional men, including only one professor of economics; eight were from farmers; and twenty-nine from men in unclassified occupations. Mr. Bloodworth also asked whether the Chambers of Commerce are in favour of the establishment of a standard minimum wage. No, the Chambers of Commerce are not in favour of the fixing of a standard minimum wage. Then he asks, "If not in favour of a standard minimum wage, how do they expect unions to be in favour of payment by results?" All I can say is that I, at any rate, am not in favour of a standard minimum wage. The question of sweating has got to be dealt with. It is generally dealt with by public opinion; but no country can possibly tolerate sweating, and I am certain that there is no member of the Conference on this side of the room that would tolerate it for one moment. Mr. Bloodworth's next question is, "If the Chambers of Commerce are not now in favour of fixing a standard minimum wage, will the Chambers continue to be in favour of fixed retail prices for proprietary articles, which are an important factor in the worker's cost of living?" I do not know about these proprietary articles. It is a matter that has been ventilated to some extent, and I gather that there is something to be said on each side. The prices have been fixed in order that the small retailer may be able to live as against the big store, which can afford to cut the prices, so that it is really protection for the small-income-earning class, the small shopkeeper. Then Mr. Bloodworth asks, "Have the Chambers of Commerce considered what would be the result to a large portion of their members of a fall in wages to workmen, with a consequent reduction in purchasing-power?" The suggestion is that if wages fell there would be a reduction in purchasing-power. Well, I think that I would rather the economists answered that question. Mr. Roberts asked what percentage of the 45 per cent. of the total population who are breadwinners are actual wage workers, and whether I could give an estimate

of the number of children per married male wage worker who is employed in an industry covered by an award. I am sorry I cannot give a complete answer to Mr. Roberts, as I have not all the figures; but in answer to his first question, out of 1,218,000 inhabitants in New Zealand in 1921, 50,000 were employed, 73,000 were working on their own account, 370,000 were wage-earners. That would give Mr. Roberts the proportion he requires. There were 688,000 who were dependants. I am sorry that there are three or four questions left unanswered, but my time is up. *(Applause.)*

The Arbitration Court and Price Dislocations.

By D. O. Williams, M.A., Economist, Massey Agricultural College.

Professor Williams: I have feared that my paper would be in the nature of an anticlimax, since for it to be in its proper place it should have followed Professor Belshaw's more comprehensive treatment of the subject, of which my paper is a brief addendum. But in view of the paper submitted by Mr. Turner probably there is a place here for my contribution to the discussion of the Conference. When I prepared this paper I had no idea that I would have to read it to this Conference. It is rough and ready, but I am obliged to present it to you, although I have had no opportunity of checking and amending it.

The thesis which is here outlined is that our rural depression is largely due to the fact that prices of our primary products have fallen faster and further than other prices; that this gap between primary and other prices is brought about partly by deep and persistent causes related to the peculiar nature of the demand for and the supply of primary products, partly by a series of other influences which act in the direction of supporting other prices as against primary prices; that, in view of the significance of other causes promoting price disparity, the influence of the Arbitration Court cannot be other than minor; and that, therefore, insofar as the Court is condemned on the ground that it is a chief or even important factor in rural depression, the condemnation is unjustified.

The Act is conspicuously placed and vulnerable to ready attack. My object is to show that the importance of the Act, as a determinant, has been vastly exaggerated and that the same price disparities occur where Arbitration Courts do not exist. In doing this I hope to reduce the Act to its proper dimensions in the picture. The Act is not an economic Goliath to be slain by a valorous David. Those facile explanations of our rural depression which centre round the Act cannot endure the test of analysis; and, it follows, those facile solutions which propose an effective remedy by abolishing the Act are misleading.

This is not to deny that a case may be made out for the abolition of the Court; but such a case must rest on other grounds than the supposed importance of the Court in causing or promoting price disparity. If it can be shown that the operation of the Act is an important cause of rural depression the case for its abolition on this ground is strong; but if it can be shown that it is a minor factor in the general economic situation, and that the direction of its influence in this minor place cannot be confidently determined, its abolition must be commended on other grounds. The problem of the abolition, maintenance, or modification of the Act is thus narrowed, brought into touch with economic realities and removed from that indeterminate sphere of prejudicial irrelevancies which, in exaggerating the importance of the Act, promote exaggerated hopes of easy remedies. It is desirable that the real merits and defects of the Act should be properly assessed; but this is impossible if the Act is credited with a significance which it cannot possibly have.

II.

The best approach to our problem is from the angle of price, for the seed-bed of our economic troubles is the dislocation of prices due to the abnormal monetary (and other) events of the war and post-war periods. The upward surge of prices during the inflationary period redistributed fortune's favours in an apparently arbitrary manner, conferring here unanticipated and unmerited gain, there unanticipated and unmerited loss. Some classes grew rich, others less rich, others poorer. The "normal" economic relationship which held, before the war, between various economic groups (in a rough and ready and somewhat unstable way) were destroyed in the upward thrust of prices. Had all incomes risen in precisely the same proportion, and at the same rate no such disruption would have occurred, for the same economic relationships would then have persisted on a higher general level of prices and been modified only slowly. But in the period of rapidly rising prices, all incomes never do rise together at the same rate to the same height. Some prices rise further, some faster, some faster and further than others.

The general level of prices is a useful statistical abstraction which, however, conceals the significant diversity of its component items. It is the lack of uniformity of price movements which is the significant economic fact, for in destroying the economic balance between various economic groups, it produces violent maladjustments which are more difficult to redress in some cases than in others. The subsequent subsidence of prices (again related mainly to monetary policy) introduced further dislocations. Put another way there have been upward and downward movements in the general level of prices; but particular price movements have shown varying degrees of departure from the general movement; and the maladjustment thus introduced has

been more difficult to offset in some cases than in others. Primary products are the conspicuous example where prices have departed most rapidly and violently from the general movement, and where adjustments have been most difficult.

The effects of this behaviour of primary prices are that, in a period of rising prices, farmers gain more rapidly than other sections of the community unless Government intervention in the form of price-control checks the movement; and that, in periods of falling prices farmers lose more rapidly and to a greater extent than other producing groups. Whichever way prices move, a gap occurs between the prices of primary products and the prices of other products. When prices are rising the gap is in favour of the farmer; when they are falling the gap is against the farmer. In the former case the farmer's purchasing power rises and he is prosperous; in the latter case his purchasing power is depressed below the purchasing power of other groups and he is unprosperous. The attached charts give some idea of the process in New Zealand.

It is clear from these charts that export prices of produce were amongst the first to react upwards and that until 1917 they moved upwards further and faster than other prices. The peak of the farmer's purchasing power was reached in 1917 when it was about 22 per cent. higher than in 1914. After 1917 other prices began to catch up and the farmer's purchasing power to decline. After 1919 farmers' prices began to fall, while other prices continued to rise and did not fall until about 1920. Thus the break in farmers' prices occurred about a year before the break in other prices. If primary products are among the first to rise, they are also among the first to fall; and on the whole they fall further than other prices. Since 1919 only the two years 1924 and 1925 show a purchasing power to farmers equal to or above that of 1914. The year 1914–1919 were thus prosperous times; the longer period from 1919 onwards highly damaging, the average purchasing power of the farmers during this time being only 89 per cent. of that of 1914. Nor can it justly be argued that the prosperity of the earlier years provides an equitable compensation for the depression of recent years. Only in individual cases could this be so. It obviously is not so for those who began their farming near the peak and got but the briefest glimpse of glory. It is not so even for the bulk of farmers who were able to enjoy the prosperous seasons. There is no simple and divine balance that brings gain and loss into such perfect adjustment.

The most obvious fact that emerges from these considerations is that primary producers have less resistance to price falls than have other groups. Why is this so? Why, indeed, do primary prices fluctuate so widely? These are crucial questions and their proper answer of the highest importance. This proper answer cannot be found unless the closest attention is paid to the peculiar nature of the demand for and the supply of primary products. Professor Warren writes: "Basic commodities fluctuate more violently than do prices of commodities that have passed further through the process of manufacture and trade. Farm prices fluctuate more than wholesale prices, and wholesale prices fluctuate more than retail prices. For identical commodities in the hands of farmers, products that are located far from the market, fluctuate in price more than products near the market. In general, the greater the distance the commodity is from the consumer, where distance is measured in economic terms, the greater the price fluctuation" (Pol. Sc. Qty., Vol. 39, p. 565).

III.

Whetham, in "Politics and the Land," p. 65, writes: "The chief cause of agricultural prosperity or adversity is a combination of two factors, the recurrent rise and fall in the general level of prices and the economic lag between expenditure and receipts in farming operations." The general problem of the "lag" he states as follows: "If prices are rising, a farmer incurs his costs at a lower level, and when he sells he makes a fortuitous profit. On the other hand, if prices are falling, he incurs his costs at a higher level and sells when prices are lower, sometimes for an amount which is less than his costs of production. Hence arises the great importance of variations in price in agricultural economics."

This opens out a highly profitable line of investigation into the problem, and a necessary one for a complete account. Clearly, prosperity or adversity results from the relation between the farmer's selling and his buying prices, between what he gets for his products and what he has to pay for his purchases, between his receipts and his costs. But a paper which covered both these correlated aspects would be too lengthy; and therefore I wish to concentrate on the "receipts" side rather than on the "costs" aspect. My task is to explain why, in a period of falling prices, the prices of primary products generally tend to fall most. This is, at least, part of the explanation of rural depression. The other part, that relating to the movement of costs, is complementary. It can show, for example, that even if wholesale prices fell equally with primary prices, the farmer tends to suffer more than most other producers while the fall continues, because the fall in his costs lags farther behind the fall in his receipts than in most other industries. Nevertheless the fact that a gap appears between the prices of primary products and of other products is sufficiently important and intriguing to warrant investigation, for if the gap did not appear, the problems associated with the adjustment of costs would be less urgent. The gap in prices intensifies the maladjustment of costs and to that extent is an operant factor in rural depression.

In the great upward and downward movements of the general level of prices, due chiefly to monetary causes, farmers were for a while the recipients of relatively high prices and then of relatively low prices. This was virtually a universal experience; it was not confined to New Zealand. Lord Ernle in *Economic Journal*, December, 1927, p. 583, writes: "The war and its aftermath had reduced the financial system to chaos, and exaggerated all the evils that may result from monetary instability

and the break-up of general price-levels. Unconsciously and irresistibly swept into this world-wide movement, the farmers of almost all countries were brought in 1921–23 to the verge of ruin." This gives the right note: deep, universal forces at work producing the same general result almost everywhere; producing it in countries differing widely in farming organization, products and economic institutions; and producing it, too, independently of the existence or absence of Arbitration Acts.

The very nature of farming largely explains why, in periods of rising and falling prices, primary prices show marked movements. When prices are rising farmers can increase their supplies but slowly to meet the situation. Increases in supply come about tardily. Farming is a "slow" industry where production may not reach its maximum for several years and where the capital invested is high in proportion to receipts. Production cannot be increased by merely taking thought and making decision: long labours are necessary before the more or less remote response is secured. It is obviously not the relatively simple matter of more hands, more machines, longer hours. Whatever is done, the gap between the increased productive effort and the increased productive response is comparatively long. There is thus, in a period of rising prices, a maladjustment, a shortage of supply which accelerates rising prices. Clearly, if supply could be swiftly and automatically adjusted, prices would not rise so much; but since supply cannot be readily increased, the bidding for what is available becomes acute; and since the shortage is a deficiency of things that are necessary, the bidding is more acute than would take place for a similar shortage of things less necessary.

Broadly speaking the demand for primary products is more constant, more regular, continuous and recurrent than the demand for other things; it is more persistent in the face of rising prices than other demands. This is not to say that there are no variations in demand. Even in normal times the external demand for the products of New Zealand, for example, may vary considerably from season to season, perhaps owing to changes in the supplies from competing sources; or in such times as a war period, the aggregate demand may increase greatly for a while and then recede; while in periods of general business prosperity and high standards of living, demand will also increase somewhat. But, all in all, the variations in demand are less than in the case of commodities not so basic or necessary. When then, a persistent demand is operating in the face of a relative shortage of supply, there will be a sharp rise in prices. The relative shortage may of course occur as the result of a poor production season; or through supply failing to increase rapidly enough to meet a given increase in demand. The period of rising prices during the war was also a period of increasing demand for necessaries and basic commodities; but production lagged behind. Primary prices therefore were influenced by two sets of causes: by inflation which forced all prices upwards, and by a relative shortage which forced up primary prices still more. At such times primary prices tend to rise most because shortages are most likely to occur in this field of production (owing to the relatively long interval between "seed-time and harvest") and because the deficiency is a deficiency of the more necessary things. The farmers have the best of it, not through any particular virtue of theirs, but through the peculiar interactions of supply and demand.

But when prices are falling, the same forces operate—the farmers then get the very worst of it, and not through any fault of theirs. If it is difficult to increase supplies rapidly when prices are buoyant, it is no less difficult—indeed, is more difficult—to decrease supplies when prices are falling. In fact, capital investments undertaken in the preceding period of rising prices may not come to productive fruition until prices begin to fall, that is, at the very worst possible time. Hence in these times surpluses are most likely to occur in primary products. Moreover, a surplus has a greater effect in depressing prices than a similar surplus in other commodities; for demand is relatively constant, and does not increase much in response to lowered prices. In general, with primary products, prices may fall a long way without evoking an increase in demand, while in many other commodities a comparatively small reduction in price will be sufficient to encourage or increase demand. At such times, primary prices tend to fall most because surpluses are most likely to occur in this field of production and because the surplus is a surplus of things which are necessary only up to a certain point.

The matter is well expressed in the *Economic Journal* (December, 1927, pp. 583, following): "In periods of economic upheaval, like that which has recently been experienced, all industries necessarily feel the effect of a rapid fall in prices. But the worst sufferer is the farmer. It is upon him as an individual that the losses fall; they cannot, as in many other enterprises, be distributed among a large body of shareholders. His slow-moving machine is ill adapted to rapid movements of prices. . . . The rapid appreciation of money during the period does not wholly explain the fluctuations in the prices of specific products of agriculture. Seasonal and other variations in supply render the farming industry exceptionally liable to instability of prices, and their operation has aggravated the effects of that general lowering of price-levels which resulted from monetary disturbances. The market for agricultural products is constant; but is also inelastic, and therefore it is peculiarly sensitive to, and disproportionately affected by, the slightest degree of surpluses or deficiencies."

This problem of the adjustment of supply to demand is of such importance in explaining one chief set of circumstances that affect rural prosperity that it needs to be considered more fully. There is a comfortable doctrine that changes in price act as an economic barometer indicating where supply can profitably be increased or decreased; and that supply will be adjusted in response to this price indicator so as to preserve a sensitive equilibrium between demand and supply. This doctrine is unreal when applied to farming. It is, no doubt, true in the long-run; but in the long-run (to parody Keynes) farmers may go bankrupt. Supply adjusts itself to demand, but slowly. In the meantime the maladjustments in the shape of surpluses or deficiencies promote wide fluctuations in prices. Some of the factors bearing on this are:—

(*a*) Short-time changes in market conditions have little effect on primary production. The prices that may be received for, say, New Zealand wool, are quite independent of the individual farmer's decision to increase or decrease his output. Whatever he decides can have no perceptible influence

on prices, and, consequently, he has but the slightest incentive to attempt those fine adjustments of supply to prospective demand that are possible in some other industries.

(*b*) A period of high prices will gradually increase the volume of farming output; but when prices turn it is not easy to decrease production, for once an investment has been made, greater loss would frequently be suffered by curtailing production than by maintaining it. The larger the proportion of capital invested in the industry the greater the difficulty of curtailing production once begun. For many farmers, when prices began to fall, there was simply nothing else to do but to carry on producing.

(*c*) A change-over from an unprofitable form of farming to some other form is never easy, and often impossible. There are all the difficulties associated with soil, climate, pests, transportation costs, as well as the costs involved in the actual change-over. Moreover, such alternative farming industries as may be geographically possible may be economically impossible. Even if they are both geographically and economically possible, it is no light thing to abandon and old and embark on a new venture.

(*d*) Production must take place in advance. The decisions that are made are made in anticipation of a market situation which may not eventuate; but once committed to a production programme it is exceedingly difficult to make important changes.

So far as human planning of production is concerned, it has then to operate in a somewhat intractable situation. The individualized nature of the industry inhibits effective attempts to adjust supply to demand; where a diminution of supply is clearly desirable in a period of falling prices curtailment is difficult and substitution not less difficult; and when individual decisions are made, they are made in anticipation of market conditions that may not be realized.

(*e*) If actual supply is thus slowly and imperfectly affected by human volition, it is remarkably dependent on physical factors which in any given season may be very much more important. Even if acreages, herds, flocks could be accurately and quickly regulated to the exigencies of demand, this would give no assurance whatever that production would be adequately regulated. The weather alone may destroy all calculations.

All these difficulties intervene to prevent any sensitive response of supply to demand. Because of these difficulties, farmers are unable, in a period of falling prices, to equate their current supply to current demand, except at prices that may be ruinous. The possibilities of effective storing and holding against future needs are limited, and even where they exist may, as the result of weather caprice alone, prove disastrous.

Because of these circumstances the farmer has no adequate defence against deep falls in the price of his produce. Even if all the costs involved in working his farm remained steady in their weight, the fact that the prices he gets fall more than the general cost of living makes his position economically difficult. Moreover, a fall of any depth presses more heavily on him than on most other producers, for his rate of turnover is relatively very slow. For the United States as a whole it was calculated that it takes on the average eight years to make sales equivalent to the total capital invested. Obviously in a period of falling prices the time must be longer. Other industries having a quicker rate of turnover can adjust themselves to falling prices more readily.

It is this relative unresponsiveness of production to price changes, this inelasticity of supply coupled with a not very elastic demand, which is the deep and abiding fact making for price disparity. Were every other factor the same for all industries, this one alone would inevitably bring a deeper fall in primary products than in other products; and in boom times yield higher prices to farmers than to most other groups. Where supply can be quickly and effectively adjusted, price fluctuations can be confined within narrower limits than where, as in the case of farming, the adjustment is at best slow and uncertain.

It must be understood that I have been speaking in general terms. It is impossible in this brief report to do otherwise. What I have said, therefore, while true in general, is truer of some specific farming products than of others. Further, it applies to the *general trend* of primary prices; although the explanation of a sudden recovery of prices for a year or two during the general downward process, is also incidentaly implied in the foregoing analysis.

IV.

The general inelastic nature of farming industries, then, causes a gap to occur between primary and other prices. It is not contended, however, that the actual width of this gap is due to this cause alone. The gap created by this cause has been widened by other influences. The organized bargaining-power of other industries is in general greater than that of farmers. This is clearly enough shown where the farmer's market is mainly a local one; it is no less clearly shown where his main market is an external one. Indeed, where the main market is external, and particularly where it is remote, the farmer's bargaining-power is likely to be weak unless his products constitute a preponderent proportion of the total supply. Where the main market is local, a development of the effectiveness of farmer's co-operative enterprise, say in marketing, is likely to produce material gains, particularly if a protective tariff operates to assist them by hindering outside competition. Where the main market, however, is external, a local protective tariff for primary products can have no relevance except as regards local prices; and external protective tariffs against primary products no relevance unless they are preferential: while no primary producing country, even though it makes the greatest single contribution to the total supply, controls a large-enough proportion to enable it to impose its will on the receiving markets. In such circumstances (I suggest them as being applicable to New Zealand), improved marketing organization is likely to achieve more in eliminating or reducing waste than in maintaining prices; it can, that is, achieve little in reducing the gap between primary and other

prices, but may achieve much in lessening the cost of marketing and in preventing the more violent oscillations in price that accompany unorganized competitive marketing of individuals. For an exporting country, especially where the exports are basic, the market is a world market where other competitors are a significant factor in the issue. Thus it happens that farmers supplying an external market in competition with other producers have little defence against relative price depressions and none against price maintenance of other goods. In other words, in a period of falling prices, he has little or no defence against lower prices for the things he sells, or against higher prices for the things he buys.

V.

Of the factors promoting price-disparity proper regard must be given to price-maintenance as practised by other groups. In a period of falling prices, price-maintenance, for all groups, becomes at once more desired and more difficult; but the more highly organized group are more successful than others, particularly than farmers. In recent times price-maintenance has become a more and more pervasive factor, either in raising prices or in maintaining them, or in easing their fall; either, that is, in accentuating price-disparity or in impeding the adjustments of disparities.

This topic is a difficult one, to be discussed cautiously. Some good may result from successful price-maintenance—as where labour defends its standard against an unwholesome depression; or where organized banking limits credit in the interests of economic health; or where higher prices provide an opportunity for necessary improvements in quality or service. But the case is otherwise where it sustains prices against the interest of the general economic situation: as where some groups of labour push up wages beyond the economic capacity of the industry, or where organized banking extracts exorbitant payments, or where no compensations in quality or service are forthcoming.

In the absence of more extensive and reliable New Zealand data than I have, I hesitate to express an opinion as to the relative importance of this factor in the present situation. I am aware that many attempts at price-maintenance have collapsed under competitive pressure. It is probable that few price-maintaining organizations have much stability in periods of depression. But some are more successful than others. Certain it is, that organized farming has but the remotest chance of all of practising price-maintenance with any success. The broad result is, whatever its precise weight may be, that the practice, while yielding less to all than is perhaps popularly supposed, yields more to non-farming groups than to farmers; it helps the expansion, inhibits the contraction, of the gap between primary and other prices.

VI.

Price-maintenance against the interests of other groups is especially favoured by protective tariffs. Where these tariffs provide encouragement for deserving industries, some eventual general benefit may ensue, and the present sacrifice be compensated by eventual gain. Such protection is social investment, of a more or less speculative nature, the "more" or "less" depending on the certainty of the economic prospects of the protected industry. But where protection is granted for industries which have no prospects other than protracted or perpetual infirmity, it is not investment, but industrial poor relief of the most uneconomic kind. With such industries, as with those whose prospects are good, protection ensures the high prices that are necessary for their survival; but these high prices are uncompensated by any present or future hope of reduction. With such industries we are committed to a sacrifice in perpetuity.

The maintenance of such industries is so much economic loss; but once established they are difficult to eradicate. Particularly in a time of depression are they difficult to eradicate, for then the absorptive powers of the rest of the industries are at their lowest and, consequently, the problem of diverting labour and capital to them most acute. And yet it is precisely in times of depression that their effect on the prosperity of other industries is most destructive. The evil is worst at the time it is hardest to cure. Other groups may, indeed, have some sort of defence against these higher prices in their bargaining power and the success of price-maintenance of their own products and services; but I am unable to see what defence the farmer can have. Prices are raised against him: his own prices he cannot raise. For consolation he is offered that venerable joke which relates to "keeping money in the country"; but the farmer has become impervious to the humour that resides in such obvious sophistry.

VII.

The effects of such protection and price-maintenance are part of a vicious circle of high prices, high nominal (not real) wages, high costs, higher tariffs, and renewed attempts at price-maintenance. Arguments as to the ultimate benefit of protection in enabling an industry to expand and therefore to lower costs of production and therefore (?) prices, are valid only of the potentially strong infant industry. In the other cases, the high prices which are levied under cover of high protection raise the cost of living by so much, and so induce demands from wage-earners for increases to offset this rise in the cost of living. The higher nominal wages, not being higher real wages, are unlikely to result in increased labour efficiency (why should they?); therefore, to the employer they represent an added cost of production which, to retain the previous margin of profit, presses in the direction of higher prices of commodities. These higher prices at the existing rate of protection may expose the industries concerned to a fiercer competition from abroad; and this result makes for claims for still higher protection. The upward thrust to prices, originating in protection (I am excluding monetary disturbances), perpetuates itself through higher costs of production. The aggregate result is an artificially maintained high level of prices for such products, and a diminution in the purchasing-power of those sections of the community which are unable to find an equivalent compensation in a rise of prices of their own services or products.

VIII.

There remain some considerations which require further investigation—*e.g.*, our loan policy. To what extent has our loan policy been inflationary, if at all? This is a matter of some difficulty to determine. Some of our borrowing is used in buying commodities in the lender's country. These purchases are additional to the purchases that would have been made in any case. Their effect is the simple and direct one of promoting exports from the lending country to the borrowing country, leading to an "unfavourable," or less "favourable," balance of trade in the importing country.

But some of the borrowed funds will be available for local expenditure. Under long-continued borrowing, some of these funds at least would be remitted in the form of a specie flow to the borrower; or, if the borrower is a gold-producing country, some gold normally exported would stay at home; or, if gold-movements were reduced to a minimum, the remittances might take place by entries in the books of banks. In any event, a larger purchasing-power is placed in the hands of the borrowing community. The effects are likely to be a rise in local prices and incomes. Particularly is this so if a country is in the early stages of borrowing where the principal amount annually borrowed is greater than the interest bill annually due.

In the later cycle of borrowing, the interest annually due will be greater than the principal sum annually borrowed, on the average. By the same reasoning, there will be a contraction of local prices and incomes.

The points at issue are: Does our borrowing policy help to maintain local prices? Can it conceivably have any effect on export prices? If it raises local prices, or prevents local prices falling as far as they would with less borrowing, and if it has no effect on export prices, then here is another circumstance promoting price disparity.

Again: We have an absolute interest bill of so-much to meet annually. The main means of meeting it is an excess of exports over imports. But borrowing means increased imports and therefore a narrower margin between imports and exports, and sooner or later the necessity of still greater surplus of exports to meet a still larger interest bill. This is normal enough, of course; but there is a point of particular importance to New Zealand. Where the demand for our products is relatively inelastic, the normal disadvantage of the "barter terms of trade" that occurs when large interest bills have to be met, is accentuated. In other words, our export prices are depressed relatively to import prices. The whole question, however, is too intricate except for the specialists; but their attention might well be turned to this matter.

IX.

Somewhere in this complex of economic factors, the Arbitration Court plays its part. It will be recollected that my whole analysis is concentrated on the price aspect, my object being to disclose the forces at work which bring about a disparity between primary and other prices, for in the fact of this disparity is to be found a chief reason for rural depression. The influence of the Act in promoting or hindering economic discord, its lack of elasticity, the opportunities it provides for magnifying trifles into important legal issues, &c., are not germane to my thesis, however important they may be in assessing the general worth of the Act. They are not price considerations; and I am concerned here with price considerations alone.

The price consideration in regard to the Act is not "Has the Act pushed wages higher than they were, or kept them from falling?" but "Has the Act kept wages higher than they would have been if there were no Act?" The question unfortunately cannot be answered with any accuracy; and therefore the guess that they would have been lower in the absence of the Act is neither better nor worse than the guess that they would have been higher. We do not know.

Since we do not know this, how can it be validly argued that the operations of the Court have, in any sense that is real, *caused* this or that to happen to wages? If there had been no Court, can it be lightly assumed that wages would have gone this way or that? Can it be lightly assumed that their general movements would have been in a different direction from that which they have actually taken? If, as some think (I with them), that the Court has merely registered changes (more or less quickly) that would have come about in any case, then the Court has introduced no novel element into the price situation; the price situation is more or less what it would have been; it has not been deflected in an arbitrary manner or direction. The matter comes to this: before we can condemn the Act because, under it, wages are so and so, we have to prove quite definitely that without the Act wages would have been materially different.

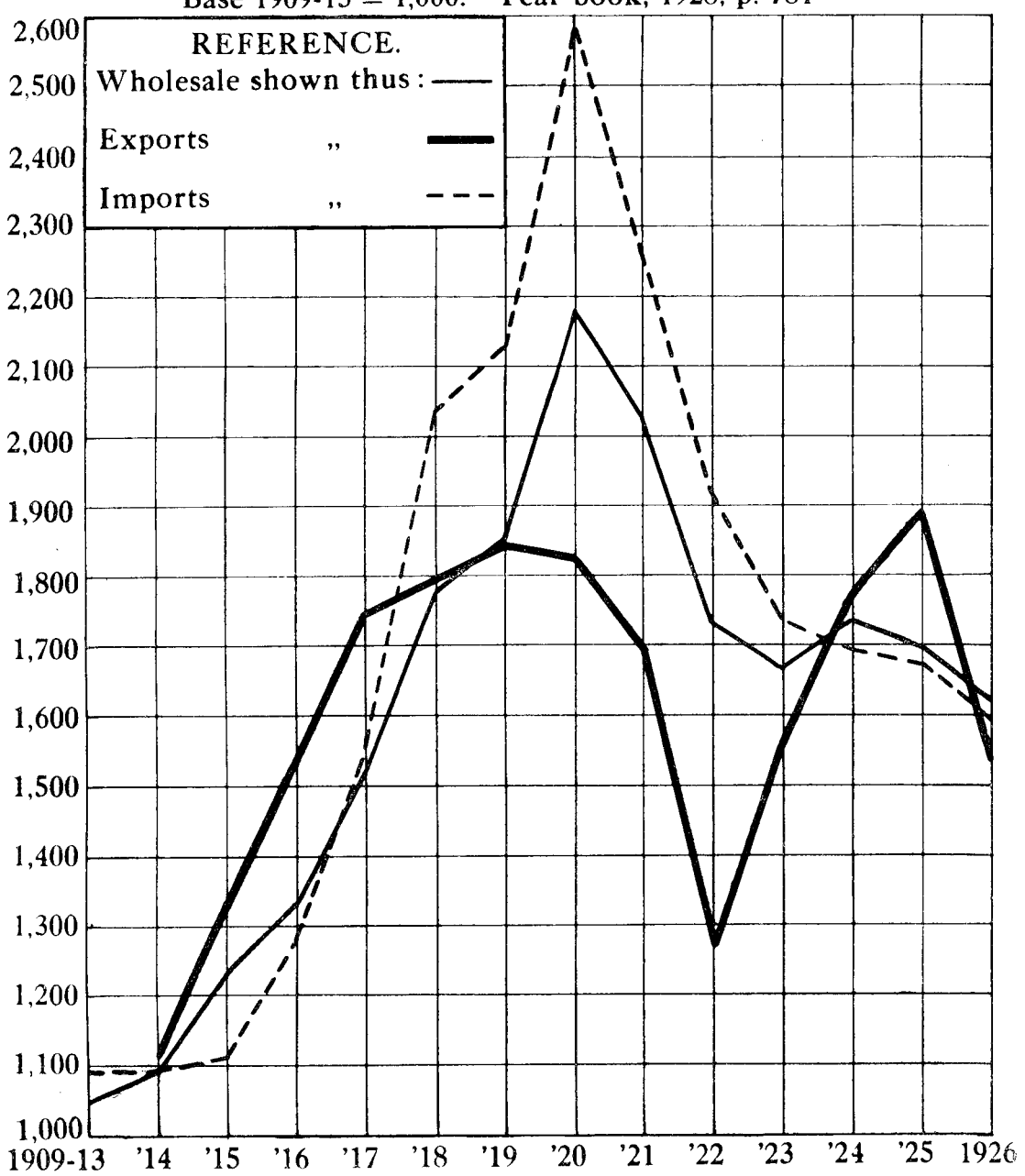
And if it were possible to prove that the Act has caused a marked divergence from the course that wages would have taken, it still has to be decided which of the two wage levels would, in a broad social sense, be the more desirable. Suppose that wages would have been lower. Would that, for the community at large, be a better thing? I do not answer that question; I ask it. It would have to be answered definitely before the Court could be abolished on the grounds that wages are kept by it at too high a level. Again, suppose wages would have been higher; would that be a justification for retaining the Act? Either way a definite answer is required, and from those who seek the abolition of the Court. Those who seek abolition on this ground, on the ground that the Act has interfered with the "normal" course of wages have then to decide two highly intricate questions: they have to show in what way the Act has deflected wages; and, having done that, they have to show that the "normal" course of wages would have been socially better than the present course. I can conceive of no manner in which either could be done with sufficient force or accuracy to justify legislative action.

In the upshot I think it is impossible to say that the Court has had an arbitrary effect on wages; it is impossible to say—that is, that the Court has had any material influence in promoting price disparity.

All this does not touch the question, say, of the principles on which the Court should proceed in settling wages; for, even if a case can be made against the principle of adjusting wages by cost-of-living indices, there still remains no evidence to suggest that wages would, without the Court, have been materially different from what they now are. This issue is pertinent, therefore, not to an abolition of the Court, but to the question of its modification.

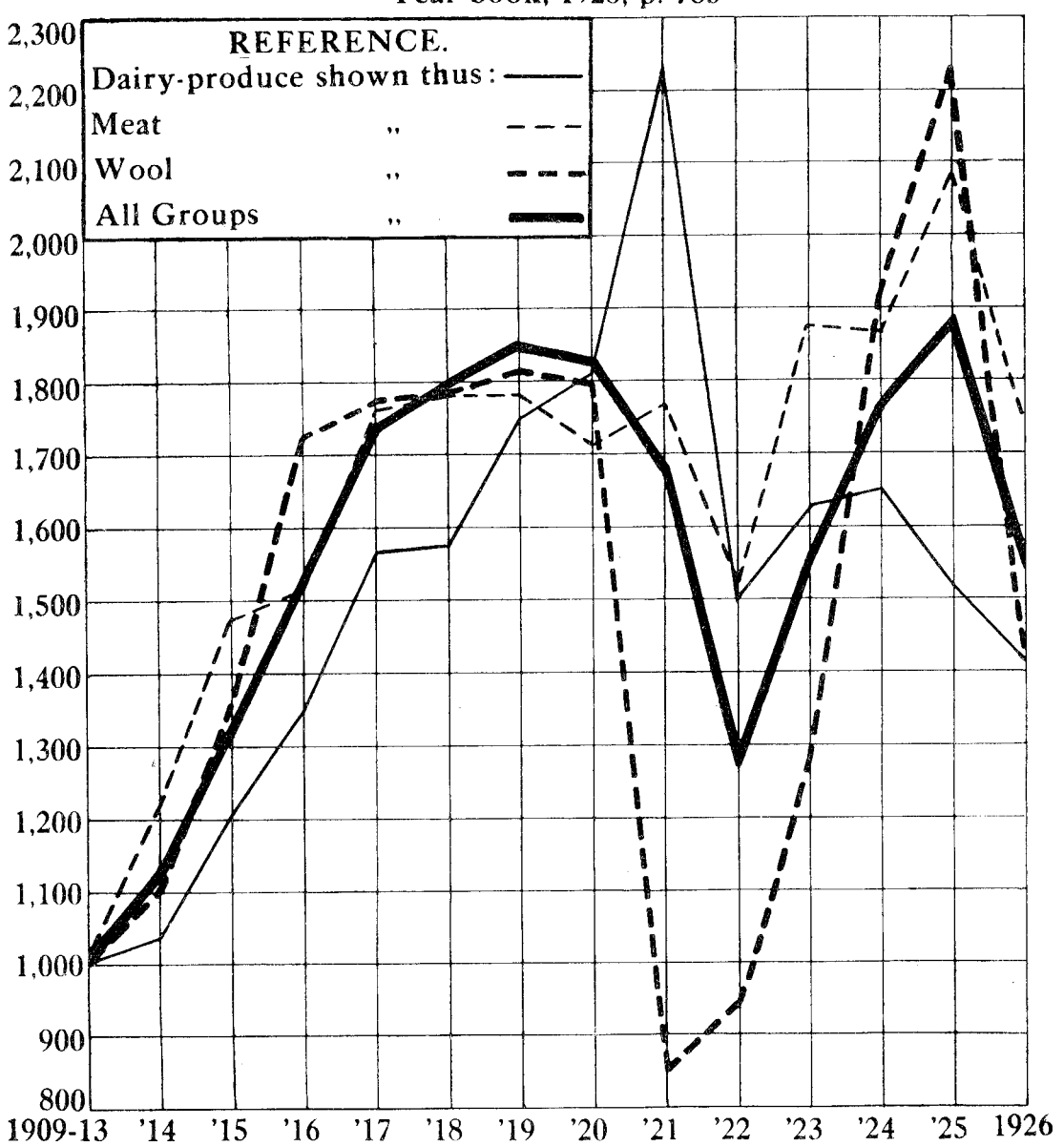
In view then, of the clearly definite influence that elasticity of demand and supply, price-maintenance, tariffs, &c., have in promoting and maintaining price disparity, and in view of the entirely conjectural influence that the Court has had in this direction, its abolition must be urged on other grounds. Its effect on price disparity, its effect on the proximate causes of rural depression, cannot be assessed; and there is positively no clear reason for holding that its effect either way is important.

Index Numbers of Wholesale Prices, Export Prices, and Import Prices:
Base 1909-13 = 1,000. Year-book, 1928, p. 781



SHOWING THE EARLIER REACTION, UPWARDS AND DOWNWARDS, OF EXPORT PRICES.

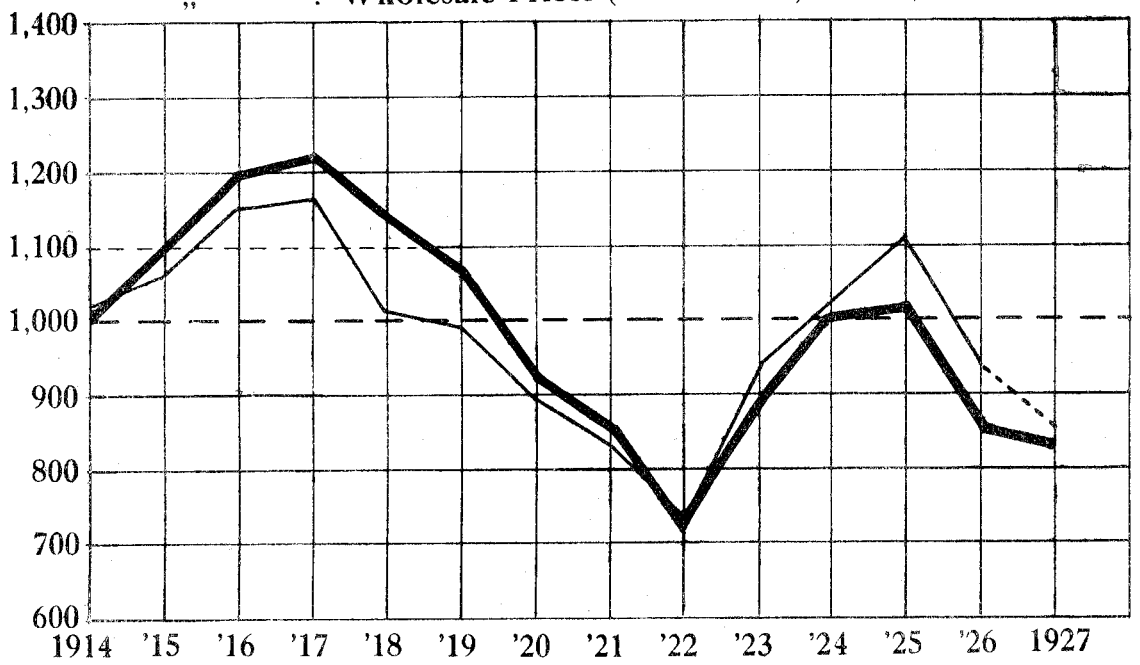
Index Numbers of Export Prices 1914-26: Base 1909-13 = 1,000.
Year-book, 1928, p. 783



SHOWING THE DIFFERENT PRICE-REACTIONS OF THE THREE COMMODITIES—DAIRY PRODUCE, MEAT, AND WOOL—COMPARED WITH THE GENERAL EXPORT PRICE MOVEMENT.

REFERENCE.

Purchasing-power of Exports:
Export Prices ÷ Cost of Living (1914 base) shown thus: ——
" ÷ Wholesale Prices (1909-13 base) " ——

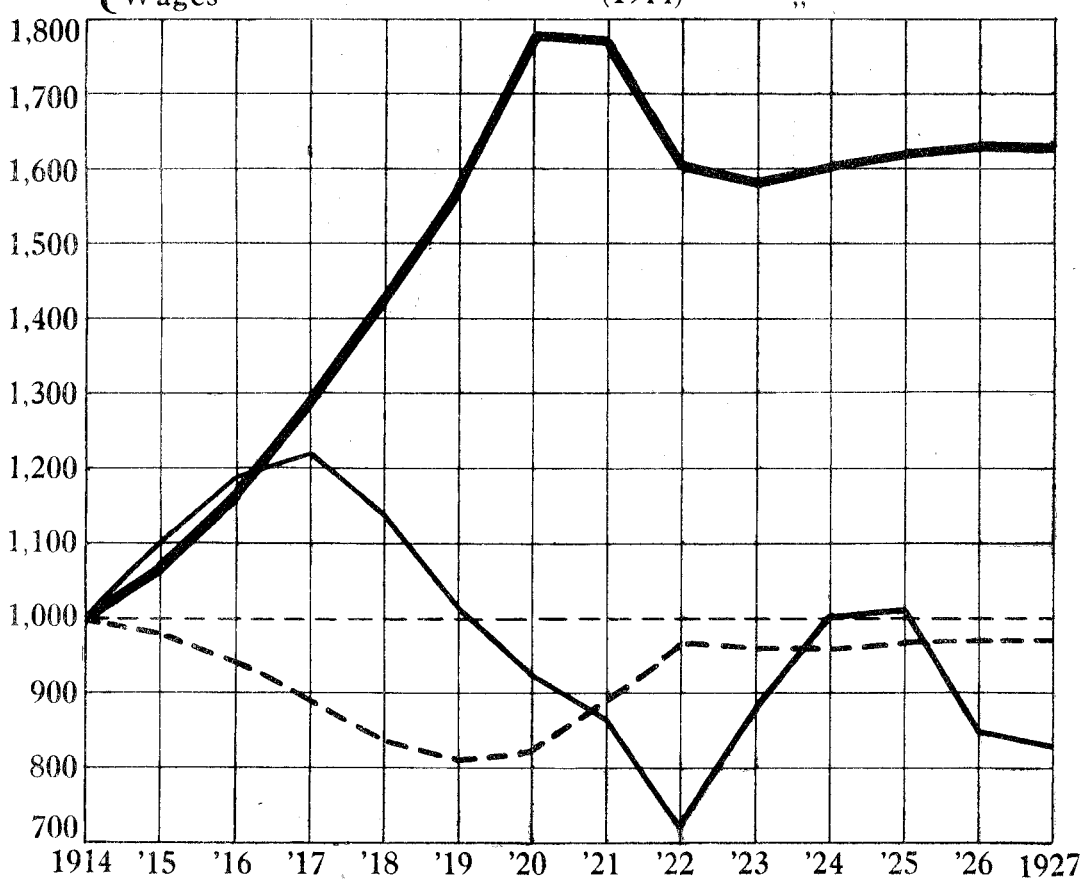


SHOWING VARIATIONS IN THE PURCHASING-POWER OF EXPORTS.

REFERENCE.

Cost of Living (1914) - - shown thus: ——

Purchasing-power of
{Exports on Cost-of-living Basis (1914) " ——
{Wages - - - - (1914) " - - -



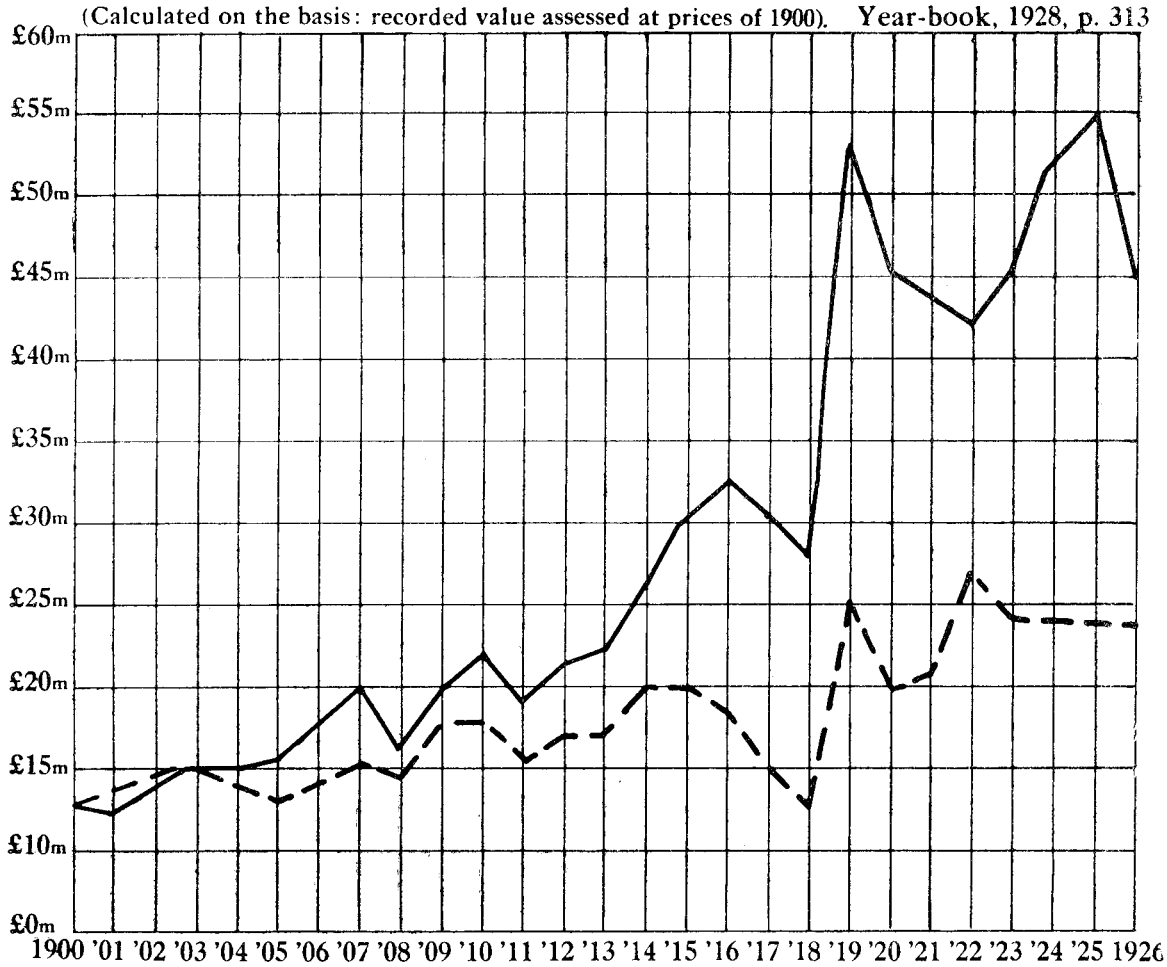
PURCHASING-POWER OF EXPORTS AND OF WAGES.

REFERENCE.

Value of Exports shown thus: ———

Volume " — — —

(Calculated on the basis: recorded value assessed at prices of 1900). Year-book, 1928, p. 313



PRICE MOVEMENTS COMPARED WITH MOVEMENTS IN VOLUME.

The Conference adjourned till next day.

THURSDAY, 19TH APRIL, 1928.

The Conference resumed at 10 a.m., Mr. A. D. Thomson presiding.

Procedure.

The Chairman: Before continuing the discussion on Professor Williams's paper I will ask the Hon. Mr. Barr to make a statement as to the course of our procedure after the conclusion of the present sitting in open conference.

Hon. Mr. Barr: Mr. Chairman and gentlemen,—As we anticipate, either this morning or some time to-day, finishing the reading of papers and the discussions on them, it is just as well that delegates should know what they may expect subsequently. A number of delegates will, of course, not be taking part in the business of the committees, but as we have already been informed by the Business Committee that they cannot fix a date for the resumption of the Conference, I want delegates who will not be taking part in the committee work to be assured that they will be notified by the Secretary of the Conference in plenty of time of the date of the resumption of the Conference. Those delegates who have occasion or who desire to stay in Wellington, and wish to attend at any of the Committee meetings, will, I have no doubt, be admitted as the procedure will, I expect, be the same as that in connection with the Parliamentary Committees, which is that any member of Parliament who is not a member of the Committee may be present but can take no part in the proceedings of the Committee. That is usual in the case of Parliamentary Committees, and I am assuming that the same procedure will be adopted here. But those delegates who deem it necessary to return to their homes may rest assured that they will be notified in plenty of time for the resumption of the Conference.

The Chairman: It is understood, then, that at the close of the present sitting the Conference will adjourn as a full Conference *sine die*. No date will be fixed for the resumption, but notice will be given to members as to when the full Conference will resume. Now I will call for questions with regard to Professor Williams's paper.

Discussion on Professor Williams's Paper.

Mr. Parlane: I have two short questions to ask Professor Williams. One is, What effect will a reduction in wages have upon land-values, both rural and urban? And my second question is, In the event of the effect being an increase in land-values, how would such increase affect production costs? I desire to illustrate what I mean by referring to what is going on in Wellington at the present time. Some years ago the Wellington City Council allowed barrowmen in the street to sell fruit. The City Council sold the barrow-stands, and at the commencement the whole of the stands were occupied by Europeans. Later on the Indian fruitmen came on the scene, and they were able, in almost every case, to give practically twice as much for the stands as the Europeans could give. But in my opinion the only reason why they could give double the amount was because of their lower standard of living; and the public of Wellington are not getting any benefit from the Indian men: it is all going to the landlord. My contention is that a reduction in wages will not be of any benefit to the producer, but it will all go to the landlord.

Mr. Campbell: On page 145, section IV, Professor Williams says: "Where the main market is local, a development of the effectiveness of farmers' co-operative enterprise, say in marketing, is likely to produce material gains, particularly if a protective tariff operates to assist them by hindering outside competition." What I want to ask Professor Williams is this: Does this mean that he agrees that a protective tariff is a good thing for the farmer, but, say, if applied to our woollen or boot industries, is a detriment to the country, as set out in sections VI and VII on page 146? Then I want to ask Professor Williams another question: Has he taken into consideration the wonderful asset the primary producer has in an almost unlimited market, in that there is always a sale for his products, and does this not compensate for any slight increase in cost of production? The third question is with regard to the paragraph on page 147, where Mr. Williams says, "In the upshot I think it is impossible to say that the Court has had an arbitrary effect on wages; it is impossible to say—that is, that the Court has had any material influence in promoting price disparity." If Mr. Williams is sure that the farmer is wrong in assuming that price disparity is due to the influence of the Court, is he also sure that his attack on protective tariffs will assist the primary producer to increase his production or lower his costs?

Mr. Barber: In view of the statement of Mr. Williams contained in paragraph VII, I would like to ask him if he is aware that the secondary industries of this Dominion employ 81,700 workers, and the value of their product is £84,792,434? Therefore if these industries languish for lack of protection, what is to become of the 81,700 present employees? Does he suggest that they should be added to the unemployed? And what is to become of the rising generation if employment cannot be found for them in the secondary industries? I would also like to ask him if he can point to any nation that has become great by relying solely on its primary industries?

Professor Murphy: Referring to the graph on page 148, taken from the Year-book, does Professor Williams consider the spread attributable mainly to manufacturing costs in the strict sense, or to such factors as distributive charges?

Mr. Campbell: Mr. Williams did not read paragraph VIII yesterday. Does that mean that he does not wish to answer any questions regarding that paragraph?

Professor Williams: No, sir. I asked permission to delete it on the ground that it raised problems that meant that any attempt on my part to answer would be fraught with difficulty. I suggested at the time that they were matters for experts only to discuss. Frankly, I think there is nobody here, including myself, who can answer those questions, and I proposed them as suggestions for investigation.

The Chairman: As the section has been deleted no questions can be asked about it, and no answers will be required.

Mr. F. R. Cooke: Land-values have increased from £389,164,729 in 1916 to £603,250,306, which means, at an annual interest of 5 per cent., £10,700,000. The wages of 77,661 workers in the productive industries amount to a wages-bill of £14,573,441 according to the 1924 Year-book. These wages are used to buy food, clothing, houses, furniture, and to keep production going. Interest goes to a fewer number of citizens, and much of it is used for pleasure. Which source of income is most beneficial to the Dominion of New Zealand? That is the question I would like to ask, if Mr. Williams would be kind enough to answer it.

Mr. Barber: I would like to ask another question. How would Mr. Williams suggest that the product of the secondary industries—£84,792,434—should be paid for if there is no manufacturing in this country; and how will it affect the Dominion's trade balance?

Mr. Henderson: Does Mr. Williams suggest that the questions raised in section VIII have not been investigated by experts in New Zealand?

Professor Williams's Reply.

Members of the Conference have raised some fairly heavy issues for me to reply to, and I am afraid that they have been making very good use of last evening and this morning in working out some of these questions. I am very unfortunate in that I did not accept Mr. Roberts's suggestion to stop at 5 o'clock yesterday. I am going to deal quite ruthlessly with some of the questions. In reply to Mr. Parlane, I think that his question is not in any degree relevant to anything I have stated in my paper. An answer involves a whole dissertation on single tax, Mr. Henry George, and that school, and I do not think it material to the point of view I am trying to present to the Conference. I am sorry for Mr. Parlane, and ask him to accept that attitude in regard to his question. The next question refers to a paragraph on page 147: "If Mr. Williams is sure that the farmer is wrong in assuming the Arbitration Court has had any material influence in promoting price disparity, is he as sure that his attack on protective tariffs for secondary industries will assist the primary producer to increase his production or lower his costs"? I am sure that, to the extent that the farming industry does believe that the price-disparity which has existed is due to the Arbitration Court, they are wrong. My reason is set out at length in my paper. I think that when an attack on the Arbitration Court has been initiated from this particular angle of prices, and so on, it is mistaking cause for effect, and that there are more fundamental reasons for the bringing about of price-disparity not only here, where there is the Arbitration Court, but in every country where farming is an important industry and where there is no Arbitration Court. My point there is that the sum of the whole output is secure, and that this wide divergence of circumstances is not due to the Court entirely, which is but a factor in the situation. The second part of the question contains a little careless phrasing, if I may make that suggestion. I am not making an attack on the protection of the secondary industries in any sense at all, but I have differentiated between protection for industries when they are confronted with a reasonably profitable outcome. That is the stage that every infant industry has a chance to reach. It may be rather struggling at the start, and may from the geographical or economical situation ultimately become profitable. It means a present sacrifice for an ultimate gain. But so far as those other secondary industries are concerned, such as the boot and shoe industry, I agree there that it would be a good thing if the tariff on some of those industries and others, which are a positive drain on the community, were lowered. I think, then, a case could quite conceivably be made out with regard to tariffs, but I hold it would be not a difficult thing for us to get rid of some of those industries—to get rid of an incubus in particular cases—which are I think a serious drain on our prosperity. On the question of tariffs generally I am anticipating a lot of questions, but definitely I may say that I think my attitude, if you want me to define it as closely as possible, is this: that once the tariff has been inflicted upon us in respect to these bad industries, sooner or later some measure of adjustment is going to deal with that tariff, and it would be better for the community to have a stable tariff, rather than to go chopping and changing about the tariff policy of the Dominion. As to the farmer, I think some change would make for his benefit—I cannot say how much—if some of the less economic tariffs were lowered. Then, Mr. Campbell asks: "Has Mr. Williams taken into consideration the wonderful asset the primary producer has in an almost unlimited market, in that there is always a sale for his products, and does this not compensate for any slight increase in the cost of production?" The assumption that the increase in the cost of production is slight is not necessarily warranted. Unless you can prove that the increase in the cost of production is slight, then there is no basis for an answer to that particular question. My opinion, which at the moment I cannot prove, is that the aggregate effect of any increase in the cost of production through this or that tariff is a considerable burden on the farmer. As for the unlimited market, it has been the very burden of my paper that however unlimited that market is, it is peculiarly sensitive to price-oscillation, which is the trouble. Mr. Campbell asks further, "Page 145, section IV: 'Where the main market is local, a development of the effectiveness of farmers' co-operative enterprise, say in marketing, is likely to produce material gains, particularly if a protective tariff operates to assist them by hindering outside competition.' Does this mean that Mr. Williams agrees that a protective tariff is a good thing for the farmer, but, say, if applied to our woollen or boot industries is a detriment to the country, as set out in sections VI and VII, page 146." Mr. Williams does not believe that a protective tariff is necessarily a good thing for the farmer. The particular point made there is simply this: that from the point of view of the farmer as a class, if he did have a protective tariff, then so far as his local market was concerned it would enable him to do what the secondary industries are able to do with a protective tariff—bump up the price against the community, that is all. I think Mr. Barber comes next. "In view of Mr. Williams's statements in Part VII, is he aware that the secondary industries employ 81,700 workers, and the value of products

is £84,792,434 ? Further, if these industries languish for lack of protection, what is to be done with the 81,700 present employees: does he suggest they be added to the present unemployed ? " I do not think, as I point out in my paper, that the evil is hardest to cure at the very time that its effects are worst in their reaction on the farmer. I say that now you have committed yourself to it you have to stand up as best you possibly can and aim at keeping your tariffs steady rather than altering them materially from time to time. That is the problem. You have your tariffs, which provide shelter that enables high wages to be paid in the various industries, or, rather, it enables the industries to survive; without the tariff many would not survive. If you ask me, were I Mussolini, what I would do at the present time, I would say, Leave them alone. Then Mr. Barber goes on, " And what is to become of the rising generation if employment cannot be found for them in the secondary industries ? My answer to that is that if we as a country centred our social policy on promoting to the fullest possible extent, without a multitude of trade barriers, the more efficient aspects of our industry, we could safely leave the rising generation to take advantage of the economic situation. They would thus be provided for in that way. Continuing, Mr. Barber says, " Can Mr. Williams point to any nation that has become great by relying solely on the primary industries ? " No, and I do not wish New Zealand to attempt it either.

Mr. Brechin: We have done it.

Mr. Williams: There are a few secondary industries. The implication in this question of Mr. Barber's, " Can Mr. Williams point to any nation that has become great by relying solely on its primary industries, " is that New Zealand has no reasonable prospect of ever being anything else but a humble country. My belief about New Zealand is that, economically and geographically, it has no reasonable prospects of being anything more than a relatively humble country, fairly well placed on the outskirts of civilization. There is nothing you can point to in its geographical or economic situation to suggest that we will achieve any large measure of greatness. Professor Murphy, in regard to the graph on page 148, asks, " Do you consider the spread attributable mainly to manufacturing costs in the strict sense, or to such factors as distributive charges ? " I cannot answer that question in any accurate way. It is a matter largely of closer knowledge than I have at the moment. Very possibly, as Professor Murphy suggests, the spread is due to these other factors. I would like to point out in respect to these graphs that you must not put your finger on any particular point of time. They are useful only as suggesting the general trend. Mr. Henderson asks, " Does Mr. Williams suggest that the questions raised in section VIII have not been investigated by experts ? " I did not read that section, so I have to presume that members of the Conference have not read it. It is a very important point, and I think I am right in suggesting that the situation as I have presented it there has not been investigated in New Zealand by experts.

Mr. Henderson: What did Professor Tocker say about it ?

Mr. Williams: I was fortunate enough to be Professor Tocker's guest last night, and I mentioned the matter to him. He said he contemplated investigating the matter, but had not done so yet. The matter was raised by Professor Towsey, who is, I think, the greatest living authority on international trade, and he suggested that at a stage in borrowing such as we have arrived at in New Zealand the terms of trade are likely to go against us. I suggest that that is a line for investigation, and will not make any attempt to express an opinion upon it at the present time. Professor Tocker has not made any investigation into it yet. Mr. Cooke asks, " Land-values have increased from £389,164,729 in 1916 to £603,250,306. At an annual interest of 5 per cent. it means approximately £10,700,000. The wages of 77,661 workers in the productive industries amount to a wages-bill of £14,573,441, according to the 1924 Year-book. The wages of workers are used in food, clothing, houses, furniture, and keep production going. Interest goes to a fewer number of citizens, and much of it is used for pleasure. Which source of income is most beneficial to New Zealand ? " In the aggregate I assume that wages are. Does Mr. Cooke mean aggregate ?

Mr. F. R. Cooke: Yes.

Mr. Williams: I wish to say that I think I, in common with other economists here, have learned a great deal from this Conference. I know manifestly more about the Arbitration Court than before. I would also like to add, if you are looking for real theorists, commend me to the practical men on either side. *(Applause.)*

Report of Business Committee.

Mr. Bishop: I desire to present the report of the Business Committee, which is as follows:—

BUSINESS COMMITTEE.—THURSDAY, 19TH APRIL, 1928.

Present: Messrs. J. Roberts, T. Bloodworth, O. McBrine, H. H. Sterling, C. H. Williams, and T. O. Bishop.

It was decided that each of the committees and sub-committees should elect its own chairman from its members, and that the chairman should not have any casting-vote.

Resolved, That no *Hansard* or press report be taken of committee or sub-committee proceedings.

It was reported that various sub-committees have been selected as follows:—

Primary Industries Committee—Dairy-farming Sub-Committee.—Messrs. W. Bromley, T. O'Byrne, R. Fulton, J. P. Johns, B. Martin, W. Nash, Hon. T. S. Weston, W. J. Polson, G. Finn, J. G. Brechin, and J. G. Middleton.

Primary Industries Committee—Sheep-farming, Agricultural Farming and Freezing Industries Sub-Committee.—Messrs. J. Roberts, A. Cook, H. C. Revell, W. Herbert, A. Parlane, C. Baldwin, J. Churchhouse, W. G. Smith, H. D. Acland, C. H. Williams, W. N. Nicholson, H. S. E. Turner, R. S. Chadwick, and J. Carr.

Secondary Industries Committee—Manufacturing Sub-Committee.—Messrs. T. Bloodworth, A. Black, R. A. Brooks, F. Cornwell, F. R. Cooke, J. Purtell, W. H. P. Barber, F. Campbell, R. M. Morten, A. G. Henderson, W. W. Mulholland, and T. O. Bishop.

Secondary Industries Committee—Distribution Sub-Committee.—Messrs. E. Kennedy, O. McBrine, J. Robinson, R. Semple, J. Tucker, H. Worrall, H. H. Sterling, J. S. Jessep, D. J. McGowan, H. Mainland, F. Colbeck, and J. Fisher.

Joint Sub-Committee on Shipping and Transport.—Messrs. W. G. Smith, T. O. Bishop, J. S. Jessep, D. J. McGowan, H. S. E. Turner, H. H. Sterling, C. H. Williams, J. Roberts, A. Parlane, O. McBrine, W. Herbert, J. Churchhouse, and E. Kennedy.

Joint Sub-Committee on Finance and Economics.—Messrs W. J. Polson, Hon. T. S. Weston, W. H. P. Barber, F. Campbell, H. D. Acland, J. G. Brechin, A. G. Henderson (Employers' representatives).

It was agreed that Mr. W. P. Williams (representing the associated banks) should attend the sittings of the Economics and Finance Sub-Committee, which would be glad of his assistance and advice.

It is the opinion of the Business Committee that the several committees and sub-committees should refrain from calling evidence, excepting where, in the opinion of the committee, it is essential to have some expert evidence to elucidate any specific matter under discussion.

It was resolved to recommend the following order of reference to the sub-committees: Each sub-committee to consider the evidence which has been submitted to the Conference, and report upon—

(1) The effect of the present system of industrial legislation upon the industry (or industries) represented by the sub-committee, having regard to (*a*) the welfare of the industry under consideration; (*b*) the welfare of the workers in that industry, (*c*) the welfare of the employers in the industry.

(2) To recommend any amendment of the industrial law which the Committee considers necessary in the interests of the industry.

(3) To report upon any new methods proposed for the betterment of industry or industrial relations.

The Economics and Finance Sub-Committee to consider the reports and recommendations of the different sub-committees and their relations to its specific subjects, and report to the main committee.

The Business Committee considered communications received from the secretary to the Employee Partnership Institute (New Zealand), Ltd., and Mr. F. G. Dalziell, and do not consider it necessary to take evidence on the subject of these communications, but on behalf of the Conference the committee desires that thanks be accorded to these gentlemen for the information submitted.

It was decided to recommend that a photograph of the Conference be taken before the final adjournment.

The Chairman: Does this report meet with your approval?

Hon. Mr. Barr: Before this motion is put, might I explain, on behalf of the Parliamentary Committee, that in arranging for this Conference communications were received from the representatives of various bodies—for instance, there was a communication from Mr. Mourant, the secretary of the Bank Officers Guild, and another from the representative of the New Zealand Federated Clothing Trade. The Parliamentary Committee pointed out to these representatives that the delegates had already been appointed—in other words, that the door was shut as far as giving them representation at the Conference was concerned—but we felt sure that their representations could be heard by some of the committees when it came to the committee stage. It will be realized that the responsibility for taking this action rests with the Parliamentary Committee, which gave promises that these representations would be received. Now, I find on the second page of the report of the Business Committee that the Business Committee is of opinion that the committees and sub-committees should refrain from calling evidence, and that no evidence should be taken at all except where it is considered advisable to have some expert evidence to elucidate some specific matter under discussion. I would like you, gentlemen, to consider the promises made by the Parliamentary Committee on behalf of this Conference. Having given those promises, it is but right that they should be carried out. I quite appreciate the fact that the Business Committee, in dealing with this matter, was not aware of the promises made by the Parliamentary Committee, but on the other hand it must be recognized that certain obligations have been imposed on the Conference. Whatever representations these people wish to make—and most of them have them in written form—are entitled to be heard, and it was thought that it would be better to take them in committee than in open conference. Since you met last another matter was referred to the Parliamentary Committee by His Worship the Mayor of Wellington, who desired to come before this Conference and make certain representations in the matter of unemployment insurance. This could not be allowed, as papers were only being received from delegates and representatives of parties to the Conference. That was pointed out to His Worship, and he was satisfied if he could have the opportunity of submitting his paper to some committee. I submit these matters for the consideration of the Business Committee, and I think it my duty to report the matter to the Conference as a whole. I hope that these points will be dealt with in the same spirit as has animated all the proceedings of the Conference.

Mr. Bishop: Might I ask whether it would be a sufficient discharge of the promises made by the Parliamentary Committee if each of these parties were allowed to submit their representations to the committee concerned?

Hon. Mr. Barr: I think that would meet with the wishes of most of them. Take the case of His Worship the Mayor of Wellington: he desires to deal with the question of unemployment insurance, and I think he was going to get sufficient copies printed or typed to place before the committee. Others who wrote want to refer to the Industrial Conciliation and Arbitration Act. Mr. Mourant, of the Bank Officers Guild, and who represents five thousand members, wants to submit certain data, which he has in type, with reference to their experience of the working of the Guild. There are only about four of these parties which desire to make these representations to the Conference or to committees, and have received these promises from the Parliamentary Committee. I think that some consideration should be given them in view of the interests they represent, because, as you will realize, gentlemen, this is a Conference which concerns New Zealand as a whole.

Mr. Roberts: I think, Mr. Chairman, that your attention should be called to the paragraph in the report of the Business Committee presented to the Conference this morning, in which it is stated that "It is the opinion of the Business Committee that the several committees and sub-committees should refrain from calling evidence, except where, in the opinion of the committee, it is essential to have some expert evidence to elucidate any specific matter under discussion." That gives a committee the right to receive evidence: that is quite sufficient; and I do not think the Business Committee had any desire or wish to disregard the opinions of the Parliamentary Committee. The idea of the Business Committee was that if evidence were called they did not know where it was going to end. On our side we have scores of people who wanted to give evidence before committees, but there would be nothing forthcoming which would not be a repetition of what we already have before us. This evidence, if it were admitted, would confuse the issue rather than elucidate it, and the Business Committee had to take that into consideration. With regard to the unions that have asked for representation, they have been given the opportunity to be represented at this Conference and they would not take the trouble to come, and I am not troubling about them. Mr. Mourant had the opportunity to be elected, and he declined the opportunity to become a member of this Conference. He wanted to be in the middle of the House, like the Professors of Economics. I think that the Hon. Mr. Barr and the Parliamentary Committee can leave it to the Business Committee to deal with these people who have these representations to make, and I am sure that committee will facilitate their being heard. But, speaking personally, I think it would be quite inadvisable, in the interests of the work of this Conference, to allow everybody to come before the committees and give evidence, unless they have something new to give to the Conference. That is how I view the matter. On the other hand, we will do everything to carry out the wishes of the Parliamentary Committee—we can assure the Hon. Mr. Barr that we will do that.

Hon. Mr. Barr: I am quite satisfied with the assurance of Mr. Roberts and Mr. Bishop that, as regards any pledge given by the Parliamentary Committee, the Business Committee is quite willing to grant facilities for receiving such representations. I am quite satisfied with that assurance as I understood it to be given by Mr. Roberts; but you will realize that it was my duty not to miss this opportunity of placing the position before you. I am just as anxious as any one that there shall not be any repetition of evidence, and to see that the Conference progresses along the lines it has already followed, and in as satisfactory a manner as possible. I will accept that assurance, Mr. Chairman, and will notify the parties interested, and will communicate with the secretary of the Business Committee.

Mr. Bishop: I suggest that the information should be obtained in writing so that the committee may consider it and decide whether evidence shall be taken further.

Hon. Mr. Barr: In reply may I say that those persons who have made application have invariably submitted the subject-matter typewritten, where it has not been printed.

The report of the committee was adopted.

Printing of Supplementary Papers.

Mr. Roberts: Before the Conference adjourns for lunch I wish to bring up a matter relating to the printing of certain papers at the end of the official report of the proceedings issued up to the close of the first series of meetings. I find there has been inserted in the printed report some bulletins of the Canterbury Chamber of Commerce. We have not had time to investigate the papers, and they have not been read. Therefore it will be generally understood that as far as this side of the Conference is concerned we are taking no responsibility for that matter.

Mr. Turner: I also wish to make a similar remark in connection with the statement which the freezing employees put in. They have had printed in this report a statement on the question of over-capitalization in the freezing industry, and I would like it to be clearly understood that that report has not been before this Conference. It was not here when the paper was read, and this Conference has had no opportunity whatever of considering or examining the figures the employees have put in.

Mr. Roberts: I agree with Mr. Turner. The same remark applies to Professor Murphy's speech to some of the farmers down in Canterbury. I am not taking any notice of it.

Hon. Mr. Barr: I think I referred to those bulletins earlier in the Conference. They were forwarded to us rather late, and they did not come really within the category of the papers read by the experts. But they contain a considerable amount of valuable information, and of material even from the debating point of view, and it was considered that they ought to be incorporated in this compilation.

A Delegate: They are very debatable.

Hon. Mr. Barr: Yes; hence their great value. When the final compilation is made they will be inserted in their proper order. I understand from the point of view raised by Mr. Roberts that their incorporation has not been objected to.

Mr. Roberts: No.

The Chairman: When a previous paper was being read reference was made to these exhibits, and no objection was taken at the time.

Procedure.

The Chairman: Our meeting as a Conference this afternoon is, of course, purely formal, simply that members of committees might assemble here and go into their separate committee-rooms straight-away to set in order or make a beginning of their business as committees. I just wish to make it known to all members of this Conference who are not members of committees—there are some not on the committees at all—that they have a right to attend the meetings of the committees, except, of course, when a committee for certain reasons wants to go into privacy on any matter that may arise, but not to take any part in the discussions or in any voting that may take place.

Mr. Roberts: You will remember, Mr. Chairman, that before the luncheon adjournment there were two committees on which the representation of the employees' section of the Conference was not complete. I want to announce that to the Joint Sub-Committee on Shipping and Transport we have added the name of Mr. A. Cook; while on the Joint Sub-Committee on Finance and Economics the following will represent the employees: Messrs. W. Nash, F. R. Cooke, T. Bloodworth, F. Cornwell, W. Bromley, B. Martin, and J. Robinson.

The Chairman: This Conference now stands adjourned *sine die.* Members will get notice from the secretary when the Conference is to resume. It only remains now for members of the different committees to find their way to their respective committee-rooms.

The Conference adjourned *sine die.*

MONDAY, 23RD APRIL, 1928.

Business Committee Recommendations.

The Conference resumed at 11.7 a.m. to receive a report from the Business Committee. The Hon. J. Barr, M.L.C., presided.

Mr. Roberts: Mr. Chairman, as members of the Conference are aware, the Business Committee met this morning to discuss matters which the different committees have been discussing since we adjourned from the main Conference, and with a view to getting on with the business the Business Committee, after serious consideration, recommends the following:—

(1) The Conference be assembled at 11 a.m. to receive this recommendation from the Business Committee.

(2) That, as all committees have now had a good discussion on the Industrial Conciliation and Arbitration Act, discussion on that matter should be discontinued for the present.

(3) That committees proceed to discuss minimum wage, unemployment, immigration, Workers' Compensation Act, with a view to getting the ideas of either side on these questions, and that general Conference be assembled at 3 p.m. on Tuesday, the 24th, to appoint a sub-committee of six from either side to draw up recommendations on the above matters, including the Industrial Conciliation and Arbitration Act.

(4) That members of the Conference not on the suggested sub-committee proceed in their respective committees to discuss the Shops and Offices Act, Apprentices Act, the professors' papers, and any other matter on the agenda not already dealt with.

I move, That the recommendations of the Business Committee be agreed to. I may also say that it has been agreed by the committee that a caucus of either side meet as soon as this meeting of the Conference adjourns. The Business Committee recommends this as the best means of dealing with the business of the Conference; that it will expedite matters considerably, and assist in getting a report before the main Conference on Tuesday, the 24th, which would be agreeable, or possibly so, to all parties. A caucus of either side will meet now, and the Committees will reassemble at 2.15 to-day and go on with the business as suggested in this recommendation.

Mr. Bishop seconded the motion.

Mr. Weston: One or two important members of the employers' caucus are absent attending some important meeting—something to do, I think, with the Arbitration Act—and if they are not able to attend the caucus there may be some difficulty. If the committees could meet at 2.30 instead of 2.15 we would be able to communicate with them.

Mr. Roberts said he was quite agreeable that the committees should resume at 2.30 p.m., and this was agreed to.

Motion agreed to.

Conference adjourned until 3 p.m. on Tuesday, 24th April.

TUESDAY, 24TH APRIL, 1928.

Appointment of Special Committee.

The Conference reassembled in open meeting at 3 p.m. on Tuesday, 24th April, the Hon. J. Barr, M.L.C., presiding.

The Chairman: You will recollect that the object of this meeting is to appoint a sub-committee to draw up recommendations in connection with the matters the two main committees have been discussing, including the Industrial Conciliation and Arbitration Act, and the resolution to that effect is now in your hands. The proposal was that the sub-committee should consist of six members from either side.

Mr. Bishop: I wish to ask the members on the other side if they will agree to make the number seven from each side instead of six, as we find it very difficult to leave certain men out of the committee because of their special knowledge of specific subjects.

Mr. Roberts: We are quite willing to agree to seven, but unfortunately we have only chosen six at present on this side, but we will select the seventh immediately.

The proposal to appoint seven members from each side was agreed to.

Mr. Roberts: Our members are Messrs. Roberts, Nash, A. Cook, Bloodworth, Bromley, McBrine, and one to be appointed.

Mr. Bishop: We have selected Messrs. Weston, Smith, Polson, Williams, Turner, Sterling, and Bishop. As Mr. Turner has to be absent on Thursday next, we ask that Mr. Chadwick be allowed to take his place for that day. Mr. Turner will resume his place on Friday morning.

Mr. Roberts: We have no objection to Mr. Chadwick.

Mr. Bishop: What about the time in which this sub-committee shall report?

Mr. Roberts: I suggest that the sub-committee meet and consider that matter, and inform the Conference later on as to what date they can report, the question to be left open in the meantime. I think there has been a suggestion with regard to finishing on the 2nd May.

The Chairman: The 2nd May was the suggestion of the Parliamentary Committee, not of this Conference. The idea was that the Business Committee should go into the matter, but it was found they could not then settle it. I should like to see it made the 2nd May if possible in order to get the job done.

Mr. Bishop: We would like to get the job done sooner.

Mr. Bloodworth: We ought to know something definite about the date of the Conference re-assembling finally, in order that the gentlemen who may be wanted from a distance may have time to be invited and to come here. I refer to the Professors of Economics, for instance.

The Chairman: The point raised by Mr. Bloodworth is of considerable importance, in order to enable those men at a distance to arrange their business.

Mr. Williams: I would point out that the particular items this special sub-committee has to deliberate on are not the only ones to be considered. This particular committee was to be set up to consider, I think, three different subjects which the main committee have not had time to deal with. But there are other questions that the small committees have still to deal with. I assume, sir, that the business of this sub-committee we have just set up will probably not take more than two days. We should then have to go back into committee to consider those other subjects.

The Chairman: That is a matter that can hardly be judged until this committee gets down to business. The first big job is the Industrial Conciliation and Arbitration Act; and then, I understand, you will go into the questions of unemployment, and workers' compensation. In the interim, according to the programme already submitted, the other committees will deal with the Shops and Offices Act, and apprenticeship, and any other odd matter they may find themselves in the humour to discuss. You will know when these committees are working just exactly where you are. I understand the position is that the Conference will adjourn at the conclusion of its business to-day until 10 o'clock on Thurdsay morning.

The Conference adjourned at 3.17 p.m.

SATURDAY, 28TH APRIL, 1928.

The Conference resumed at 11 a.m., the Hon. Mr. Barr, M.L.C., presiding.

The Chairman: Gentlemen, the Conference has resumed. I understand that Mr. Bishop has a report to present.

Adjournment.

Mr. Bishop: Mr. Chairman, I have to report that the special sub-committee recommends that general Conference adjourn until Wednesday, 16th May, and that the special sub-committee continue its work in the meantime, with power to deal with the whole of the matters before this Conference, and that it endeavour to present its final report when the Conference resumes on the 16th May. I move that that recommendation be adopted.

Mr. Roberts: Mr. Chairman, I second the motion. The special sub-committee has a very difficult task before it, and its members find that they are not making the progress that they thought they would make. We believe that the best results from this Conference will be obtained by the adjournment suggested in the motion moved by Mr. Bishop. We hope to have final agreements, or decisions at any rate, when the Conference resumes, and that the conclusion of the Conference will not be long delayed after the resumption on the 16th May. I have pleasure in seconding the motion.

The Chairman: I understand, Mr. Bishop, that your motion is to the following effect: that general Conference adjourn till the 16th May, and that the sub-committee do sit and complete the business referred to?

Mr. Bishop: That is so.

Mr. Brechin: What day is the 16th May?

Mr. Bishop: A Wednesday.

Mr. Bloodworth: There are several delegates who will be somewhat inconvenienced, in that they find it impossible to go back to their homes before to-morrow evening: I wish that consideration be given to those delegates on that account.

The Chairman: That does not matter, because even if you do work on Sunday we do not pay you for that. If there is no further comment on this motion I will proceed to put it.

Motion carried.

The Chairman: The Conference stands adjourned until Wednesday, 16th May.

The Conference adjourned at 11.20 a.m.

THIRD SESSION

OF

NATIONAL INDUSTRIAL CONFERENCE.

WEDNESDAY, 16TH MAY, 1928.

The Conference resumed at 10 a.m., Mr. A. D. Thomson presiding.

Apologies for absence were received from Mr. W. Nash (who was engaged on other public business), Professor A. G. B. Fisher, Professor D. O. Williams, Mr. J. G. Brechin (who through illness was unable to attend any further meetings of the Conference), and Mr. H. J. Middleton.

Report of Special Sub-Committee.—First Section.

The Chairman: Gentlemen, the time has arrived for you to discuss in open conference the findings of your special sub-committee. I understand that you have before you printed copies of the report of the sub-committee for your consideration. The first step is to move the motion for the reception of the report, and I call upon Mr. Bloodworth to move that the report be received.

Mr. Bloodworth: Mr. Chairman and gentlemen, it is my privilege as Chairman of the special sub-committee to submit for your consideration the report of the sub-committee, of which you have printed copies before you. You will observe that the report is headed "First Section," which indicates that there are other sections to follow. The report is as follows:—

REPORT OF SPECIAL SUB-COMMITTEE.—FIRST SECTION.

Wellington, 16th May, 1928.

The Chairman, National Industrial Conference, Wellington.

WE have the honour to present the following report on the work of the Special Sub-Committee of this Conference.

It is desirable, first, to explain the circumstances which led to the setting-up of this sub-committee. The general Conference met in Parliamentary Buildings on Tuesday, 27th March. The order paper submitted to the delegates by the Parliamentary Committee, to which had been entrusted all the arrangements for the Conference, was as follows:—

(*a*) The effect of the present system of industrial legislation on—
  (1) The welfare of the country:
  (2) The interests of employers:
  (3) The interests of the workers.
(*b*) The effect of the present system of industrial legislation on the primary industries of the Dominion, on which the prosperity of New Zealand ultimately depends.
(*c*) The possibility of adjusting the effect of industrial awards and agreements on the primary industries, taking into account (*a*) their fixed income from the sale of their products abroad, and (*b*) any other method of encouraging primary industries.
(*d*) The exclusion or inclusion of any particular industry from or in the Industrial Conciliation and Arbitration Act.
(*e*) The basis upon which award rates should be fixed.
(*f*) Payment by piecework or otherwise according to volume of output.
(*g*) The constitution of the Court of Arbitration and the representation thereon of parties concerned.
(*h*) Preference to unionists.
(*i*) Improved methods of avoiding industrial disturbances and other like delays in carrying on industry.
(*j*) Such alterations, if any, as are desirable in the industrial legislation of the Dominion.
(*k*) Apprenticeship.
(*l*) Immigration.

In addition to this order paper, the several groups of employers and workers, in response to the suggestion of the Parliamentary Committee, submitted the following papers as expressions of their own views :—

Report of Labour Delegation, setting out its Ideas regarding Conference Objective. (Mr. T. Bloodworth.)
Statement by the New Zealand Farmers' Union. (Mr. W. J. Polson.)
Farming or Primary Industries : Report of Delegation representing Workers. (Mr. W. Nash.)
Sheep-farmers' Delegates' Statement. (Mr. H. D. Acland.)
Statement of Sheepowners' Federation. (Mr. C. H. Williams.)
Statement of Position by Dairy Industry Delegates. (Mr. H. H. Sterling.)
Unemployment, Immigration, Apprenticeship, Sources of Labour-supply. (Mr. T. Bloodworth.)
Statement of the Views of the Freezing Industry Employers on the Present Industrial Laws of New Zealand. (Mr. R. S. Chadwick.)
Statement on the Freezing Industry, on behalf of the Employees. (Mr. H. C. Revell.)
Workers' Compensation Act. (Mr. J. Roberts.)
Paper submitted by the New Zealand Employers' Federation. (Mr. T. O. Bishop.)
Industrial Conciliation and Arbitration Act. (Mr. J. Roberts.)
Statement by the Associated Chambers of Commerce of New Zealand. (Mr. H. S. E. Turner.)

There were submitted also the following address and papers by the Professors of Economics from Auckland, Wellington, Canterbury, and Otago Universities, and the Massey Agricultural College :—

Address by Professor Murphy, Victoria University College.
Memorandum on the Arbitration Court, by Professor Fisher, Otago University.
Compulsory Arbitration and Economic Welfare in New Zealand, by Professor Tocker, Canterbury College.
The Economic Position of the Farmer in New Zealand, by Professor Belshaw, Auckland University College.
Industrial Legislation, by Professor Belshaw, Auckland University College.
The Arbitration Court and Price Dislocations, by Professor Williams, Massey Agricultural College.

The following papers were also received by the Conference :—

Insurance Scheme to provide Work for the Unemployed, by His Worship the Mayor of Wellington.
Statement by the New Zealand Bank Officers' Guild.
Employment Assurance, by Mr. G. Finn.
Review of Proceedings at the Opening Session of the New Zealand Industrial Conference, by Mr. F. G. Dalziell, Wellington.
Statement by the Employee Partnership Institute (N.Z.), Ltd.

These matters were discussed at some length in general Conference, and it was then decided that the Conference should divide into committees. There were two main committees set up, one representing the primary industries and the other the secondary industries ; and, on the recommendation of the Business Committee, it was resolved that these main committees should each divide into two, and also that two joint sub-committees should be set up, one dealing with shipping and transport, and the other with economics and finance. The two main committees commenced their sittings on the 19th April. The Primary Industries Committee at once divided into two sub-committees, one dealing with agricultural and pastoral farming and freezing industries, and the other with the dairy industry ; but the Secondary Industries Committee did not divide. These committees commenced consideration of the matters referred to them by the general Conference, and their discussions continued for some days on more or less parallel lines. These discussions were useful and led to certain definite recommendations being made, but it became obvious that finality could not be reached by this method of procedure. The general Conference was therefore again called together to receive a recommendation from the Business Committee that a Special Sub-Committee, consisting of seven members on each side, should be set up, to deal with the whole of the matters before the Conference, and prepare a report upon these questions for the consideration of the general Conference. Conference adopted this recommendation, and the members of the Special Sub-Committee subsequently appointed were the Hon. Mr. T. S. Weston, Messrs. W. G. Smith, W. J. Polson, C. H. Williams, H. S. E. Turner, H. H. Sterling, T. O. Bishop, T. Bloodworth, J. Roberts, W. Nash, W. Bromley, O. McBrine, A. Cook, and R. Fulton.

This Special Sub-Committee commenced its sittings at 3.30 p.m. on the 24th April, and, with brief adjournments, continued sitting until the evening of Tuesday, 15th May. The sub-committee found that better progress could be made by departing from the agenda paper drawn up by the Parliamentary Committee in its original form, and practically the whole of the deliberations have been upon the more important industrial laws, with the object of framing amendments which, in the opinion of the sub-committee, were desirable under the existing conditions of industry.

As a result of its deliberations the sub-committee is able to present unanimous recommendations upon the important subjects of unemployment relief, immigration, and the Workers' Compensation Act, these recommendations being as follow :—

Unemployment.

1. We are agreed that at present the problem of unemployment in the Dominion is acute, and it is our opinion that the Government must provide out of the Consolidated Fund such sums as are necessary to cope with the situation.

2. Exact information is not available to enable us to formulate a permanent scheme to deal with the recurrent problem of seasonal and periodic unemployment. We therefore recommend that the Government Statistical Department should forthwith concentrate upon the collection and compilation of accurate data, with the object of determining, as far as possible :—

(i) The causes and the volume of periodic and seasonal unemployment ; and
(ii) The possibility of organizing the Dominion labour demand so as to minimize the effect of seasonal conditions on the regularity of employment.

3. Careful investigation should also be made to decide the most suitable form of productive work under State control which could absorb from time to time labour temporarily not required in industry.

4. For the purpose of this investigation, and to assist in the administration of temporary measures, we recommend the Government to appoint immediately a committee of three, consisting of a Government representative and one representative each of employers and workers.

5. The functions of this committee should be—

(*a*) To analyse and consider the detailed statistical data as to the supply of, and demand for, employment in the various industries throughout the year ;
(*b*) To conduct special inquiries as to the incidence and causation of unemployment in the various industries ;
(*c*) To co-operate with private employers, Government Departments, and local authorities in an endeavour to provide avenues of employment, and to regulate the demand for labour in connection with temporary measures taken by the Government ;
(*d*) To co-operate with the Immigration Department with respect to the employment of immigrants ; and
(*e*) To regularly furnish detailed information as to the trend of employment.

This sub-committee urges the Government to shape the education system in the direction of encouraging as many boys as possible to take up farming occupations rather than professional and commercial vocations ; this to apply to city, town, and country schools. This sub-committee is of the opinion that under the present system there are not sufficient openings for boys educated in cities and towns, and that farming presents an almost unlimited scope for their employment, while positions in the town industries are limited.

The workers' representatives on the sub-committee add the following addendum :—

That the committee referred to in clause 4 should consist of five members instead of three (one Government representative and two representatives each of employers and workers), and that a scheme of unemployment insurance should be instituted.

Immigration.

While fully recognizing our own responsibilities, in common with those of all other countries within the British Empire, to co-operate in solving the problems of redistribution of population, this sub-committee recommends—

1. The strictest possible supervision of the nomination system for all classes of migrants, both as regards the immigrant and the ability and capacity of the nominators to perform their obligations.

2. That there should be an efficient medical examination of all migrants, assisted or otherwise, and that this examination should take place at the port of embarkation by medical officers appointed by the New Zealand Government.

3. That immigration should be regulated in accordance with the state of the labour-market in New Zealand, and with due regard to the ability of the Dominion to absorb the immigrants in employment.

4. That the Immigration Department be given control of health examination and financial qualifications of juvenile and adult immigrants, whether assisted or otherwise.

Workers' Compensation Act.

1. That insurance be compulsory, subject to the exception where an employer can satisfy a competent authority that either by a mutual insurance scheme or from his own resources the worker is adequately covered.

2. That it is advisable that the Government should carefully investigate the principles, working, and cost of the Ontario system of workmen's compensation, with a view to determining, having regard to New Zealand conditions, what, if any, of its provisions might with advantage be adopted in the Dominion ; and that in any case it is desirable that medical, surgical, and hospital services necessary as a result of the injury, and for the rehabilitation of the injured worker, should be provided for : Provided always that whatever scheme of insurance is adopted it shall cover all classes of workers at present covered by the New Zealand Act.

3. That in cases of lump-sum payments the Court be empowered to make the payment in such a way as will give protection to all dependants, appointing, if necessary, guardians for children.

Discussion on Report.

Mr. Bloodworth: I move, That the report of the sub-committee be received. In doing so, may I add one or two words? I take it that all of us when we met in this Conference felt a sense of the responsibility which rested upon each and all of us to do our very best to solve some of the problems committed to us; and I am sure that each member of the sub-committee, when appointed to that committee, felt an added sense of responsibility attaching to him in view of the very important matters we were called upon to deal with. I can truthfully say on behalf of every member of the sub-committee that they one and all attacked the problems before them in line with the first line of the agenda paper submitted to the Conference—that is to say, they looked at every problem from the point of view of the welfare of the country. Each and every one of the matters submitted to us was subjected to long consideration, having been argued out not merely line by line, but, I may truthfully say, word by word. And the deliberations of the committee have been carried out with the utmost good feeling by all parties concerned. There have been many times when it would have been quite possible to break off and say that the end had come; but every one was determined to carry the thing through and see if we could possibly reach agreement on the matters submitted to us. I have in the course of a very long experience taken part in many committee meetings on industrial matters, but I have never taken part in one where the feeling was better than in the committee that it has been my privilege to preside over during the past fortnight. I feel sure that that is a consequence of the long and intimate association we have had the one side with the other. I am sure that, even if there were no definite results that we were able to put down on paper, there would be this very good result: that as a consequence of our long and intimate association with each other every one of us understands the other's point of view far better than he could possibly have done but for the opportunity we have had of discussing our various points of view so intimately together during the past few days. With these few remarks, I move that the committee's report be received.

Hon. Mr. Weston: Sir, as the oldest member on the employers' side of that sub-committee, I have very much pleasure in seconding Mr. Bloodworth's motion; and I would venture to say that the measure of agreement which we have reached on the three important issues set out in the first section of our report is a striking tribute to the wisdom of the Government in suggesting the holding of this Conference, and to the wisdom of Parliament in unanimously adopting the Government's suggestion. I can corroborate all Mr. Bloodworth has said as to the very pleasant nature of the work on that committee. I may say that, personally, I have learnt more and have got to understand the motives and objects of the other side to a greater extent than I have done at any other conference with labour in my experience. It was a very pleasant committee. We discussed everything very fully and frankly, and I think every one of us was most anxious to arrive at conclusions that would be in the interests of the country as a whole. Personally, I shall always look back upon the fortnight we spent on that committee as a very pleasant one; and I am sure that the members on the labour side have just as pleasant feelings towards myself and the other members on our side as I have, and all of us on this side have, towards them. I have very much pleasure in seconding the motion.

Motion agreed to.

Unemployment.

The Chairman: We have next to deal with the different recommendations of the sub-committee. The motion is that the recommendation of the Committee with regard to unemployment be adopted.

Mr. McBrine: Sir, I have pleasure in moving that the finding of the committee on the question of unemployment be adopted by this Conference. In doing so, I wish to anticipate an objection that may arise—the objection that this question was not definitely set out in the order of reference to this Conference. That point may be raised by some person or persons interested, but I want the Conference and all concerned to take note of the facts of the position. For the first time in the history of the Dominion the principal parties in industry on both sides have been called together on a national basis to consider the industrial and economic life of the nation, and to make recommendations to the Government with respect to the welfare of the country among other things; and no body of people with the best interests of the public in view, and especially no body of people intimately connected with the industries of the country and with the life of the workers generally, could possibly ignore the question of unemployment at the present time. I wholeheartedly believe that this pronouncement of the committee with regard to unemployment, if adopted by this Conference, must carry greater weight than any pronouncement made on this question on any previous occasion, because both the sub-committee which has prepared the report and this Conference to whom it is presented are the people who have their finger on the pulse of the industrial life of the Dominion more intimately than any others. The report carries with it a great weight and responsibility, commensurate with the importance of its findings. I will not refer to all the findings with regard to unemployment, but will refer to them briefly in passing. The first is that "We are agreed that at present the problem of unemployment in the Dominion is acute." Not that there is in existence some passing surplus of unemployed, but that the unemployed problem is acute. And this finding was come to after consideration in the main committees, in conference, and in the sub-committee—after a very thorough and exhaustive discussion and the evidence of many people with first-hand knowledge of the question. We not only agreed that the problem is acute and pressing with us now; but we were also unanimous that a temporary remedy must be provided, and must be provided from a certain definite quarter, not

leaving the matter to the good will or to the intermittent attention of anybody. The Committee was unanimous that "the Government must provide out of the Consolidated Fund such sums as are necessary to cope with the situation." From the Consolidated Fund, because every one in the Dominion contributes to that fund on a certain basis. The workers contribute through the Customs taxes; and the employers and those people who are not, strictly speaking, employers—the people in receipt of incomes not derived directly from industry, but from investments—also contribute to the Consolidated Fund through the income-tax, and so on. The problem is a national one, affecting not only the industrial life of the community, if the latter is allowed to deteriorate, but the moral life also of society and the nation generally. It is a national question and should be dealt with on a national basis, and any relief of the present immediate situation ought therefore to come from the prime national source of revenue. We considered that the statistical information at our disposal was not what was required to enable the committee to deal with the question on a permanent basis, and, as the data are now collated in a very haphazard fashion, no special attention is given to the question of unemployment from the statistical point of view. We therefore recommend that the Government's Statistical Department should forthwith concentrate upon the collection and compilation of the figures, and of accurate data, in this connection; and particularly with respect to the causes and the volume of periodical and seasonal unemployment. New Zealand is mainly, and will be for a long time probably, a primary producing country, and in connection with the primary industries of this country —probably of all countries—a large amount of seasonal labour is engaged, and it is therefore necessary if we are to have any permanent grappling with the problem, that we should have the whole sources of information fully explored from the statistical point of view, to enable those who have to deal with it to obtain true data to form their judgment on and make their decisions accordingly. Of course, there is the possibility of organizing the Department of Labour for the minimizing of the effect of the seasonal conditions by regularizing the employment throughout the year. There is in every way the need for making provision to obtain the fullest information as to the magnitude and incidence of unemployment. Then material has to be obtained as to the most suitable form of productive work under State control that can absorb from time to time the labour temporarily not required in industry. In speaking of the dislocation of a large volume of labour from time to time through seasonal occupations, the question arises as to how it can best be utilized productively throughout the year. And I wish to emphasise that word "productively," because there was no question in the mind of the committee—there can be no question in the mind of any one who thinks over the question seriously—that the solution of this aspect of the problem is to be found in the economical employment of this surplus labour. The present position is wasteful economically, but it is very much more wasteful morally, because the most valuable property the nation has unquestionably is the moral fibre of its workers. If that deteriorates, then the country is eventually doomed; and therefore before anything else we must endeavour to concentrate our temporarily unemployed workers upon productive works. With that end in view, the committee recommends the Government to appoint immediately a committee of three, consisting of a Government representative and one representative each of employers and workers, to make the necessary investigation into the question. The Government representative presumably would be one in touch with labour, and there would also be one representative each from the employers and the workers. You will notice that the workers' side of the committee thought the number should be increased to two from each side. It was thought that one man from each side would be able to form a clear judgment, and able to exhiblt a conscientious vision as to the problems involved; but, on the other hand, it was felt that the problem is a different one as it presents itself from the point of view of the country workers as compared with the position of the town workers, and that was the main cause of the addendum put forward in the committee by the workers' respresentatives, and embodied in the report, as follows: "That the committee referred to in clause 4 should consist of five members instead of three (one Government representative and two each of employers and workers)." Of course, that is not a part of the unanimous recommendation of the committee, but it is the addendum. I will briefly summarize the functions of the proposed committee of investigation: To receive from the statistical officers appointed to carry out the investigation the material collected, and to analyse the same, and study the problem; and to frame such measures as far as they are able that will cope with the problem; then from the general statistical material, where they find it necessary, to conduct special inquiries as to the incidence and causation of unemployment in the various industries, in order that special attention may be given to the location, or the consequences, of the problem, which could not be effectively done by the officers whose first function would be to collect the data. A further provision is that the committee should co-operate with private employers, Government Departments, and local authorities in an endeavour to provide avenues of employment and to regulate the demand for labour in connection with temporary measures taken by the Government. The effect of that provision will appeal to every one here. Another function of the committee would be to co-operate with the Immigration Department with regard to the employment of immigrants in industry. If you have a body temporarily charged with the conduct of dealing with unemployment its members would make a recommendation to all persons whose activities would affect the position, and the Immigration Department is one of the bodies which the committee is unanimously of the opinion has some responsibility in regard to the unemployment problem in this country. There will be a recommendation in that connection to come before the Conference later on. A further function of the proposed committee would be to regularly furnish detailed information as to the trend of employment, so that the material would be at the disposal of the employers, and workers seeking employment would know where work was available, and if they wished to go to it they would have the information at their command. There are various ways in which this committee can work to minimize the question of unemployment, and also to ease off the great uncertainty the workers have as to employment at certain times, and also of relieving the strain that is often hanging over their heads of providing for the daily necessities of their dependants. I have no hesitation, but the greatest pleasure, in moving that the report be adopted.

Mr. Sterling: In rising to second the motion which has been so ably proposed by Mr. McBrine, I would like to say at the outset that he has made my task a very easy one, in that he has analysed the recommendation so carefully and fully. He seems to have left me little else to say, but possibly I may be able to add a few words with a view to bringing before the Conference a full understanding of the ideas that actuated the committee in its recommendations and of the process by which they were reached. In the first place, I might say that as the discussion went on it was easily realized that this was a case where probably temporary palliatives were not what we really wanted, but was a case where prevention was better than cure. You can easily see that such a conclusion at once brought up the question of the fundamentals, involving the careful collation of the facts, and the careful weighing-up of the information that would be obtained, so that a sound judgment might be formed. As the discussion wore on, it was easily seen also that the information that would be necessary to enable this judgment to be formed would entail a task of tremendous magnitude, would require careful and prolonged investigation, and that, even after it had been obtained, it would also take time to assimilate; and it was felt that such a collation of facts, and particularly such an investigation, was hardly one that could be attended to properly by a large body of special people, and, above all, by a special committee of fourteen. That led to the particular recommendation, that a small committee of competent individuals should be selected to collect the facts, consider them, and, if possible, to evolve means of preventing unemployment, in order to cut that canker out of our body economic. I do not propose to go through the whole recommendation in detail, because Mr. McBrine has stated the position more ably than I possibly could; but I will just remark that we have anticipated the judgment of any committee that may be set up in pursuance of this recommendation in the direction of emphasizing the importance of starting early in the career of each individual in our industrial life —if I may so call it—and of so moulding our system of education in order to spread our available supply of labour in such a way as to meet all possible demands. Coming to the addendum which has been proposed by the labour side, I desire to emphasize what Mr. McBrine has said, and much more ably than I possibly could: that this is to be recognized as an addendum moved by the labour section, and the carrying of this motion is not, as I understand it, to be taken to imply that it is anything else but what Mr. McBrine has stated—viz.: an addendum. We on this side thought it was desirable that the committee should be kept down to three, because we think that is all that is necessary. We believed it should be possible to get a committee of three people, as it might well be that no one man would have all the qualifications necessary for the task. We believed if the three men are carefully selected with regard to qualifications we would be able to obtain the desired result. Further, we decided that if it is desirable to set up Boards of a permanent or semi-permanent nature we should have regard to the economic side, and that if the work could be done by three men there was no necessity, from our point of view, why it should be done by one man only. Coming to the second part of the addendum, regarding the scheme of unemployment insurance which it is recommended should be instituted, it was felt that it was too great an extension of the possible findings of the proposed committee. It may be that when all the facts have been collected and investigated some better means may be discovered of dealing with this matter than through an unemployment-insurance scheme, and the feeling on our side is that the least we can do at the present juncture is, in view of the recommendation regarding the committee, to maintain an attitude of suspended judgment. That is, shortly, the explanation of the attitude of this side of the Conference in regard to the addendum. There is not much else left for me to say, as I think that Mr. McBrine has put the position very clearly, and I therefore do not propose to detain the Conference further, excepting to express my pleasure at having the great privilege of seconding this part of the report.

Professor Murphy: Mr. Chairman, I would like your ruling on a point of procedure. I understand that in a matter of voting the professors do not vote. If that is so, then any resolution carried by this Conference is not necessarily endorsed by them.

Mr. Morton: Before you put the motion, Mr. Chairman, may I draw the attention of the Conference to the last clause in the unemployment section of the report, which, I believe, is the most valuable of all the recommendations, and which I think in time will prove the solution of the unemployment difficulty. I refer to the clause which says that the sub-committee urges the Government to shape the education system in the direction of encouraging as many boys as possible to take up farming occupations rather than professional and commercial vocations. Speaking as a farmer, and as one who for the first eleven years of his working-life was engaged in a professional occupation, I say that the whole solution of the problem of unemployment lies in the recommendation to be found in this paragraph of the report. If we can get our boys educated in such a way that they will see that it is to their advantage to go on the land we shall have done a great thing for the country. At the present time the Government is doing a great deal in the way of advancing the cause of agricultural education, and if our boys and young men can be still further urged in that direction, so that they themselves will see that it is to their advantage to take up farming-work, the country will be greatly benefited. I believe that by this means unemployment will be largely reduced. I commend very strongly the last recommendation in this section of the report.

Professor Tocker: Is it open for me to make a suggestion? May I suggest, in the interests of comprehensiveness, an addition of a single word in subsection (i) of section 2. This might read, "The causes and the volume of *chronic* periodic and seasonal unemployment." At the present time our unemployment in the Dominion is probably seasonal and periodic, but we are now entering upon our third winter of unemployment, and it appears that in the future it may become chronic. The general signs are that there will be considerable expansion of business activity, and if unemployment is continued for long it will be difficult to account for it as periodic and seasonal, and I think it might become chronic. I would like to support the general approach made by the sub-committee to the solution of the problem—that the evil of unemployment must be diagnosed first, and it can only be diagnosed by the collection and compilation of more adequate statistics than we have been able to get so far.

Mr. Cornwell: I congratulate the sub-committee on the report which has been brought down, but I regret that they have not gone more fully into the question of unemployment insurance. This is no new subject, for such a system has been established for many years in a number of other countries. Unemployment has been with us for the past three or four years in a very acute form. It has been discussed broadly, and it has been considered in Parliament. Cabinet has discussed the question: I do not say that Parliament has discussed it fully, but Cabinet has considered it. Legislation in the form of a very moderate proposal was submitted by the labour representatives to Cabinet, and, that being the case, we were anticipating—some of us who were not members of this sub-committee—that the sub-committee in its report would urge the Government to establish an unemployment-insurance Fund. When we advocated that proposal the workers agreed to contribute one-third of the cost of maintaining the fund. That proved that we were earnestly desirous of the establishment of this fund, and willing to do our share in assisting to solve the problem of unemployment. We also proposed that the local authorities in the country districts should receive assistance for putting in hand urgent work, and to meet the cost of that work this fund would be of great assistance. We feel sure that had Cabinet and Parliament given greater consideration to that Bill which was introduced it would have won favour with the majority of members of the House. While some of the members on the Secondary Industries Committee endeavoured to get this proposal for unemployment insurance brought forward as a recommendation, we did not have sufficient time to allow members to discuss the Bill, and seriously consider the advantages of the scheme not only to the workers, but to the country as a whole. I very much regret that the sub-committee failed to come to a unanimous dicision on this particular question, but we hope that the fact of its being included as an addendum to the report will influence the Government to take some notice of it and give the subject of unemployment insurance careful consideration in the very near future.

Mr. A. Cook: As a member of the sub-committee, I wish to say that we did give the question of unemployment insurance very great consideration. It was discussed from every possible angle. The various schemes in operation in different countries throughout the world were looked into and fully considered, but unfortunately the gentlemen on the other side could not see their way at this stage to join with the employees' section in recommending to the Government the immediate introduction of an unemployment-insurance scheme. I think that this was at the back of the minds of members on both sides at the time they arrived at their final decision; that the proposals of the employers' section will eventually make available to the Government further information on the question, so that in the near future—with the data that is to be gathered, with the experience that is behind us on the unemployed question, and with a certain amount of knowledge of what is likely to take place in the future—the position should receive very thorough investigation by the proposed committee which is recommended to be set up. I do not think there would be any opposition from the other side if after all the available information was received and considered a proposal to bring down an unemployment-insurance scheme was adopted. I do not think that there would then be much objection from the employers' side. As one of the workers' representatives on the sub-committee, I wish to say that I am still of the opinion that in order to solve this problem eventually some system of unemployment insurance must be introduced. I want to make it clear that I do not mean an unemployment-insurance system whereby the unemployed man would be compensated with money for being unemployed; I refer to a scheme which will provide against unemployment. I desire to see the Department or the Board which is to administer the measure make provision by looking ahead so that work may be found for the men as they become unemployed. I believe that such a system will prove the solution of the problem. If that system were introduced, and a Board set up consisting of experts who could view the position and make provision for work ahead, there would be very few unemployed in New Zealand next winter, and there would be very few men to whom it would be necessary to pay money in the form of relief, because provision would be made for work to be available for them when their casual occupations closed down. I believe that the greatest problem in connection with unemployment is that of the casual workers who are compelled to flock into the towns when their seasonal occupations, such as freezing, threshing-mill, and shearing industries, cease. Those workers, under present conditions, are compelled to come into the cities and towns, and so flood the ranks of the unemployed. Under a comprehensive system of unemployment insurance, when those seasonal industries closed down there would be work provided to keep such men in the country districts—afforestation or some other class of work. Much has been said, both in committee and in open conference, about the welfare of the country; but the welfare of any country, in my opinion, depends on the welfare of its people. With a prosperous and satisfied people the welfare of any country must be assured, but with a vast army of unemployed any country will go back. No greater evil can befall any man or woman than to become an unemployed person. Instead of becoming good citizens, such people are forced to become undesirable citizens if the duration of their unemployment is of any great length. There is no argument against that; they are forced into places which do them no good, and this applies especially to the young boys and girls. If they were usefully employed such evils would not be placed in their way, and they would get that start in life to which they are entitled. I am still of the opinion that the Government would be well advised to leave this matter no longer in abeyance, but to carefully consider and introduce some unemployment-insurance scheme during next session. If this were done it would be to the advantage of every citizen in New Zealand. Every person should be made responsible for the scheme. It should be made compulsory that contributions should be made by the employer, the Government, and the employee, and also the person who is neither an employer nor an employee—the retired person, so long as he is a ratepayer. The responsibility for the scheme should fall on the shoulders of every adult person in the Dominion: they should all "do their bit" in order to provide employment for the unemployed, and so assist the country.

Mr. Semple: Sir, I wish to join with Mr. Morton in congratulating the committee on the lines of the recommendations in its unemployment proposals. I agree with him that the thing we have to do is to find useful employment for our young men in this country. If the Government would take up this proposal seriously and push it, I am satisfied that it would be a blessing conferred upon the nation as a whole, as well as upon the hundreds of our boys who cannot find suitable work to do. I am in a position to know just how serious the problem of unemployment, especially amongst our young men, is in this Dominion; and if we could devise ways and means whereby when leaving school and college these young men could be given an agricultural education and settled on the land of this country I am convinced that it will be far better than allowing them to wander the streets and swell the ranks of the unemployed. If you can take the boy who is budding into manhood and give him useful employment to develop body, brain, and courage, it will be far better than leaving him to become a loafer, and sometimes unemployable. I say it advisedly, that naturally and inevitably, in the course of time, if the period of unemployment is long enough, these young fellows drift into such a channel, into such a state of mind, that they do not care whether they work or not. The responsibility is upon the State, I take it, to find employment for them; and these proposals seriously suggest the need for the State doing so. I hope that this Conference will adopt this report, and for the sake of these young men and for the sake of this Dominion and its industries will hammer away at it until this Government or some other Government takes it up quite seriously. If the Conference does so, I am quite sure that it will go a long way towards solving our unemployed problem.

Mr. Purtell: Sir, speaking especially on clause 2 of these findings, I want to compliment the committee on that recommendation; but I would suggest that the necessary information for the compilation of accurate data can better be got from the employers than from the unions. I have had correspondence with the Government Statistician with regard to the returns from my unions as to how many members are unemployed, how many are sick, and the number of accidents, and so forth, and I have pointed out to him that, with the exception of the number of accidents, accurate information cannot be given by the unions. Men get discharged and sometimes do not get their clearances from their unions, and we often do not know whether the men are unemployed or not, or where they are. Often, too, we do not know when they are sick. The employers, however, can give the necessary information to the Government Statistician. I am keenly disappointed that there is not a joint recommendation from both sides with regard to unemployment insurance. I have no wish to reflect on the gentleman on the other side, and I think that if I could put those twenty-five gentlemen in the position of men I know in Auckland at the present time—men with wives and children dependent upon them, who have to go out and try to get jobs—they would think it very necessary to have unemployment insurance. I know one man on relief work at Hikowai who has been rained off a time or two. He has got a wife and four children dependent upon him, and if he gets all he can—£1 7s. a week—he has to keep himself and keep his home going at Auckland, and that is quite impossible. The system of relief work at present cannot possibly be productive of lasting good to the people. There must, I contend, be some scheme of unemployment insurance. It is admitted by both sides that there is acute unemployment in the country at the present time, and as we get more immigrants the difficulty must increase. Without going fully into the matter and taking up too much of the time of the Conference, I do appeal to the gentlemen on the other side to go into the matter before we finish this Conference, even if we finish this week-end. If these people are to live, they must have the wherewithal to purchase the commodities with which to live—food, shelter, and clothing; and I suggest, with all due respect to the other side, that this matter has not been given the serious consideration it deserves. Before the members of this Conference go to their respective homes I do hope there will be a chance given for this sub-committee of seven men from each side to meet and see if something more cannot be done in regard to this matter.

Mr. F. R. Cooke: Sir, there was a period in man's history when the question was asked, "Am I my brother's keeper?" I wish to draw the attention of all people to the fact that these are questions on which we have to take the imperative stand that we are our brothers' keepers. In the present state of society in New Zealand, in view of the present condition of affairs in regard to unemployment, it behoves us to make some effort to solve the unemployed problem. Our future citizens, the children of the men who are unemployed, are at stake. Their health, their stamina, their life, their whole future are in the hands of the nation; and we should certainly acknowledge that we are our brothers' keepers, and solve this problem to-day, not in the future. There is no time to investigate now, and we cannot leave the problem as it is. We must have some temporary measure adopted immediately to deal with the present problem while the necessary investigation is taking place. There are all the data from other countries to go upon, and there is no need to investigate here before dealing with the problem that faces us to-day. There are more men than there are jobs for, and there should be something provided for those who have not got jobs.

Mr. Tucker: Mr. Chairman, I must contribute my quota to the expressions of appreciation from both sides for the work of the committee which brought down this report on the unemployment question. Although it may not go so far as we on this side may have desired, how many men in life can have all they desire? All that we desire is far and away beyond our ken or our securing within this mortal coil, though we may get it on the other side. In any case, I must say that this committee has made a fair attempt to meet the immediate situation; and, in my humble opinion, this report represents a long step towards the desired goal. I have not the least doubt that difficulties had to be met by the committee, and one of the most serious of the difficulties that stand in the way has been here clearly shown to us—the lack of data, the lack of information that is most essential. We must know where we are going, what we are doing, and what will be the results of what we are doing, before we can solve the problem as a whole. But I am very glad to find that it is recommended that immediate steps should be taken to meet the position. Those of us who are in touch with the

situation day in and day out find idle hands knocking at the door asking for employment or relief, and I am very glad to see this recommendation to the Government to take money from the Consolidated Fund to cope with this distress. I am also pleased to note that the suggestion made by Mr. Morton in regard to the education of our young people for farming pursuits has been endorsed by Mr. Semple. I believe it is a very good suggestion, and that, if put into operation, it will bring the young men of this country into closer touch with an avenue of employment which will give work not only to themselves, but also to many others in handling the goods they will produce on the land. I am glad to see the statistical side of the question referred to. I myself have been up against the difficulty of not being able to ascertain the facts and judge the position. We shall, I trust, be in a better position in the future to know the facts and to size up the situation. I am glad to see that agreement has been reached so far.

Mr. Finn: Sir, I have very much pleasure in supporting the resolution now before us. I think it is very generally agreed that to have men out of work is an economic loss, and an evil that should not exist in a country like New Zealand. Unemployment retards progress and undermines the foundations of the civilization we are trying to build up. I think, however, that the report adequately provides for all that is necessary. A committee is asked for, and that committee will have the power of investigating the problem and of arriving at conclusions which it would not be possible for this Conference to reach. New Zealand is an agricultural and pastoral country, and it is to the land that we must look for the revenue that is necessary to meet our obligations. We must also look to the land to provide work for those who are in need of it. We have in New Zealand exceptional climatic conditions which enable this country to overcome many of its difficulties, such as distance from markets and the higher standard of living we enjoy as compared with the countries with which we compete. It must be conceded that with the small population we have — less than a million workers—our production is really remarkable. But I am of opinion, nevertheless, that we are at present only scratching the surface, and that when we commence in real earnest to undertake the intensive development of the country what we then produce will surprise most of us. It has been stated in the report—and, I think, quite rightly—that there is unlimited scope for employment on the land. There is one other point which I think we should refer to, and that is this: that, with the heavy interest charge we have to meet, we cannot afford to be content with our present production if it is possible for us to produce more than we are producing at the present time. If by accelerating production we can, say, pay off our national debt eight years sooner than it would otherwise be possible for us to do it, that means a saving of something like £100,000,000 to this country. That is surely a very strong reason, even if a stronger reason did not already exist, why a vigorous and concreted effort should be made to provide work for every one requiring it, and in so doing help to increase the production of the country.

Mr. Revell: I should like at this stage to express my appreciation, almost gratitude, to the Committee for having embarked on some scheme for the alleviation of the man who is thrown out of work. In the industry with which I am particularly concerned—the freezing industry—an army of about seven thousand men is required to kill and prepare for export the 9,000,000-odd carcasses that left New Zealand for the United Kingdom last year. These men are required as soon as the farmer wants them. As soon as the fat stock is ready for the market he needs that army at his disposal, and the men have to be gleaned from somewhere, and they are gleaned from the ranks of the casual employees. And when the season is completed—and the season is only about twenty-seven weeks of the year—for some of them, a large majority in fact, it is only about thirteen of fourteen weeks—those men are thrown out of work again. During the season they are required to be at the beck and call of the producers, or of the freezing companies, to do the work as the stuff comes forward. It may be of interest to you to know that the slaughtermen are regarded in some directions as men who earn almost fabulous wealth in wages—almost an amount that would place them in the position of having to pay income-tax, if it were only true. Now, the slaughterman who kills the first sheep in the season and continues in his job until the last sheep is killed averages a weekly earning in the industry for the twenty-seven weeks of £5 6s. 2½d. That is what he earns during that period; and he is the highest-paid man in the industry. The average wages for a man who is working as a labourer in the slaughterhouse, as an assistant or in usual way of timework, is about £3 12s. 6d. per week for the twenty-seven weeks he is employed. He goes into the industry at the beginning of the season hard-up. If he is a man who stands well in his town he will have a great heap of bills piled up looking at him that he has to pick up, and he finishes the season, after rendering a national service, as hard-up as when he started. He has to keep this evil spectre of unemployment in front of him for fully five months before the season opens up again. Now, during that period he is entitled to some form of relief. He prefers work, and, I would say, in his own interests and in the interests of his family he ought to be given work instead of being asked to take anything in the shape of a charitable dole. The workers have indicated from this side that we are prepared to pay so much out of the miserable wage we receive for the purpose of tiding over that unemployed period. We are not thinking of not working, as we are an army of seven-thousand men who are urgently wanted at that particular time of the killing season for the purpose of rendering a national service. We are expected to do the job quickly, and we do it, because there is a certain number of sheep or carcasses to be sent out of the country, and usually the works are all shut down by the middle of June. There is no wonder, therefore, that these men at times become a little impatient with their surroundings and have a dust-up with the boss. That cannot be helped; but at the same time they kill those nine-million sheep, and have them ready for export within twenty-seven weeks of the year; so that they must do a little bit of work sometime or another. A proposal for unemployment insurance should have received more sympathetic attention from the other side than it has; but, however, I am grateful that we have started by recognizing that it is a national duty to the men who perform

national service that they should be catered for in some direction or another. All the great national reforms in this country have had to start in a small way. Mr. Seddon did not get all his own way in the old-age pensions. The Hon. John McKenzie did not get all his own way when he embarked on the land-for-settlement policy. And so we hope that this is the genesis of the movement by which the man who renders a national service for a specific purpose, and becomes an expert in a particular line, should not have the spectre of five months of starvation facing him, as is the case at the present time.

Mr. Black: I want to offer a suggestion at this stage of the debate. We have had a great deal of discussion on this matter, and I do not think much more is required. The suggestion I have to make is that in the selection of information for the Statistical Department there is really no definite scheme laid down, and when the secretary of a union sends in his returns he only sends in the approximate figures, which are very often very unsatisfactory indeed. I think that the registration of the unemployed should be compulsory, and in that way we should get the correct information for the Department that would be helpful to them and also to the others that have to administer this question.

Mr. Roberts: Regarding Professor Murphy's suggestion that the professors were not voting on this question, and that naturally they would not be responsible for the report, I think I voice the opinion of the Conference that, as a matter of fact, we should all be pleased to hear an expression of opinion from Professor Murphy on our labours. Possibly he does not think the report is of sufficient value or importance to express an opinion on, for or against the matter; but I think the committee expects from the professors either condemnation or approval of anything they have done. I can assure Professor Murphy that any criticism will be welcomed, and will not be viewed other than in a friendly light; in fact, his arguments would help us.

The Chairman I have ruled that the professors have the right to address the Conference like any other delegates, but they cannot vote.

Professor Murphy: I am only concerned to deal with matters that come within my own capacity, and I find that if I enter into controversy at times it is very often afterwards turned up against me. I wanted to save myself from this attention, which goes on to the Conference records. I do not want to be faced later on with this position: that "you apparently endorsed such-and-such a view at the National Industrial Conference." That is all I wish to do.

Mr. J. Fisher: I wish to record my appreciation of the work of this committee. I do not propose to take up the time of the Conference at any length, but I think we are apt to lose sight of the fact that very often we are close at home approached as nearly to the objects we have in view as we are likely to do from far afield. Most of the speakers on the other side have been very much concerned as to the necessity of instituting unemployment insurance. I think it is a subject upon which there can be quite a wide divergence of opinion; but I would like to say this: that I believe we have in our own legislation probably the most benificent proposals or provisions that exist in any country, and that is under the National Provident Fund. That was an Act brought in, I believe, by the Liberal party, and has been enlarged and liberalized by the Reform party, and is of such a nature as to warrant the complete endorsement of the most advanced Labour party. Now, under the provisions of that Act there are full and adequate facilities for providing for old age, mutually contributed to by the State, by the employer, and by the worker. It not only makes every provision for a man when he becomes unable to work, but it also provides an allowance for maternity trouble, and also, in the event of the death of the party covered, for his children up to the age of fourteen years. Now, sir, I believe that under that legislation it would be possible, with a very slight extension, or with some alteration, to make the legislation that we have in this country cover all the requirements that the gentlemen opposite are so anxious to obtain, and which also, I believe, the members on this side are equally anxious to endorse should be brought about, even if we look at it from a different angle to what they do. I believe that it will be worthy of the closest investigation of the proposed committee to just see whether we have not now in our possession the machinery ready to hand upon which an unemployment-insurance fund could be built without any very great cost, and without the necessity of adopting plans that are in existence in other countries; because I take it that in all those countries which have made this provision for unemployment the schemes still exist as they do with us, and that we are as capable of solving our own difficulties as they have proved to be in solving theirs. I commend to this Conference the desirability of very sympathetically and very seriously investigating the possibilities of the National Provident Fund as a probable solution of unemployment insurance.

Hon. Mr. Weston: Mr. Chairman, I rose to say that on this side of the Conference we are all fully sensed of our responsibilities towards the man who, through bad luck or through economic exigencies, is out of employment. I quite agree with the remark of one of the delegates on the other side, that there is no worse fate for a man able and willing to work than to find himself with no avenues of employment. That is always accentuated when there are others dependent upon him. At the same time, when you are dealing with a problem, there is nothing like arriving at the exact facts before you decide upon the remedy; and in dealing with this side of the problem I would like to accentuate this point: that exaggeration does harm not only to the unemployed, but also to the reputation of this Conference. I have gone into some figures, and I feel sure that when speaking on this question many men, through sympathy or through anxiety to grapple with the problem, have really exaggerated the position. If you take out the population of New Zealand, and the number of adult workers in proportion to that population, and then take the number of unemployed—and I have taken the very outside number fixed by delegates on the other side, namely, 10,000—you will find that in the population of New Zealand, which roughly may be regarded as 1,450,000, you have 435,000 male and female workers, and the number of unemployed, at an outside figure, is 10,000, which represents one person unemployed to every 43·5 workers. Now, if we take the United States of America, with a population of 120,000,000, we may take it roughly that seven-twenty-fourths of that

total population represents the adult workers, male and female. It is estimated that the unemployed in the United States numbers 4,000,000, though I have seen it stated as high as 8,000,000; but taking it at 4,000,000 you get the proportion of unemployed to adult workers, male and female, as one in 8·5. In England, with a population of 45,000,000, the number of workers would be 13,125,000, and the number of unemployed is about 1,100,000, which gives a proportion of 1 unemployed in 11·94 workers—say, 1 in 12. So that in New Zealand the proportion of unemployed to workers is 1 in 43·7; in the United States, 1 in 8·5; and in England, 1 in 12. So that you see that the problem of unemployment in New Zealand—and naturally you would expect it in a young country like New Zealand—is not nearly so serious as in the Old Country and in a prosperous country like the United States of America. That is why the delegates on this side of the Conference are anxious, before supporting the adoption of any permanent remedy, to be absolutely sure of the dimensions of the unemployment, the causes of it, and the best remedies to rectify the position. It is not from any want of sympathy that we have hesitated to support the adoption of the unemployment-insurance scheme, because I think the members of the special sub-committee will bear me out when I say that the members from this side showed a quite sympathetic appreciation of the position. I apologize for taking up so much of the time of the Conference.

Mr. Turner: I would like to take the opportunity of referring briefly to one or two remarks made by Mr. Revell in connection with the freezing industry. I would like to say that I agree with almost everything he said. Further, the employers in the freezing industry, as well as the farmers who are behind them, do realize that the casual and seasonal nature of the industry presents one of the most radical problems which underlie the question of unemployment; there is no doubt about that. But I want to suggest that possibly the manner in which Mr. Revell made his remarks may lead us to think that the amount of unemployment among the men engaged in the freezing industry is more than it really is. I submit that it is not quite an accurate statement—and I do not think that Mr. Revell meant it to be taken as such—that the average man in the freezing industry gets only twenty-seven weeks' work in the year. A very large proportion of the men engaged in that industry are employed in other seasonal work when the freezing-works are not running. For instance, we know that a large proportion of the slaughtermen are engaged shearing when the freezing-works are not running, and also a large number of them are employed on harvesting-work. Then, we know that numbers of them work in Australia during the killing season there, which does not overlap the season here. Mr. Jessep has just reminded me that some years ago the farmers on the East Coast, before the end of the killing season, were urging the freezing companies to get rid of their employees in order that they might secure labour, which they might not otherwise get, for bushfelling and clearing. I do not want the suggestion to go out that twenty-seven weeks' work in a year represents the total amount of work that the average freezing-works employee gets. But we do appreciate the fact that the seasonal nature of our work is one of the most radical problems connected with unemployment. We submit that the proposals put forward in these recommendations do represent a practical method for meeting the difficulty.

Mr. Roberts: I think it is inadvisable to start quoting figures in regard to freezing-workers' employment, or the total unemployment in New Zealand as compared with that in other countries. We have recommended that a committee be set up to go into that matter, and the place for those figures to be considered is before that committee. If we indulge in quotations from the Year-books of other countries we will be applying a rule for that committee which should not be set down by this Conference. What I am concerned about is that the recommendations submitted by the sub-committee on the question of unemployment should receive that sympathetic treatment and consideration from the Government which their importance demands, that the committee to be appointed to go into this matter will investigate it fully, and that the Government will act upon its report. If we have only a periodical unemployment trouble in New Zealand there is no reason in the world why we should not have a scheme to meet that class of unemployment. If our unemployment is also seasonal, a scheme can be brought down to meet seasonal and periodic unemployment. If it is chronic, as has been suggested by Professor Tocker, then that aspect of the matter should be dealt with also. Your sub-committee, in dealing with this question, considered every phase of it. As a matter of fact, there were figures quoted by the yard, but we could not come to any agreement as to whether these figures were correct or not. We recognized that unemployment was acute, and that it was desirable to have an investigation made and to have an immediate remedy for unemployment. That is as far as we can sensibly go without investigation. I am concerned more about the immediate relief of the position to-day than anything else, because there is an acute problem. I am certain that if we had a recommendation from those who were able to judge the unemployment from the state of industry in the country, from the amount of the unemployment and the hardship which the workers undergo—if that recommendation were available I am sure that lasting benefit would result. I will conclude by saying that if there is any gentleman here who can add anything that would be helpful to the committee which will be set up to investigate this matter, or useful to the Statistical Department, that is what is desired. Every member of the sub-committee realized that this is not the be-all and end-all of the matter. We have gone so far as we could go with the material and information at our disposal, and we trust that the Government will act upon our recommendations.

Mr. Barber: I quite agree with the sentiments expressed by Mr. Roberts, that this is not the proper place to formulate details for remedying the problem of unemployment. If the committee is set up, it will be the proper body to consider the matter. During this discussion we have heard so much to the effect that the primary industries are the salvation of this country that I think it is only fair that the ability of the secondary industries in a large measure to remedy the unemployment should be voiced. To my mind, the very small percentage of unemployment existing in this country, as mentioned by the Hon. Mr. Weston, can be absorbed over and over again by the secondary

industries without any further trouble: if we could only stop a very small portion of the imports, which are the result of the employment of labour overseas, and employ that labour in New Zealand, the unemployment difficulty here would disappear automatically. Let me ask the delegates on the other side how many of their members would have to join the ranks of the unemployed if it were not for our secondary industries to-day. A good many of my friends on the other side would not occupy their present positions if it were not for the secondary industries.

Mr. Kennedy: What do you mean by that?

Mr. Barber: I mean that they represent unions of workers engaged in secondary industries, and if there were no secondary industries neither the unions nor their secretaries would be required. If there were no secondary industries in this country, what would be the position of unemployment? I say that double the present output of the secondary industries could quite easily be absorbed by New Zealand without trouble; but the idea remains in the minds of a large number of people that an increase in the tariff would increase the cost of the commodity. That is quite a fallacy. The cost of production in New Zealand is regulated by the output, and if you can double the output of your industries you reduce the percentage of overhead expenses. That has been proved in Australia, and can be proved here. When the tariff question was under discussion the woollen-mills of this country offered to absorb one thousand additional workers and with the other industries in operation in New Zealand a very small percentage of increased output would enable more than the whole of the present unemployed to be absorbed. I say that that question must be considered. I know that this Dominion is adapted for primary industries, but no country can prosper on primary industries alone. Hand in hand with the primary industries must go on the secondary industries, if we are going to develop the country and maintain the population that the country should support. I am very pleased that the matter is to be considered by a committee; but that is one of the aspects which I think the committee should consider with a view to absorbing the unemployed of this country.

Mr. Bishop: Am I in order, Mr. Chairman, in moving that the question be now put?

Mr. Chairman: I think that one or two delegates wish to speak yet.

Captain Colbeck: Mr. Chairman, I cannot allow those statements by Mr. Barber to go unchallenged. I have sat here and hardly said a word for fear that I might split the ranks on my side of this Conference, and then Mr. Barber gets up and speaks in that way, and obliges me to get up in defence of views which I hold very strongly. He says that an increased tariff does not increase costs. Sir, I have had something to do with commerce as well as with farming, and I may say that a pair of boots which costs 12s. 8d. to produce in England cannot be sold here at less than 31s. 10d. to allow a 10-per-cent. profit. It is ridiculous to make such statements as Mr. Barber's when those are the facts. The Christchurch Chamber of Commerce has shown that the Customs tax adds 3s. 2d. to the cost of every £1 of goods imported, free or dutiable, equal to 15·17 per cent. Add 33⅓ per cent. profit on this increase and you have an increased cost of 20·22 per cent. to the consumer on all goods imported. Yet Mr. Barber asks us to continue this sort of imposition. He asks the primary producers to go on paying this levy. Is there too much food in the world? Is everybody over-fed?

Mr. Barber: What about flour?

Captain Colbeck: I do not want to touch flour. I think the tax on flour is one of the curses of New Zealand. I think one of the greatest curses of New Zealand is the taxes on foodstuffs, and if I had my way I would abolish first of all the Customs duties on foodstuffs. But I would go further than that. Why is it necessary to have a duty on wheat? Because you have so raised the cost of producing it that it could not be produced at all without that duty. Now you have subsidized pigs—the bacon industry—because we cannot produce bacon against the world; in time you will have to subsidize butter, and what will become of New Zealand then? Is there too much food produced in the world? You know there are lots of people who have not got enough food. Is all the land cultivated in New Zealand?

Delegates: No.

Captain Colbeck: And why not? Because it does not pay to do it, and that is because you have artificially raised the cost of production. You have so artificially increased the cost of production as to stop production.

A Delegate: You go to the races.

Captain Colbeck: Yes, some of us do. Some of us manage to live within this artificial system; but it is the curse of the country that you have so artifically raised the costs of production. Some dairy-farmers do pretty well, but in some districts if the costs are raised a little more the dairy-farmer will have to go.

Mr. O'Byrne: What about the price of land?

Captain Colbeck: You can get land in the Waikato for less than the cost of the improvements on it; so what is the good of talking about the high cost of land? Get that bee out of your bonnet, for goodness' sake. If we paid too much for the land, we are writing it off as fast as ever we can. Leave that to us. We are quite prepared to deal with that. There is, as a matter of fact, land round Rotorua that you can get for nothing.

A Delegate: What good is it?

The Chairman: The question before the Conference is unemployment. I must ask you to keep to the question.

Captain Colbeck: The reason for unemployment to-day is because you cannot cultivate the land because of the artificial raising of the costs of production. I give you this offer: The farmers of New Zealand will employ every unemployed man if you will remove artificial restrictions.

Mr. Jessep: I am not satisfied in regard to the question which is so dear to the hearts of our colleagues on the other side, the question of unemployment insurance. I hope that they will not

take it from the attitude of members on this side on that question that we are less sympathetic than themselves with the man who for any reason whatever is unemployed. We are not less sympathetic, but we do think that there is a very distinct danger in pronouncing the patient incurable and providing for his maintenance before we have attempted a cure. And it seems to me incredible that at this time in New Zealand's history we can find no better remedy than those which have been found necessary in old and thickly-settled countries. They have very different problems from those we have; and for that reason alone, and not because of any want of sympathy with the man who for any reason is out of employment, we look with a great deal of fear—I personally do—on practically pronouncing that unemployment is going to be, as Professor Murphy, I think, pointed out, a chronic state and we must therefore provide a permanent remedy for a disease which, I am sure, we all hope we will be able to cure. I am sure that our labour friends will agree that if in any ordinary economic way we can absorb all the people in New Zealand in ordinary employment, without having to provide relief works or anything of that sort, it is far better for us to concentrate upon those measures which will do that before practically admitting that this evil will always recur. I do not want to tread on dangerous ground and upset my friend Mr. Barber or anybody else, but we cannot get away from the facts that Mr. Revell has pointed out, that we have been faced with a different position during the past two or three years. As Mr. Turner has stated, it was only a few years ago that we were waiting for men in big areas of New Zealand when the season closed. The works were waiting for them to be relieved of their contracts to commence their work. But now we have a big percentage of unemployed, and we have got to go back and find the causes that are preventing the employment of these men. If this committee concentrates mainly on the causes, with all the data before it, we will be on the right lines for solving the problem; and surely it should not be insoluble for a young country like this. I do not want to go into the question from a primary *versus* secondary industries point of view; but I think you all agree that unless the primary industries are flourishing the others must be in a bad way, and I think it wisest to concentrate upon the industry which, if flourishing, means prosperity in all the secondary industries also. The sub-committee has very wisely recommended that education should be directed towards that end. But it is useless doing that unless the whole trend of legislation in the country is so directed as to make the channels attractive and encourage young men to go on the land. You are not going to get boys into an industry that is unattractive, and I regard the primary industries to-day as least attractive from an investment point of view of any in the Dominion. That is a very serious evil that we must concentrate upon the solution of, or all our legislation will be of no avail.

Mr. Baldwin: Sir, previous speakers have emphasized the point that we should not institute an unemployment-insurance scheme because, as they state, the system has been tried in other countries and proved a failure. But the fact remains that it has been found necessary not only to institute but to retain such schemes in older countries. It is, however, a much smaller scheme that is asked for in this country as compared with that in operation at Home, for the reason that it is a well-known fact that in England to-day there are hundreds and thousands of workers under the age of thirty years, men and women, who do not know what it is to have done a day's work, owing to the fact that they were in a blind alley when the dole came into their hands, and they have been quite satisfied to exist and carry on in the state they have been forced into by economic pressure and want of employment. We are all aware that the disturbance in the manufacturing sections of Britain caused a great deal of unemployment after the unheaval; but that does not alter the fact that they should be engaged in these manufacturing industries and competing with the manufacturing industries of other countries whom we say that we should deal with. We ask, and it is a recommendation in the sub-committee's report, that the money should be paid out for useful work of a productive nature. We do not want a dole. The remark was made by my friend across the way that there is a lot of land to be obtained round Rotorua, on the gumfields, and in other places. But what is it worth in its present state? It is worth nothing; but if we had an insurance scheme of the class and the calibre desired on this side there would be a fund accruing from it whereby the waste lands of this country could be put into such a state that there would be an inducement for those whom we have recommended should be educated for agricultural and pastoral pursuits to take up this land and become settlers. There would then be not only increased production, but some assurance to the rising generation that they would not have to face that spectre of unemployment which has to be faced by their parents to-day. As to the point of view about the figures, I do not want to quote figures at all; but, talking of the 1-in-43 argument, are we going to bring about and maintain as evil a condition in this respect in this country as now obtains in others, or are we going to try to devise some remedy to prevent such a state of affairs? I take it we are going to try to devise some remedy, and that certainly is the job of that committee. So that there is not the slightest doubt that if something were done in this Dominion on sound and sane lines there would be sufficient avenues for those who are now engaged in seasonal occupations for a certain part of the time to obtain full employment all the time. A reference was made to the slaughtermen in the freezing-works coming out of the sheds and going into rural fields of occupation, and there is a small percentage in that connection, but nothing like the proportion suggested. They get nothing without going into the cities at the present time, as the centres are the places where the engagements are usually made, and therefore when the men finish on this particular job they go into the cities where the employers' agents have their offices in order to try and find employment. Referring again to the remarks of another speaker respecting the increased taxes, I read that report from the Canterbury Chamber of Commerce, pointing out that, as far as that matter was concerned, the cost would be very heavy in that connection. Unless there were some very drastic alterations made in that particular direction, I do not know that the secondary industries would absorb all of those we desire to have settled on the land with a view to bringing about greater production. We claim that if such a scheme were brought down there is not the slightest doubt there would be the means provided not only to utilize the lands that are now inaccessible, not only would many of the

available Crown lands be dealt with, but I venture to say they could be roaded, the rivers bridged, and fences erected, and those lands made available for settlement and production. I personally know of some land—productive land at that—behind the hills in those places more than what is front of them to-day; and, that being so, there is not the slightest doubt that in the course of two or three decades the people concerned who would settle on the land to a greater degree than at present would be thankful for any measure brought down by this Government, or anybody else, in their interest. It is stated that the unemployed to-day number ten thousand, and when we say ten thousand we know it is not overdrawn, because if you took a registration in the various offices you would very nearly reach that figure; but how many are there that are not registered at all? I was speaking to a gentleman out of a Government Department the other day, who told me that he had to go through the Wairarapa and around to Pahiatua and on to Palmerston North, and he counted the men carrying sways, and they numbered 121, with their swags, on the roads. How many of those are registered? We cannot get the figures, and therefore if we can bring some measures into force that would prevent this stagnation from continuing in this country as it prevails in others we can then claim that we have done something for our Dominion. Those men do not want something for nothing, or want to have to look to Charitable Aid Boards for a means of existence; but they do ask for a recognition of the rights of citizenship. We assert that they have the right to demand those rights, and if they were recognized it would be conducive to the welfare of the whole community, which, after all, is made up of the individuals in it.

Mr. Churchhouse: I rise to support the motion now before the Conference. It may be said probably by the people who are looking at this meeting from outside that we have not solved the problem. It may be said that we have not got very far, or we have done very little. But I believe that we have done wonderfully well. I believe, if the recommendation is carried out by those responsible in the large cities under the heading of "Unemployment," if the Government see that it is carried out—and I have every faith that it will be carried out, and the wishes of this Conference in this connection given effect to—then we shall have reached somewhere. There is ample scope for the State to look into the matter, so that the private employer or the Government Departments can be supplied with the necessary man-power in order to absorb our unemployed. We have no desire to apologize over this matter. We desire, and I am sure that the members on the other side desire, that there shall be no unemployed in this country. I really do believe that. I do not believe that all the sympathy is on our side towards the unemployed; I believe the other side are sympathetic also. But the question is an economic one, and as much an economic one for our side as for those on the other side of the room—in fact, the present unemployment is a heavier burden on those employed than it is on the employers, because we have very often to support the unemployed in our own way and from our own resources. This is a primary producing country, and we know that in that connection the primary production is only a summer one or a seasonal one, and that the employer is affected in that unemployment shelters the primary producer to some extent. That is to say, that he is able to get the avenues of employment filled just when and where he wants at the required time. Unfortunately for the working class, you cannot tie them up at the end of the season and then knock them up next spring to do your work. In the industry I work for—the railways—the primary producers require a wagon, numerous wagons, to carry on the work during the summer season, and when that work is done those wagons are placed in the sheds and shut up until next season. You cannot do that with the worker, because he wants food and clothing for himself and his dependants. There is the difference; and I think we can solve the problem somewhat better than they have done in the older countries. It has been said that in the older countries there is a chronic state of unemployment, and has been down the years. Very well; there is no reason why we should not try to solve the problem. We understand that New Zealand has led the world in legislation on previous occasions, and there is no reason why we cannot lead it again and show there is one country where there is no unemployment. The primary producers of this Dominion say they cannot afford to employ labour because they have not the returns from the land. Let me observe that while this Conference has been sitting I saw by the Wellington papers that £750,000 of extra money had been received at the last wool-sales in Wellington over last year, an increase of 4d. per pound of wool; and yet we are confronted with the fact that the primary producer cannot employ, or absorb, labour. However, if it is necessary that the unemployed shall be employed, then it is necessary for the Government to realize its duty to see that the employer is 100 per cent. efficient, so that he will be able to work his land and absorb the labour of this country.

Mr. McBrine: In replying, I may say that I listened most interestedly to the discussion of the report, and I think the discussion has cancelled itself, and there has been no serious criticism of the report we have brought down, excepting what you might regard as in the nature of a lowering-down. I think the question of free-trade or protection was not before the committee; it was not even before this Conference; and I do not propose to say a single word about it. It would need too long a time to discuss such an intricate question, and I do not propose to do it. As to the question of the statistics of unemployment as between this country and others, and the ratio of unemployment, probably it will be necessary first to go into the matter as it affects this Dominion. Probably not more than 2½ per cent. of the employed is the proportion, and I know that Mr. Weston is quite in sympathy with and agrees with me when I say that a man or a woman who is merely one of the 2½ per cent., and who is without food and shelter as the result of unemployment, will be just as hungry and just as much in need of help as the man or woman who is only on the 1-per-cent. line. Suppose you place the ratio at 4 or 5 per cent., I think we can congratulate ourselves on the fact that our ratio is lower than some of the older countries, where there are less opportunities for expansion than here. With respect to the workers' addendum, I want to strike this note: this resolution deals with the considered opinion of the workers and is a unanimous report, and I hope the Conference will take it in that light.

Regarding the proposals of the workers for unemployment insurance, I would point out that, even although they were adopted by the Conference here and now, they could not and would not afford immediate relief, and I believe that during the passing of legislation to set up machinery to regularize all funds in some way or another possibly the most critical stage we are passing through at present will be passed before the relief works the report mentions can be established. The report emphasizes the necessity of the gravity of the problem and the need for immediate relief, and I hope the right efforts will be put forth. With respect to Professor Tocker's suggested amendment, as to the insertion of the word " chronic " in the resolution, there are two objections to that course. In the first place, I am sure every one will apprehend this point: that the whole of these findings have been the result of discussion and compromise—very exhaustive discussion, too—and the committee could not under those circumstances agree to any amendment. I do not say that the amendment in some cases would not improve the motion materially; but, even so, if it were inserted it would tend to upset the principles on which we have agreed, and I think that Professor Tocker will see the objections to his suggestion. It may be quite true that unemployment does tend to ignore the individual system of production and the high organization of industry as a permanent feature of our present system of production. That is a question for those exponents and supporters of the capitalistic system of industry to justify, defend, or explain. It may prove that the capitalistic system of production will fail entirely to even feed and clothe a large part of the population, and that another way may be found to enable them to maintain themselves in the way they should. This proposal affords an opportunity of discussing the matter on economic grounds as well as on national grounds, and we think we should not anticipate either for the present or for sometime to come in this Dominion a position of affairs that means that a large part of the population will suffer want. In this country at the present time I believe we are passing through a wave of depression. I think we are passing through it and not into it, and I think we shall be quite right in assuming that our present unemployment problem is periodic, and not chronic. The figures as to exports and imports for the last twelve months, and still more those for the last month or two, show a buoyant tendency that would lead a superficial observer—and I do not claim to be an economist—to assume that things are on the up grade for this Domin on. We all sincerely hope it is so. At any rate, the sub-committee has assumed that the present problem is a temporary one, and has dealt with it on those lines. The workers' representatives' proposal for an unemployment-insurance scheme is to be regarded as a safeguard, and as a means of providing a more permanent insurance against unemployment. Whether it finds favour with the Government or not is, of course, for the Government to say, and the workers are quite free to advocate it to the fullest extent. I do not think I will go further into the economic question, except to say that if production and consumption were immediate and equal, obviously there would be no unemployment. When a man is a barbarian and takes a fish from a stream and eats it immediately, production and consumption are equal. But with a highly developed system of production, division of labour and employment of machinery, and involving systems of production and distribution, the period of delay between production and consumption is necessary and long. The immediate example is the agricultural industry, where there is seed-time and harvest, and the period between production and final consumption is longer than in some other industries. There is also the question of the provision of capital, and in that respect this country affords an opportunity for proper co-ordination. With a full knowledge of the facts and a clearer vision we would be able to get a remedy that would last for a long time against acute unemployment. No one will say that this country, with a population of less than a million and a quarter, is fully developed. The overhead costs of the Dominion are such that unless development does proceed, and production becomes greater, New Zealand is in for a very bad time. I think that the sub-committee's proposals, when they are understood, will meet with fairly general acceptation, and I believe that they will be adopted unanimously by this Conference, and will carry the utmost weight with the Government when presented to it.

The motion, "That the recommendations in respect of Unemployment be adopted," was carried unanimously.

Immigration.

Mr. Turner: Mr. Chairman and gentlemen, the task which has been allotted to me, that of moving that the recommendations in respect of immigration be adopted, is a very simple one indeed. I think I may say that this problem caused the least difficulty to the sub-committee. Upon it we found ourselves more in accord than upon the other two questions. Before we went into committee it was obvious from the papers submitted by both sides—from Mr. Polson's paper and that of Mr. Bloodworth—that both parties recognized the responsibilities of New Zealand, in common with those of other still not fully developed portions of the Empire, to do its share in solving the problem of the distribution of population, which is so acute in the Old Country. This section of the report, therefore, commences with the statement that we do recognize our responsibilities in connection with the solution of this very important problem. I think, too, I may say that we realized that those responsibilities developed upon us as the result of the historical origin of this Dominion, and of the position that this Dominion holds in what we call the British Empire. We realize that the benefits that we enjoy consequent upon our association with this league of Dominions has placed upon us serious responsibilities in connection with this question of immigration. The question of immigration, of course, comes under discussion at this Conference very acutely in view of the problem of unemployment. The point of contact between the two matters is indicated in the report which the Conference has just adopted dealing with unemployment, where in clause (5) (*d*) the sub-committee states that the committee to be set up to deal with unemployment matters should co-operate with the Immigration Department with respect to the employment of immigrants. We realize that, with the unemploy-

ment problem confronting us, the immigration policy should be brought into line with the actual conditions in the Dominion—that is to say, that we should not be called upon to receive immigrants when we cannot absorb them in industry. In dealing with this phase of the matter, I would like to say that the special sub-committee, when discussing the question of immigration, had the advantage of an explanation by Mr. Thomson, the Secretary of the Department of Immigration, as to the measures already being taken by his Department. Mr. Thomson's assistance in connection with this matter was extremely valuable. I think I will adopt Mr. McBrine's plan and content myself with explaining just what is behind each of these four recommendations in the report on immigration. The first point we make is that there should be the strictest possible supervision of the nomination system for all classes of migrants, both as regards the immigrant and the ability and capacity of the nominators to perform their obligations. Now, that recommendation might seem at first sight to suggest some criticism of the Department which supervises this matter. In fact it does nothing of the kind. The present policy of the Department was explained to us, and those of us who were not acquainted with the position now understand precisely what the Department does. All this recommendation means is that we have heard of cases where people have got through the net which the Department spreads to prevent undesirables coming into the Dominion. They have accidentally got through. We cannot expect any system to be absolutely perfect, but we do ask that the Department should spread its net with the greatest care in order to prevent as far as possible such undesirables getting through. The next point we make is that there should be an efficient medical examination of all migrants, assisted or otherwise, and that this examination should take place at the port of embarkation by medical officers appointed by the New Zealand Government. The special point in that recommendation is in the words "or otherwise." There is, we understand, a medical examination insisted on for assisted immigrants, but we believe that the Government should also take the responsibility for ensuring that immigrants who are not assisted—people who pay their own passage-money—should not be suffering from physical disabilities such as would make them liable to become a charge upon the community later on. There have been cases where immigrants who paid their own passages have fairly soon become a charge upon the community. I think I need not stress the point that the examination should take place at the port of embarkation. We do not want any more of these cases of people coming out here and then being sent backwards and forwards, such as we have heard of in the past. The third point made in the recommendation is that immigration should be regulated in accordance with the state of the labour-market in New Zealand, and with due regard to the ability of the Dominion to absorb the immigrants in employment. This recommendation does not call for any explanation. It fits in with clause 5 (*d*) of the report on unemployment, to which I have referred. The fourth point is that the Immigration Department should be given control of health examination and financial qualifications of juvenile and adult immigrants, whether assisted or otherwise. That, of course, is pendent to the other three recommendations. We had before us a suggestion that an Immigration Board should be set up to deal with this matter, but it seemed to us, after we had heard what was being done by the Department, that it would be a much more reasonable thing to suggest to the Government that the functions of the Department should be extended to meet the problem of the non-assisted immigrant, and so avoid the necessity for setting up another Board. With these few remarks, I have much pleasure in moving, That this section of the report be adopted.

Mr. Bromley: Mr. Chairman, I have great pleasure in seconding the motion moved by Mr. Turner for the adoption of the report on Immigration. It is fortunate to be connected with this recommendation, because it is the only recommendation in which there is not an element of compromise. I think it is safe to say that both sides were quite satisfied with this recommendation as the one that should be made on the question of immigration. It is just a question now of the relative value of the various suggestions made. Personally, I would suggest to the Conference that the special committee was mostly concerned about clause 3 of the recommendations, which states, in effect, that immigration should be regulated in accordance with the state of the labour-market in New Zealand, and with due regard to the ability of the Dominion to absorb the immigrants and provide them with employment. That is because the sub-committee was unanimously of opinion, without blaming anybody, that the system as we have it at the present time, until tightened up in various directions suggested by Mr. Turner, does not regulate the influx of immigrants in the best possible manner. For instance, the immigration figures for the last few years indicate that, of the large number who have taken up their residence in the Dominion during the past four years, six thousand came out with the specific intention of settling down upon the land. From statements made by Mr. Thomson, who is the head of the Immigration Department, it would appear that the assisted immigrants—the only ones I am referring to at the moment—have all been placed in the occupations they came to the country to fill, and we have no reason to doubt that at all. But if those six thousand have settled on the land, we are, on the other hand, fully conscious of another set of figures which indicate that the number engaged upon the land to-day is something like nine thousand less than at the beginning of the period. If we must accept the first statement, that the six thousand have been placed in occupations on the land—and we agree to that—we must also agree that fifteen thousand have been pushed off the land and sent to look for jobs, in non-productive lines generally, in the cities. This problem, therefore, is very closely connected with the unemployment problem we were previously discussing. The sub-committee, therefore, considers that one of the most important duties of the Immigration Department in the future should be to see that immigration is regulated more in accordance with the requirements of the Dominion, having regard to the state of employment. If that were done, I am quite sure that, while the officers of the Department have done their best, it would not entail very much more work than has been required of them up to the present time. I feel it is true to say that there has not been a very serious analysis of the occupations of immigrants with a view to seeing that there are jobs for

them when they get here. The other matter considered of very grave importance is the question of medical examination of immigrants, which was touched on more fully by Mr. Turner; and I do not want to go over that ground except to point out that there were given to us in evidence by the head of the Immigration Department specific instances in which immigrants applying to come to this country under the assisted scheme, after undergoing a thorough examination and being turned down for health reasons as being more likely to become liabilities to the country than assets, have paid their own passages and come out at their own expense after passing a cursory examination by the Board of Trade. The object of the medical examination of nominated persons is not to save the difference between the fare paid for an assisted immigrant and the fare an immigrant pays for himself, but to see that we do not get as members of the community immigrants who will become a charge upon instead of an asset to the Dominion. But until the medical examination is just as strict for the immigrant paying his own fare as for the assisted immigrant, our medical examination, in effect, only determines whether an immigrant shall come out at a reduced fare or for the ordinary fare. I do not think I need say more as to these proposals, which were unanimously adopted; but I would like to refer to what was said by Mr. Weston at the commencement of the consideration of these reports, to the effect that the work of this past fortnight has at least had the result of enabling the members of the committee from the two sides and representing the various interests to see more clearly the point of view of the other people. I endorse that; and I would add that the fact that there are three items upon which we have been able to come to unanimous agreement in regard to recommendations to this Conference indicates to me that with a little more practice and more frequent meetings we might also be able to solve these other problems which seemingly are too difficult just at the present moment. I am sure that we have all gained considerably by the companionship of each other for the past fortnight.

Mr. Henderson: I have not had a great deal to say at this Conference, and I do not propose to say much now, but this subject of immigration was one I had the privilege of looking into in England last year, and I agree with the report. The methods adopted by the Government and its Immigration Department in the Mother-country seem to be unexceptionable. I was amazed at the amount of care exercised in regard to Government immigrants. I was astonished to find that the inquiries regarding certain persons for whom applications for assisted passages had been made were much more comprehensive in some directions than would be made, for instance, by an insurance company which intended to issue a policy on the life of a citizen. The personal inquiries that are made seem to be much more valuable than the medical examination insisted on. I am not at all sure that the medical examination is as complete or satisfactory as it should be, because necessarily it has to be made by local practitioners in many instances, and occasionally no doubt there would be an inclination on the part of the local practitioner to perhaps stretch a point in order to allow a villager, we will say, to get away to a new country with an assisted passage. But on the whole the Government system is, I think, as complete as it is possible to make it, and I am quite satisfied that the complaints that are made about our immigration policy are founded on a misconception, as a rule, with regard to the Government methods. The point has already been stressed that there is no medical examination, and there is no check upon the emigrants who pay their own passages; but some personal inquiries I have made in New Zealand since I came back have convinced me that we have many migrants coming into this country, and becoming a charge upon the country, who should never have been allowed to come here. At the same time, it is always well to remember that if a strict and rigid medical examination were insisted on without some such safeguards as are set out in clauses relating to the prohibition of the migrant who is medically unfit, and those who would be likely to become a charge on the country—unless you have some such check as this you would be likely to exclude from New Zealand another Cecil Rhodes, who, had that prohibition of immigrants been in force in South Africa on the ground of medical unfitness, would never have reached South Africa, as he was one who was medically unfit. I want now to go back to another matter of a little more personal nature, although the personal aspect of it is of really no importance. It is this: some one has sent me a copy of a journal called *The Imprint*, which is issued in the interests of the New Zealand printing-trade workers, and in the course of a reference to the Industrial Conference this journal says this: "We notice that the only representative of the printing trade at this industrial conference is Mr. Henderson, managing editor of the *Lyttelton Times;* but, unfortunately, we cannot expect Mr. Henderson to stress the wishes of the employees." It continues in that strain. I wish to say, sir, that I do not think any delegate on either side of this Conference came to it deliberately with the idea of stressing the interests of either side. I honestly and conscientiously believe that the delegates on both sides of this Conference came here to do what they thought was best in the interests of the whole community, and not in the interests of any particular section. I know the only speeches I have made, and the only contributions I have attempted to make to any debate either in committee or in open conference, have been, I think, inspired with the idea of protecting employees rather than with the idea of promoting the interests of employers; and I am quite sure that very much the same thing can be said with regard to the attitude of any other delegate to this Conference. It is perfectly true that the Government summoned twenty-five representatives of labour and twenty-five representatives of employers to this Conference, with the idea of getting all the different points of view on this matter and threshing them out here; but it would be a mistake, and we think it would have been a wrong suggestion, to say that the workers' representatives came here solely in the interests of the workers, or that the employers came here solely in the interests of the employing class. The one fact which has been obvious throughout the whole of the proceedings, I think, since the first day we met has been the earnestness of the delegates, and their anxiety to see that the work which was done—if we could do work— was in the interests of both employers and employed. I think they did not mean to stress, sir, the personal aspect as of any importance at all; but the general aspect

certainly is of importance; and it would be not only an injustice to this Conference, but a blunder from the point of view of the whole Dominion, if this Conference were regarded as being merely a clash of the employees' interests as against those of the employers, or to place one side or section in a predominant position in the labour legislation of this country.

The motion, "That the recommendations in respect of Immigration be adopted," was put to the Conference and carried unanimously.

Workers' Compensation Act.

Mr. Roberts: In moving, That the recommendations in respect of workers' compensation be adopted, I may say I have much pleasure in doing so, particularly because this report of the sub-committee is an expression on the humanitarian side of the Conference. It is also a joint expression of the sub-committees, and, I hope, of this Conference also, that workers who are engaged in industry and who meet with an accident during the course of their employment will be sure that their welfare will be catered for in future. I would call attention first to clause 1, where we recommend that insurance shall be compulsory unless an employer can satisfy a competent authority that either by a mutual insurance scheme or from his own resources the worker is adequately covered. We deem that recommendation to be a very benificent one, because we find that in many cases the worker who is injured during his employment finds himself in the position that the man who employs him is not in a position to pay him compensation, and therefore the worker has no provision made. There is every opportunity for employers in New Zealand at the present time to insure their workers; but, on the other hand, there are some employers who cover their men by insurance themselves, and we think it is advisable that exemption should be given to those employers. One of the questions which undoubtedly will be asked will be why we do not recommend *in toto* the Ontario system of workers' compensation. May I say that we gave that system every consideration, and examined it as closely as we were able. You will understand, however, that a sub-committee sitting for a fortnight and giving only one or two days to this particular question, and a committee that had not very much material at their disposal to make an investigation, could not under the circumstances go into that matter very fully. From our limited investigation we were of the opinion that the Ontario system is the very best system, but we also recognize this factor: that the industrial and climatic conditions in Ontario may be far different from those in New Zealand. The reason why we did not recommend that system wholly is that we require special investigation to be made before that system can be brought into operation in New Zealand. We therefore recommend that it is advisable that the Government should make inquiries into the Ontario system, and, indeed, into the question of workers' compensation generally. But our inquiry proved that the Ontario system was undoubtedly the best, and we hope it will be adopted in New Zealand. The main features of this system are, briefly—(1) The policy of safety: that is to say, the power to insist that there shall be every safeguard adopted to prevent accidents, which is a very necessary precaution in any country. That is done to-day under the Factories Act in New Zealand. (2) That the best medical and surgical attention, and also nursing and hospital attention needed be given to the worker while he is out of employment. (3) This is most important, and relates to the rehabilitation of the worker in his industry. We know that a worker may meet with an accident to-day, and he is incapable of following his particular industry, but becomes more or less a liability on the nation. Under the Ontario system, instead of such a worker becoming a liability on the State he becomes an asset in the cause of production by the training they give him. Your sub-committee gave every consideration to this proposal, and they have included it in their recommendation. (4) Should the worker meet with accident following his employment in an industry, under the Ontario system he is given all the necessaries of life for himself and his dependants. In the case of death his dependants receive a pension for life, or his wife would receive a pension for life and his children would receive one until they were able to work for themselves. Further, we believe that a system can be devised in this country on these lines, and that investigations will prove for the benefit of all concerned. We suggest that the basis on which provision should be made for the three continuous periods of the worker's life are: (1) The period he is unable to earn money through sickness; (2) the period he is unable to earn money through injury received during his employment; (3) old age. These are the periods covering the worker's experience during the time he is capable of working until he goes to his long last home. We would like to see the present economic spectre removed from the life of the worker, and I think you all, and the whole Parliament, are of the same opinion, and are prepared to do all you possibly can to establish a scheme of workers' compensation which would bring about this very desirable state of things. You will note also that we have omitted from our recommendation the question of occupational diseases. That matter was not neglected, however, by your special sub-committee. We discussed it fully, and it was understood that whoever investigated the Ontario system should give consideration to that important measure. I want to draw the attention of the Conference to the fact that there are several occupational diseases which are not very well provided for under our present law. One is dermatitis, and there are several others. Dermatitis is a disease which has become prevalent in some occupations, and, indeed, amongst men who handle the very food we eat. Provision must be made for these men in whatever Workers' Compensation Act is put into force in New Zealand. If the recommendation of the sub-committee is put into operation by our Legislature—and I would appeal to members of Parliament to give it every possible consideration—it will relieve workers of a burden which they are unable to bear at the present time. It will create in industry more contentment, and if the sub-committee or this Conference did no more than pass this recommendation the Conference would have justified itself; I am convinced of that. Now, we have also added a proviso that, should the committee find that the Ontario system would not be applicable to New Zealand industries, full

medical and surgical treatment, as well as the rehabilitation of the injured worker, should be provided for in our own industrial law. The report of the committee will carry throughout New Zealand a message to the workers that this Conference did at least give the injured workers every consideration. I am of the opinion that industry can bear this cost quite easily. I also believe that this proposal will, if applied in the proper manner, help the workers to get back to industry and work more quickly than they can under the present system. I am further of the opinion that this last recommendation in our report will be of benefit to the employers and workers alike. With reference to the third recommendation, we are of the opinion that all the dependants of a worker, where a lump-sum payment is made, should be provided for. This applies particularly in the case of death by accident. We want to see the children provided for, whatever else may happen. I believe everybody here will agree that the committee acted wisely in bringing down a proposal of that kind. Mr. Chairman, I do not desire to say any more at present in regard to these recommendations. I will conclude by saying that the members of the sub-committee, in giving consideration to this question, were actuated mainly by the desire to do justice by the workers who operate industry. We believe we express the unanimous opinion of members of this Conference when we say that those who operate industry and provide for us the very necessaries of life are worthy of the most serious consideration and the best treatment that the nation can give them. I have pleasure in moving the adoption of this section of the report.

Mr. Bishop: I have very much pleasure in seconding Mr. Roberts's motion, that the report of the sub-committee in respect of the Workers' Compensation Act be adopted by the Conference. As Mr. Roberts has said, the sub-committee gave a great deal of consideration to the Ontario system of workmen's compensation. The fundamental difference between the Ontario and similar systems which are in operation to-day in many American States, on the one hand, and our New Zealand system, is that in the days when our Act was first passed the whole conception was that of compensating the worker for his disability, whereas the principle underlying the Ontario and other American and Canadian systems is that of re-establishing the injured worker in productive employment as early as possible. It is true, I think, that New Zealand led the way in this matter of workers' compensation, but your sub-committee has recognized that to-day an advance has been made in other countries which is quite worthy of our consideration. In the systems of some other countries one of the principal functions of the organization controlling workers' compensation is the prevention of accidents, and another principal function is the rehabilitation of the injured worker. Now, under our system the prevention of accidents has no relationship whatever to the organization dealing with workers' compensation, nor has the rehabilitation of the injured worker. But it was easy for Ontario, coming into the field at a much later date than New Zealand, to frame legislation on sound lines, because they had the benefit of the experience of other countries to guide them. It would be difficult for us to-day to suddenly switch over from our system, which is based upon insurance companies' participation, and to substitute for it the Ontario or a similar system, in which the insurance companies play no part. We therefore had to content ourselves with the recommendations which are before you, while we recognize that there is a case to answer, and that investigation into the respective merits of the various systems is necessary, and is likely—almost certain, I should say—to lead to improvements in our own system. Those were the motives which guided the sub-committee to the findings which we now submit to Conference. We feel sure that the present New Zealand system can be improved without an increase in the cost to industry, and that the benefits to the workers will be more practical, more real, than they are to-day. We hope that the Government will accept the recommendations of this Conference, and undertake immediately a thorough and careful investigation, with a view to improving our system so as to place New Zealand again in the proud position that it once occupied, of leading the world in this very important phase of social legislation. I do not wish to add anything more, sir. I think that this recommendation is so clear-cut and so definite, and so calculated to bring about the results which are hoped for, that it should require very little discussion, and the Conference can safely endorse it.

Mr. Smith: Mr. Chairman, the remark made by Mr. Roberts during the course of his speech in moving the adoption of this recommendation was to the effect that he was satisfied that industry could bear the cost. That remark may raise in the minds of some—especially the employers—that we anticipate that the result of the adoption of the Ontario system, or any amendment of it, may involve an increase in premiums, and therefore place an increased burden upon industry, which at the present time it is ill able to bear. Personally, I do not think that the recommendation, if adopted, should involve any increase in the cost of insurance, and for these reasons: First, we have provided that insurance shall be compulsory, and as the insurance companies will not, therefore, have to incur expense in chasing business—the business will have to come to them—there will be a very considerable saving in overhead charges in that respect. Then, again, if the insurance companies see fit to pool the workers' compensation insurance business, and divide it among themselves, either in the proportion in which they now obtain it or in some other proportion, a further saving will be obtained, and that should lead to a reduction of premiums instead of involving any increase. I make that suggestion bearing this in mind: that if the Ontario system is adopted its great blot, from the employers' point of view, is the fact that it involves State management. To that, as a principle, we as employers are opposed, and if the insurance companies by means of pooling the business can get together they may be able to lay the foundation upon which when the time comes for the Ontario system to be adopted—if it is adopted—they can build machinery for the administration of that system, thus avoiding a further incursion by the Government into industry. We have always been looking forward to the redemption of the promise made last election that there will be more business in Government and less Government in business, and we do wish to see that pledge carried out, instead of the adoption of any scheme which will involve a further incursion of the Government into purely commercial matters. One other point made was with reference to lump-sum payments, and Mr. Roberts referred to the case of a worker

being killed and a lump sum being paid to his dependants. But our suggestion goes further than that. It refers also to lump-sum payments made to an injured worker; and for this reason: that when some men are paid a lump sum they fritter it away, instead of investing it wisely for the benefit of themselves and those dependent upon them. It is not only in the case of deceased workers that control of lump sums paid is desirable; we hold that it is also desirable in the case of lump sums paid to living workers.

Hon. Mr. Weston: There is just one point in regard to the Ontario system which I think should be made clear to the general public, and that is that under the Ontario system all remedies that an injured worker has at common law are abolished, which means that he has to rely entirely upon his claim under the Workers' Compensation Act. That, no doubt, accounts for the fact that the premiums paid under the Ontario system compare so favourably with those paid in New Zealand. It is just as well, seeing that this Ontario system will be the subject of public discussion, that the people should know that that is the underlying basis of the system. It practically abolishes all litigation, either at common law or under the Workers' Compensation Act. Everything is left to the Board, and the Board decides matters purely in an administrative, not in a judicial, capacity. That is one of the merits of the Ontario system; but, at the same time, the worker injured through the negligence of an employer, either through a wrong order or wrong methods, or by the negligence of a fellow-servant, is deprived of his rights under our present system. I would like to pay a tribute to the mover of the motion for the very, very sympathetic and tactful way in which he put his case before the committee. His remarks to us had a great deal to do with our adoption of the three clauses in this report.

Mr. Cornwell: Mr. Chairman, I also wish to congratulate the committee on its report on the Workers' Compensation Act. I welcome the clause stating that "it is desirable that medical, surgical, and hospital services necessary as a result of the injury, and for the rehabilitation of the injured worker, should be provided for." Such an extension of medical benefits has long been desired by the workers. We have asked for that from the Government for many years. But when we were discussing this question on the Secondary Industries Committee we went fairly fully into the question of industrial diseases, and a resolution was passed by that committee recommending that this Conference or the special committee should take into consideration the question of industrial diseases. At the present time, under section 10 of the Workers' Compensation Act, which controls these diseases, to a very large extent the workers are prevented from getting the benefits intended by the Act. There is a clause stating that you must meet with your injury, or become incapacitated or die within twelve months of contracting an industrial disease. But many people know—or the majority of people know—that to contract some industrial diseases takes considerably longer than twelve months. Often it is a number of years that a worker must be engaged in a particular trade before contracting a disease that will lay him up, let alone be the cause of his death. We have had cases brought to our notice where workers have been laid up and have died, and a post-mortem examination has shown that the worker has been suffering from such a disease for eight to ten years, and that puts him entirely out of Court for getting the benefits provided by the Act. All that time his employers have been paying premiums to an insurance company for the benefit of that worker, and on account of this very defective clause in the Act the dependants of such workers are deprived of the intended benefits. There are quite a number of industrial diseases covered by that clause. We also suggested that another industrial disease, dermatitis, be added to the list. Dermatitis is a disease which affects quite a large number of workers in different classes of work, including those engaged in some food occupations. It affects, too, cement-workers, french-polishers, and a lot of other workers. A number of such cases have been brought before the Ministers of Labour in the past, but so far we have been unsuccessful in getting that particular disease added to the list of occupational diseases. The matter was well discussed in the Secondary Industries Committee, and some harrowing stories were given to the committee in regard to the experiences of some persons in connection with that particular disease. We are, therefore, surprised, some of us, to find that there is no report from the special committee in respect of this matter. I hope that the question will not be overlooked. It is an exceedingly important one. The employers have been paying for years and years into the insurance companies of this country for the workers to receive the benefit of the Act, and yet by this defective section the workers are debarred from getting the benefits their employers have been paying for. I think that if the employers fully realized that, they would assist us in getting that section 10 amended. The other clauses of the report represent a decided advance, and I have much pleasure in congratulating the committee on the report. But I regret the committee did not bring down a recommendation in regard to occupational diseases.

Mr. Purtell: Sir, I did not intend to speak on this question, but owing to the remarks of my friend Mr. Smith I feel compelled to say something. I would like to call the attention of the Conference to the insurance premiums paid in Queensland in respect of workers' compensation. I understand that the premiums there are much smaller, and that they had a big surplus in the first year and were able to cover one or two classes of workers without contribution of premiums by the employers. I cannot for the life of me understand why even employers should endorse private enterprise in insurance when it is going to cost them more money. It is on record that the New Zealand Government's enterprise in respect to insurance has saved the country a considerable amount of money not only in regard to fire insurance, but in connection with all classes of insurance. I would suggest that the attitude of the employers in this matter, besides being a question of private enterprise, is a question of business in business as well as of business in Government, or, rather, Government in business. If it were possible to put actuaries on to it, I think the employers would find that they would save a considerable amount of money by our proposal, because in the last analysis private enterprise in this matter simply means that the insurance companies have to make substantial profits, and we know from the reports of the different companies that they do make considerable profits; therefore the employers will have to pay higher premiums than they previously have done.

Mr. Smith: Mr. Chairman, as the previous speaker has referred to me by name, I would like to say that I am well acquainted with the Queensland scheme, especially in regard to the workers in my own industry; and, unfortunately, we find that the scheme is used to make profit for the Government. Of the premiums paid, 41·17 per cent. goes in benefits, 15·22 per cent. in administration expenses—a total of 56 per cent.; and the balance as profit to the State Department.

Mr. Purtell: Are not the premiums less?

Mr. Smith: They may be in some industries; but, unfortunately, the scheme is used as a source of revenue.

Mr. Roberts: Mr. Chairman and gentlemen, there is really very little for me to reply to, except the statement made by Mr. Smith. I suppose it will be useless for this Conference to discuss the question as to whether State or private enterprise would be best. It does not come within our purview. I want to assure the Conference, however, that the labour section here considers that workers' compensation should be a State social service, with all due respect to Mr. Smith's views with regard to too much business in Government——

A Delegate: The other way round.

Mr. Roberts: I am Irish, and entitled to say a thing the wrong way round. We do say that if the State can do this thing cheaper than private enterprise, and give better service, the State should be given the job to do.

Mr. Smith: If you pay the premiums, you can call the tune.

Mr. Roberts: I do not want to go into that question too far, but if there were no workers in industry there would be very little premiums on the employers' part to pay. The workers enable the employers to get the money for the premiums. If it were not given to them by industry and the operations of industry, they could not pay the premiums. We consider that it should be a State social service; but the question is whether the State can run this service better and cheaper than private enterprise. If it can, the State should undertake the service. That is all that I have to say about that matter. I desire to conclude by saying that I am very pleased at the unanimity that exists within the Conference in regard to this important matter. The Conference was called primarily to establish industrial peace. As I stated previously at this Conference, on the average in New Zealand every worker in industry meets with an accident every five years; and if that worker receives good treatment from the employer, from the State, or from the insurance company, or whoever renders the service, when he meets with an accident, you make him a more contented worker when he comes back after the accident. It is a bad thing to let him come back a dissatisfied man. The special committee did justice to itself when it brought down this report; the Conference will do justice to itself by adopting it; and I hope that the Government will give it immediate consideration, set up the committee to make the investigations absolutely necessary, particularly in regard to occupational diseases, and carry the necessary legislation. If a worker meets with an accident in industry and it is found when he goes back that as a result of that accident he is incapacitated again, the worker should have a claim under the compensation law of the country. I trust that the necessary legislation will be an outcome of this Conference. That is all I have to say.

The motion, "That the recommendations in respect of workers' compensation be adopted," was carried unanimously.

THE REPORT AS A WHOLE.

The Chairman: It is proposed now to ask you to take the report as a whole. You have dealt with each motion separately, and approved of them, and it is now proposed that a motion be moved that the report of the special sub-committee as a whole be adopted. I will call on Mr. Bloodworth to move that motion.

Mr. Bloodworth: As chairman of the sub-committee, I now move, That the report as a whole be adopted. I am sure it is very greatifying to every member of the sub-committee to know that the report we have brought down on these important matters has met with such a cordial reception, and that we have been able to do this much in the direction of reaching unanimity: because, when this Conference was first suggested, there were many people who said it would prove absolutely useless; that there could not possibly be any good outcome, and it would mean the waste of money. I think the fact that we have been able to reach a unanimous finding with regard to three important matters proves that those people were wrong, but that a great deal of good can be achieved by a gathering of this kind. I now ask leave to touch upon a matter which has been mentioned by Mr. Henderson. On behalf of the sub-committee, and I think I can add on behalf of the Conference, I would ask the gentlemen in charge of the press of the Dominion on either side—those in charge of organs representing the workers' side as well as those in charge of organs representing the employers' side—when they criticize the proposals which have come forward—we do not expect them not to criticize them—to exercise a tolerant judgment in dealing with these very important resolutions. We know that from time to time statements appear in the papers which do not help either the one side or the other regarding views which have been put forward. Those instances appear not only in the press of one side, but in the press of the other, and it is possible that if any such cases occur in the future they may do a great deal to undo whatever good may have been done by this Conference by the adoption of the recommendations brought down.

Mr. Williams: I have much pleasure in seconding the motion, and I feel proud to do so. I would like to endorse what has been said by the mover, and express my personal gratification at the reception which this report has met with. There has not been any severe criticism of the work of the sub-committee, and that, again, is also a subject for gratification. But it is quite clear that probably on both sides there are many members who would have liked us to go perhaps somewhat further than we have in considering these various questions. Well, sir, in my opinion, and probably in that of most of the members of our sub-committee, anything in the nature of drastic change appears to be a thing

to be avoided; that true progress consists rather in the improvement of existing machinery than in its replacement; and that unless existing machinery is proved to be inadequate it is better gradually to improve it than to scrap it—in fact, to scrap a machine before you have a better one with which to replace it, is folly. Your sub-committee have endeavoured to adhere to this policy of improvement rather than of replacement. Several of the questions submitted to us are so complex that they would require many years of patient study before a considered judgment could be passed upon them, or they would require months of careful consideration of evidence from those who have had the opportunity of giving years of patient study to them. Well, sir, we have found ourselves in the possition of having to give an expression of opinion after only a few days' or a few weeks' consideration to these questions, and we have thought it wiser, in formulating our opinions, to suggest an investigation, and a careful consideration, by others of those matters an investigation of which we have not been able to undertake ourselves, in the hope that a good and lasting permanent result will in the end be obtained—better far, probably, than any hasty suggestions of our own, which might embarrass without improving the position. That is the policy, as I understand it, that we have adopted, and it affords me very great pleasure to feel that that policy has been endorsed by the Conference, and that our actions have met with approval.

The Chairman: You have already adopted the various recommendations, and I suggest that there is no necessity for any further discussion.

The motion for the adoption of the report as a whole was carried unanimously.

At 3.27 p.m. the Conference adjourned to the following morning, to meet at 10 a.m.

THURSDAY, 17TH MAY, 1928.

Report of Special Sub-Committee.—Second Section.

The Conference resumed at 10 a.m. on Thursday, the 17th May, 1928, Mr. A. D. Thomson (Chairman) presiding.

The Chairman: The business this morning, gentlemen, is the consideration of the report of the special sub-committee—the second section. But before we proceed with that I would state that Captain Colbeck has asked permission, and I give him permission, to make a statement correcting some figures he quoted yesterday.

Captain Colbeck: Thank you, sir. You will remember, Mr. Chairman and gentlemen, that David Harum tells the story of a farmer who brought home some damp blasting-powder and put it in the oven to dry, and it went off quite suddenly. That is just what happened when Mr. Barber spoke yesterday. The blasting-powder, so to speak, went off so suddenly that I lost my equilibrium and did not quote my figures correctly. To show that I was not attempting to mislead the Conference, I would state that I was quoting from a letter I wrote to the *Waikato Times*. I have the letter here, and it reads, in part,—

"Here is an actual costing-sheet for a line of imported boots:—

	£	s.	d.
Cost in London	54	16	10
Freight	3	13	1
Wharfage and cartage (England)	0	4	6
Commission, 2½ per cent.	1	9	10
Insurance and exchange	0	8	0
Duty	15	12	0
Casing	1	3	0
Total	77	7	3
Two profits, wholesale and retail, 33⅓ per cent.	25	15	9
Cost to consumer	£103	3	0

"Thus it will be seen that the increase to the consumer, when all costs and charges are added, is nearly 100 per cent. The above is an actual and not a suppositious case. The boots cost 16s. 8d. per pair in London and were retailed in Auckland for £1 11s. 11d., showing an actual net profit of 10 per cent. only."

I hope that the press will give the same publicity to these figures as to those I gave yesterday, because the figures were quite misleading as I then gave them, stating the cost of the boots as 12s. 8d., &c.

The Chairman: I will now call upon Mr. Bloodworth to move the adoption of the second section of the report of the special sub-committee.

Mr. Bloodworth: I move, sir, that that report be received and adopted, and, in doing so, I wish to say that, so far as the second section of this report is concerned, we are all very sorry that we are not in the same happy position in respect of unanimous recommendations as in regard to the matters brought before the Conference yesterday. I understand that Mr. Bishop will present the recommendations made by his side with regard to the Industrial Conciliation and Arbitration Act, and

Mr. Roberts will present the recommendations from the workers' side; and I think that when the different recommendations are before the Conference it will be seen that, although we cannot make unanimous recommendations in respect of the Industrial Conciliation and Arbitration Act, there is a very considerable degree of agreement in the two separate recommendations. I move, That the report, which reads as follows, be received and adopted :—

REPORT OF SPECIAL SUB-COMMITTEE.—SECOND SECTION.

INDUSTRIAL CONCILIATION AND ARBITRATION ACT.

The special sub-committee reports that after very full and careful consideration of the Industrial Conciliation and Arbitration Act, its effect upon industry, and suggested amendments thereto, the sub-committee has been unable to arrive at a unanimous recommendation.

The vital point of difference between the two parties is the question of optional or compulsory reference of disputes to the Court of Arbitration, or other tribunal, for final settlement—the employers' section contending for the optional system, and the employees' section wishing to maintain the present system of compulsory reference to the Court, or other tribunal.

APPRENTICES ACT, FACTORIES ACT, AND SHOPS AND OFFICES ACT.

The sub-committee also considered the Apprentices Act, the Factories Act, and the Shops and Offices Act, but it was decided not to submit any recommendations in regard to these, for the following reasons :—

As regards the Apprentices Act, the sub-committee was informed that the Minister of Labour was arranging a conference of representatives of Apprenticeship Committees, and it was considered that Conference would be the best body to consider the amendment of the Apprentices Act.

In respect of the Factories Act, the sub-committee had not before it sufficient evidence of important amendments being necessary to warrant it submitting any recommendations.

As to the Shops and Offices Act, this Act was amended only last session, and on that occasion all the interested parties had the opportunity of expressing their views before the Labour Bills Committee of the House of Representatives. In view of these circumstances, it was considered by the sub-committee that sufficient time should be allowed to the parties to ascertain the effect of the amendments made last year before the question of the further amendment of the Act is reopened. Further, the interests concerned in the Shops and Offices Act are so diverse that the sub-committee considered that the interested parties should make independent representations to the Government as to amendments which they desire.

Discussion on Report.

Mr. Polson : I was given instructions on the spur of the moment to second the adoption of this section of the report, and I hope it will not be suggested that I am doing something that I am not qualified to do. As a matter of fact, I do not intend to make a speech at all at this stage. I am not able to say very much about that part of the report dealing with the questions of apprentices and the Shops and Offices Act, and I do not think it necessary to say very much about them. But with regard to the part of the report dealing with the Industrial Conciliation and Arbitration Act I do feel, with Mr. Bloodworth, that it is a very great misfortune that we were not able to bring down unanimous recommendations. It has been a very grave disappointment for all of us, I think, speaking for the sub-committee, which spent a very great deal of its time on this one question. But I am, like Mr. Roberts on the other side, an optimist. We got so very close together as a result of our prolonged deliberations of this question that I still believe that it is possible to get nearer together. I still believe that if we set our minds to it we could come to something like a settlement of this question. It is my hope, Mr. Chairman, that before this Conference adjourns some further step may be taken to bring us closer together on this very important question. It is the question before this Conference, of course. We have dealt with a number of important questions, but this is the great question, and if we could come to something like a unanimous conclusion about it we would create industrial peace in this country for a quarter of a century I believe, and have close co-operation between employer and employee. It seems to me a magnificant thing to attempt, a great ideal to aim at; and, in spite of our presenting separate reports, I am not yet satisfied, and I do not think those on the other side are yet satisfied, that we have reached an impasse and cannot come to a closer agreement. I am not going to make any suggestion as to whether anything further can be done, but it may be that in the course of the discussion on the two reports presented a different frame of mind might come about in regard to the question. When we have heard one another's views, and read one another's reports, and discussed them a little further, perhaps there will emerge from that discussion some new idea that has not occurred to the central committee or the sub-committee, but which might just achieve what we have failed to do. I do not think it is necessary at this stage to discuss the question of details, and will content myself with seconding the adoption of the report.

Mr. Purtell : Dealing with the second section of the special sub-committee's report, and the clauses relating to the Factories Act and the Shops and Offices Act, I notice that very little has come forward from the Secondary Industries Committee respecting the amendment of those Acts. I am sorry we have been disappointed in this respect, and I do not want to be disappointed at the final result of the whole Conference, as I said yesterday, but I feel that it must have been the committee's fault that certain definite recommendations did not come down. I am quite sure that the joint committee which sat up to the time we adjourned might possibly have been able to bring down recommendations for the amendment of the two Acts mentioned. There are various anomalies in those Acts, and I, for one,

have been expecting that the gentlemen on the other side would have stated the intentions of that committee on the subject, and, if a recommendation was brought down, the nature of it. But, as nothing of a definite nature has been brought down, I suppose it is our own fault. I will mention one or two of the anomalies. One is with regard to clerical workers, who cannot claim overtime if they are in receipt of £4 per week. That provision has been in the Shops and Offices Act for quite a long time. Another clause is that men who are driving horses have to go eight hours in addition to their ordinary forty-eight hours without any extra payment under this Act. Then, with respect to the Factories Act, since I left this Conference I heard that one of the big employers in Auckland gave his employees notice one week before Christmas, and thereby escaped making any payment for any holidays, as the notice finished on the Christmas Eve, and one Sunday at large was paid for. That is not the intention of the legislation, and I am sure the men on this side or on the other side do not stand for that kind of thing. I am certain that if an investigation were made into the question perhaps proper recommendations would be brought down to deal with the case. I got up only hurriedly to make these few remarks, and the point I wish to emphasize is that practically no recommendations have come down from the Secondary Industries Committee respecting these matters. There are other outstanding anomalies, and I suggest to the other side that there seems to be a tendency for every one to try and get home. This Conference affords the chance of a lifetime to deal with these matters, as both sides are meeting together here, and there ought to be no desire to close up and go away without making an effort to settle the difficulties I mention, even if we have to stay a few more days. I therefore appeal to the gentlemen on the other side that there should be at least another meeting of the Secondary Industries Committee, with the idea of going into some of the matters mentioned. I wish also to refer to the case of the thousands of girl workers in New Zealand, who should be given certain statutory holidays that cannot be interfered with, as is the case now, owing to some technical phraseology in the different Acts, and I do appeal to the other side to allow this matter to be discussed. Probably at a later stage it could be brought up again.

Mr. Fulton: There is another question I am sorry the Committee did not deal with, or come to any definite finding on, that comes under the Shops and Offices Act, and that is the question of the recent amendment of the Act that permits girls to work in public dance-halls and at public functions after the hour of 10.30 p.m. The Act provides that no girl employed in a restaurant shall be employed after 10.30. The Act was amended last session at the instance of somebody—I do not know why, unless it was to inflict a penalty on girls, and lead them possibly into paths somewhat far from virtue. Why temptations should thus be placed in the way of those girls who work in public dance-halls, many of which should not be licensed at all, I do not know. But the girls have to work to any hour the owners or those running the halls like—any hour in the early morning—provided a taxi is obtained to take them home. I am sorry to state that that is not in the interests of the workers of New Zealand generally, or not, at least, in the interests of the girls who are compelled to work in the industry in question after the hour of 10.30. I think this committee should bring down some recommendations requesting the Government to amend that particular section of the Act which compels girls to work in these dance-halls and cabarets after the hour of 10.30 at night.

Mr. Brooks: I just wish to deal with the question raised by Mr. Fulton with regard to the recent 1927 amendment of the Shops and Offices Act. At the present time, under the principal Act, 10.30 is the limit to which these girls work. Now, as Mr. Fulton pointed out, for some reason or another an amendment was put through the House last session giving a tremendous privilege—a widespread privilege—to proprietors of dance-halls and cabarets. They can work the girls at any time, and at all times, in those particular establishments, and all that the employer has to do is to satisfy the Inspector that conveyances to their homes for the girls will be provided—reasonable facilities will be placed at their disposal for reaching home. My experience of the position of Inspectors generally is that the Inspector by that time of the morning requires to be in bed, and he does not want to be rambling about the city looking for dance-halls and arranging for the transport of waitresses to their homes. We think, at any rate, that is the most outstanding anomaly in the Act at the present moment. I disagree entirely with the sub-committee; and, anyhow, I am disappointed that no proposal has been brought down to get something done in that direction. There is another matter in connection with the Shops and Offices Act—the principal Act—I wish to mention, and it relates to the awards covering hotel workers, restaurant workers, private-hotel and boardinghouse workers. In the hotels, barmen, barmaids, and bar porters—and in the city restaurants the whole of the workers—have a weekly holiday on the Sunday, and half a day in the week. That also applies to the bar hands. In a week where there is a statutory holiday, such as Anzac Day, or Good Friday, on any of those days the employer can, if he likes, make that statutory holiday the half-holiday for that particular week. It is very hard indeed on the bar hands, because there are only three days in the year that they get a holiday—Good Friday, Christmas Day, and now Anzac Day—and I think that is not fair. In the other section of the Act there is the provision that if there are two statutory holidays in the one week—that is, two working-days on which there are holidays—the half-holiday is deemed to be one of those days. But in our particular case we have to submit to the half-holiday being taken away on any statutory day on which there is a holiday, and naturally with that provision there, the employers take full advantage of it. Another matter regarding which we have been trying to obtain legislation for many years is the six-day week in the secondary industries. Naturally, all secondary industries are on the basis of a seven-day week, and we have for many years asked for legislation that will bring the six-day week provision about. Since 1914 we have had a six-day week in our award, but we cannot get it into the legislation. That is what we desire. There are quite a number of matters in connection with the Shops and Offices Act which require adjusting. If there is a possible chance of having another meeting of the Secondary Industries Committee, I think that is the proper place for dealing with this question.

Mr. Henderson : I think it is only reasonable to say that these matters of detail are such as should go before the Labour Bills Committee for consideration, rather than come before this Conference. It indicates no lack of understanding or sympathy on this side that the Secondary Industries Committee did not deal with them ; but it is quite obvious that if we had started to investigate the details of the amendments required in the Shops and Offices Act, the Apprentices Act, and the Factories Act we would have been here a very long time. In my view, these matters are outside the scope of this Conference.

Mr. Fisher : In the Secondary Industries Committee certain definite resolutions were passed, copies of which were sent forward to the special sub-committee which has been responsible for drawing up these reports, and I take it that the copies of the minutes of the committees become part of the literature of this Conference, and will be a direction or a help when these matters come to be considered in Parliament. The sub-committee that has drawn up this report did not consider it judicious or necessary to embody those recommendations in the report, but the results of the deliberations of the Secondary Industries Committee were passed on to that sub-committee and were available to it when it was preparing its report.

Mr. Bishop : In reference to the points which have been raised by Messrs. Purtell and Brooks, I think that the feeling of the members of the special sub-committee was that, while these matters were important, they were not of the same relative importance as the other matters which the sub-committee had before it, and therefore I think that the sub-committee took the view which Mr. Henderson has expressed ; that these were matters upon which special representations were being made from one side only—the employees' side—and that there were no representations on these matters from the employers' side. Mr. Fulton is the special representative of the union which includes the girls he referred to, and Mr. Brooks is in the same position : they are special representatives of that section of workers. We had no representative from the employers in this line of industry, and we had no representations on these matters before us, and we could not, upon one side's representations, bring down a report on these questions. But the parties should be entirely free to approach Parliament and place their views before the Labour Bills Committee. The ultimate decision upon such matters lies with Parliament, and they are not matters for this Conference to deal with. It is not a vital feature of the industrial legislation.

The Chairman : It has been suggested that the report of the Secondary Industries Committee was available.

Mr. Bishop : Yes, sir, we have the minutes of the Secondary Industries Committee, and there is no objection to their coming before the Conference, but they have not been considered. We did not devote attention in the special sub-committee to the subject. We discussed them, but we did not seriously endeavour to frame legislation to meet the points raised.

The Chairman : I understand that the point is whether the suggestions made by the Secondary Industries Committee will be available at any future time.

Mr. Bishop : That is a matter I have not considered. I take it that is a matter for the Conference.

The Chairman : They are not being destroyed.

Mr. Bishop : No ; they will be preserved, and they will be available for reference.

Hon. Mr. Barr : I think that probably it might satisfy the members who are directly interested in this matter if I recall to their minds that in the Secondary Industries Committee meetings there was a representative of the Labour Department present, Mr. Newton. Mr. Newton attended all the sittings of the committee, and took careful notes of the discussion and the various points raised. He has those points carefully noted, and they will be referred to the Minister of Labour. I feel that there is some anxiety that, after all the discussion which took place in regard to these points, the members interested do not want to see them neglected, and I can assure them that they will not be so neglected. They will be submitted to the Minister.

Mr. F. R. Cooke : The point is that that committee expected that their decisions as embodied in the minutes should go as our report from the Conference. Mr. McKeen addressed the committee and gave us some information about the Shops and Offices Act. We really did want the report of our committee to be included in the report of the Conference to the Government. As the Hon. Mr. Barr has stated, Mr. Newton was present at the sittings of the Secondary Industries Committee, and took elaborate notes of the discussion ; but those minutes should have come before that special sub-committee which was set up to bring down the report to Conference. That is what our people are complaining about.

Mr. Bishop : I must make it clear that we on this side do not feel that we are in any way obliged to support the resolutions passed by that committee. The committee was considerably weakened when the special sub-committee was set up. The Chairman of the Secondary Industries Committee, Mr. Bloodworth, and Mr. Sterling and I were members, and, I think, one or two others, and the Committee was considerably weakened when it passed those resolutions which are now being discussed. I do not think that we on our side feel that we are in any way pledged to those resolutions.

Mr. F. R. Cooke : That is the trouble. We would have liked to have the expressions of the whole of the delegates on those particular questions, and it is the lack of that opportunity that we are complaining about. The minutes of the Secondary Industries Committee were submitted to the special sub-committee, but there is no expression of opinion from the whole Conference upon them.

Mr. Purtell : The point is whether the employers' representatives on that committee are prepared to meet us again, and decide whether they are prepared to support us in regard to these matters.

The Chairman : I understand that the special sub-committee has decided that it is unable to make any special recommendations on these matters, and that it is considered advisable to leave it to the parties interested to make representations on these questions to Parliament or to the Minister. I do not see that we can carry the point further. The question before the Conference is whether the report of the special sub-committee should be adopted, without any special recommendations.

Mr. Roberts: I have a suggestion to make which I believe would overcome the difficulty and would meet the wishes of both sides. I suggest that it might be competent or advisable for this Conference to pass a recommendation to the effect that if any amendments of these Acts are proposed during the coming session of Parliament an opportunity should be provided for the parties to meet and discuss the questions with a view to making a joint recommendation to the Labour Bills Committee, or making independent recommendations or representations to that Committee. I think that is the only common-sense way of dealing with it. It does not commit anybody, except to secure that an opportunity will be provided for the parties to discuss the whole thing, and it will also give them the opportunity to make independent representations if they cannot agree. I make that suggestion as one which is likely to be acceptable to both sides, and because it seems to be the only way out of the difficulty at the present time.

Mr. Bishop: There is nothing to prevent such conferences being held, if both parties desire them, at any time. If any legislation is proposed they can meet and make joint representations to the Labour Bills Committee. I submit that there is no need for this Conference to pass any motion dealing with this matter.

Mr. Roberts: I do not suggest that we pass a resolution, but that would be a harmless recommendation which would be in the nature of advice to the authorities.

The Chairman: I suggest that we get rid of the recommendations of the special sub-committee first, and discuss these other matters afterwards. If any delegate wishes to move further that any particular matter should be considered, it would be quite competent for him to move a motion and have the matter discussed, but we must first dispose of the report of the special sub-committee.

Mr. Bloodworth: I would just like to explain that the special committee had before it the minutes of all the other committees, so far as they went; and it appears that, while there was a good deal of discussion on these matters, there were not many definite resolutions moved or adopted. Several of them that were carried by the different committees are embodied in the report; but they refer more particularly to the Workers' Compensation Act, and are included in the recommendations passed yesterday in respect to that Act. We were not able to find anything very definite in the committees' minutes with reference to the Apprentices Act, the Shops and Offices Act, or the Factories Act; hence we could not get from those minutes enough of a definite character to be part of the report of the sub-committee.

Motion, "That the report be received and adopted," agreed to.

Motion of Sympathy.

Mr. Bishop: Sir, I have to ask leave to apologize for the absence of Mr. W. G. Smith from the Conference this morning; and I am sure that all the delegates will regret to learn that his absence is due to serious illness. I would like to move, That a vote of sincere sympathy with Mr. Smith, and expressing also our appreciation of the valuable services he has rendered in the different committees and throughout the Conference, be carried.

Mr. Roberts: I will second that, Mr. Chairman; and I want also to express my personal regret at this sad news regarding Mr. Smith. I wish also to express on behalf of my friends on this side their sincere regret at his illness, and our appreciation of his services as a member of this Conference. He has shown himself a very able man, a fair and sincere man, and we are sorry indeed to hear of his illness.

Mr. Churchhouse: Mr. Chairman, I would like to suggest that the name of another gentleman on the other side (Mr. Brechin), who is also absent through illness, be coupled with the motion.

Mr. Bishop: Sir, I am very grateful to my friend for mentioning the matter. I will be pleased to couple Mr. Brechin's name with the motion.

The Chairman: Do you agree, Mr. Roberts?

Mr. Roberts: Yes.

Motion agreed to.

Shops and Offices Act Conference.

Mr. Roberts: Sir, I understand that it would be in order for me to move a resolution with reference to another matter; but I do not desire this motion to be taken as a means of getting something into the report for party reasons. I have personally had a lot of difficulty in regard to this matter, as my knowledge of the Factory Act and the Shops and Offices Act is very, very limited, and therefore I was not competent to discuss them in the Committee. I believe, however, that it would be in the interests of everybody concerned if the parties interested in these measures were to meet and discuss the question of what amendments are desirable. No harm could come of it; and possibly there might be present at that conference persons not directly interested in the Shops and Offices Act who would be able to see a way out of the continual tug-of-war which is taking place in connection with that Act in particular. One section of the Act satisfies one party, and one section satisfies another; with the result that in the end it causes dissatisfaction to both sides. I have therefore drafted a resolution which I think would meet the situation. It does not bind the parties to come to a conference, but is just a suggestion to them to hold such a conference. I move, That in the opinion of this Conference it is desirable that representatives of the parties interested in the Factories Act and the Shops and Offices Act should meet and discuss such amendments as they may deem advisable to these Acts, with a view to making joint recommendations to the Government. I just move the resolution. I do not wish to discuss it at any length; but it appears to me, from what I have heard, that there is a possibility of a joint agreement being arrived at, and that would be to

the interests of both parties. At the present time they are not meeting and discussing it. Each side seems to be afraid that the other may get some political point on to it. But I believe that if both parties did discuss the matter—not from the point of view of their own particular interests, but from a national point of view, from the point of view of the industries concerned and of the Dominion as a whole—we could get a sensible law regarding these matters. I understand there is very little difficulty in coming to an agreement in regard to the Factories Act; but, as regards the other measure, I think that it would be a wise thing if this resolution were embodied in the Conference report, as a sign-post to these people, who are engaged to-day in a veritable tug-of-war, that it is time for them to stop their family quarrel and become good friends.

Mr. Bishop: I understand that Mr. Roberts's motion is merely a suggestion to the parties that they should meet and endeavour to compose their differences. We could support a resolution on these lines, but we could not go any further than that.

Mr. Roberts: That is the motion. It does not bind them in any way to meet. That would be a foolish thing to do.

Hon. Mr. Weston: Would you word it, "That it be a suggestion to the parties concerned . . ."?

Mr. Roberts: Yes. Then it would read, "That it be a suggestion to the parties directly concerned in the Factories Act and the Shops and Offices Act that they should meet and discuss such amendments as they may deem advisable to these Acts, with a view to making joint recommendations to the Government." I am only wanting to get them together, and I believe it will have the desired effect.

Hon. Mr. Weston: I take it that you do not mean that the Government should call a paid conference of this sort?

Mr. Roberts: No, just that it be a suggestion to the parties that they should meet and confer together.

Hon. Mr. Weston: I have much pleasure in seconding the motion.

Motion agreed to.

Employers' Recommendations for Amendment of the Industrial Conciliation and Arbitration Act.

Mr. Bishop: Mr. Chairman and gentlemen, It is with very great regret that I have to submit to the Conference this morning *ex parte* recommendations on the Industrial Conciliation and Arbitration Act. We had hoped that we would have been able to arrive at complete agreement, and that the Special Committee would have been able to submit to this Conference definite joint recommendations. However, we found that, although the dividing-line between us was a very narrow one, it still was a definite one, and we were not able to reconcile our conflicting views. I have therefore to submit to the Conference this morning the recommendations for the amendment of the Industrial Conciliation and Arbitration Act which are unanimously approved by the employers' delegates. I trust that even at this stage they may prove to be not altogether unacceptable to the delegates on the other side. Perhaps it would be too much to hope that they may prove wholly acceptable and that an agreement may be reached. But I have some hope, at any rate, that even that may be accomplished. Failing that, these are the recommendations that the delegates on this side will submit to the Government on their own behalf. The recommendations, which are before the delegates, are as follow:—

EMPLOYERS' RECOMMENDATIONS FOR AMENDMENT OF INDUSTRIAL CONCILIATION AND ARBITRATION ACT.

"1. When in conjunction with any industry there are persons, other than actual employers or workers in the industry, whose business interests are directly or substantially dependent on the industry, any organization of such persons shall be entitled to appear in any proceedings before a Council or a Court in relation to such industry, in every respect as if it were a principal party to the proceedings.

"2. The number of assessors in District Conciliation Councils shall be increased from three to four, and for Dominion Conciliation Councils from six to seven.

"3. In any dispute in which the assessors fail to agree in Conciliation Council the dispute shall be referred to the Court only if three of the four assessors on each side in a district dispute or five of the seven assessors on each side in a Dominion dispute consent thereto: Provided, however, that if a Conciliation Council finds difficulty in arriving at an agreement, the assessors on either side may require a direction to be obtained from the Arbitration Court, for the assistance of the Conciliation Council in its deliberations, as to the minimum wages that should be paid to the lowest-paid group of workers in the industry in question, and the maximum ordinary hours of work without payment of overtime that should be worked therein: Provided that if 60 per cent. or more of the workers members of the union concerned in the dispute are females, reference to the Court shall automatically follow the failure of the Conciliation Council to reach on agreement.

"4. A majority of the assessors in any Conciliation Council may at any time during the Council proceedings agree to adjourn the proceedings for a period not exceeding one month if it is considered that the adjournment might assist in securing a settlement of the dispute: Provided there shall be only one such adjournment.

"5. The award or agreement existing shall continue in force until the final disbandment of the Conciliation Council, or, where the matters in dispute, by agreement of the assessors as provided in clause 3, are referred to the Court of Arbitration, until the Court shall have made its award.

"6. In any case in which the Judge of the Court of Arbitration is of the opinion that a strike or lockout is likely to occur in any industry, or during the progress of any strike or lockout, the Judge shall have power to summon representatives of the parties to the dispute, and such other parties as

he may consider necessary whether they are parties to the dispute or not, to confer with him with the object of endeavouring to arrive at an amicable settlement. When any such conference is convened by the Judge he shall have power to order that any award or agreement in existence at the commencement of the dispute shall continue in force until the termination of the conference.

"7. The Act to be amended to permit the registration of a national union of workers in any industry wherein all existing unions of the workers and all unions or associations of employers are agreed thereto.

"8. The Industrial Conciliation and Arbitration Act shall for the purposes of those amendments apply to industrial unions and industrial associations either of workers or employers already registered under that Act, and also to unions or societies of workers (whether incorporated or not and whether registered under any Act or not), and to members of any such union or society, and to the employer or employers of any such workers. It shall be optional with any guild of purely non-manual workers incorporated under the Unclassified Societies Act, 1908, whether it comes under this section or not.

"9. It shall be a provision of any award or agreement covering any industry or branch of an industry that an Industrial Committee representative of the employers and workers in the industry or branch thereof may be set up by mutual agreement, to function throughout the period of the award or agreement, to deal with any one or more of the following matters:—

"(1) The settlement of disputes upon any matters incidental to or arising out of the award or agreement, other than hours and wages rates which are fixed in the award or agreement.

"(2) The consideration of any new matters which any party to the award or agreement may submit for consideration.

"(3) To report to any recognized authority dealing with immigration or unemployment upon the prospects of employment in the trade or industry.

"Any such committee shall function throughout the area covered by the award or agreement under which it is set up. It may be for a local district or for more than one district, or for all districts, as the award or agreement shall provide.

"10. Any agreement relating to wages and conditions of employment of any workers (whether expressed as an industrial agreement under this Act or not) made with any industrial union of workers or any union or society of workers referred to in clause 8 hereof shall be filed in the office of the Clerk of the industrial district where the agreement is made within thirty days of the making thereof, and if not so filed the union or society of workers a party thereto, or an association of employers if a party thereto, shall be subject to a penalty of £5 for any day during which such default continues.

"11. Every agreement or award shall contain a provision that, where mutually agreed upon between unions of workers engaged in the industry thereby covered and the employers therein, any work in such industry may be carried on and paid for under a system of piecework or contract in lieu of under time payments."

The great difficulty in regard to the Industrial Conciliation and Arbitration Act is that an attempt has been made to make the Act do the impossible. It is impossible to make arbitration compulsory, and that has been proved during the years of our experience of the working of the Act. As it is impossible to make arbitration compulsory, we want to make it optional; and, while we make reference to the Court optional, we are earnestly desirous of protecting weak organizations, which it is feared might suffer hardship without the protection of the arbitration system, until such time as they become accustomed to the alteration of the system. The whole of these clauses have been framed with the object of substituting optional for compulsory arbitration, while at the same time protecting those organizations which have grown up under the compulsory system of organization, and which might find themselves in a difficulty if the protection of that system were suddenly withdrawn from them. We realize, sir, that in cases of serious dispute between employers and workers it is impossible, in the ultimate issue, to abrogate the right to strike or the right to lock out. The whole power of negotiation of workers with their employers depends upon their right to withhold their labour, and we are of the opinion that that right cannot be denied in the ultimate issue. Our experience has shown that the attempt to deny that right is a failure, and impossible of attainment. In the ultimate issue, if the difference is so serious that it cannot be settled by negotiation, our experience has proved that it cannot be settled by law; and the strike has to come in such a case. But a great deal can be done to minimize the risk of the strike, and we can provide machinery for a thorough investigation of the disputes before a deadlock is reached; and in framing these clauses we have that in mind. We have endeavoured to provide the most perfect machinery we can with the object of ensuring a meeting of the parties, a thorough investigation of their differences; and we think that we have gone as far as it is humanly possible to prevent the distress and upheaval resulting from a strike. Taking the clauses in detail, clause 2 provides for an increase in the number of assessors in either District Conciliation Councils or in Dominion Conciliation Councils. The object of that clause will be seen very readily if I first discuss clause 3, which provides that "in any dispute in which the assessors fail to agree in Conciliation Council the dispute shall be referred to the Court only if three of the four assessors on each side in a district dispute, or five of the seven assessors on each side in a Dominion dispute, consent thereto." The reason for increasing the number of assessors is disclosed by that portion of clause 3. We have endeavoured to minimize the risk of an extremist on either side holding up conciliation proceedings and refusing to go to the Court of Arbitration. We think that if you have only three assessors on each side, and you have one out of the three holding extreme views prepared to take the responsible step of refusing to go to arbitration, there is a greater prospect of that one man influencing the other two than there would be if he had to influence another three, and we think that it is a safeguard against the extremists on either side to increase the number of assessors. Clause 3 then goes on to provide, "that if a Conciliation Council finds difficulty in arriving

at an agreement, the assessors on either side may require a direction to be obtained from the Arbitration Court for the assistance of the Conciliation Council in its deliberations as to the minimum wages that should be paid to the lowest-paid group of workers in the industry in question, and the maximum ordinary hours of work without payment of overtime that should be worked therein." That means that if in any stage of the Conciliation Council proceedings the assessors find it impossible to finalize an agreement without a fixation of hours and wages, they may adjourn their proceedings, and obtain from the Court of Arbitration, at the instance of either side, a direction upon those questions of hours and wages. That direction of the Court would not be in the nature of an award. It would be, however, a nucleus upon which an award must be constructed and an agreement must be reached. When that direction has been obtained on the question of hours and wages, the Conciliation Council to resume, and complete its negotiations, and reach an agreement upon the question of the terms and conditions which require to be embodied in the award. The final paragraph in clause 3 provides " that if 60 per cent. or more of the workers, members of the union, concerned in the dispute are females, reference to the Court shall automatically follow the failure of the Conciliation Council to reach an agreement." That means that in the case of female workers we realize they have not got the same footing publicly as male workers; they have not got the same opportunity to organize; they have not got the same strength in the organization; and we are prepared to agree that in those cases reference upon all matters shall be compulsory instead of optional. Clause 4 provides, " That a majority of the assessors in any Conciliation Council may at any time during the Council proceedings agree to adjourn the proceedings for a period not exceeding one month, if it is considered that the adjournment might assist in securing a settlement of the dispute: Provided that there shall be only one such adjournment." That clause is an additional safeguard against the extremists. It means that if a deadlock is imminent the wiser and more level-headed of the assessors may bring about an adjournment of the proceedings for one month. That would give an opportunity for the assessors on both sides to consult their principals, and for careful consideration of the matters in dispute; and it is undoubtedly a safeguard against the extremists on either side. Clause 5 provides, " That the award or agreement existing shall continue in force until the final disbandment of the Conciliation Council, or, where the matters in dispute, by agreement of the assessors as provided in clause 3, are referred to the Court of Arbitration, until the Court shall have made its award." It means that during the whole of the Conciliation Council proceedings, including conferences and adjournments, any existing award or agreement in the industry will continue to operate; and, of course, if the assessors agree to refer the dispute for settlement to the Court of Arbitration, the award or agreement existing also continues to operate until the new award of the Court is made. Clause 6 gives power to the Judge of the Court of Arbitration to convene a conference of the parties to any industrial dispute which is threatening a strike or lockout; and it also gives him power to add as parties to that dispute representatives of any other employers or workers not directly concerned in the dispute, but who may render useful assistance in arriving at a settlement. It is further provided that " When any such conference is convened by the Judge he shall have power to order that any award or agreement in existence at the commencement of the dispute shall continue in force until the termination of the conference." That is the third safeguard, the third step in the complete investigation of the matters in dispute. You have first of all the Conciliation Council, which may be brought together at the instance of either employers or workers in any industry. There is, secondly, the power for that Council to obtain a direction from the Court upon the question of minimum wages to the lowest-paid group of workers under ordinary working-hours. You have next the power of the Council to adjourn its proceedings, preserving during the period of the adjournment the existing conditions of industry. And, finally, in cases where real trouble is threatening, there is a power given to the Judge of the Court to bring the parties together for such other purposes as he may think desirable in a final effort to settle the dispute. If all those efforts should fail, then, sir, you have reached that final stage in which you cannot abrogate the right of the workers to take such action as they think fit, or the right of the employers to take similar action. I submit that that stage will be reached very infrequently, if at all. I do not think that there is any serious danger of its being reached. I have sufficient faith in the good sense of the workers' organizations, and of those of the employers, in this country to believe that no case will prove to be incapable of settlement if the various stages that I have outlined are followed. Clause 7 is a provision to permit of the registration of national unions of workers in any industry wherein all existing unions of the workers, and all unions or associations of employers, are agreed thereto. If Mr. Smith had been here this morning he would have told the Conference that the employers in the shipping industry are prepared to agree immediately to the registration of national unions, so connecting up the waterside workers. I do not think there will be very much difficulty in providing, by mutual agreement between employers and workers, for the registration of national unions in industry where such unions are performing a useful function. We have inserted this clause because the workers' representatives have frequently asked for it. I have heard workers' representatives before the Labour Bills Committee of Parliament on several occasions urging that such a clause as this should be included in the Arbitration Act, and I frankly admit that there has been some fear in the minds of the employers regarding the insertion of such a clause. There has been a fear that it might lead to the building-up of such strong national organizations of workers as to be a menace to industrial peace. But, sir, that fear is not in my mind. I have just suggested that I have sufficient faith in the good sense of the employers' organizations as to believe that no dispute will be incapable of settlement. I believe that the added responsibility of national unions will work for industrial peace, and it is in that belief that we have put forward this clause as one of our recommendations. The next clause, clause 8, provides that the Industrial Conciliation and Arbitration Act shall apply to all unions whether they are registered under the Act or not, or under any other Act, or not registered at all. In our report we propose to recommend that the Labour Disputes Investigation Act be repealed,

and that the Industrial Conciliation and Arbitration Act take its place, with these amendments. If we repeal the Labour Disputes Investigation Act, then this clause is a necessary part of the Industrial Conciliation and Arbitration Act, and the wording is copied from the Labour Disputes Investigation Act. We have, however, added a clause at the end making it optional for any guild of purely non-manual workers incorporated under the Unclassified Societies Act, 1908, to come under this section or not. We felt it necessary to do that, because there are in existence to-day five guilds of clerical workers who have established themselves under another law, and whose establishment we cannot interfere with. We do not think it would be right to suddenly provide that these guilds, which have become established outside the Arbitration Act, should be compelled to come under it. Clause 9 provides as follows :—

"9. It shall be a provision of any award or agreement covering any industry or branch of an industry that an Industrial Committee representative of the employers and workers in the industry or branch thereof may be set up by mutual agreement, to function throughout the period of the award or agreement, to deal with any one or more of the following matters :—

"(1) The settlement of disputes upon any matters incidental to or arising out of the award or agreement, other than hours and wages rates which are fixed in the award or agreement.

"(2) The consideration of any new matters which any party to the award or agreement may submit for consideration.

"(3) To report to any recognized authority dealing with immigration or unemployment upon the prospects of employment in the trade or industry.

"Any such committee shall function throughout the area covered by the award or agreement under which it is set up. It may be for a local district, or for more than one district, or for all districts, as the award or agreement shall provide."

We believe, sir, that a great deal of good will result from the setting-up of these Industrial Committees. One of the difficulties in the past has been that in many industries there has been no meeting of the employers' and workers' organizations excepting at the expiry of every industrial award or agreement. We hope that committees will be set up under this clause, and that the organizations of employers and workers will thereby be kept in close touch with one another throughout the whole period of the currency of the award or agreement, and that the work of these committees will be such as to obviate the necessity for the frequent filing of disputes and the frequent making of complete new awards and agreements. It should be possible for a committee representing both organizations to obtain such a thorough understanding of the working of the award or agreement, and such a thorough understanding of the necessities of their particular industry, that at the expiry of the award or agreement they should be able to say, "It is unnecessary to take any steps to secure a new award or agreement. We know what small amendments are required in the present one. We will agree to put them into operation, and we will carry on as we are going." Another function of that committee—and a most useful one—will be the settlement of disputes which arise from time to time during the currency of an award. Such disputes are inseparable from certain industries. There are certainly some industries in which it is impossible to provide in an award for all the varying conditions that may arise. In one industry with which I myself am most familiar—that of coal-mining—there is never a day when there have not to be negotiations between the management and the men to meet some change of conditions in a working-place in a mine. A book as big as Volume 25 of the Book of Awards would not provide adequately for every varying circumstance in a coal-mine. I think the same applies to the waterfront. All sorts of new and temporary conditions arise which require to be met by negotiation between the parties, and the setting-up of a committee such as is suggested here provides the only machinery for peaceably carrying on work under an inadequate award. Clause 10 provides for the filing in the office of the Clerk of the Industrial District of any private agreement which is entered into between employers and workers. I do not think it is necessary for me to discuss that clause. Clause 11 provides—

"Every agreement or award shall contain a provision that where mutually agreed upon between unions of workers engaged in the industry thereby covered and the employers therein any work in such industry may be carried on and paid for under a system of piecework or contract in lieu of under time payments."

I cannot see that serious objection can be taken to that clause by any one. The employers are of the opinion that an extension of the piecework or contract systems of payment is desirable in the interests of both workers and employers. But in the past strong exception has been taken by organized labour to the institution of the piecework system. The root of their objection has been that the system of piecework payment has been frequently abused, and many of such systems of payment have not provided an adequate safeguard for the protection of the worker. I think I may say that in this clause an adequate safeguard is provided, because it merely states that every agreement or award shall contain a provision that where mutually agreed upon between unions of workers engaged in the industry thereby covered and the employers therein any work in such industry may be carried on and paid for under a system of piecework or contract in lieu of under time payments. The safeguard is that the agreement must be made with the workers' organization and not with individual workers. We want to see piecework—we believe in the extension of the principle; but we want the workers to accept the principle and support it, and help us to carry it into effect. Without their help and co-operation no system of piecework is possible, and we therefore have provided that the union shall be a party to any agreement made for piecework. In my general reference to these proposals I wish to say—and I think that what I say will be accepted as an honest statement—that we have endeavoured to frame these proposals so as to make them as acceptable as possible to the workers' delegates, while maintaining the principle that we desire so strongly to bring into operation—that of the

substitution of optional for compulsory arbitration. We quite realize that there is tremendous difficulty in suddenly changing a system which has been in operation for thirty-odd years. We wish to bring about this substitution of optional for compulsory arbitration, not so much in itself—what we are aiming at is that employers and workers shall accept the responsibility for framing their own awards and agreements. In the past we fear that both sides have shirked that responsibility, and have been too inclined to follow the easy road of putting the burden on the shoulders of the Court of Arbitration. We want to establish a sense of responsibility in the minds of the leaders of industrial organizations on both sides, and we want them to do their own work in the framing of their awards and agreements. We believe that our proposals will afford an opportunity for that to be done. While they do afford the opportunity for that experiment to be tried, and to be gradually extended and developed, they preserve intact the whole of the existing machinery, so that if our experiment is a failure it will be quite easy to revert to the position as it is to-day. At the same time we do not think we will ever go back if there is honest co-operation between our respective organizations. If we once secure that sense of responsibility which will impel the organizations to do their own work and make their own awards and agreements, we do not believe that there will be any desire to revert to the system of compulsory arbitration, but if our efforts should fail we are not disturbing the present industrial machinery by these proposals. It will remain intact, and it will only be necessary for us to admit our failure and resume the old method of referring matters in dispute to the Court: the machinery will be available for us to make use of it. Before concluding I want to make an appeal, as earnestly as I possibly can. In this Conference we have assembled the representatives of the New Zealand labour organizations and the representatives of all sections of employers, and to us the Government has entrusted the task of framing legislation to suit our own needs. All that is required to enable us to turn out a perfect job is a little bit of courage—just sufficient courage to take the plunge into waters which may appear to be cold. We must realize that it is necessary for us to think nationally upon this subject. We cannot allow sectional interests to warp our judgment. We cannot allow a sympathetic desire, however honest, to protect weaker interests to influence us sufficiently to make us depart from what we believe to be vital principles. It would not be right if we did not endeavour to safeguard in every possible way the weaker interests; and we are making that endeavour because it is only right that we should do so. But it would not be right to allow our sympathetic consideration for weaker interests to cause us to depart from what we believe is the essential amendment to this arbitration system of ours. My belief, sir, is that the delegates on both sides will think nationally upon this question, that they will sink any desire to secure any immediate advantage for their own particular interests, and that they will agree to plunge into the water in spite of its looking cold, and will honestly co-operate with one another in making a new attempt to create the right atmosphere and the right machinery for the adjustment of differences in industry. If that is done, sir, this Conference will be an historic occasion. It will be a landmark in industrial progress, and every one of us will have reason to look back upon it with some pride and some satisfaction at having played his part in it.

Mr. Roberts: Mr. Chairman, I think it is only wise to apprise you and the Conference of the fact that, owing to lack of knowledge as to how the final papers should be presented, the workers' section has not prepared its independent report for submission to this Conference. We did not know until this morning that the employers' report would be presented in this form. It was decided, therefore, at the Business Committee that the workers' report should be presented to every delegate after the luncheon adjournment. We had the paper ready to read, and we thought that that would be the procedure adopted; but we desire every delegate to have a copy of the paper and to understand just what it means. I may say that our recommendations and our report to you, Mr. Chairman, and the Conference are contained in the one paper. The same report will come to you as to the Government. I wish to know, Mr. Chairman, if you will give me permission, without losing my right to speak later on, to ask Mr. Bishop one or two questions regarding his paper? I wish to ask them, not for the purpose of debate or argument, but because the replies, if they are as I think they will be, would obviate the necessity for discussion. I would like to know whether you would give me permission to ask him one or two questions on his paper.

The Chairman: I was just wondering what was supposed to be done—whether the other side desire discussion on the paper or are prepared to answer questions on it. Are you prepared to answer questions on the paper, Mr. Bishop?

Mr. Bishop: Yes; I would be very glad to do so.

Questions.

Mr. Roberts: The first question I would ask is in regard to clause 1, which states that "When in conjunction with any industry there are persons other than actual employers or workers in the industry whose business interests are directly or substantially dependent on the industry, any organization of such persons shall be entitled to appear in any proceedings before a Council or a Court in relation to such industry in every respect as if it were a principal party to the proceedings." Does that mean that the third party should also appoint assessors? It certainly says so here. Is that the intention?

Mr. Bishop: No, that is not the intention; nor is it the wording. Appearance before a Council or a Court is a well-known term, and the provisions for the appointment of assessors are entirely different. The wording is practically the wording of the present Act providing for third-party representation. The Act says that such organizations "shall be entitled to appear in any proceedings before a Council or a Court in relation to such industry in every respect as if it were a principal party to the proceedings." It gives power to appear before a Council or Court just as any other party being a party to the dispute, but not power to appoint assessors.

Mr. Roberts: I thought that was the intention; but you will understand, Mr. Chairman, and I know that Mr. Bishop will, that to the average man it would appear that they had power to appoint assessors. I want to ask a question, too, in regard to clause 8. If this proposal becomes law, is it intended that it shall operate in the same manner as the present law provides for in section 11 of the Industrial Conciliation and Arbitration Act with regard to the registration of unnecessary unions? What I mean is this: that if there were no such provision there would be a possibility of a dozen unions, local or national, existing in one union. Section 11 reads:—

"In order to prevent the needless multiplication of industrial unions connected with the same industry in the same locality or industrial district, the following special provisions shall apply: (*a*) The Registrar may refuse to register an industrial union in any case where he is of opinion that in the same locality or industrial district and connected with the same industry there exists an industrial union to which the members of such industrial union might conveniently belong . . ."

That provision we consider absolutely necessary. If any law of that kind was brought down, it would cause the endless multiplication of unions. Would that same provision apply in the case of clauses 7 and 8?

Mr. Bishop: Yes; it is our intention that that provision should apply and that the Registrar should have the same power as now. It may not be correctly drafted, but the Law Draftsman, if it comes to that stage, will no doubt put it right.

Mr. Roberts: Thank you. I do not know whether the law would not have to be altered to provide that, where a national union was registered, it should not be competent for a local union to be registered where the national union governed or had a branch.

Mr. Bishop: That is so. We want to provide in the first place, in connection with the formation of national unions, that all existing unions should have a voice as to whether a national union should be formed or not. That, I think you will agree, is only fair. But if the national union is formed, then I quite agree that it would be improper for little local unions to be set up in any district in opposition to the national union. That would defeat the object we have in view.

Mr. Roberts: Just one other question. Under clause 7 as it exists to-day a national union of workers in an industry could not be formed unless by permission of the smallest branch union in that industry. For instance, I may be pardoned for quoting the case of the waterside workers: we have twenty-nine registered unions, and some of them have a membership of fifteen only. As I read this clause, if one of these small unions objects to the formation of a national union it could not be formed. You will see that that is ridiculous; and I do not think it is the intention that the paper should read that way. But that is how it appears to us. It reads: "The Act to be amended to permit the registration of a national union of workers in any industry wherein all existing unions of the workers and all unions or associations of employers are agreed thereto." With that kind of law you might as well wipe the national unions out altogether.

Mr. Bishop: I would like to have the opportunity of discussing with Mr. Roberts the point as to any amendment of the clause regarding national unions.

Mr. McBrine: Mr. Chairman, might I also be allowed to ask questions, purely for the purpose of eliciting information?

The Chairman: Yes.

Mr. McBrine: In clause 3, with respect to Conciliation Councils discussing disputes, the wording is "the assessors on either side may require a direction to be obtained from the Arbitration Court for the assistance of the Conciliation Council in its deliberations as to the minimum wages that should be paid to the lowest-paid group of workers in the industry in question, and the maximum hours of work without payment of overtime that should be worked therein." What force or power would that direction have? Would it be in the way of a pronouncement that could not be departed from, or merely an expression of opinion or a tendering of advice? How far would it go?

Mr. Bishop: I think the word "direction" has a very definite meaning, and I think I explained in my earlier remarks that such a direction of the Court would be a nucleus around which the award or agreement would have to be framed. It would fix those two points, and leave the remaining clauses of the agreement dealing with other conditions to be framed by the assessors. If no agreement was arrived at, that direction would not of itself constitute an award. That is quite clear, I think, from the clause itself. That direction is for the guidance of the Conciliation Council in framing the award. In practice, if all other matters were agreed to, as frequently happens to-day, and only the questions of wages and hours remained in dispute, then the Court's direction would finalize the whole award. But if at an earlier stage in the Conciliation Council proceedings the assessors found themselves unable to perfect their agreement without first determining hours and wages, and could not agree on them without the direction of the Court, the Court's direction would be obtained, and the Conciliation Council would have to go on and complete the award or agreement before that direction would become operative.

Mr. Parlane: I would like to ask a question. The clause states that the assessors shall ask for a direction "as to the minimum wages that should be paid to the lowest-paid group of workers in the industry." What would be the position where the lowest-paid workers were youths of sixteen?

Mr. Bishop: It was intended to be "adult workers." I am quite prepared to add that word "adult."

Professor Belshaw: Would that apply to any adult workers, say, to females?

Mr. Bishop: No; in the case of females the whole case goes to the Court. I have no desire to curtail questions at all. I would like to have the fullest possible explanation so that it may be quite clear.

Mr. McBrine: I would like to put a further question. Assuming that a Conciliation Council discussing terms for a particular industry were to ask the Court for a direction as to wages and hours,

received it, proceeded to discuss the dispute, and arrived at an agreement on most of the questions, and only on some minor question failed to agree, would we not be right in assuming that from the day of that disagreement, even on a minor question, the direction of the Court on the whole thing would go by the board? I understand the decision of the Court only becomes operative and binding in the event of the complete agreement of the parties upon all other questions.

Mr. Bishop: That is quite clear, and I do not think there is any danger of a deadlock occurring over a minor point as Mr. McBrine suggests.

Mr. Semple: What is the legal definition of a minor point? I have seen great struggles over what are considered small points.

Mr. Bishop: I accept Mr. McBrine's own terms.

Mr. Bloodworth: I have no questions to ask in regard to the paper, but I have some comment to offer. I understand Mr. Bishop appeals to us to accept it—and we shall have to—but I think that Mr. Bishop's appeal for acceptance of this paper implies more than the paper, and I therefore think that we ought to have some discussion on it.

Mr. Bishop: I have no objection to comment, sir.

The Chairman: I think the questions should be taken first. If any one has any questions to ask, or wants any information about any clause, it is just as well to dispose of the point first.

Mr. Cornwell: With regard to piecework, I think the Conference is aware that in most of the awards at the present time the Court inserts a clause, on the application of either of the parties, reserving to itself the right to review the position and insert a piecework clause where it thinks necessary. That applies in quite a large number of awards at the present time; therefore we fail to see the necessity of instructing the Court to insert such a clause dealing with piecework.

Mr. Bishop: There is a necessity for that clause, Mr. Chairman, because in some awards to-day—in quite a number of them—there is inserted a prohibition of this work, and we want to make that impossible. By mutual agreement between employers' and workers' societies in certain industries it is provided that no piecework shall be allowed in the industry, and we want to make that impossible, and the inclusion of this clause will enable a union of workers, or an association of employers, to agree to piecework if they want it and are able to do it.

Mr. Cornwell: The Court has the option in that respect now. With regard to the setting-up of committees in industries, in your paper you suggest that they should be set up by mutual agreement. In my opinion that is not going to get is very far, and we think that if you want committees at all in any industry the latter shall be compelled to set up a committee to adjust matters. I ask Mr. Bishop if he will be prepared to alter that mutual agreement business, because it certainly is of little value. Take the Apprentices Act: there is there power for the setting-up of committees; but we have the employers refusing to act on them, or of accepting their responsibility in that case. My opinion is that the same thing would occur under this proposed clause, particularly if left to mutual agreement.

Mr. Bishop: I am not prepared to amend the clause as suggested by Mr. Cornwell. Our experience is that these committees will certainly function successfully where they are set up by mutual agreement. Where the Apprenticeship Committees have been set up by mutual agreement they have done good work; but, although the Act provides for their setting-up, they have never functioned successfully in certain districts because there is not that good will which would follow on their being set up by mutual agreement. The desire is that the setting-up of those committees shall be agreed upon between the two organizations who should cause them to function. They are much more likely to do that if they arrange the matter by agreement than would be the case if it were done by compulsion.

Mr. Cornwell: Following your remarks this morning with reference to national unions that Mr. Smith had agreed to on behalf of the shipping industry, do I take it from the wording of this clause that no national union of workers would be set up in any industry unless the employers in that industry agreed to it?

Mr. Bishop: I think the clause here is quite clear.

Mr. Cornwell: What I have indicated is what it means?

Mr. Bishop: Yes.

Mr. Herbert: With reference to clause 3, and the suggestion of reference to the Arbitration Court of any industrial disputes, is it the intention of the employers to make any suggestions with reference to the alteration of the constitution of the Court?

Mr. Bishop: No; there is no suggestion to that effect.

Mr. Johns: I would like to ask a question on clause 3. I assume that we have a sitting of the Conciliation Council and that we cannot get on too well. We want the rates of wages fixed, and ask direction from the Court as to the minimum hours and wages, and the Conciliation Council receives this information and proceeds to discuss other matters dealing with awards, holidays, overtime, &c.: what would be the position then supposing they fail to come to any agreement on those matters?

Mr. Bishop: If, after having gone through all the stages provided in the recommendations there is a final disagreement, then there would be no award in that particular industry.

Mr. Johns: And the award would cease to exist?

Mr. Bishop: There is the appeal as from the date of the final disbandment of the Conciliation Council, admitting that they cannot make an agreement of that nature.

Mr. Johns: The only alternative would be later on industrial strife?

Mr. Bishop: Not necessarily. I have no fear of this industrial strife. I think it is a bogey. I think that if the national organizations on both sides are honest in the opinions they have expressed in this Conference—and I know they are—we can avoid industrial strife, and find a way out of these difficulties as they arise. But in the state of affairs now existing in our population we want the responsibility of finding that way out to rest on the shoulders of the leaders of the organizations on both sides.

Mr. Parlane: With reference to paragraph (1) of clause 9, which says, "It shall be a provision of any award or agreement covering any industry or branch of an industry that an Industrial Committee representative of the employers and workers in the industry or branch thereof may be set up by mutual agreement to function throughout the period of the award or agreement, to deal with any one or more of the following matters: (1) The settlement of disputes upon any matters incidental to or arising out of the award or agreement, other than hours and wages rates fixed in the agreement. . . ." Suppose this position came about: that they could not agree on wages in the Conciliation Council, and asked the Court for a direction as to the wages that should be paid to the lowest-paid group of workers in the industry—that is, the lowest-paid group of adults—would this committee be precluded from discussing the question of wages at any time for the higher-paid groups of workers? Take the case of the unskilled workers of one industry—and the lowest-paid group would necessarily be the unskilled workers—would the wording of this paragraph (1) preclude a Central Committee from discussing wages-rates for the higher-paid group of workers at any time during the currency of the award?

Mr. Bishop: Do I understand that Mr. Parlane is suggesting that an agreement might be originated in the Conciliation Council embodying only the minimum wages and the hours under the direction of the Court, leaving the whole of the rest of the agreement to be initiated by a committee subsequently? Is that the question?

Mr. Parlane: That fairly gives it. What we are concerned with is the wording of paragraph (1) of the clause, "The settlement of disputes upon any matters incidental to or arising out of the award or agreement, other than hours and wages rates, which are fixed in the said award or agreement." Suppose they could only agree in the Conciliation Council to the minimum rate which has been permitted by the Court to the lowest-paid group of workers, would the wording of this paragraph preclude this committee, at any future period, or at any period during the currency of the award, from discussing wages-rates for the higher-paid class of workers in that particular industry?

Mr. Bishop: In such a case there would not be an award in the industry at all—only the completion of its work by the Conciliation Council, and embodying in some completed agreement, however short it may be, a direction of the Court. There would not be an award. It is not proposed that a committee should have the right during the currency of an award to reopen the question of wages fixed therein. Every other matter is open for consideration, discussion, and arrangement. But what we want to establish is that once wages are fixed in an award they shall remain fixed for the term of that award.

Mr. Parlane: I hardly think Mr. Bishop has gripped my question, and I may not have made it clear, and it has led to a misapprehension. Suppose that in the drivers' dispute—and the lowest-paid class of worker in the industry is the horse-driver—we could not come to an agreement, and we ask the Court for a direction as to the wages to be paid for the lowest-paid group, it would state that £4 8s. was to apply to the single-horse drivers. Well, we could not come to any further agreement excepting that the minimum rate should be £4 8s.: would not the wording of this clause prevent the committee that is to be set up at any future time discussing the wages that we should pay to motor-drivers, simply because the wages had been fixed for that particular grade of workers?

Mr. Bishop: I do not think the position stated by Mr. Parlane will be likely to arise. If the Court gives a direction during the course of conciliation proceedings, for the minimum wage of the lowest-paid worker, that Conciliation Council will not disband until it has settled the fixation of all other wages, and when those wages have been fixed the question of wages is not to be reopened during the currency of the award. If the case which Mr. Parlane suggests ever did arise, I do not think the wording of the clause would preclude the committee from discussing the wages fixed in the award. However, I do not think the position would arise, because it would clearly be the duty of the Conciliation Council to complete the fixation of the rates of wages.

Discussion.

Mr. Roberts: Mr. Chairman, I want to refer to two clauses in these proposals, but only very briefly—clauses 7 and 10. I understand that the proposal is now, as far as the registration of national unions is concerned, that such national unions cannot be registered without the consent of the employers. Well, gentlemen, you know very well what that means. I think we can be quite honest in regard to this matter. In one or two industries to-day the local unions are only unions in name. I think you are entering into a very dangerous phase of the question when you attempt to interfere with the right of a group of workers to organize as they desire. You would think it presumption on our part—and I think you would be right—if we were to attempt to tell you how you should operate. It is not fair, it is not in accordance with British custom, it is not in accord with human fair play, that when two groups are being organized for the purpose of bargaining one group should say to the other, "Unless we do so, you cannot organize in that direction." I appeal to the employers' sense of fair play in the matter, to the "sports" among them anyhow, not to press for that law in New Zealand. It would not be to the credit of this Conference to have a proposal of that kind go forward from either side. There is only one way by which industrial unions can decide, and that is the recognized method, the democratic method, and if national unions are to be registered in industry it can only be done by taking a plebiscite of the workers. I would be prepared to agree that when a question of the registration of a national union in industry is being considered, the ballot-paper to be submitted to the workers should be approved by the Registrar of Industrial Unions. That is as far as we can go, and that is as far as the employers can ask us to go. No section of workers desires, or can logically desire, the registration of a national union unless the workers want it. I would also say that it would be improper for a union registered, say, in Auckland to call itself a national union, and to try to bring the others

in. We want a fair and reasonable method to decide the matter. If the employers deny us that right it would not be giving us fair play. Now, the next clause I desire to discuss is clause 10. This is a clause which, if passed into law, will cause more industrial turmoil than anything else. The overwhelming majority of workers in New Zealand, and the associations, agree to register their agreements. There has been no serious objection raised. I have never heard it either from the workers' side or from the employers, but if this clause is inserted in our law around it will centre every dispute in which a union does not want to register an agreement. That will be the point first discussed, and instead of having peace in industry you will have turmoil. May I ask the employers, is the compulsory registration of an agreement or an award in keeping with their principle of optional reference of disputes to the Court? If we are going to have compulsion, let us start at the bottom story and carry it on right up to the roof. The employers, it would seem, want to go up to the second story by the optional method, and then introduce compulsion in order to reach the upper stories. The employers have asked for the optional reference of disputes to a tribunal, whether it be the Court of Arbitration or any other tribunal, but they want compulsory registration of the findings in those disputes. In that respect I do not think they are consistent. I am of the opinion that if you have the compulsory reference of disputes you should have compulsory registration of agreements and awards; but if you have optional reference of disputes you should also have optional registration of awards. It should be optional or compulsory on both sides. And right throughout this Conference, and, indeed, in the excellent speech of Mr. Bishop to-day, he said that the whole of our industrial differences should be adjusted on good will.

Mr. Polson: You have to register a deed.

Mr. Roberts: I was the man who introduced the idea of good will at this Conference, and we were told that there was more business done by good will than by binding deeds. The point is that a deed is subject to the law of compulsion, so that one of the parties loses if it is not registered. But the point I want to make is that if we are to have the principle of optional reference of disputes to some tribunal which shall determine the dispute finally, let us not have compulsory registration in connection with the filing of awards and agreements. If we agree that it shall be optional, and that agreements shall be carried on under the good-will principle, let that principle proceed right through. I do not desire to discuss these proposals further at this stage. I hope that this afternoon I shall have the opportunity of placing the workers' proposals before the Conference, with which I trust the intelligentsia of the Conference will agree. I desire to say that in bringing down proposals of this kind they become public documents, and we should be very careful in what we say, because many matters inserted in proposals here to-day will be raised as bogeys or barriers in connection with the settlement of industrial disputes. We must remember that the effective settlement of industrial disputes depends on giving the workers a reasonable standard of living in industry, upon which depends the economic welfare of New Zealand.

Mr. Henderson: May I ask Mr. Roberts what is the vital objection to the registration of agreements?

Mr. Bloodworth: I do not wish in any way to discuss the details of Mr. Bishop's proposals, but it does not necessarily follow that I am in accord with them. I want to discuss the fundamental difference which is now disclosed as between ourselves and the employers, and which is a very important matter. Mr. Bishop concluded his speech with an appeal to our side to have courage, and he asked us to do as we would if we were about to take a plunge into cold water, which, he suggested, might not be so cold once we got into it. I would reply that it all very well for Mr. Bishop and others who may be able swimmers, but a number of our organizations have never learned to swim. The only plunge they have taken is, as it were, a plunge into a slipper-bath containing about six inches of lukewarm water. In my humble judgment it is a remarkable thing, sir, that the position should be as it is to-day. If you take the history of our industrial negotiations and relations in this country during the last twenty or thirty years, almost up to this very moment, you will find that the position on this very vital matter has been exactly the reverse of what it is to-day. Almost throughout the whole of the period since the passing of the Industrial Conciliation and Arbitration Act there has been a claim on the part of the workers for freedom to a certain extent from the arbitration system, while on the employers' part there has been an insistent demand, right from the inception of the legislation up till a very short time ago, that the compulsory clauses of the Act should be enforced. In other words, according to my reading of the history of that period, they have insistently demanded finality by law in industrial disputes, while the workers, in some cases at all events, have asked for the opposite. Now, sir, that position is reversed; and not only is that the position here, but throughout the whole of the industrial world, for, as I read it, the demand for compulsory arbitration now comes from the employers' organizations, and for finality by law in industrial disputes. That is the case in Great Britain, the United States, and some countries in Europe. In every case, so far as I know, the demand from the employers' side is for compulsory arbitration and finality by law in industrial disputes. But here we find that the employers are asking for the exact reversal of the position not only as has obtained in this country for many years, but as it obtained throughout the countries to which I have referred. I cannot for the life of me understand why this should be the position to-day. Sir, I think that in discussing the recommendations which the employers' representatives propose to submit to the Government we ought to take into account what was really the origin of the calling of this Conference. I think we may say that this Conference came into being largely because the agricultural interests in the country were dissatisfied with present industrial legislation, and because they held that that industrial legislation, and more particularly the awards of the Court of Arbitration, were having a hampering effect upon their industry. I think that we may also say that, so far as the papers produced by their own side and so far as the papers produced by the economists went, all we can say about that claim is that it was not proven, to say the least of it. The papers did not seem to me to.

substantiate their argument that the awards of the Court were a substantial factor in bringing about the depression which we know exists in the country at the present time. There has not been, sir to my knowledge any demand made by the employers, as represented by the Employers' Federation, for any such drastic fundamental change in the arbitration system as that which is now suggested by them. They have suggested many times minor amendments to the arbitration system; but up to the present time the employers whom we generally associate with the Employers' Federation have never to my knowledge advocated such a drastic change in our industrial legislation as that now suggested by them. So that I think our contention is correct, that the argument of the agriculturists is not proven. There is no real reason why the Employers' Federation, representing the other section of employers, should now make a demand for such a drastic change as that indicated in the paper. Mr. Bishop frankly and freely admits that in the absence of compulsory reference of disputes to the Arbitration Court, if all the machinery the employers propose fails, then there is at least a risk of industrial disturbances taking place in this country. We must not lose sight of the fact that one item of the agenda before us, the item marked (i), is that we are supposed to consider and suggest "improved methods of avoiding industrial disturbances and other like delays in carrying on industry." There is a feeling on our side that the alteration suggested certainly does not lead towards the avoidance of industrial disturbances, and that the fundamental change indicated in the paper does not suggest any improvement which is likely to avoid delays in carrying on industry. Our feeling rather is that there would be at any rate a possibility of far more industrial disturbance under the suggested method than under the method that we have known for so long. Not only is that clearly stated by Mr. Bishop in his remarks, but it is also clearly indicated in two paragraphs of his paper that there is that danger. One of these two paragraphs states, "Provided that if 60 per cent. or more of the workers members of the union concerned in the dispute are females, reference to the Court shall automatically follow the failure of the Conciliation Council to reach an agreement." And Mr. Bishop says they realize that such organizations have not the same organizing ability—shall we say "fighting ability"—as organizations composed entirely of men. There is one organization in this country—not an industrial organization, but one which interferes a good deal in both industrial and political matters from time to time—which has repeatedly suggested that, as a way to avoid industrial disturbances of any kind, not only the men should be in the union but their wives also. That has been suggested by the Welfare League as a way of keeping industrial peace.

Mr. Henderson: What is the Welfare League?

Mr. Bloodworth: Perhaps you can tell us.

Mr. Henderson: No, I never heard of it.

Mr. Bloodworth: That statement does not square with Mr. Henderson's other statement that every statement should be a sincere one. While it may be true that women's organizations have not the same organizing or fighting strength as men's, it is also true that most of the men's organizations have a considerable number of women very vitally interested in the decisions made by them; and if the employers suggest that because an organization contains that percentage of women it should be freed from the possibility of engaging in industrial disputes, there seems no reason why that provision should not apply to all of them because the same danger exists for all. As to the other question, there is the great possibility of danger where the exclusion of the guild clerical organizations from the operation of the Act is provided for. Although we have not had experience of any industrial disturbance caused by the clerical organizations in this country, they have had it in others, and it is not outside the bounds of possibility that even the bank clerical guilders may some day refuse to carry on their functions, and thereby cause considerable disturbance in the industrial world. We on this side consider that the risk involved in the change suggested is too great to take. If we were back at the days when the State was initiating industrial legislation for the first time, it is very probable that we should have to consider whether it suited the people, whether the direction the State is taking to-day was the most efficient, and probably you would have to proceed in another direction. That is not, however, the position. We have had this legislation in existence for a number of years, and all the industries concerned have been able to settle their grievances by the methods provided under the Industrial Conciliation and Arbitration Act, and we are afraid to take any risk of a drastic change such as is proposed, not merely for our own sake, but for the sake of the country as a whole. Some on the other side of the table make no secret of the fact that they are not afraid of the risk at all; but we on this side are afraid to agree to the risk being taken, having in view not only our own interests, but those of the Dominion generally. The employers admit that there is a risk of industrial disputes under their suggested procedure. We think the risk is greater than they admit; at any rate, in the present state of affairs in this country it is to great a risk for us to take. I know very well that Mr. Bishop and the gentlemen on his side think that by the exercise of good will in industry, by gatherings such as this, by the suggested publicity which would arise out of the altered system of Conciliation Councils, methods are provided for the formation of public opinion which would tend after a time to influence and bring about industrial peace. But we cannot afford to depend upon good will: the risk is too great for that. We know that economic interests are at stake, and that a man's feelings towards his fellow-man are not always the same in times of depression as they are when everything is prosperous and every one is entitled to carry on in a good-humoured way. We might sincerely think that the affairs of the small organizations would not cause a widespread dispute throughout the country, but we on this side are seriously afraid that there is a danger at that point. Under the employers' suggested machinery it is quite possible that some organization representing a small industrial interest would fail to agree in the Conciliation Council proceedings, and would then appeal to the Court under the proposed compulsory conference. It may be the fault would be on the one side or on the other; but a little dispute of that kind has a tendency to spread, and to be taken up by bigger interests. There is a very serious risk facing not merely the unions but the country as

a whole under such a set of circumstances. Many of the big industrial disputes which this country has known—and they have been happily very rare—have arisen not from the grievances of the major industries, but out of those difficulties which have occurred in connection with some of the smaller ones; they have spread to the larger ones. And we are seriously afraid that that would happen under the proposed revised machinery. Although at the present moment it might not happen, in the depression in industry generally, numbers of which are impoverished, still even though our organization were impoverished to the last penny, yet, if a set of circumstances arose whereby there seemed to be an attack made by the employers in one small industry upon a small and comparatively defenceless body of workpeople in any part of the country, then at once there would be a flame set up which would spread throughout the whole country, with no possibility of stopping it until disastrous results had accrued. Under the machinery we have had in operation so long that kind of thing has been avoided to a very large extent. Our great fear is that the machinery you offer us to-day tends to cut away that spirit of unity we thought we were entering upon in the future. With many of the ideals suggested in the paper we are in agreement. We agree with the principle outlined in them, but not with the details as the employers work them out; but that one great fundamental change suggested we find ourselves unable at present to agree to and, as I have said, not merely for our own sakes, but because we fear that in the change suggested there is a very great danger to industry and to the economic welfare of the country as a whole. We fear that what is proposed does not show the way to improved methods of meeting industrial disputes and other similar battles, and of carrying on industry, but opens the door wide to what might well prove to be worse methods of fighting such disputes, and initiates machinery which would bring about further battles in industry, rather than overcome those we have to face at the present time.

Mr. F. R. Cooke: I do not want my remarks to be taken in an unkindly way by the gentlemen on the other side; but in spite of the strong assurance that this proposal is not an attack on wages and the standard of culture of the workers in this country, there is ample evidence that there are outside employers who are prepared, if they have a chance, to attack wages immediately. The gentlemen on the other side have assured us that this is no attack on wages, and they are honourable men and we accept their statement; but, as I said, outside of this circle there are thousands of people waiting to carry out that attack. Take clause 3, if it becomes law: "If a Conciliation Council finds difficulty in arriving at an agreement, the assessors on either side may require a direction to be obtained from the Arbitration Court for the assistance of the Conciliation Council in its deliberations"—and this is the question—"as to the minimum wages that should be paid to the lowest-paid group of workers in the industry in question, and the maximum ordinary hours of work without payment of overtime." That does appear to all workers who read it as an attack on wages at the present time. As far as arbitration goes, Mr. Bishop has stated several times that compulsory arbitration is a bad principle. I for one extol arbitration, and say that compulsory arbitration should be applied in industry, as I believe it should be applied in war, as a war measure. Compulsory arbitration is a civilized nation's ideal, and not the disappointing idea of the barbaric stage of mankind, which is something that cannot be tolerated at the present time. As far as disputes go, in King Arthur's time it was well perhaps to settle the dispute by force of arms. And if you see two goats on a mountain-path disputing which should go past, we can leave them to settle that dispute without any danger of the third party; but if you put two goats in a china-shop there is a third party suffering. I have witnessed some of the greatest national disputes in any life-time. I remember the English coal-miners' dispute in 1894, that went on for six months in the Old Country, and all the businesses suffered in the meantime, and all the people suffered apart from the miners and the owners of the coal-mines. At the finish Lord Rosebery had to call a compulsory arbitration, and he was the arbitrator. I witnessed in 1926 another dispute in the Old Country, and the whole nation was held up by these disputes, and while the disputants were fighting it out it did not matter about the other people. The Corporation of Bradford had to take 1,000 tons of coal out of their storage bags to carry on the generation of electricity and the running of the city trams. There was a case of a nation that was suffering from the action of those disputants; and that is one of the reasons why I contend that compulsory arbitration is a good principle that is for the benefit of a country, in the Old Country or in New Zealand. A strike in the Old Country sent me as an emigrant here, and all the time I have been here arbitration has governed this country, and it has built up wages, with one very learned man at the head of the Court—in fact, there have been five or six Judges during my time sitting on this Court. If you have no trust in the Court you have no trust in your own institutions, in the University which educates your Judges. The institutions may have their weaknesses, but your Judges are educated there, and all the training they undergo in law and logic is applied subsequently to the settlement of disputes between employers and workers, for the protection of the wealth of the Dominion. During the thirty-three years that have elapsed since the Industrial Conciliation and Arbitration Act was passed you have built up towns and cities which are looking prosperous to me to-day. They are some of the most prosperous towns and cities in the world. I have just been having a look round the world, and I affirm that some of the most prosperous towns are to be found here, and more prosperous conditions are prevailing here than in any other country in the world. It is the most prosperous country in the world, and your institutions are turning out the Judges, and the best intelligence of the employing class has been brought to bear on their representation, and the best intelligence of the workers' class has been brought to bear on our representation, and they have built these cities. Now, then, this attack on wages—what does it mean? There are thousands of workers in this country who have entered into contracts—not two-years contracts, not five-years contracts, but lifetime contracts—in respect to insurance, and the paying-off of a mortgage on a house in which to bring up their families, in which to end their days in comfort; and if you attack wages at the present time you will be attacking the foundation, your Arbitration Court, that has made the

country fruitful in industry. If you attack wages, and they come down, what is going to happen to the whole stability of the country? I think, gentlemen, you must admit that compulsory arbitration is one of the great factors in building up any civilization. In these days war cannot be tolerated for a moment, either as between nation and nation or between the parties in industry. When the farmers have the handling of their meat or butter held up they are not the only people who suffer—the whole of the people suffer. The farmers are inclined to think that the twenty-four million sheep which they own represents their private assets, but they are the asset of the country. It is not the work of the present-day farmer which has built up this asset: it is the result of the development over a period of two hundred years. The gradual development of the pastoral industry over a long period has resulted in the increase in the fleece. The work of our professors of chemistry has caused an increase in our crops and the growth of ten blades of grass where one grew before. I say that though the present private owners have two million, or three million cows, and twenty-four million sheep, that is not their property. Every one has a right to share in the result of that development, whether he be worker or employer. We have the right to assist the State in protecting the interests of this country. As far as compulsory arbitration goes, I would draw your attention to one factor which tends towards the stability of the State. When the union secretary takes a case to the Arbitration Court for the settlement of a dispute he is working in the direction of maintaining good feeling amongst a small class of employers and their employees who are helping to keep industry stable. I appeal to the employers to regard compulsory arbitration as a good principle in the building-up of civilization, and not as a bad principle.

Mr. Bromley: I would suggest, sir, that at this stage the workers' paper, which was not available this morning, should be read to the Conference, so that the discussion can be taken on a better basis.

The Chairman: It has been decided that we are to discuss the employers' proposals now, and Mr. Bishop is to reply to the discussion, and then we are to take the workers' proposals.

Mr. Purtell: I desire to refer to clause 7 of the employers' paper, which says, "The Act to be amended to permit the registration of a national union of workers in any industry wherein all existing unions of the workers and all unions or associations of employers are agreed thereto." I take it from the answer given by Mr. Bishop that it is not the intention of the employers to allow workers who desire to register national unions to have the right to do so without the consent of the employers having national organizations also. I was looking up the Peace Treaty of Versailles during the luncheon adjournment, and I find that it says there that there shall be granted the right of free association of workers. If there is one thing in this country that has been abused it is the question of the lawful right of the workers to organize as they think fit. In view of the fact that we hear that we must trust to good will for the carrying-out of certain matters in these papers, I cannot understand why a proposal of this nature should be made. With respect to the paper generally, there is the strongest objection coming from our side to the proposal for the substitution of optional for compulsory arbitration. I want to say that I am not appealing on behalf of the Arbitration Court or the Arbitration Act. I am here representing certain workers, and I wish to heaven that the workers had more pluck to stand by the proposals as put forward by the employers. But I want to say also that there are over four hundred unions in this country, small organizations in many cases. They have given certain definite instructions to their representatives, which have to be obeyed. I want to say that if the workers were plucky enought they might accept the proposals of the employers, because I believe that in the last analysis their social standard will be decided by their industrial strength. I do not think there is any question about that; but I have to say with regret that I am losing my confidence in this Conference as the result of certain things that have been said. I have asked the employers on the Secondary Industries Committee whether they were prepared to reconsider certain proposals put to them, but they have definitely rejected the idea, in spite of the fact that thousands of workers are receiving only £1 per week. I am compelled by the instructions I have received to oppose the proposal for the elimination of the compulsory clauses of the Arbitration Act, and I do not think the employers' representatives will do any good by pressing it. I believe that if you go to the Conciliation Council with the ideas formulated by Mr. Bishop the same good will can be brought into that Conciliation Council as is brought in at present. The present method amounts to this, as far as I am concerned, and I represent about six organizations: when I go before that Conciliation Council, in nine cases out of ten there is never any attempt made to settle the dispute. I had to leave this Conference for three days in order to go into proposals for a certain union in Auckland whose workers are receiving only £3 10s. per week. They are not getting any redress, and that is not a living-wage. I admit that certain of the proposals in this paper are really good, but not the whole of the clauses. I believe that the distributors in this country are in a much better position than most people, in regard to wholesale and retail profit. I admit that we have a higher living standard than most countries, but I suggest that this matter is really one for reconsideration. Mr. Bishop has said that he does not think there will be any real danger if his proposals are accepted, but that if there is the matters will be gone into and perhaps rectified. Well, these proposals do not show me that that will be done. In Conciliation Council the workers' proposals do not get the consideration they deserve. I appeal to the other side that even at this late stage there should be a chance of reconsidering the matter. We have congratulated one another upon the work that has been done by the special sub-committee. I do not think it has cost the other side very much in the last analysis, and I think that more ought to have been done, although I suppose we have to be thankful for small mercies. My last suggestion is that this paper can be really well considered, but that if you want to amend it you will adopt the proposals to be put forward by our side.

The Chairman: I think there is a general desire that both these papers should be considered and discussed together. If it is the wish of the Conference that that should be done, it will perhaps save time. If it is your wish that Mr. Roberts's paper be taken now, and the discussion continued on both papers, will you please signify in the usual manner.

Delegates: Aye, aye.

Report on Workers' Section re the Industrial Conciliation and Arbitration Act.

Mr. Roberts: Mr. Chairman and gentlemen, I propose to give some brief explanations of the proposals contained in the report of the workers' section *re* the Industrial Conciliation and Arbitration Act. I do not intend to speak at any length, but there are some references I think it necessary for me to enlarge upon. This paper is our report and recommendations to yourself, Mr. Chairman, and the Conference, and also to the Government. It is our complete paper. It reads as under:—

"We beg to submit the following report from the workers' section of the National Industrial Conference *re* the industrial conciliation and arbitration law:—

"We regret to have to report that, through differences which both the employers' and the workers' sections claimed to be fundamental, we are unable to present a joint report which would express agreement of the above parties on this important matter. The decision to submit independent reports was reached only after mature consideration of the papers submitted to the Conference and the discussion theron, and of our present industrial legislation, as well as the proposals submitted by the employers' and workers' representatives.

"OPTIONAL REFERENCE OF DISPUTES TO THE COURT OF ARBITRATION AND COMPULSORY REFERENCE OF DISPUTES TO THE COURT OF ARBITRATION.

"Although there were several points of difference between the employers' representatives and the workers' representatives at the Conference, the two foregoing may be termed fundamental, and were the principal reasons why the parties could not agree to make joint recommendations to the Government on the legislation necessary for the settlement of industrial disputes. Other points of difference hereinafter mentioned in this report may have been important, but we are of the opinion that if an agreement could have been arrived at on the question of optional or compulsory reference of disputes to the Court of Arbitration or some other tribunal—in other words, finality in the settlement of any dispute which may arise—agreement on other points would have presented no great difficulty.

"The employers' section of the Conference desired the law to be amended in such a manner that reference of industrial disputes to the Court of Arbitration or to any other tribunal which had power to finalize a dispute should be optional. The employers' proposals contained a provision for compulsory reference of disputes to the Council of Conciliation, but as this tribunal had no power to settle a dispute unless both parties were in agreement, and therefore did not provide for finality, it could not be accepted by the workers' section of the Conference.

"The representatives of the workers, while agreeing that the best method of adjusting industrial disputes is by the parties concerned, without reference to the Court of Arbitration or of the Council of Conciliation, a survey of industrial history reveals the fact that the parties do not settle all disputes which arise in industry. We are, therefore, of the opinion that in the interests of the nation as well as the parties to the dispute our industrial law should contain a necessary provision for finality in the settlement of any disputes which may arise. Unless the legislation contains a provision of this kind, there is always the possibility of a strike or lockout, involving the workers in a loss of wages and the industry in a loss of income. Worse still, there is the possibility of the most unimportant dispute involving industries which are essential to the everyday life of the people in a stoppage.

"With a view of placing before the Conference the fullest information in connection with the discussion on the papers submitted by the employers' and workers' representatives, and to submit for the consideration of the Parliament of the Dominion the amendments to the law which the workers' section deems advisable, we consider it essential that this report should contain an outline of the proposals submitted by the employers' and workers' sections.

"We deem it necessary also to give a brief summary of our reasons for our non-agreement with the proposed amendments to the law, as well as to state our reasons for the proposals brought down by the workers' representatives.

"PROPOSAL NO. 1 SUBMITTED BY THE EMPLOYERS.

"Although several papers submitted to the Conference contained suggestions for the alteration of the present industrial law, only the paper submitted by the New Zealand Employers' Federation contained definite provisions for the amendments to the Industrial Conciliation and Arbitration Act. These proposals were as follows:—

"'1. Since the application of arbitration to any industry is not compulsory, but depends on the decision of the workers, and because it is not wholly enforceable even when it does apply, remove the compulsion and make it wholly optional. To bring this about, amend the Act so as to provide that if no agreement is reached by a Conciliation Council in any dispute reference of the dispute to the Court of Arbitration shall require a unanimous agreement of the assessors on both sides. In any case in which no agreement is reached by a Council, and the assessors do not agree to refer the dispute to the Court, the existing award or agreement shall cease to operate as from the date of its expiry or the date of the Council sitting, whichever is the later. The existing provisions for conciliation are the best machinery that has yet been devised for bringing employers and workers together for the settlement of disputes. This machinery should not be disturbed in any way. The present proposal will not disturb it. On the other hand, the responsibility of the assessors on both sides will be increased, since they will know that failure to make an agreement may result in a deadlock.

"'2. The Court of Arbitration to be retained, and in its present form. It must be retained because the only alternative would be a special tribunal for each dispute, an impracticable suggestion because of the difficulty of obtaining arbitrators. The qualities that go to make a successful arbitrator are many, and are rarely found in business men. In England, where arbitration in industrial disputes is

purely optional, the procedure in any grave dispute has been strike or lockout, followed in most cases as a final result by arbitration. There the Board of Trade has been able to supply as chairman of the arbitration tribunal men of the necessary natural ability, high character, and economic and business knowledge. In New Zealand there has been no opportunity to train such officials, and none such are available. The present constitution of the Court—an arbitrator from each side and a Judge as umpire—ensures the confidence and good will of both sides, and should be retained. The Act already provides that a special expert assessor from each side may be added to the Court in an advisory capacity in any case calling for expert technical knowledge.

"'3. Provide that for the purposes of the Industrial Conciliation and Arbitration Act all unions, whether registered under that Act or any other Act, or not registered at all, shall be deemed to be registered under that Act. Under the Act as it stands now some unions have declined to register because they have objected to being compelled to refer their disputes to the Court, and have preferred to settle them by direct negotiation with their employers. If proposal No. 1, giving either side the right to a conference with the other side and making reference of a dispute to the Court entirely optional, be adopted, this objection will be removed, and there will be no reason why all unions should not automatically come under the same Act. The penalty for a union convicted of a serious breach of an award or agreement should be deregistration, depriving the union of all rights under the Act, and of the right to collect fees or to enter into any collective agreement with a union of employers.

"'4. To meet the case of no agreement being reached by a Conciliation Council and a refusal of the assessors to refer the dispute to the Court of Arbitration, incorporate in the Industrial Conciliation and Arbitration Act provisions similar to those contained in the present Labour Disputes Investigation Act for the taking of a secret ballot precedent to a strike or lockout.

"'5. Repeal the Labour Disputes Investigation Act.

"'6. Amend the section of the Arbitration Act dealing with strikes or lockouts as may be necessary in view of the foregoing proposals.'

"These proposals were objected to by the workers' representatives for the following reasons:—

"(1) There was no finality for the settlement of disputes;

"(2) The proposals, if put into operation, would, in our opinion, cause innumerable stoppages in industry, for in the case of no agreement being arrived at by the Council of Conciliation the award would expire: this would be an incentive to strikes and lockouts; and

"(3) The suggested penalty to be imposed on unions which were parties to either a breach of the award or a strike is deregistration, as well as being deprived of all rights to collect dues or enter into collective bargaining; on the other hand, no penalty is suggested for breach of award or agreement to which the employer may be party.

"While it is admitted that the employers' section agreed later to amend these proposals by deleting a few of the many objectionable features, they were still considered by the workers' representatives to be inimical to the best interests of New Zealand industries and of the workers who operate them.

"PROPOSAL NO. 1 SUBMITTED BY THE WORKERS.

"With a view of complying with the request of those employers' and labour organizations who desire to settle disputes without reference to the Court of Arbitration, and to retain the Court for those employers and workers who desire to utilize the system of compulsory arbitration for the settlement of disputes, the following proposals were submitted by the workers' representatives:—

"*Proposed Amendments to the Industrial Conciliation and Arbitration Act making Provision for Industrial Councils.*

"1. The Industrial Conciliation and Arbitration Act to be amended so as to enable unions and associations of employers and workers to establish National Industrial Councils in any industry or group of industries.

"2. National Councils to be given statutory powers to negotiate industrial agreements, call evidence, bind parties of workers and employers, and in general to exercise the functions now exercised by the Court of Arbitration in the settlement of industrial disputes in the industry over which such Councils have jurisdiction.

"3. Where National Industrial Councils are not established, District Councils shall be given similar powers as National Councils in the industrial district and the industry under their jurisdiction.

"4. In cases where new industrial agreements are being made, and the Local Industrial Councils and the National Industrial Councils fail to arrive at a complete settlement of the dispute, the matters in dispute shall be referred to a Council of Conciliation, and, if the parties fail to arrive at a settlement at that Council, a compulsory conference of the parties shall be convened, at which a final settlement of the dispute shall be arrived at.

"5. *Settlement of Disputes.*—In industries where National Industrial Councils are established, local Councils shall also be organized, and should any dispute or difference arise during the currency of an award or agreement work shall proceed without interruption and the dispute shall be referred first to the Local Council, and, failing a decision, to the National Council. All decisions of the Local Council or the National Council shall be final and binding on both parties. In industries where National Councils are not established similar powers shall be given to District Councils in the settlement of industrial disputes which may arise during the currency of an agreement.

"6. *Settlement of Disputes where Industrial Councils are not established.*—In industries where the employers and the workers cannot agree to establish National or Local Industrial Councils the disputes shall be referred to the Council of Conciliation and, if necessary, to the Court of Arbitration, as at present.

"The Industrial Conciliation and Arbitration Act to be amended to enable unions of employers or workers to have disputes settled under the provisions of clauses 1, 2, 3, 4, and 5, and these unions to remain registered under the Industrial Conciliation and Arbitration Act.

"It will be noted that provision is made in the foregoing for the setting-up of National Industrial Councils for the purpose of settling disputes which arise in industries where the workers and employers do not desire to refer the dispute to the Court of Arbitration."

One of the things that has been discussed by this Conference from its very opening day has been that the employers and workers engaged in industry should have the right to settle their differences without referring their disputes to any constituted industrial tribunal. These proposals give that very power. I want to point out, too, that the men on this side represent the workers, and we have been accused for many years past of keeping the employers and the workers apart. But we are putting this report out to-day as a public document, and we are not going to accept that accusation any longer. We want the employers and the workers to meet, and the workers' organizations and the employers' organizations to meet and discuss matters in industry.

"Should the parties fail to agree, a compulsory conference shall be convened, at which the disputes shall be finally settled.

"Provision is also made for the settlement of disputes which may arise during the currency of any award or industrial agreement.

"Further, provisions are made for industries where the workers and employers do not agree to set up Industrial Councils to refer the disputes to the Court of Arbitration.

"These proposals would ensure continuity of work in industry, and would enable the employers and workers to obtain the necessary experience in negotiation through the operation of these Industrial Councils. Further, it would bring the workers and the employers in closer contact with each other in regard to industrial matters generally.

"These proposals were not acceptable to the employers for the reasons that (1) they retained the clause for compulsory reference of disputes to the Court of Arbitration; (2) it would be inadvisable to give the same power to Industrial Councils to settle disputes as at present given to the Court of Arbitration.

"The employers' section submitted amendments to their original proposals, but as these proposals would exclude some thousands of agricultural workers from the protection of our industrial law, and as they did not contain provisions for the final settlement of industrial disputes, they could not be accepted by the workers' representatives.

"WORKERS' PAPER, NO. 2.

"With a view of meeting some of the objections raised by the employers to Paper No. 1 submitted by the workers' section, and of a joint agreement being arrived at in connection with the Industrial Conciliation and Arbitration Act, the workers then submitted the following proposals:—

"*Proposed Amendments to the Industrial Conciliation and Arbitration Act.*

THIRD PARTIES.

"1. In any industrial dispute referred to a Council of Conciliation, any organization representing parties having a direct interest shall have the right to appear by its accredited representatives and give evidence on the dispute before a Council of Conciliation or the Court of Arbitration: Provided that if the principal parties to a dispute agree on a settlement on any matter submitted to the Council it shall not be competent for other parties to reopen before the Court of Arbitration any point in dispute agreed upon in the Conciliation Council: Provided also that the provisions of the principal Act (sections 47–49) regarding representation by lawyers shall apply to these parties in the same manner as it applies to the principal parties to the dispute."

I want to make a few remarks on that clause. It will be noted that there is very little difference between the proposals submitted by Mr. Bishop to-day and that clause. The only difference is this, and it is a sensible one: We hold that if the parties meet in Conciliation Council and agree to any point or matter in dispute it should not be competent for a third party, if it had representation at the Conciliation Council, to go again before the Court. The workers object, to put it plainly, to the "Kathleen Mavourneen" method of settling disputes—"It may be for years, and it may be for ever." If the three parties meet in Conciliation Council and they come to a settlement, that settlement should be final and binding on the parties. If any other party can come along and reopen the matter in the Court of Arbitration the dispute would be unending, and it would create turmoil. I agree that under the present law the two parties may reopen any matter, but in practice it is found that the Court will not reopen it unless for strong and substantial reasons. The reasons are that if the clause in question were put into operation the Court considers that it would clash with some other clause in the agreement.

"SETTLEMENT OF DISPUTES.

"2. (*a*) In any industrial dispute in which the assessors fail to agree in Conciliation Council, all matters in dispute may, by unanimous consent, be submitted to the Court of Arbitration for settlement: Provided, however, that where the assessors fail to agree to refer the matters in dispute to the Court, and there is no agreement as to wages and hours, the Court of Arbitration shall be required to fix the basic wage and maximum ordinary working-hours for the industry concerned, leaving the other matters in dispute to be settled by the methods provided in the following subclause.

"(*b*) In order that the work of the industry may proceed as if no dispute had arisen, the Act shall contain the following provisions for the settlement of industrial disputes not referred to the

Court or agreed to by the parties in a Council of Conciliation: 'In any dispute where the parties fail to agree to a settlement in Conciliation Council, or where the parties fail to agree to refer the matters in dispute to the Court, there shall be set up an Industrial Committee which shall be empowered by the Act to settle all matters in dispute, and during the currency of the agreement any matter arising out of or connected therewith': the wages and conditions of employment in operation prior to the commencement of the dispute to remain in force until superseded by another agreement or award."

I wish to call attention to the importance of that clause. It is a common saying that under this provision there will be a cessation of the industry; but the fact of either side creating an industrial dispute will not stop the industry—the work must proceed as though no dispute had arisen. Probably the best lever to compel agreement is the fact that the wages and conditions of employment shall operate until superseded by a new award or industrial agreement. The next provision is No. 3.

"Notwithstanding anything contained in the foregoing provisions, Dominion Industrial Committees representative of employers and workers may be set up where there is a national union or association; such committees shall have power to make or vary industrial agreements and to add parties without reference to a Council of Conciliation or the Court of Arbitration. In industries where there are local agreements or awards District Industrial Committees may be set up with similar powers as National Committees in the industry and the industrial district under their jurisdiction."

Here is another provision by which the parties can settle their disputes without the Court of Arbitration or Conciliation Council, but with that good will which Mr. Bishop has assured us exists, and which is really a vital factor in the settlement of industrial disputes. We want the provision inserted in every agreement that the parties should meet without reference to any tribunal whatever to settle their disputes: that is, a common opportunity allowed to any two parties seeking to come to an agreement in any civilized country in the world. The next clause is No. 4:—

"Every award shall include a provision enabling the parties to it, by mutual consent, to set up an advisory committee representative of the employers and workers in the trade or industry, with powers to—(*a*) Consider the state of the trade or industry concerned, and any matters related to it; (*b*) to consider and decide any new matter which any party to the award may submit for consideration; (*c*) to make recommendations to the Court of Arbitration on any matter related to the award; (*d*) to report to the Employment Board on the state of employment and prospects of employment within the trade or industry.

"Any such Committee may be composed of any number the parties agree upon. It shall function throughout the area covered by the award. It may set up sub-committees in any district, and it may meet at any time, but shall be required to meet when any matter is referred to it for consideration."

Clauses 5 and 6 are as follows:—

"5. Provision to be made for the registration of national unions of employers and workers.

"6. The Act shall contain a provision for the making of Dominion awards or industrial agreements Provided that such awards or agreements shall, if required by the employers or workers, be varied to suit the requirements of the industry in each district."

There are in those clauses all the necessary provisions to overcome industrial disputes in New Zealand if the parties in industries so will it. Not only is there the groundwork to settle disputes, but also the basis by which you can obtain the co-operation of the parties in industry to improve methods of production. We are tyring to meet every claim made, and every suggestion we have put forward is a common-sense one. I wish to deal briefly with the question of the legislation as to national unions which is outlined in Mr. Bishop's proposal. We want the right for any section of workers or employers to be allowed to register under national unions in order to improve their bargaining-power. The employers here have in their own businesses to-day a difficulty which this side of the table has not—that is, the competition between yourselves; and whether you like it or not, the system brings about a competition which you have to face. If an industry is operating in Christchurch and a similar one is operating in Auckland, and the conditions of employment, we will say, are worse in Auckland than they are in Christchurch—I put it that way because I am a bit afraid of Mr. Henderson—the man in Auckland has an advantage over the employer in the South Island. So we believe that where there are national industries there should be national agreements, and the firm. or company, or producer that can improve his methods of production will succeed, while those who follow the obsolete methods of production, and desire low wages, will go out of existence. We know that some of the producing plants in New Zealand that call themselves producing plants have been in existence since Noah built the ark, and are no credit to New Zealand at all. I know that to be true. I want the Conference to give special consideration to clause 7, under the heading of "Strikes and Lockouts." It reads,—

"STRIKES AND LOCKOUTS.

"7. Except in cases where there is danger to life and limb, it shall be an obligation on any association or union of employers or workers, before being a party to any strike or lockout which is likely to involve other associations of employers or workers, to submit the matter in dispute to a National Disputes Committee, representative of the national associations of employers and workers, for settlement; the workers and employers who are parties to the dispute to have representation on the Committee: the decision of this Committee to be binding on the parties, and, if no decision is arrived at, the National Disputes Committee may submit the matter in dispute to an arbitrator for a decision."

Any one who objects to that proposal cannot support his objection with any logical reasons. If there is a dispute in the mines, freezing industry, or on the waterfront, or anywhere else, the employers in the freezing industry have no right to involve employers in other industries in the

dispute; neither have the workers in the freezing industry the right to involve those in other industries in the trouble, without submitting the matter to some central authority to settle. I think you would get rid of all big disputes by this method. Clause 8 reads:—

"8. The Act to be amended to provide that where a union desires to cite the employers for a new award or agreement copies of the claims be sent to the association of employers in the industry; and it shall be sufficient to cite other parties by advertisement in newspapers, and by posting a copy of the claims to each post-office in the district, where the claims can be inspected."

The present procedure demands two citations of claims, which is too costly a proceeding. The remaining clauses are as follow:—

"Clause 1 gives the right to third parties to appear at the Councils of Conciliation or at the Court of Arbitration, but on matters on which an agreement has been arrived at by the Council of Conciliation third parties are not allowed to reopen the question in the Court of Arbitration.

"In clause 2, the workers' section asks that in all cases the basic wage and minimum ordinary working-hours for the industry concerned shall be fixed by the Court of Arbitration; and subclause (*b*) of the same clause provides for a further method for the settlement of disputes. The intention of this clause is that the work of an industry shall proceed as if no dispute had arisen, and that the making of an industrial agreement or award shall not in any way dislocate the industry or involve employers or workers operating other industries. It is provided further that the wages and conditions of employment in operation prior to the commencement of any dispute shall remain in force until superseded by another agreement or award. This we regard as being the best lever to effect finality in the settlement of disputes. However, the labour section will agree to refer any such dispute to a compulsory conference.

"Clause 3 contains a provision for the settlement of industrial disputes without reference to the Court of Arbitration. This we regard as essential to the welfare of industry in New Zealand.

"Clause 4 makes provision for the setting-up of advisory committees. This provision was inserted in our proposals to meet the demand made for many years throughout New Zealand for a provision in the industrial law by which the workers and the employers could at any time discuss matters concerning the welfare if the industry.

"The provisions contained in these proposals afford every opportunity for the parties in industry to discuss any matter arising out of or connected with the dispute, or, indeed, any matter connected with the industry itself.

"Clause 5 contains a provision for the registration of national unions of employers or workers in an industry. This we regard as essential if the present industrial law is to be amended. Under the present system of compulsory arbitration a union of fifty members has the same bargaining-power before the Court as a union of workers of five hundred or a thousand. Under optional reference these unions would lose that power, and legislation should not in any way restrict the organization methods of industrial unions of employers or workers which, in their opinion, may assist them in collective bargaining. There are national industries in New Zealand where it would be in the interests of the workers and the employers to have a national organization of both sides and to have Dominion industrial agreements or awards as provided in clause 6.

"We recognize that when the right of compulsory arbitration is taken away there is the possibility of strikes and lockouts. With a view to minimizing this possibility, we ask that it shall be an obligation on any union or association of employers or workers, before being a party to a strike or lockout which is likely to involve other associations of workers or employers, to submit the dispute to a National Disputes Committee. We also request that power shall be given to these National Committees to finally determine a dispute by the appointment of an arbitrator. This we regard as a most common-sense suggestion. No section of the workers should have the right to involve another section of workers without reference of the dispute to some central authority, and no section of the employers should have the right to lock out workers and involve other industries without first referring the dispute to a committee appointed by the national associations of all the workers and all the employers. We are of the opinion that if this suggestion were adopted 95 per cent. of the disputes which end in a strike or lockout would be adjusted amicably.

"We submit clause 8 with every confidence that the Conference and the Government will agree to the proposal. The cost connected with the citation of an industrial dispute is very high, and we see no reason whatever why the common-sense proposals suggested cannot be adopted.

"The employers' section on the Conference objected to Paper No. 2 of the workers on the following grounds:—

"(1) That there was finality: in other words, compulsory reference of the dispute to some tribunal;

"(2) Industrial committees having power to make industrial agreements or vary awards;

"(3) Objection to national unions in any industry;

"(4) Objection to clause 7, or disputes being referred to a disputes committee appointed by the national associations of employers and workers; and

"(5) Objection to clause 8, citation of industrial disputes.

"The employers submitted further amendments which, though modified, still contained the former objection that it would exclude some agricultural workers, and that it did not provide for finality in the settlement of disputes. These proposals, however, contained a provision by which the Court of Arbitration would fix wages for the lowest-paid adult worker in industry, and, in the case of no agreement being arrived at or in the case of a strike or lockout occurring, for the Judge of the Court of Arbitration to convene a compulsory conference of the parties. However, that conference had no power to finalize any disputes submitted to it unless the parties were in agreement. It also contained other provision which could not be agreed to.

"*Summary.*

"We have submitted these proposals to the Conference in order that all the delegates from the employers' section and from the workers' section, as well as others who are present, would have an opportunity of considering the proposals submitted by all the parties.

"We stated at the outset that our main objective was to have finality in the settlement of industrial disputes, and after full consideration it will be admitted that the proposals submitted by the workers contain provisions by which many disputes can be settled without reference to the Court of Arbitration or even the Conciliation Council, but in all cases finality in the settlement of industrial disputes is assured.

"We desire also to point out that the Industrial Conciliation and Arbitration Act has been in operation in New Zealand for thirty-four years; that trade-unions of workers and unions of employers have adopted a system of organization in accordance with the method of adjusting disputes in New Zealand. We therefore believe that it would be disastrous to wipe away at one stroke compulsory reference of disputes to the Court of Arbitration without putting something in the place of a system which has been in operation in New Zealand for so long. If a change is necessary, we believe that there should be a transitionary period, which would (1) give the necessary experience to the workers and employers in the art of negotiation, and (2) allow the unions of workers and employers to organize in accordance with the new method for settling disputes.

"We are convinced that if the present legislation is altered, and no provision included in the law for the compulsory settlement of industrial disputes, it will be disastrous to the welfare of industries in this country.

"AMENDMENTS TO THE INDUSTRIAL CONCILIATION AND ARBITRATION ACT.

"It may be that amendments to our industrial law are necessary, and in this connection we recommend to the Government the proposals submitted by the labour section for favourable consideration. We consider that it would be a very dangerous proceeding if after thirty-four years of compulsory arbitration—a period in which there were comparatively few industrial strikes or lockouts—the Government should embark on a policy which would be certain to create industrial turmoil in New Zealand. The proposals submitted by the labour section of the Conference would make for finality in the settlement of industrial disputes, and would therefore reduce industrial trouble in industry to a minimum.

"On the other hand, we are of the opinion that the proposals of the employers' section, if passed into law, would be an incentive to some employers to attempt to reduce wages. This would not only involve the workers directly interested, but other sections of workers engaged in industry, and may lead to endless turmoil and possibly cripple the economic life of the Dominion.

"The workers' section of the National Industrial Conference submit with every confidence our recommendations as amendments to our industrial law. The proposals placed before you in this report can be applied in the settlement of disputes with reasonable assurance that finality will be reached without financial loss to the parties concerned or to the country; they would further obviate the necessity for strikes, lockouts, or other industrial stoppages, which cause loss to the parties and inconvenience to the public; they give to the employer greater assurance of continuity in industrial activity, while at the same time they give to the workers security that at least their present standard of living can be maintained, and, indeed, may be improved, without increasing the cost of production.

"We therefore submit the foregoing report for the approval of the Conference and for the favourable consideration of the Parliament of the Dominion.

"We remain, sir,

"Yours, &c.,

"WORKERS' DELEGATION:

"J. ROBERTS.	F. R. COOKE.	E. KENNEDY.
F. CORNWELL.	C. BALDWIN.	O. MCBRINE.
J. CHURCHHOUSE.	J. ROBINSON.	J. PURTELL.
W. BROMLEY.	R. FULTON.	B. MARTIN.
R. SEMPLE.	A. COOK.	H. C. REVELL.
A. PARLANE.	A. BLACK.	R. A. BROOKS.
T. BLOODWORTH.	W. NASH.	W. HERBERT.
J. P. JOHN.	W. TUCKER.	T. O'BRYNE."
H. WORRALL.		

Mr. Roberts: Mr. Chairman and gentlemen, we have submitted to you a report which we sincerely believe indicates the correct position as we see it in New Zealand at the present time. You will note that in our proposals we are not pleading for the present compulsory system of arbitration to continue for all time. What we say is this: that our compulsory arbitration system has been in operation for thirty-four years in New Zealand, and that it would be disastrous to wipe away that system at one stroke, without putting some machinery in its place. I put it to you, Mr. Chairman and gentlemen, that you have not men in New Zealand who are skilled in the art of negotiation. I want to know where they are. There may be a few at this Conference, there may be a few in the various towns and cities of the Dominion——

Mr. Polson: There is one over there speaking now.

Delegates: Hear, hear.

Mr. Roberts: There are some skilled negotiators also on the other side of the Conference, but, unfortunately, they have not been distributed equally in the industries. Where are your negotiators? They are few and far between. It is not that New Zealand is any worse off in the art of negotiation

than other countries, but the fact is that the men have not had the necessary experience in negotiation. We plead for the men on both sides that they should be given the opportunity to obtain experience in negotiation, and the employers should not deny the right to them. I stated in my paper that fifty men have the same bargaining-power under the arbitration system as five hundred or a thousand. Can the employers tell me that, under their proposal, fifty men would have the same bargaining-power as five hundred or a thousand? They know they will not. These men are organized in accordance with the present method of settling disputes. You propose to sweep away the foundation of this system, and to leave these men to the mercy of fate. We ask for a transitionary period in order to give these men an opportunity of organizing to meet the new methods of settling industrial disputes. In conclusion I would say that the employers may be able to get their proposals passed into law, but they will find that those proposals will not be successful unless provision is made for the things we ask for, unless an opportunity is provided for the men to get experience in the new methods. We have gone a long way to alter the law. We are giving the opportunity for the workers to get away from the compulsory system of arbitration and have the optional system, but what is wanted is a period during which they can reorganize and equip their unions and associations to meet the changed conditions. I submit to you finally that there is nothing wrong with our proposal. Mr. Bishop accused us of having fear in regard to the adoption of his proposals, but the employers are afraid that these Industrial Councils will become Soviets—that national unions will become too great a power. I am afraid that the employers have listened to the "fear curfew" ringing in New Zealand and other countries about the dangers of labour organization. They forget, however, that the degree of intelligence amongst the working-class is never equal to the degree of intelligence amongst the employing class. The employers forget that if industry fails they will be hit also. That is the position in New Zealand as in other countries. Give it a chance to develop a little further. If the proposals of the employees are adopted we will give every opportunity and assistance to put them into operation not only for the benefit of the workers, but for the benefit of the industries in New Zealand and for the benefit of New Zealand as a nation.

Discussion.

Mr. Bishop: I wish first, sir, to congratulate Mr. Roberts on his paper, and particularly upon the manner in which he presented it. I do not propose to discuss his paper in detail, or to ask questions about particular clauses, because, unfortunately, it discloses the fact that there is between us a very fundamental difference. Right through Mr. Robert's paper he insists upon compulsion. There is compulsory reference to the Court, and compulsory reference to committees or Councils. In some cases he disguises compulsion by using the word "finality"; but throughout the whole paper the underlying idea is that of compulsion, whereas in our own proposals—and not only in our own proposals but in our own convictions—we desire to escape from compulsion and to establish voluntary means of dealing with industrial disputes. While that fundamental difference exists between us, sir, it would be only wasting the time of the Conference to attempt to discuss details. I should like to take this opportunity of replying to two questions which Mr. Roberts raised, not in the form of questions, but in his comment upon the proposals I made this morning. The first was in reference to clause 7 of our proposals, and his page dealing with the registration of national unions of workers. I want to explain our position in regard to national unions. There are some employers who are quite prepared to agree to the registration of national unions in the industries they themselves are concerned in. Other employers are not prepared to agree. As the law stands to-day, no national union can be registered whether the employers agree or not. So that our proposal goes this far, that it removes the bar which at present exists to the registration of a national union where the employers are agreeable to it. Beyond that we are not able to go at the moment. But the effect would be that national unions could be formed for the industries in which the employers agree to them; and we believe that the system would spread.

Mr. Roberts: Mr. Bishop, would you explain your idea in regard to the refusal of one small union to agree to a national union preventing its being formed?

Mr. Bishop: That difficulty might be overcome, I think, by taking a ballot in districts, and if a majority of workers in any district favoured the establishment of a national union that should be binding upon that district. I do not know whether that goes as far as you would like; but I think it would to some extent meet the position. The next point that Mr. Roberts raised this morning was in reference to clause 10—namely, that all agreements between employers' and workers' organizations should be registered; and he suggested that there was a contradiction between the compulsory registration of agreements and our insistence upon optional arbitration. I entirely fail to see any contradiction whatever. Surely when an agreement has been made by voluntary conciliation or arbitration, it is only reasonable that that agreement should be final, and also that it should be enforceable. To-day an award of the Arbitration Court is not an agreement. I have heard it described before now by Mr. Roberts as a sentence. But under our proposals it is inherently an agreement, because it will be made only if both parties have entered into a prior agreement that it shall be made, and given a prior undertaking to accept it when made. So I cannot see any objection to the registration of agreements or of awards made by voluntary negotiations. Mr. Bloodworth said that he was rather at a loss to understand the change of front on the part of the employers: he is of the opinion that employers have always in the past upheld the principle of compulsory arbitration, and the workers have on occasion in the past opposed it, but that now the position is reversed. Mr. Bloodworth is not right, however, in thinking that employers as a whole have always upheld the principle of compulsory arbitration. Many employers have believed from the inception of the Act that the principle was wrong; and the number of employers who hold that view has been steadily increasing of recent years, and the reason for it is that experience has shown that the compulsory system is not only wrong in principle, but that

it is incapable of being applied. We feel, sir, that events have shown that applied compulsion is not capable of attainment, and because of that—we want to be quite honest and admit that it is not possible of attainment—we want to do away with the process of compulsion and make the system entirely optional. I would just like, with the indulgence of the Conference, to read a short extract from a publication, being the report of the Liberal Industrial Inquiry which was conducted in England. I do not need to explain to delegates how that inquiry came about, but the members of the sub-committee are all familiar with the history of this inquiry, and in this volume, on page 179, there is the following very interesting reference under the section headed "Compulsory Arbitration":—

"Encouraged by the success of the Industrial Court, some have urged that the State might proceed to establish a system of compulsory arbitration whereby all disputes not settled in the process of collective bargaining should be referred for judicial decision to a tribunal clothed with the State's authority, and empowered to enforce its decisions by pains and penalties. Important and valuable experiments have been made in Australia, New Zealand, and Germany in this direction. We have carefully studied these experiments, and have been forced to the conclusion that they cannot with advantage be imitated in this country, for the following reasons:—

"(1) Compulsory arbitration would not be an extension, but in some sense a reversal, of the policy which has been set up by the Industrial Court; for the essence of this policy is that resort to the Court must be voluntary, and it lays the utmost emphasis upon the importance of agreement between the two sides.

"(2) No judicial system can work with general assent unless it administers a set of known and established rules, based upon generally accepted principles. We have already shown that no such principles can be defined as regards wage-levels in different industries. In these circumstances the decision of a Court could not be the application of an accepted rule; it would rather be an attempt to reach a workable compromise—that is to say, it would be conciliatory rather than judicial.

"(3) It would often be difficult if not impossible to enforce an unacceptable decision upon powerful organizations covering whole industries."

Our experience shows the proof of that. The paragraph proceeds:—

"Neither side is yet willing to contemplate the complete abandonment of the right to strike or to lock out which is implied in compulsory arbitration. Australian experience supports this conclusion. But if the system cannot be made fully compulsory it is better to recognize this from the outset.

"(4) An attempt to enforce arbitration might actually have the effect of diminishing the anxiety of the parties to come to an agreement, since they would know that in the last resort there would be a reference to the Court; and each side, convinced that it was right, would hope for a favourable decision. A further disadvantage of an Arbitration Court is that it is usually held in public, with the press present, and that the advocates on both sides are therefore tempted to overstate their case, so as to make their supporters feel what a good fight they have made. This leads to the presentation of two extreme claims, and makes the task of the arbitrator in trying to arrive at the best result much more difficult than that, for instance, of the chairman of a Trade Board, who can talk confidentially to the two sides in private. The general use of arbitration would tend, therefore, to weaken the sense of responsibility of the two sides, and retard the growth of industrial self-government by discussion and agreement."

The gentlemen who prepared that report are to be congratulated upon the clearness of their views, particularly in face of the fact that they had had no actual experience of compulsory arbitration, because had they been in this country or in Australia, studying the actual working of compulsory arbitration, they could not have arrived at any other conclusion.

There is one other matter I wish to refer to: that is Mr. Cooke's statement that our proposals contained evidence of an intention, or desire, on the part of employers, to attack wages. I want to say, that not only is there no desire on the part of employers to attack wages, but there is not the slightest evidence in our proposals of any such desire. The fact that we agreed to take a ruling from the Court of Arbitration on the question of the minimum wage to be paid in an industry is a sufficient indication that we desire to leave to the workers' organizations the protection of their minimum wage.

Mr. McBrine: I have a feeling that the reference in the proposals of the employers to the Arbitration Court being invoked for a direction as to the question of wages, and the maximum ordinary working-hours, will afford the workers but a somewhat illusory guarantee. I have been looking carefully over these proposals, and wish to follow out for a moment the line of analogy indicated by Mr. Bishop. This morning we have had the workers asked to take their courage in both hands and make a plunge into waters that might be cold, although that is not quite a correct way to put it. I have no objection to water, and the prohibitionists ought not to, anyway. I do not mind cold water, whether inside the body or outside it, but I have an objection to cloudy or muddy water, and it seems to me that the employers' proposals are an indication to the country generally, and to industry, to take a plunge from some very considerable height, when we have industrial security and peace at the moment, into waters that are not too clear. We know that a disastrous effect might arise from diving into water where we do not know the depth, and where we cannot see the bottom. There are such things as rocks, and I think there are some rocks clearly awash in the particular basin which the employers ask us to dive into. At a surface glance the employers' proposals do seem to provide a method of machinery for full and free discussion—ample discussion—regarding industrial difficulties in the event of disputes arising: sufficient delay would be secured to the workers to enable the matter to be taken seriously, and perhaps for due attention to be given to it outside the particular group concerned before anything drastic might arise. But the position might come about where, instead of the collective bargaining that we have been accustomed to under the organized methods for the final solution of difficulties, which is assured by a public tribunal which must have necessarily the interests of the third party—the public—in mind, and that public tribunal is the Arbitration Court, a less satisfactory method of settling disputes may be invoked. Well, the employers' proposals appear

at a surface glance to provide all these things in reality, but after careful consideration I must affirm that they do not, in my opinion. Take clause 3, which provides for discussion in the Conciliation Council: if there is no agreement there there is the right of either side to request the Arbitration Court to give a direction as to the minimum wages applicable for the industry. It is assumed that an agreement may be reached, and is almost sure to be reached, by the methods of delay and negotiation and the full sense of responsibility under the changed conditions — an agreement that will be suitable to the industry and beneficial to the country. But is it so? Clause 4 says, "A majority of the assessors in any Conciliation Council may at any time during the Council proceedings agree to adjourn the proceedings for a period not exceeding one month if it is considered that the adjournment might assist in securing a settlement of the dispute." It says that "a majority of the assessors" may agree upon such an adjournment. Now, take the position at present: When the parties go to the Conciliation Council usually each party makes some claim against the other. Usually neither is satisfied with the *status quo*, and they have in their minds that they have an economic opportunity or they have not. That factor of industrial strength or power, apart altogether from principles or right and the interests of the community generally, necessarily exists. Now, there is no provision in these proposals, if either side thinks it has a better opportunity to secure what it wants by tearing up the agreement or award at the first meeting of the Conciliation Council, to stop it from doing so. The employers may say, "We are sick of this collective bargaining; we are going to have our own way in our own concern." They go to the Conciliation Council, but they will agree to nothing. The workers refer the question to the Court and get a pronouncement upon it, but that has no force or binding effect upon any one unless subsequently an agreement is arrived at. I want the employers to bear that in mind. That is the position in the minds of the employers. There will not be a majority in favour of deferring the matter for a period of one month, and right there, at the first meeting of the Conciliation Council, the discussion will break off, the award will be torn up, and the findings of the Court with regard to conditions will go by the board, and it will be a case of bare knuckles right from that point. I want the other side to think seriously whether, with the many pronouncements that have been publicly made by employers recently with respect to the restrictive effect of arbitration and with the statement made to this Conference that wages costs must be reduced, we are not asked to make a plunge into waters that are not very clear. Personally I do not think that the adoption by the Government of these proposals and their enactment in our legislation is likely to make for that peace in industry which I am certain is in the minds of every delegate in this room. There is no security in them that a union of workers and an association of employers will come to terms. There is not the security of delay even. There is no security for wages. There is merely a quick-and-ready reference to direct action; and, as I have said before in committee, these proposals seem to me to make it safe and legal to strike or lock out. Certainly we have got to admit that in the last analysis all questions as to the division of the product of industry are decided by economic forces. Just as we have, throughout the operation of society, by continual restriction and the continual crystallizing of custom and giving to it the force of law, put restrictions upon the primal urges of human passion, so it is in industrial affairs—in New Zealand perhaps to a greater degree than anywhere else in the world. While I like restriction imposed by legal tribunals as little as any one, I do not think we should throw upon one side the machinery for the control of irresponsible passions, as it appears these proposals would do. I think that at least there should be some further provision against hasty industrial action by either side, over and above the method contained in these proposals.

Mr. Tucker: I understood that the object of this Conference was to try to create industrial peace, or to devise ways and means by which peace could be secured in industry. We have had before us a mass of information prepared by economists, and the representatives of employers and workers, dealing with this matter, and now we have resolved it down to the main issue, as to whether we should adopt a system of optional arbitration or continue to carry on under the present compulsory arbitration system. These are the two points that we have now to consider, and in discussing them probably it would be as well if we cast our eyes over the history of some countries which have been working under one system and then at the history of countries which have been operating under the other system. We will then see how countries have fared under each system. Some of us have experienced both systems. Mr. Bishop has referred to the report of the Liberal Commission set up in England, and I think he will admit that the labour section in England never agreed to waive the sacred right to strike when they desired to do so. Nor have the employers in that country condescended to come before a Court of Arbitration or to have an arbitrator, until a strike had been in existence for some weeks, and probably in some cases for months, when public opinion had become so stirred that it demanded that the Government should interfere. That is the position as far as the optional method of dealing with disputes in England is concerned. It will be agreed that America is one of the greatest industrial countries in the world, and the history of the United States during the last thirty years will afford us some information on this subject. They have tried in various ways to devise some measure by which they could prevent the stoppage of industry by disputes and strikes, which have caused such great national loss—both in money and lives. This difficulty was apparent to President McKinley in his day; in one of his national addresses he said that while capital and labour existed there would be industrial disputes, strikes and lockouts, and that it would be the duty of Governments in the future to provide for their prevention. He was of the mind then, in the face of the difficulty with which the country was faced, that some form of State intervention should take the matter in hand. We had also another great man in America, Judge Gary, who made a similar statement. Judge Gary, according to the *Iron and Steel Industry Review*, is chairman of one of the largest steel corporations in America, and the *Review* reports him as saying, "The extension of the judicial system to adjudicate in industrial disputes is the only logical and inevitable conclusion."

If you deal with the history of optional arbitration in that country you will find that they have provided four measures to try to deal with it. The first was the Eardman Act, which came into operation in 1898. You find that all through it failed finally to settle disputes. About 88 per cent. of all disputes failed of settlement because the system we are now discussing was operating then. There was no finality—no Court or arbitrator to refer the cases to. In a statement issued by the United States Shipping Board, 6th December, 1919, we find that strikes in the first eleven months of that year cost the Board 37,000,000 dollars. This does not include the losses to strikers, allied industries, and society. The *New York Times* of the 18th April, 1920, says that in 1919 an incomplete list tabulated showed losses of wages by strikers of 723,475,300 dollars, and industrial losses, not including labour's, of 1,266,357,000 dollars. This amount is about 100 dollars for each family in the whole United States for one year. There you have the result of an optional system. It is said that between 1916 and 1918 there were 11,430 strikes, an average of 3,810 a year. These figures are taken from the annual report of the United States Commissioner for Labour for 1919. It is also said that since the close of the Great War there has been a carnival of strikes in America, with industrial unrest, producing uncertainties in business. The experience of America covering the last twenty years in matters of industrial disputes is that voluntary arbitration is wrong in theory and useless in practice, because the Boards of Conciliation and Investigation lack the power to compel the parties to arbitrate and the power to enforce awards. In America the optional method is the one method; and we find that in 1920 the railwaymen of America were brought under the compulsory method of settling disputes. That was under the Cummins Act, I think. That Act provides that a method of securing finality in disputes shall be devised, and it is provided that the public shall enter into the final discussion or the final settlement of disputes. A National Labour Board consisting of three on the employers' side, three on the workers' side, and three from the public is appointed to settle disputes; and, failing a settlement by that body, an independent arbitrator is called in. A settlement must be effected, and strikes and lockouts are made illegal. I make use of this to prove that the optional system has utterly failed in America; and I assure you that it will fail here as well. All measures to prevent strikes or disputes are born as a result of great struggles. The present compulsory law of New Zealand was brought into existence after the great maritime strike; and I hope that nothing will be done to remove from the statute-book anything that is useful and satisfactory. There has as yet been no proof given to this Conference that the Court has been the cause of the depression so much spoken of. The facts and figures in the paper read to the Conference by Professor Belshaw proved conclusively, I think, that the Court was not the cause of the depression. There are other causes which he states and which are well known to members of the Conference. I believe that, as stated by Mr. Roberts, the compulsory clauses of this Act should be retained, while at the same time we should try out the other method proposed in our paper. I trust this Conference will not do anything rash in that direction.

Mr. Worrall: Sir, I understand that the main objective in calling this Conference together was that of achieving and guaranteeing peace in industry; and I make bold to state, sir, that if an independent authority were to examine the two papers that have been brought down—that by the employers' section and that by the workers' section—the verdict would be that the paper submitted by labour is the one that would achieve the objective. You will notice, sir, that in the workers' paper there is finality achieved in every dispute, and there is continuity of employment guaranteed during the period of a dispute. We have in our present arbitration system all the processes that are proposed by the employers. We can go before the Conciliation Council, we can discuss the whole of the questions in dispute, but we have always present in our minds the fact that if no agreement is arrived at there is some other third party who will decide that which we, the conflicting parties, cannot decide. Is it, sir, that the employers have not confidence in the Judge of the Arbitration Court? I can assure them that we on the labour side of this Conference have nothing to say in the appointment of the gentleman. Personally, I have every confidence that he carries out his duties impartially according to the evidence placed before him. One wonders when one examines the proposition of the employers, would it have come down if it had not been for the extraordinary number of unemployed in New Zealand to-day? Had we no unemployed, would we have the same proposition brought down by the employers?

A Delegate: No.

Mr. Worrall: Personally, I question it; and also whether the gentlemen present here are entirely sincere in their statement that they have no intention to take advantage of the present situation. I know from past experience that there are employers who would take advantage of it, and take it very, very quickly. Looking through the employers' paper, no matter what paragraph you deal with, you will find that, whilst there is a voluntary method of settling disputes, there is always a way out if you examine into it closely. If the employers desire peace in industry, if they desire the interests of the third party to be conserved, what objection can they possibly have to having a final appeal board such as the Arbitration Court? It is a backward tendency, in my opinion, to try to get away from it. If you have two conflicting parties of equal strength, there is danger there; but if you have two conflicting parties, one side strong and the other side weak, there is no doubt, sir, as to what will be the result if it is left entirely to the two parties to settle the matter. As I stated before, I feel convinced that if the two papers submitted to the Conference were placed before an independent tribunal, the paper submitted by labour would be recognized as the one that would achieve the objective we were brought together to secure—namely, the maintenance of peace in industry.

Mr. Revell: Mr. Chairman, not being a long-distance talker, I think I will be able to say what I have to say in the time left to us to-night. First of all I would like to follow along the lines on which Mr. Bloodworth opened and make some remarks on the cause of this Conference being called. It was the wish of the New Zealand Government to give the people in industry and the captains of industry

an opportunity of getting round a table and discussing their various troubles. The real cause of the Conference being called, I take it, was that the farming community considered the Arbitration Court and its awards and restrictions was the cause of all their trouble. I have searched the papers of the Professors of Economics, and they have rendered a service to this Conference that it is very hard to place the real value on, because they all of them did point out what was the essential cause of the present financial stress in the Dominion. I would refer just briefly to the paper contributed by Professor Belshaw, and would take the opportunity of reading over to you, so that it way be fresh in your minds, in which he states, and rightly so I consider, the cause of the trouble. The farmers were given to understand by the propaganda of the daily press that their troubles were to be attributed almost entirely to the operations of awards and other industrial restrictions brought about by the Arbitration Court. In Professor Belshaw's paper, on page 32 of the report, the following paragraph appears :—

"The most serious burden pressing on the farmer is the inflation of capital charges in respect of land, accompanied by a similar inflation of mortgage charges. Although the precise extent of this burden cannot be stated, there remains no reasonable doubt that the figure involved in bringing back annual capital charges to the 1914 parity with export prices is considerably greater than the figure involved in bringing back wages or taxes to the same parity. There is considerable reluctance on the part of the farmers to face this fact—partly because the tradition of high land-values and the habit of looking to the future profit out of the realization of land-value increment have raised psychological barriers to acceptance of this view ; partly because other real or apparent burdens seem, on the face of them, more easy to alleviate. One of the most disquieting features of post-war economics is the fact that the creditor class is taking an increasing share of the returns from our basic industries."

There are tons of food for reflection there. I would just refer to another economist who supplies bulletins to Chambers of Commerce. In the Canterbury Chamber of Commerce Bulletin No. 34, entitled "Costs and Prices in Primary Production" (see page 167 of the report), he gives a table showing, amongst other things, the increase in mortgages since 1914. The increase is £170,000,000, or 151 per cent.

A Delegate : What portion of that refers to country lands ?

Mr. Revell : Professor Tucker is silent on that point. You add to that enormous sum the increased interest charged since 1914 and you will get some idea of the immense burden that the farming community is carrying by way of increased capital charges alone. The increase on farm wages is only 47½ per cent. The other figures indicate the enormous toll that is being taken from the farms in one direction alone, and in comparison with which the wages costs must be a very insignificant amount. Before sitting down I would like to make references to the employers' proposals for the amendment of the Industrial Conciliation and Arbitration Act. I have to congratulate the financial interests in this Conference—the representatives of the Chamber of Commerce—upon the able manner in which the Chambers have been able to put up the Act as a stalking-horse, as something to be slammed at and shied at and knocked about, to attract the attention of the public from the real nigger in the woodpile. Sitting here this morning I listened to Mr. Bishop's song of peace and good will, and no doubt he made a most eloquent appeal for the bringing-about of an abiding peace, but the only matter I regret is that I had read his paper before I heard his speech ; because, after all, the sting is in the tail of the proposals. The particular one I wish to call attention is clause 5, providing that where we fail to agree—supposing I am one of the assessors, or the advocate for the freezing-workers—where we fail to effect an agreement under the machinery provided for here we have to go back and tell the freezing-workers that if they desire to proceed no further with the negotiations they would have to go on strike.

The Chairman : The time is 5 o'clock and the hour of adjournment has arrived, but we might perhaps go on if Mr. Revell is likely to finish his speech in a few minutes.

Mr. Revell : Thank you, Mr. Chairman, but that would mean working overtime, and I am rather averse to working overtime. I prefer to resume to-morrow morning.

The Chairman : Very well. Before we adjourn there are one or two announcements I wish to make. The first is that the further discussion on these papers stands adjourned until to-morrow at 10 o'clock. Arrangements have been made for a group photo of the members of the Conference to be taken to-morrow at 12.30 p.m., and it is desirable that at many members of the Conference as possible should be present, because every one, I am sure, would like to have a record of the gathering. The other announcement is that it is proposed that I should, on behalf of the Conference, present to the Prime Minister at 3.30 to-morrow afternoon the recommendations of this Conference, and the proposals of the two parties as set out in the statements now under discussion.

The Conference adjourned at 5.5 p.m. until next morning at 10 o'clock.

FRIDAY, 18TH MAY, 1928.

The Conference resumed at 10 a.m., the Chairman (Mr. A. D. Thomson) presiding.

Discussion on Amendment of Industrial Conciliation and Arbitration Act continued.

The Chairman : The first business before the Conference this morning is to finish the discussion on the recommendations presented by the two sides with reference to the Industrial Conciliation and Arbitration Act. Mr. Revell was speaking when we adjourned at 5 p.m. yesterday.

Mr. Revell : I think that when I finished last night I was discussing the proposals of the employers in the direction of amending the Industrial Conciliation and Arbitration Act. I think I had got past that stage where I complimented Mr. Bishop on having most eloquently appealed to the workers'

representatives on this side to take a plunge into a cold bath; but his appeal would have sounded much more real if I had not read his paper before hearing that specially fine speech of his. I wish to refer briefly to one or two of the clauses contained in the proposals of the other side, and first of all to that in regard to the third party representative. We have had an experience of that in connection with the freezing industry. In fact, I think we have had not only a third party, but a fourth party represented, because the Sheep-farmers' Federation and the Farmers' Union both intervened on behalf of the members of their respective organizations. No obstacles were placed in their way, and I do not think they told us anything of which we were not already aware. I do not know that any good came of their sitting at the Court. The freezing-workers got an award, anyway. I think that the number of assessors as at present is quite ample for the requirements of the position. The proposals to which I take the gravest exception are those in clause 5. I do not think my friends on the other side would insist on putting that in their proposals if they realized what they are leaving the door open to. We have got to accept the statement of the employers' delegates that they are not making a raid on wages. I quite believe that of them; but, unfortunately, they do not represent the whole of the employers in New Zealand, and I want to draw attention to what would be possible to an unscrupulous employer if this amendment were included. Supposing an award is in operation in one of the secondary industries which is feeling the pinch of the times, and the employers in the industry want to give effect to the very often voiced opinion that overhead expenses should be reduced, although the workers are working quite contentedly under the award, the employers can frame proposals for the reduction of wages. Even reducing them in the slightest degree causes a dispute, which has to be taken before the Conciliation Council and discussed there; and then the workers find themselves in this position, that they must either accept the employers' proposals or go without an award or any conditions at all. That is what this clause means; and the unscrupulous employer—unfortunately, there are a number of them in New Zealand—would take advantage of the provision and use that very clause, which is supposed to be such a good thing for bringing about better relations between the employers and the workers, to bring about the very opposite. Then take clause 7, regarding the registration of national unions. What will happen in the case of the freezing industry? The freezing-workers are anxious to organize nationally, and have one office to control their organization; but they cannot do that under this proposal unless the employers are agreeable to it. And how are we going to ascertain their views? They are not registered under any Act that I know of—certainly not under the Industrial Conciliation and Arbitration Act—as an organization or as employers. They are parties to an award, certainly; but they have no union or federation other than for their business as exporters. I suggest in this case that the employers' representatives desire to curtail or restrict the operations of industrial organizations, and there appears to be an inclination to prevent the forming of national unions. But why not "go the whole hog" and say, "There shall be no fresh unions organized unless they get the bosses' permission first"? That is just as absurd a proposition as the other. I remember some years ago—it is a good while back; I am a pretty old offender in regard to industrial organizations; I started about twenty-eight years ago, and one of my first experiences was in connection with the Woollen-mills Union. The Court made no award, and put in their reasons for it (Vol. III, page 501, 1902); Judge Cooper said that it would be manifestly unfair to impose conditions on one section of the industry in New Zealand that he could not impose on another, and where the goods were interchangeable he thought the awards should be similar throughout the whole Dominion. The woollen-mills employees were unable to get an award until 1912, and not until they had organized the whole of New Zealand. The Conciliation Commissioner persuaded them not to go on with their claims, as the Court would not make an award for a district that could not be made for the whole of New Zealand. Something must be done to provide for contingencies of that sort. I do not know the meaning of the clause as to piecework, because the Court apparently has power to insert piecework provisions in an award. In the freezing industry a whole lot of piecework conditions are imposed, and in clause 20 of the freezing-workers' award, 4th March, 1926, the Court makes provision for rates of pay for piecework, as follows: "Rates of pay for piecework not provided for herein shall be arranged between the employers and the union, and failing agreement shall be referred to the Disputes Committee for settlement." There is plenty of machinery, apparently, in the Act for the extension of piecework rates on a very democratic principle, whereby they have got to be agreed upon between the employers and the union. I do not think there is anything else that I wish to say at present, Mr. Chairman, except that I think that after the long service that has been rendered to the country by the Arbitration Court I cannot see any immediate necessity for this drastic alteration in the Act. I think I was very near the mark when I said yesterday that the people who probably play a very great part in bringing about the increased cost of production have been astute enough to side-track this Conference and shunt it on to another track altogether. I refer to "the nigger in the wood pile": I refer to the financial institutions in New Zealand, which are taking an enormous toll from the products of this country.

Mr. Cornwell: Sir, I wish to make a few remarks in connection with the paper presented by Mr. Bishop yesterday. First of all I want to refer to the causes which led to this Conference being set up. In my opinion the setting-up of the Conference was very largely due to the Bill presented to Parliament last session called "The Farmers' Attack on the Rural Workers Bill." In that Bill there were two or three rather important clauses. One was to take away the provisions and benefits of the Industrial Conciliation and Arbitration Act so far as the rural workers are concerned. The other was to abolish the preference-to-unionists clause. But that Bill, as compared with the proposals contained in Mr. Bishop's paper, is small potatoes indeed. We knew the limits of that Bill; but this paper, from the employers' point of view, is one of the most magnificent documents ever presented to an industrial conference; and Mr. Bishop deserves, from the employers' point of view, the greatest compliment possible. There was no need for him to say that this Act shall not apply to the rural workers;

clause 3 makes that very definite. There was no need to add a clause for the abolition of preference to unionists; clause 3 fixes that up definitely, except perhaps in the case of one or two large organizations which have got a kick coming. But I venture to say that very little preference to unionists would be granted in the Conciliation Councils, as has been the case in the last twenty years. I look upon this statement as an attack upon the whole of the working conditions which the workers have obtained by negotiation, and with the assistance of the Court, over quite a number of years. The overtime clauses and rates are going to be attacked under this proposal, and I cannot well accept the position when the employers say, and through the press, that they must reduce costs. I cannot get into my mind, when I hear that, that they do not mean to reduce wages. In my opinion the only time when the employer tries to reduce costs is when he reduces wages. The employers seem to me entirely incompetent to make any effort to reduce costs in any other direction; it is always an attack on the wages of the workers. Take the instance of the country work: where men are sent away to work fifty, one hundred, or twenty-five miles, or any distance where they cannot get back at night, there is a small allowance made for food and lodging where the employer cannot provide the lodging. The allowance of 5s. represents the payment for the men getting back to their homes: that is the only extra amount you get in the shape of wages, and the men work as many hours as other people, but get no overtime rates. The farmers have been attacking the country-work award, claiming that the payment of children and others for work done in the country has been an unfair charge. I pointed out in my committee that there has not been any overtime paid in Southland under country awards. This proposal of Mr. Bishop's, in my opinion, aims at the total destruction of the industrial labour movement as we have it to-day, and as it has been built up under our present industrial system. It is impossible to disguise the fact. Looking at the paper, at the first glance it seems to be reasonable, and one thinks one is getting something; but when you go through it carefully you find you are getting nothing at all, but are having taken away what you think you had, and what you have had over a number of years. The operation of the Conciliation Council in dealing with this question has always been, for the last fifteen or eighteen years, under the control of the trained secretaries of the employers' associations, who are the local representatives wherever the cases are heard. No matter what feeling the employers may have towards their workers, the representatives are always strictly advised, and told, to give nothing whatever. And that will be the policy in every case where it is possible for the employers, at the instance of their federation, to prevent a settlement. But, splendid as this paper is from the employers' point of view, it contains one of the biggest jokes ever put across an industrial conference. I refer to the joke in clause 7, where the workers may have a union if the boss will let them; it is the newest thing we have ever heard of. One might look for it if one were living in Spain or Italy; but when we have an intelligent group of gentlemen representing the other side putting forward such a statement as this, that if the employers agree to your having a union then you shall have one, and if they object to your having a union, well, you are not going to get one, it can only be regarded as a big joke. I can hardly conceive Mr. Bishop, with his commercial experience, being at all serious over this particular clause. Taking the paper as a whole, I think it is a most dangerous one, as far as industrial unionism is concerned, and industries generally, ever submitted to a conference or to a Government The Bill submitted last session bears no comparison with this paper we have to-day, and I venture to say that if the proposals become law, and the Government fathers the Bill, there will be a change of Government at the next general election, after which the whole thing will be repealed. It would undoubtedly prove one of the greatest helps to the labour movement, and the greatest lever for a labour success at the election, if this proposal were made legislative, and I wondered as I listened to the paper why the employers submitted these proposals. It seems to me that they are looking for trouble, and I wondered, as this is the general-election year, if they were endeavouring to stir up a bit of trouble, to edge on the workers just before the election comes along so that they can frighten the life out of a very large percentage of the electors by the action the workers would take, and what they would do if they got under fire. I cannot conceive the reason for the employers producing such a paper as this, which is going to create friction and trouble if attempted to be put into operation. I hope, as Mr. Polson hopes, that although the hour is late the Government will allow a little further time in order to permit a unanimous report to come down. I appeal to the people on the other side to withdraw the paper presented by Mr. Bishop so ably yesterday, and accept that presented by Mr. Roberts on behalf of the labour section. I submit that our proposal is a fair one in connection with any attempt to change the present system. It is a better attempt than the radical alterations suggested by Mr. Bishop, and I make this appeal to the gentlemen on the other side to consider the question, take the paper submitted by Mr. Roberts, and withdraw their own.

Mr. Turner: I would like to say a few final words, although speaking on this side at this stage of the proceedings is very much like a swan song on behalf of the organization I represent, the Chambers of Commerce of New Zealand. Anyhow, I am not going to attempt to reiterate any of the arguments we have had put forward in favour of the employers' proposal. I think the time is past for that; but as the result of nearly two months' discussion with gentlemen on the other side I would like to explain what impression has been forced on me. We have seen that the gulf which separates us is that between the optional and compulsory system, the gulf which has been expressed by the other side as the lack of finality in our proposals. I could, if I wanted to, enter into an argument on the question of finality, with the object of showing that, in the ultimate end, finality rests not with a judicial tribunal, but must rest with the national economic forces. But I will not do that, because I believe the people on the other side realize that fact as well as we do; in fact, some of their representatives have actually said so. Twenty-five years ago I was very fond of Oliver Wendell Holmes—I do not know whether he is read to-day—and I remember in one of his books, "The Autocrat," he described the Pons Asinorum, which he said was a bridge, which wise men were apt to plan, but which took a long time in building, over a crack in the ground that any ordinary man could take in his stride: they went to a dickens of a lot of

trouble to build a bridge over something that a normally sensible man took in his stride; and after all the discussion we have had during the past two months I am convinced that this gulf which exists between us can be easily taken in the stride of all sensible men. The body I represent here speaks from perhaps a wider platform than any other body on this side of the Conference. I do not speak for the traffic interests, for the manufacturers, or the Employers' Federation; but we really represent all the other sections, and it is therefore from that platform I am making these few remarks. Our view, as I explained in the paper I had the privilege of reading to you in the first session, was that the Act when it was passed had certain very defined and limited objects. I do not know that there is very much question about that: you have only got to read Mr. Reeves's 1894 Act to realize what the definitions and limited objects were. To-day, however, on the basis of that Act we have built a structure that I am quite certain Mr. Reeves did not contemplate, and a structure that we on this side say should never have been built on this foundation. In other words, unwittingly, Mr. Reeves, in passing the Act of 1894, and making it compulsory, diverted the course of industry in this country. Unwittingly he did not recognize that the diversion was from the straight and narrow path into channels that were going to bring about an acute position in industry and one that was not contemplated. Under the certain circumstances which have been discussed so fully, and need not be referred to here, the evil effect of that diversion of business is now disclosed, and to-day the chickens are certainly coming home to roost. Now, the suggestions made from this side of the Conference, in our opinion, are in the nature of a diversion of that stream very slowly back towards the straight and narrow path. I would like to say that I have been impressed with the remarks made on the other side of the table, which indicate that many of the gentlemen there are scared of what the effect will be if these proposals are put into force—scared of what the effect will be on the weaker unions who will be taken advantage of by what you call the unpatriotic class of employer. I am impressed with that. Whether it is based on any ground or not—and I do not think it has got very much ground—if it is well grounded I think we have to recognize that this is a real fear in your mind. With that view in my mind, and speaking with a full sense of my responsibility, I would like to appeal to the employers, if these proposals are put into force, to make haste slowly. We think that if these proposals come into operation they will sooner or later bring us into line with the new spirit in industry; but I quite realize that one must be fairly careful. In other words, the industries—the patients—in this country, have been under the influence of a drug for thirty-five years, and you cannot suddenly take away that drug entirely from industry; and I think the employers of this country will be very wise if in fact they exercise a great deal of patience and make haste slowly, taking very short steps; and if any move be directed against the workers I am quite sure that public opinion, and the rest of their fellows, will keep them in order. But the point is that these proposal do deflect us back, and I am convinced that if we take the steps slowly in that direction it will be for the benefit of the country as a whole, including the workers and the employers.

Mr. Churchhouse: Mr. Chairman, I have not a great deal to say this morning, but I feel that I should add a few words to the discussion, since, as Mr. Turner terms the present discussion the "swan song" of the Conference, this is probably the last opportunity we shall have. I think it would have been much more satisfactory, and more pleasant, if we could have submitted only one set of recommendations to the Government as the outcome of this Conference. However, we have come to the parting of the ways, and we can only submit our separate proposals. The Industrial Conciliation and Arbitration Act has stood the test of time. It is not perfect by any means in its present form, but it has stood through all these years, and the workers are not prepared to sweep it away with one stroke of the pen without having something else in its place. If the old traffic-bridge across the river is getting out of repair you do not pull it down before building the new bridge to replace it; you build your new bridge alongside, and when that is completed you dismantle the old one. That is just what must be done if there is to be any interference with the present Act. We might provide some other tribunal to operate under the Act, and then the present Court would wither away through inaction. But we on this side are not prepared to do anything that would interfere with our present Arbitration Act until we can agree on something better to take its place. It is not altogether the fault of the Arbitration Act that is the trouble—it is the result of those economic forces referred to by Mr. Turner. One might as well say that the marriage laws of this country were at fault because two people could not go through life together peacefully. It is not the law that is wrong; the causes of the trouble are economic. I myself believe that we must always have some central tribunal under the Industrial Conciliation and Arbitration Act. The District Councils may operate, but you must have a central tribunal having full control under the Act. Our Arbitration Court goes up and down the country, and its members gain a thorough knowledge of the conditions from the discussion of the various questions brought before them. Yesterday in the course of his remarks Mr. Bishop said that some of the employers were prepared to agree to the registration of national unions but others were not. I think that statement is interesting at the present stage. Mr. Bishop is at the head of the New Zealand Employers' Federation, and I would ask him whether he would deny to the employees the same right to organize as the employers have in their federation. If the employers are to have the right to organize in their industrial organizations—that is, to group together as a union of employers—then surely it is right for the workers represented by the delegates on this side to do the same as the employers do. Surely Mr. Bishop would not deny that right to the workers. Then we come to this clause which has caused so much trouble, the retention of the compulsory clauses of the Act. Mr. Williams, in his paper on behalf of the Sheepowners' Federation, referred to the question of compulsion. He said that compulsion was repugnant to a freedom-loving people. I want to know how long the employers have taken this stand—that compulsion was repugnant to a freedom-loving people. When the war broke out, when the enemy were at our doors, what did they say? They said that compulsion was one of the first laws of nature—that you were compelled to fight or you would die. We have compulsory education in this country, and we all agree that that is quite right—that the

children should have education, and the only way in which we can achieve that is by a system of compulsion. This attitude of the employers seems to me to be a right-about face as compared with their attitude during the war period. Mr. Bishop also said that not only was there no danger of the employers attacking wages, but there was no evidence in any of their proposals in that direction. That may be quite true, but coming events cast their shadows before, and for the last two years there have been published in the press of this country statements by groups of employers insisting that there must be a reduction in wages-costs. They want to do away with preference to unionists and the compulsory clauses of the Act. They have said that the Act retarded production—that farmers were not able to produce while wages were so high. Now, sir, what do these press reports mean? Were they not creating a psychology among the people that there was something wrong with the Arbitration Act? Did it not indicate that an attempt was being made to create an atmosphere that wages were too high? Then the Government came along and proposed to give relief to the workers at a rate of wages lower than Arbitration Court rates. All this indicates that what was behind the minds of the employers was a reduction in wages. I am sure that the employers will pardon us for arriving at that conclusion from the statements in the press. I do not say that the group of gentlemen we have here representing the employers have that in their minds—I accept Mr. Bishop's statement; but, still, we have in our minds the knowledge of the employers' attitude, and we feel that the time has not yet arrived when the lion and the lamb in industry can lie down peacefully together. Then we have the argument brought forward by the other side that the unsheltered industries are at a disadvantage as compared with the sheltered industries. Professor Murphy referred to rising prices and rising costs, wages and costs going round in a vicious circle, until primary producers were faced with the fact that they could not afford to pay the prices demanded. But what the economists forget is that the farmers have a line of defence. The farmers do not purchase their stores and goods through the retail houses, they purchase them direct from the merchants. The farmer gets his stores in bulk, and they are delivered in bulk to the stations. I have worked for many years on sheep-stations and I know that we always got the stores in in bulk, and there was no dealing with the retail shops. Hence, while I was paying £1 10s. for goods on a system of credit, the farmer was able to get the same goods for £1 by paying cash and getting his stores in bulk. I just want to show the economists that the farmers have a line of defence. Then we have the Department of Agriculture, set up by the Government, and costing somewhere about £450,000 a year: is that not of great benefit to the farmers? Certainly they pay for benefits received from that Department, but is it not of general benefit to them? Is not the Ruakura Farm in the Auckland Province of some benefit to the farmers, by reason of its research work in connection with the scientific production of cereals and stock? Is not the State in many ways assisting the farmers? I say that they have certain lines of defence there. It may, of course, be said that the sheltered industries may be able to pass on the added cost. That may be true; but the farmer is not getting the full production of the land of this country to-day. Good roads and good motor-cars have taken the farmer away from his farm; and it is a known fact in the Wairarapa especially that this is the case with many of the big squatters and dairy-farmers, and their farms are not producing what they ought. We have farms with nobody on them at all, and we have the big sheep-walks not employing labour to any great extent. I hope that when this small committee is set up it will investigate the position of the primary industries with a view to finding out how they can best absorb labour and prevent unemployment. There is plenty of room on the good land—do not trouble about Rotorua lands, gum lands, and so on—to absorb a great amount of labour and bring a flow of capital back to the land which it is not receiving to-day. The Farmers' Union is not looking after these matters——

The Chairman: Excuse me, you are getting away from the subject mentioned in the papers we are discussing.

Mr. Churchhouse: I am sorry if I have transgressed at all. I have no more to say, except to thank the delegates for their kind attention.

Mr. O'Byrne: Sir, at this late stage of the Conference it is not my intention to go into details in regard to the able papers presented on the one side and the other by Mr. Bishop and Mr. Roberts. Each of them has stated the case for his side very well indeed. The position reminds me of a story of two Irishmen, walking along the road carrying their swags, who asked a passer-by the distance to the next township. "Nine miles," he told them. They walked for another hour and asked another man, who said it was seven miles and a half away. Two hours weary foot-slogging followed, and then they asked yet another man the distance to the township. He had not much idea of distance, and told them they had still nine miles to go. "Arrah, Mick," said one Irishman to the other, "how are we getting along now?" "Well, Pat," replied Mick, "we are holding our own, anyhow." And I think it might be said of this Conference that both sides have held their own. Neither of them has given very much away. But I think that on the whole we have got on exceedingly well. We have at any rate got closer together. We have just got so close together that we cannot be tied together; and, like the cat and the dog in the well-known story, Mr. Chairman, we shall get along all right so long as we are not tied together.

Mr. Acland: Sir, I would like to call attention to a matter mentioned by Mr. Bloodworth yesterday. He said that the principle of the compulsory clauses of the Arbitration Act had been agreed to by the employers for a good many years past. On behalf of the primary producers I want to state emphatically that they have never accepted the principle of compulsory arbitration. They have always resisted it, to my knowledge, for twenty years past. We have always protested against the compulsory system. As I said in my statement, on page 97 of the report, "We have steadfastly refused to admit the soundness of the underlying principle of the present Act, which provides for the compulsory fixation of conditions in industry and costs of production by a tribunal clothed with statutory authority, and under which in actual practice compulsion can be enforced on one party

only." The principle of the compulsory clauses is practically identical with that of the old poor-law system at Home prior to 1884; and those of us who know that system know that it was based on a most unsound principle and worked a very great deal of harm. I want, therefore, to protest against the statement that we ever accepted the compulsory clauses of the Act. We have always been opposed to them.

Professor Belshaw: Mr. Chairman, the Conference has apparently reached a deadlock on the question of compulsory versus optional arbitration, and that seems to me deplorable and perhaps not altogether necessary. This is a late stage to offer any comment, but it soon became apparent to the economists—I think my colleagues will agree with me in this—that the decisions of the committees had been given finality of form. and that any participation by us in the discussion would have been useless, and would only serve to prolong the Conference. So far as the final stages of the Conference are concerned, the economists might as well have stayed at home, since at most we could only offer comment on decisions already made. The most useful period at which the economists could have rendered service would have been during the committee stage, when their services were not asked for. But it is easy to be wise after the event. Speaking for myself, at least, I think we owe a duty to ourselves to explain our silence during this part of the Conference. As a detached observer, I feel, and I think that I should register, what I believe will be general disappointment at the breakdown of the Conference over the crucial issue. The lion and the lamb have lain down together, and after three months of labour have conceived three small mice. I do not suggest that the Conference has therefore proved futile, since their disposition to lie down together in the future may be all the greater because of its having been done once, and I believe that the Conference has achieved much in an intangible way. Each side has stood solidly by its own proposals. I am convinced, however, that the real cleavage of opinion—in the country as a whole, if not in the Conference—is not between the parties, but across the parties. On the one hand the strong unions appear to be favourably disposed towards optional arbitration, but the weak unions desire compulsory arbitration. On the other hand, I believe that the majority of the employers in some industries favour the compulsory principle. That principle is conceded also by the employers in the report presented, which agrees that the weak unions should be under a compulsory system. Special reference was made to women workers not on the grounds that they are women workers, but because unions consisting mainly of women are weak in bargaining-power. But the unions referred to in the report are far from being the only weak unions, and it seems to me there is no insuperable objection to extending that principle to other unions which are also weak. The real problem seems to be how to leave scope for optional arbitration while retaining compulsory arbitration for weak unions. That, I take it, is the crucial issue before the Conference. The employers' and the employees' papers were read yesterday. One has had very little time for thinking about them, and it is exceedingly difficult in a short space to devise any scheme whereby the conflicting viewpoints may be reconciled. I have only had half an hour this morning to give anything like serious thought to the problem, but I wish to make the following suggestions, and I hope, perhaps vainly, that means will be provided for discussing them in committee or in some other way. I feel that the employers—or, at any rate, a large number of them—would not be opposed to compulsory arbitration in the case of weak unions. They have conceded the principle to one particular kind of union on the ground of its weakness. On the other hand, I believe there are many strong unions which would be favourable to voluntary arbitration. I suggest, therefore (1) that provision be made for optional arbitration in cases where a majority both of employers and employees agree to it; (2) where this agreement is not obtained, compulsory arbitration should be retained. I have not had any inkling of the way the discussion went in the committees, and therefore do not know whether or no suggestions of this sort were discussed. The point is that if legislation forces employers and employees into an optional system which one or other of the parties does not want, the party that does not want the system can wreck it; or, at least, there is the danger that it will do so. It has been put to me that if two parties to a dispute meet, and one of them refuses to go to a final arbiter, public opinion will be against that party. At first glance the idea appealed to me; but the history of industrial conflict does not suggest that public opinion would be likely to be sufficiently vocal, or in any case sufficiently strong, to influence in time a party in an economically dominant position. If the optional system is successful, it will extend; if it is not successful, the way to a return to compulsion is easy. It has been agreed by the employers that the compulsory principle should be continued in the case of one particular class of unions, and I can see no reason why it should not be extended if it can be decided which unions should come under the exception. I believe that the unions of workers and the employers in some industries would right away accept the optional system, and I see no insuperable difficulty in having the two systems of arbitration running together. However, if it is not successful, a return to compulsion would be much easier than if there were not any compulsory system running parallel. In the United Kingdom you have compulsion exercised over some industries through the Trade Boards, while conferences and voluntary systems operate in other branches of industry. I feel it would be a pity if we missed, by legal quibbling or any other kind of quibbling, the possibility of arriving at some sort of agreement on this issue, even if the full objective is not actually achieved. It seems rather tragic that a Conference of this sort, which is unique in the history of this Dominion, should go down as having arrived at no unanimity to speak of, excepting on those points outlined in the first report.

Mr. Bromley: I have no intention of taking part in this debate other than to make some reference to Mr. Turner's speech. Far from being a "swan song," I think Mr. Turner threw a good deal of light on the employers' scheme, with much more definite speaking than what we have been accustomed to from the head of the employers during the debate on this particular question, and clearly indicating that the proposals put forward by the employers would increase their bargaining-power and reduce the bargaining-power of the workers. Mr. Turner put up a plea on behalf of the employers to make

haste slowly; in other words—he did not say it plainly—to "put the boot in" quietly and not all at once. That is the only inference that can be taken from his remarks. He hoped, if these proposals were placed upon the statute-book—and, I suppose, he hoped also that they would be—the employers would behave, so to speak, decently, make haste slowly, and not wish to take advantage too quickly of the workers under the changed conditions. I agree with Professor Belshaw in his remarks just now, that it would be wrong in principle to force this optional system upon the workers organizations when they did not want it; just as strongly as it is suggested by the employers that it is wrong to have compulsion if that organization does not want it. I suggest also that it is not an optional system they are putting forward. A system that depends upon whether a case shall be referred to the Arbitration Court or not upon a majority vote of the assessors—four from the workers and four from the employers—is not an optional system. If the bargaining-power were as strong as this on the side of the employers, it may be reasonable to suggest that it would be an optional system. But in many cases the employers must grant that there could be no argument about that point, or as to diminishing the position of the Conciliation Council. And if there were no compulsion at the back of it—no compulsory reference to the Arbitration Court—but if the reference to the Court depended upon an agreement under conciliation, upon which in turn would depend the basic wage and the fundamental conditions of industry, the bargaining-power would be very unequal indeed, and to call that an optional system is wrong. Professor Belshaw's original paper suggested that the compulsory system was really optional, at the present time, only so far as the workers were concerned, and not the employers. If that were true—and it has an element of truth in it also—the contention would be sound; but as against that you must consider that the Act was originally designed for the protection of the workers, always believing and agreeing that the employer is in a position to protect himself. But if that were true in that case, it is very much more true to say that what is proposed would not be an optional system as far as the workers were concerned in regard to conciliation. Imagine the position of the four workers' assessors; in many instances they are depending for their job on the men who sit on the other side of the table. I do not want it thought that this is a crude indictment of the employers: it is only just a common-sense view of what really happens. The employer says, "I will look into the matter if you are going to refer it to the Arbitration Court, in order to see just what this industry can stand. We will tell you just what this industry can possibly stand, and if you do not accept it you will have to take your risk in a strike or lockout, as the case may be." The parties are so unequal in conciliation that it is quite wrong to suggest that this would be an optional system. The only backing that Mr. Bishop had for his paper, apart from the backing of the employers, who in the aggregate were representative of the employers' interests in the country, was to read something from the Liberal Industrial Commission. And he nullified that memorandum by stating that the members of this Commission had had no experience in compulsory arbitration. I do not think we can accept a decision on the question of compulsory arbitration from somebody who has had no experience of it: surely we are better able to judge the matter here ourselves. And, despite what Mr. Acland said just now, I think it is correct to state that the primary industries always have been opposed to the compulsory arbitration system. That is as far as their own industries are concerned: and that is because they have opposed unionism in the ranks of the workers, and the compulsory arbitration system might make it easier for a union to be formed. I think that is the real basis of their objections. They have not always been opposed to arbitration as a system; in 1913 they were very much in favour of it. I do not want to refer to that, but I know it is the fact, and that they were very much impressed by the arbitration system at that time.

Mr. Henderson: They have always been supporters of the law of the land.

Mr. Bromley: I do not want to worry about that. Mr. Bishop said he was of the opinion that so long as the best machinery was provided for negotiations right up to the time when a deadlock is reached, we cannot abrogate the right of the workers to withdraw their labour or the employers to lock the workers out, and he has suggested that they have provided in their paper the best machinery possible for fully exhausting all possibilities before recourse is taken to the brutal method of the strike or lockout. Well, I do not think so. I think the present system provides the very best machinery. It has been stated that even under the arbitration system you cannot fully abrogate the right to strike—at any rate, it is adopted—or the lockout. I believe that if through incompetence—it would not occur very often—if through some inadvertence or inexperience a Judge of the Arbitration Court were to give an award that was manifestly unfair, and penalized the workers, no power on earth would stop a revolt in that particular industry, even although we would deplore the fact that an award had been given by his direction. The point is that if that award is bad the workers will rise in revolt. How often does this occur, however? In ninety-nine cases out of one hundred the award of the Arbitration Court has been accepted and has been carried out. Then, as regards the compulsory question, it is suggested by the employers that there should be four assessors on either side, and that three of them can determine whether the dispute shall go to arbitration or not. Therefore it becomes 25 per cent. compulsory anyhow; but the fourth assessor, who objects to the case going to the Court, may be one who is representing by far the larger body of workers, or in the case of the employers' side the same. And yet the three other assessors can determine to send the case to the Arbitration Court so that it becomes 25 per cent. compulsory at that stage. It is only a matter whether it shall be a 25 per cent. compulsory reference to the Arbitration Court, or whether it shall be 100 per cent. compulsory reference to the Court. And we are of opinion that unless the proposals in the paper submitted by us are agreed to, that will make possible the adoption by the unions of the principle outlined by Professor Belshaw as indicated in our paper—if the unions of workers and the unions of employers in an industry are prepared to settle their disputes outside the Arbitration Court, they can do so. Finally, I wish to call the attention of the employers to the adherence they seem to be giving just now to the penalty of an industrial dispute in the shape of the strike or lockout. If you concede

that a strike or lockout is the final arbiter in industrial disputes, you must also agree that the logical conclusion to the strike methods of settling disputes is the national strike. You always take exception to that; all employers do when it is the only logical sequence. The ultimate end of the strike weapon is the national strike, the logical outcome of which in its turn is civil warfare or revolution. If you start on the thing, you must be prepared for the final stages of it. One stage leads to the other —the first to the second, the second to the third—and we do not think this country is wise in dismissing with as little consideration as we have given it here the system which has tended to abolish or minimize that particular danger. I think that is the position as I see it, and I hope that even yet the employers will take that little step by agreeing, not wholly to compulsory arbitration, since some do not want it, but to allow those unions of employers and workers who desire the right, to settle their disputes by direct negotiation and apart from the Arbitration Court, and to allow those who prefer the other method to have the same right as they are giving to the larger unions.

The Chairman: Before Mr. Bromley concludes, I would like him to withdraw one remark he made, when he suggested that Mr. Turner desired "to put the boot in." I am sure there was nothing suggested in Mr. Turner's remark that called for that remark.

Mr. Turner: What was in my mind, Mr. Chairman, was the feeling that many of the unions had grown up under the traditions of the Arbitration Act, and, that being so, I realized that they could not reorganize quickly so as to meet the new conditions, and therefore I suggested that we should go slowly in making the change.

Mr. Bromley: Yes, I accept that explanation. I simply said that Mr. Turner's inference was that the employers would be quite able to meet the new conditions, and I pointed out that the unions of workers would not be in that position, and so I appealed to the employers not to "put the boot in." That explains it. I withdraw the remark, Mr. Chairman.

Mr. Bloodworth: May I say, in reference to the proposals put forward by Professor Belshaw, that they were carefully considered by the special sub-committee, though perhaps not in the exact terms that he submitted them. The idea of allowing an industry to decide for itself whether it should remain under the compulsory system or adopt the optional system of arbitration was considered, but there was a difficulty in framing machinery to enable the proposal to be carried out. If the employers in an industry decided to adopt the optional system, and the employees wanted the compulsory system, there would be a deadlock at once in the industry. The sub-committee considered further the difficulty that would present itself if the following position arose: Assuming that the first difficulty was overcome, and some industries decided to remain under the optional system while others decided to come under the compulsory system, it was felt that the decisions arrived at under the compulsory system would almost entirely exercise an influence on the position of unions under the other system. I think that the two systems could not work side by side. That was the opinion held by the special sub-committee.

Mr. Williams: There was one point raised by Professor Belshaw to which I would like to refer: it was the question of the logic of leaving female workers under the Act. I would like to say that, though this appears illogical, it is not really as illogical as it would seem. I would say that the consideration which influenced us in this matter was the question of sex primarily. It was not a question of the weakness of the unions. It was largely—indeed, almost wholly—a question of sex. There is an inherent weakness in any organization of women workers which we held did not apply to an organization of male workers. There are organizations of male workers, large and powerful, which can and do take up the interests of the smaller unions of male workers, but there are no large and powerful unions of female workers to do the same in their case. These were the considerations which actuated us in making this provision, which was, indeed, very strongly asked for by some delegates on the other side. Mr. Chairman, I did not rise to make a speech, but, as this may probably be the last occasion on which I will be able to address the Conference, I would like to say that we have been working very well together in this Conference, and I venture to say that the feeling between members has been very much improved. That feeling can be introduced into industry, and we hope that it will be, and that industry will be regarded more and more as a partnership concern. I feel that the bogy of direct action has been exaggerated to a very great extent. Every sane man knows that it is the very acme of human folly, just as war is. Now, there is a big movement throughout the world to get rid of the terrors of war. It is only by means of the gradual education of public opinion, both nationally and industrially, that we shall be able to get rid of these out-of-date methods of settling disputes. I feel that that time is gradually coming. Further, I also think that these proposals which we have submitted are calculated to bring that time of industrial peace nearer, and that they will bring it about more rapidly than the continuation of the present system. However, the two sets of proposals have been argued very fully before the Conference and I do not wish to go any further with them. But I would like to conclude by expressing my personal pleasure at having had the opportunity of meeting a number of men on the other side in conversation and around the conference and committee tables. I have learned a great deal of their points of view, and I think I may say with all sincerity that I have learned to respect them.

Mr. Kennedy: During the early stages of this Conference the word that was used mostly by speakers on the other side was the word "elasticity." At the commencement of the Conference we started to make a jelly, and it appears that the jelly has become fairly well set now in regard to this particular piece of legislation. Mr. Turner, in the course of his speech, told us what happened in connection with the original Act. In the original Act of 1894 the compulsory clauses were inserted, but they gave the unions the right to strike against an award, and the employers the right to lockout. That law was amended in 1905 as a result of a strike in the furniture industry in Auckland, and it was further amended by the provision of severe penalties upon workers for striking. I am rather pleased to read the employers' paper because, if I read it aright, the position is that the employers are conceding

the right to strike, or, in other words, their policy for settling industrial disputes is the strike policy. Personally, I want to make this declaration: that with that particular idea I am in perfect agreement, because I believe that all disputes should be settled with the right to strike, and this declaration of the employers has proved that the action that was taken has been justified, notwithstanding the fact that while they were talking they were slandered by the press and the employers' associations. The employers do not declare straight out for the strike policy; they still want to retain the provisions against the strike policy that are in our industrial legislation to-day—the provisions as to penalties contained in Part V of the Act as it now stands. So that we see that, while they make a declaration for the strike policy, it is a piebald policy of strike that they want to give us. Unless it is a real strike policy it cannot be accepted by me personally. We have heard a great deal to the effect that this Conference was set up to bring about industrial peace. That is impossible.

Professor Murphy: Quite right; so it is.

Mr. Kennedy: There cannot be industrial peace in industry as between employers and workers. In this connection I want to make a quotation from a journal I have here, which reads: "A Judge's Opinion—Chief Judge Dethridge, of the Federal Arbitration Court, is not so optimistic as the Prime Minister appears to be in regard to the possibility of securing industrial peace. 'I do not think that we shall ever get rid of dissatisfaction and unrest,' said he. 'People who expect to do so are blind puppies in the affairs of this world. We shall never get rid of unrest. What I think is that the Court should diminish as far as possible dissatisfaction and unrest.'" Another statement which I believe could be agreed to by anybody was made by Chief Judge Dethridge in the Commonwealth Arbitration Court. He expressed the opinion that there would be no complete harmony in industry until the Angel Gabriel was appointed a Judge of the Court; but he could not, he said, see any possibility of such an appointment being made. In those circumstances, it was improbable that the parties would have complete harmony until after they were dead, and even then he felt by no means certain. I agree with my friend Judge Dethridge, and consequently I agree in part with the proposals of the employers. Always provided that they are prepared to do away with the penalties against the workers under the Act, I would be whole-heartedly with the employers in their proposals. So long as they retain the penalty clauses of the Act the unions are shackled and hamstrung; but if the employers are prepared to abolish the penalty clauses, so that a union that cannot come to an agreement at a Conciliation Council can go straight away from the Council and declare a strike, I will be with them. Their proposal with regard to national unions is one of the most ridiculous things I have ever read. They say that the basis of a national union must be agreement between all existing unions of the workers and all unions or associations of employers. But such agreement is impossible. Take the industry with which I am connected, the marine cooks and stewards: Whether the law allows it or not, we have to run our organization on a national basis. Anyhow, we run it that way in defiance of the law.

The *Hon. Mr. Weston:* No; in accordance with the law.

Mr. Kennedy: No; in defiance of the law. It works out this way: We have one union in Wellington and one in Auckland. That leaves all the other industrial districts, so far as we are concerned, quite free; amd where an award is not running in an industrial district, the union and the employers in that district are free to do what they like. To say that we must ask the employers whether we should run our union on a national basis or not is ridiculous. We have first to decide whether our union shall be run on national lines, and then amend the law so that it can be so run. But we must run it on national lines anyhow. I must say that the law as it stands at present suits us quite well. It is quite satisfactory. On the other point, the third party in disputes, I am not in agreement with the employers' proposal. Let me put it this way: Say we had before the Conciliation Council a dispute of the marine cooks and stewards, and the Farmers' Union said, "That award will affect us, because we employ cooks at some part of the season," and they would claim to be represented at the Council. But would the farmers give my organization the right to appear there if they had a dispute with their cooks, because we were interested in the conditions and wages of cooks? It is absurd when you come to think of it. Another point in the employers' proposals is where they give the right to a union which has 60 per cent. of its members females to still retain the compulsory arbitration system. But why 60 per cent.? If, as Mr. Williams said, they agree to that not because of sex, but because of the weakness of the unions, why should it not apply to all weak unions? Why should they not agree to it in the case of a union with 10 per cent. of its members females, or even in the case of a union with one female in it, if they make the exemption on account of sex? Logically, where a union has one female in it, it should be entitled to retain the compulsory clauses of the Act as they now exist.

Mr. Jessep: Mr. Chairman, it is with a good deal of sadness that I have listened to some of the closing speeches of the Conference. The reason for the calling of this Conference will, unfortunately, be with us still when we leave this building, and it is a very serious reason. If the standard of living in this country at the present time, which is so dear to the hearts of our colleagues on the other side, were not menaced, there would be very little cause or necessity perhaps for this Conference. I have for years myself consistently attacked compulsory arbitration, because I believe it has placed industry in such trammels that it is destroying our capacity to maintain that standard of living. Fear, I think, is a very large factor in everything we do in life. It is not the fear of what the actual effect on industry may be that counts so much, but the fear of the effect on organizations which we have almost made little tin gods. I would like to appeal to my friends on the other side; and though we are just on the point of separating diametrically opposed apparently on the vital issue, I know I do not appeal in vain, from what I have gathered from the men who have been present at this Conference. My appeal to them is to recognize that the absolute necessity of getting greater efficiency in industry is the guiding factor in the minds of the great majority of us on this side. Our object is to try to take

industry generally from under the hard-and-fast regulations and compulsion of the Court. Mr. Roberts and Mr. Bishop, in their opening speeches, both drew attention to the fact that whenever two advocates get into the Arbitration Court, whatever their views as to the effect upon industry of their claims, they are simply advocates. They exaggerate their side of the case, and so every industry has been loaded up bit by bit with an accumulation of compromises; and these compromises are unquestionably reducing efficiency. In my opinion, they will curtail and tend to destroy the capacity both of the workers and of the employers, because under the present system we hand over to a judicial body the fixing of conditions which they are not capable of fixing on the evidence before them. Only the men engaged in the industry, employers and employees, can properly fix the conditions. The workers' representatives here know their own industries, the employers know their industries, and the position is the same when the parties to an industry are before a Conciliation Council; and I am satisfied that the responsibilities that will be thrown upon the Conciliation Councils under our proposals will in themselves solve the difficulties which our labour friends fear will arise if we take away State regulation of the industries of this country. We have said a good deal about industrial peace. Well, peace is not always a good thing. A man is very peaceful when he is under chloroform, and I am afraid we have been under chloroform for some time. I do want to make this final appeal to the men on the other side whom I have met in this Conference; and I want to say how much I have learned to respect all whom I have come in contact with, and how glad I am to be able to say that when you have met in conference men whose views you have only had the opportunity of reading, and when you have sorted up their point of view, you come to the conclusion that, after all, there is not very much separating us. I think that the main thing separating us is simply this idea of fear, and I am satisfied that the Conciliation Councils and the responsibility thrown on them will do infinitely more to solve industrial problems, increase the efficiency of industry, and make it possible to maintain our present standard of living than any maintenance of the present compulsory arbitration system.

Mr. John: Sir, Mr. Jessep says that it is far better for the parties who are best able to judge what is necessary for an industry to meet in Conciliation Council and discuss matters relative to that industry. But I would like to take this Conference back to the conditions in the dairy industry in 1918. They were so bad, so deplorable, that they brought about an industrial organization amongst the dairy workers. It is such deplorable conditions in industry that bring into being unions of workers. Our dairy-workers' union was formed in 1918, and the first award was made in that year. We have been to the Arbitration Court repeatedly in the interval, and we have also met the employers several times in Conciliation Council, but the employers have always sat tight and have never had anything to offer us. Our hours used to be eighty or ninety per week, seven days a week. Such conditions, I say, were a disgrace to the industry and to the country generally, but the employers would not reduce them in Conciliation Council. To-day the hours are sixty for a seven-day week, and sixty-five in Southland for a seven-day week. I ask the gentlemen on the other side do they think it socially right to ask men to work such hours. And, to make the position worse, if you analyse the wages position you find that these workers are the lowest-paid workers in New Zealand. We meet those people in the Conciliation Council, and we ask them to improve that position, but can get no redress, and we have to go to the Arbitration Court to get any satisfactory provision. I would like to take the Conference back to what, in my opinion, was the birthplace of this gathering, and that was Rotorua. It was rather a bad place for the birth to take place in, owing to the thermal waters. In the *Taranaki Budget* of the 3rd September, 1927, there is a reference to the dairy industry and Arbitration Court awards. I will not read it, but might mention that after a conference held in Rotorua a deputation was sent to Wellington to the Prime Minister and Minister of Labour to ask that dairy factories should be excluded from the operation of the Arbitration Court awards. I would like to know why they should be excluded. What crime have they committed to-day? Those workers are working in conjunction with the farmers and playing a most important part in the prosperity of this country; and yet they receive such little consideration. It has been stated in this Conference that should anything in the nature of a sympathetic strike take place among unionists engaged in the factories the effect on the industry would be disastrous. For twelve years those workers have been under the Arbitration Court system and there has never been any talk of a strike or of a sympathetic strike; but I am afraid that if the proposal contained in clause 3 of the employers' paper is carried out the effect will be probably to promote a strike in this industry, and not prevent it. We do not wish it, but I am afraid that it will be there. The employers seek to show that it was not economically sound to hold the industry down to set hours of working, and that profits would suffer while it was continued. I will give an illustration of the set hours—sixty and sixty-five hours, seven days a week. But they do not want to be bound down to these hours. What hours do they require, and that they think necessary? Do we wish to go back to the days of slavery? These hours are not sufficient, evidently, for the dairy industry, and they say it will suffer. But what about the sufferings of the workers under such conditions? The workers who are carrying on under those conditions, in my opinion, are leading unhealthy lives, without any social intercourse——

The Chairman: Is not that a matter for the Arbitration Court, and not one we can deal with here?

Mr. John: Mr. Acland spoke about compulsory arbitration, and I would ask the gentlemen on the other side, and particularly the farming interests, if they are opposed to the compulsory Dairy Control Board. To sum up the proposals before us, I affirm that, if brought into operation, they would lead to industrial strife, and, in my opinion, no amendment at all to the Act would be preferable to those suggested by the employers. We know the Act and the present system has been of great service to the country in the settlement of disputes, and, despite what has been said to the contrary, compulsory arbitration must be, and will be, a decided factor in the settlement of disputes, particularly

if the dispute is likely to lead to a strike. We consider that in the best interests of industry and of the Dominion generally compulsory arbitration will be in the future of greater value as a preventive of strikes than as a cure for it after the damage has been done.

The Chairman: I suggest that we have now had sufficient discussion on this matter. I have given delegates every opportunity to say what they want, and perhaps we had better get on with something else; we have a little more yet to do.

Mr. Roberts: This paper has received some criticism, and before the discussion closes I want to make a few remarks, and then I will move a resolution, with the permission of the Conference.

Hon. Mr. Weston: I move, That Mr. Roberts be allowed to make a few remarks.

Motion agreed to.

Mr. Roberts: My remarks will be chiefly directed to one matter introduced by Professor Belshaw, in connection with allowing optional or compulsory reference of disputes to tribunals. Professor Belshaw is not here, but I hope his friends will intimate to him what I tell the Conference now: that if he will read our paper on the two papers submitted by the other side he will find that it contains the very proposals he suggests—optional reference to the Court of Arbitration by some unions if they desire or by some employers; and compulsory reference where they cannot agree to have optional reference. Our papers contained those two very proposals, and they were considered, I think, by the Committee. The only other matter I desire to reply to is contained in the remarks of my friend Mr. Acland, who told us that for years and years past the rural industries had not desired compulsory arbitration. The proof of the pudding is in the eating: they have taken their disputes before a compulsory tribunal in the Court of Arbitration. I do not know, and we cannot be expected to know, what is the private policy of Mr. Acland's organization; we cannot be expected to know that; we only take note of their public policy, the policy that we know of regarding the reference of disputes to that tribunal. I understand in many cases they have agreed to the hearing of a dispute outside the Court, and I can assure Mr. Acland, that if he and the association of which he is an officer desire the settlement of disputes outside the Court of Arbitration the shearing industrial workers of New Zealand will be only too pleased to agree in any manner and at any time desired. I wish to conclude by stating that the proceedings of the Conference since we have been discussing this very contentious problem as to the method of settling disputes have been exemplary. I am pleased that the Hon. Mr. Barr and some of the other parliamentarians are here. We have tried first to live up to the high ideals of parliamentary debates, and I think they will have a little bit of difficulty on the 28th of next month in rising to the ideals that have guided this Conference. I say with all sincerity that there has been a very high level of intelligence displayed on both sides, while the degree of restraint on the part of every one in the Conference has been remarkable. I think the members will agree with me in that statement. Regarding the deliberations in committees, I wish to say that I have served on many committees, both in New Zealand and in other parts of the world, where points of difference have been acute, where there were definite lines of demarcation upon which we could not agree, but on every occasion the spirit existing in our committees of this Conference has been of the very best. We differed, but still we acted as men, and we will not quarrel over our differences or the result. That spirit is one of the things that guides the human race along its course. There is nothing more to say. We have discussed these proposals fully, but we do not seem to be able to arrive at an agreement on the matter before us. The only thing to do is to pass them on to the Parliament of this Dominion, and I am of the opinion that if the whole of the statements made on each side are given full consideration to, and if the people of New Zealand generally will aid in bringing about the relations desired between capital and labour, the result will make for the prosperity of this country. I believe if the statements contained in the report, together with the papers by the workers' section and the employers' section, are carefully gone into by the Parliament it will be recognized to be an honest endeavour to place in the law of New Zealand a method of settling industrial disputes by which we will again lead the world in this matter. We know that our industrial law in New Zealand has been a pattern for the rest of the world, and possibly as the result of this Conference we may set another pattern, and, if so, we shall have done something to justify our little lives. I am pleased indeed at the tone of the discussion regarding this very contentious subject.

The Chairman: The discussion on these two papers now closes, and it will be my privilege, when the opportunity arrives, to hand them to the Prime Minister.

International Labour Conference.

Mr. Bloodworth: I wish to move a motion on a somewhat different matter to that which we have been discussing now for some time: I refer to the International Labour Office at Geneva in connection with the League of Nations. I wish to move, That this Conference desires to place on record its appreciation of the assistance it has received in its deliberations from the publications issued by the International Labour Office, Geneva, and suggests to the Government that it should take into consideration the desirability of being represented at future Conferences of the International Labour organization, as New Zealand is entitled to be represented as a member of the League of Nations. We are of opinion that such representation would be beneficial to New Zealand, and also that New Zealand's experience, given expression to at the Conferences, would be of great assistance to other countries in dealing with industrial and economic problems.

In explaining the resolution, may I call the attention of the Conference to the circumstances under which the International League Labour Office came into being, by virtue of the Peace Treaty, section 1 of which reads as follows:—

"Whereas the League of Nations has for its object the establishment of universal peace, and such a peace can be established only if it is based upon social justice; and whereas conditions of labour exist involving such injustice, hardship, and privation to large numbers of people as to produce unrest so

great that the peace and harmony of the world are imperilled ; and an improvement of those conditions is urgently required : as, for example, by the regulation of the hours of work, including the establishment of a maximum working day and week, the regulation of the labour-supply, the prevention of unemployment, the provision of an adequate living-wage, the protection of the worker against sickness, disease, and injury arising out of his employment, the protection of children, young persons, and women, provision for old age and injury, protection of the interests of workers when employed in countries other than their own, recognition of the principle of freedom of association, the organization of vocational and technical education and other measures. Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own country : The High Contracting Parties, moved by sentiments of justice and humanity as well as by the desire to secure the permanent peace of the world, agree to the following."

Then follows the provisions covering the organization of the International Labour Conference. One of the " high contracting parties " there referred to, one of the parties on whose behalf the Right Hon. Mr. Massey attached his signature to the treaty, was New Zealand, and it is our feeling that we should endeavour not merely to accept the privileges which attach to that important treaty, but also to accept the responsibilities which attach to us as a contracting party. During the discussion in the committee, at various stages the table was almost laden with publications from which quotations were being made—publications such as this which I hold in my hand—issued by the League of Nations International Labour Office. The representatives of each side on the committee have waded through these publications in support of our ideas, and we have received some considerable assistance from them. Almost all the items which have been discussed by the Conference are included in the preamble Peace Treaty, which I quoted. The reason why we have brought this matter up at this Conference is because it has been held by the Government that New Zealand was so far in advance of other countries in industrial matters that there was no advantage to be gained by representation at the Geneva Conference. But that is one side of the matter only. We have been in advance of countries for a number of years in the matter of industrial problems, and it seems to me that we should accept our responsibility by offering our assistance at the Geneva Conference, hoping to help other countries in regard to the improvement of industrial relations. One of my reasons for moving this motion is because by ignoring our responsibilities we are wrongfully casting a slur upon the honour of New Zealand. This paper which I hold in my hand is issued quarterly by the International Labour Office. It shows the acceptance or otherwise which has been received from the fifty-seven countries which are members of the League of the recommendations issued by the Conference. The Conference issues recommendations to the various nations, which accept them or otherwise, and signifies their acceptance or otherwise. This form shows how the various countries received these recommendations, and in the corner of this form there appears a statement which, I consider, puts New Zealand in a wrong position. This statement is as follows :—

" No official information which can be indicated in this table has been received by the International Labour Office from the following members of the organization : Albania, Colombia, Dominican Republic, Ethiopia, Guatemala, Haiti, Honduras, Liberia, Lithuania, New Zealand, Nicaragua, Panama, Persia, Peru, Salvador, Siam, Venezuela."

For the most part, these countries, with which New Zealand is grouped, are coloured republics. I do not even know where some of them are situated, and of some of them I have not even seen the names except when I read that they are grouped with New Zealand as countries from which no information is received by the International Labour Office. The only country in the list which prior to the war had any standing is this country of New Zealand. This is the only responsibility which we have refused to accept as a signatury to the treaty. We are represented on the other Conferences associated with the League of Nations, but we are not represented at this one, and because of that we find ourselves grouped with the most backward nations in the world, whereas prior to the coming into being of the League of Nations we were regarded as one of the most advanced countries in the matter of industrial legislation. I think that this Conference here assembled owes a debt to the League of Nations Labour Office for the assistance which we have received from its publications, and we owe it to ourselves as a nation that we ought to accept our responsibility to that body, and recommend to our Government that in future it should make the necessary arrangements for New Zealand to be represented at the Labour Conference at Geneva by virtue of being a party to the Peace Treaty itself. Sir, I move the motion.

Hon. Mr. Weston : Before the motion is put, I would like to point out that this matter is really outside the scope of this Conference. It is a political matter, which is entirely one for the Government to decide, and I think it would be inadvisable for us to go outside the scope of the inquiry referred to us. That scope is a wide one, and there is nothing like a cobler sticking to his last. I would be quite prepared to second the first part of the motion, which reads, " That this Conference desires to place on record its appreciation of the assistance it has received in its deliberations from publications issued by the International Labour Office, Geneva." I am quite satisfied that that Office is doing good work in collecting and disseminating information on industrial matters in various countries. It would be idle for any one to say that that Office is not doing very valuable work.

A Delegate : Then, why not help them ?

Hon. Mr. Weston : With regard to that remark, I might say that but for the financial contributions received from Great Britain and the members of the great commonwealth of British nations it is questionable whether the League of Nations would have been able to carry on in the way it has done. If you turn up the finances of the League you will find that this country, in common with other members of the British commonwealth of nations, has assisted in making a joint contribution which represents more than that of any other nation on the face of the globe, or any other collection of nations. I think there is that technical objection to our passing this motion moved by Mr. Blood-

worth; but I think there is a further objection. I think it is idle to deny that this country has been passing through a serious depression. We are now beginning to emerge from it, but we are suffering very heavy taxation, which is due to the sacrifices we had to make during the war period. In my opinion, there is no reserve of taxation on which we can call in the event of any crisis occurring. For instance, an outbreak of foot-and-mouth disease among our dairy herds would impose a strain upon us which in our present position it would be very hard to bear. In addition to that, the unemployment trouble has cost us half a million, and it will cost as much during the present financial year. Then we have the position of our farmers on the deteriorated lands—all those soldiers who have been settled on lands at too high prices. We have roading policies still to be carried out which will mean heavy calls upon the finances of this country. And I think that to send four delegates to the International Convention would involve an expense which this country is not warranted in incurring under present conditions. I do not think that they would make a contribution to the discussion there—you know it is a large meeting of men speaking different languages—that would justify the expense in view of the present finances of this country. There are, of course, such things as luxuries, and it is well to indulge in them when you have the means, but seeing that we are so hard up I do think that our money can be better spent than in sending four men on a long trip to a distant portion of the globe, where they might have a thoroughly good time and might possibly do some little good. I would much prefer, if any money is to be spent in view of our connection with the League of Nations, that the Government should vote a sum, which would be quite a small amount compared with the expenses incurred in sending delegates, in disseminating those publications among those in New Zealand who are willing to read them. We have done our best in New Zealand to contribute towards the maintenance of the office and secretariat of the League of Nations at Geneva. If we are to benefit by the good work being done by the trained secretariat there, it will be rather by making known to everybody here who is interested the results of their inquiries. I venture to hope that the mover of this resolution will agree to delete all that portion containing the recommendation that the Government should take steps for New Zealand to be represented at future Conferences of the International Labour Organization. If he would do that, and retain only the first part of his motion—"That this Conference desires to place on record it appreciation of the assistance it has received in its deliberations from publications issued by the International Labour Office, Geneva"—I would have very much pleasure in supporting it.

Mr. Roberts: I second the full resolution. I could quite understand the objection that has just been raised if it were raised by the employers of San Paola or Nicaragua, where their standard of living is not much higher than that of a sheep-dog in New Zealand; but I cannot understand the New Zealand employers, whose workers have a higher standard of living than those of most other countries, objecting to it. Then there is another point of view: We are competitors in the world market to-day in Great Britain. The farmers and others in this country complain that the primary products produced in Denmark and other countries are competing unfairly with them because of the fact that the price of labour in those countries, and the cost of living, is lower than it is in New Zealand. What is your obvious duty, then? Surely it is to assist the labour section of the League of Nations to raise the standard of these people and so give you a chance of competing fairly with them. May I say that the English manufacturers have found that it is to their interests to raise the standards of the Hindus, the Chinese, and the Japanese, in order that they may compete fairly with these countries in the world's markets. We cannot possibly lose, we have every prospect of gaining, by being represented on the labour section of the League of Nations at its annual conference. There is also this very important consideration: that we owe a duty to the League of Nations. Mr. Weston, in the course of his remarks, said it was very doubtful whether we could contribute anything of value to the discussions at the Labour Conference of the League of Nations. Does he mean to infer that the discussion at this Conference, and the matter and data obtained here, if put clearly and lucidly before the labour section of the League would be of no value? Gentlemen, we have an experience of over thirty-four years which no other country in the world has had on these matters, and surely that experience would be of value to the League, notwithstanding what anybody may say here. Mr. Weston made the remarkable statement that we should keep away from the Labour Conference of the League—that we could do no good there. But suppose every country in the world kept away from the League, how long would it continue to exist? It is a good job that there are many people who are more internationally-minded than those on the other side. With regard to the books received, I know that the Conference will pass a resolution thanking those who give us something for nothing; but we should recognize the services of that section of the League of Nations better by sending representatives there than by any other method. Constantly I receive requests from gentlemen in charge of different secretariats there, asking us to be represented, or to press the Government to send representatives to Geneva.

Mr. Henderson: Mr. Chairman, may I suggest that there is no necessity to discuss at any length a matter on which we could reach unanimity with very little trouble. Might we not modify the motion to express the hope that the Government will send a representative when opportunity offers?

Mr. Bloodworth: How would it do if I amended the motion to read as follows: "That this Conference desires to place on record its appreciation of the assistance it has received in its deliberations from publications issued by the International Labour Office, Geneva, and suggests to the Government that it should take into consideration the desirability of New Zealand being represented at future conferences of the International Labour Organization, as New Zealand is entitled to be represented as a member of the League of Nations"?

Hon. Mr. Weston: I do not mind the amended motion individually, but I have very grave doubts as to whether it is within the scope of this Conference.

The Chairman: I have doubts, too.

Mr. Roberts: I think it is within the scope of the Conference. You will remember, Mr. Chairman and gentlemen, that Mr. Coates said, in opening the Conference, that "the sky is the limit," and we are not exceeding that limit by asking the Govermnent to send a representative to Geneva. I must say that Mr. Weston and Mr. Bloodworth have immensely improved the motion, and I fully agree with it as amended. I want to point out that the representation of New Zealand at the annual conference of the labour section of the League of Nations is expected not only by the League itself, but by employers' and workers' organizations throughout Europe. They read with interest our deliberations on these matters, and I think we would be of valuable assistance to them if New Zealand were represented at their Conference. I am egotist enough to think that we could show them how to do their job better than they are now doing it.

Hon. M. Weston: I second the motion. I just want to say, however, that I do not believe in extravagance. I do not know whether I have any Scotch ancestors or not, but I like to scrutinize what I spend, and I would rather help a man who is in distress than help another man to what is, after all, more or less of a joy-ride. Everything is done by the secretariat of the labour section at Geneva, and the whole of our deliberations will be carefully scrutinized by men trained in the work, and the information will be sent out to all quarters of the globe. I believe that that will prove more useful in the long-run than even the best speech delivered at a hurried meeting such as an international conference of labour delegates would be. We both want to get the same result, but I think that the unseen work is often more useful and practical than the seen work.

Motion agreed to unanimously.

Printing of Conference Records.

Mr. Bishop: The motion I wish to move is in reference to the printing of the records of this Conference. I would suggest that a sufficient number of copies of the proceedings be printed to enable a copy to be supplied to each delegate, and also to each organization represented by delegates for use in their offices. I also recommend that a sufficient number be printed for subsequent distribution. I have had a number of inquiries already from other countries for copies of the reports of the Conference, and am anxious to avoid what frequently happens in connection with reports of this kind, that only a very limited number is printed, and a few months afterwards it is impossible to obtain copies, even from the Government Printing Office.

The Chairman: How many would be needed ?

Mr. Bishop: I think five hundred would be the minimum, but probably more than that would be required.

Mr. Bloodworth: I second the motion. I think it is desirable that a sufficient number of copies be printed to supply all the parties interested throughout New Zealand, and beyond its shores. Institutions which Mr. Bishop did not include, but which would probably be included in the ordinary course, are the public libraries in the cities, which ought to be supplied with a copy.

Professor Murphy: May I ask that copies be made available for the New Zealand University colleges, and one or two be given to us for distribution to foreign scholars.

The Chairman: I think the idea of having a sufficient number printed and kept in stock is that they may be distributed to such people as would be inclined to read the report.

Hon. Mr. Barr: The Prime Minister is fully alive to the importance of this Conference, and the material that has been gathered as the result of it, and there has already been under consideration the publication of a sufficient number of copies in the present foolscap form as printed so far. The Prime Minister also thinks the report of such value as to justify its being printed in book form in a handy size that would be available not only for circulation, but for purchase by those interested in the question. It would include not only the reports and papers handled in this Conference, but all the material which has accumulated as the result of the committee's deliberations.

Mr. Bishop's motion was agreed to.

Presentation of Conference Recommendations to the Right Hon. the Prime Minister.

The Chairman: Mr. Coates, in your speech at the opening of this Conference on the 27th March last you stated that "the Government in calling this Conference have made an honest attempt to bring together what are apparently conflicting interests, in the hope that by meeting face to face and threshing out their difficulties they may succeed in bringing peace and good will to the industries of New Zealand." Considering to-day, at the close of the Conference, the effect upon us all of meeting and discussing together the many problems involved, it would seem almost as if the designation of the interests represented as "apparently conflicting" was prophetic of what we would indeed find. I am sure that to-day we all have a better understanding and a higher appreciation of the point of view of the other man than we had at the beginning, and that in very many cases we have discovered that, so far from our interests being conflicting, we are really almost at one, and that very little more would bring about complete agreement. As yet we have not reached that stage in all cases, but much has been done to prepare the way and lay the foundation for it. I desire to say also that the hope expressed by you as to the spirit in which the inquiry and discussions would be carried on has been fully realized. There has been evident throughout a sincere and earnest desire on the part of every one to get closer together, to work in harmony, and to devise ways and means for the furtherance of the best interests of the country as a whole. There has been the utmost good feeling from beginning to end, and even if nothing else had resulted from the Conference the time devoted to it has been well worth while. A good deal more, however, has been done, and I feel I can say that the foundation has been laid and the way prepared for still more. I am authorized to hand to you, sir, for your consideration unanimous recommendations from the Conference on the subjects of unemployment, immigration, and the Workers' Compensation Act. To the first of these there is an addendum from the workers' represen-

tatives on the special sub-committee. There are also attached separate recommendations from the employers' and from the workers' representatives for amendments to the Industrial Conciliation and Arbitration Act. A real attempt was made to obtain a unanimous recommendation on this subject, but on a crucial point agreement was found impossible. A perusal of the two statements will, however, show that there are many points on which the two parties are almost in agreement. We hand them to you, sir, with the hope that our work may prove of some assistance in furthering the welfare of our country.

The Right Hon. Mr. Coates (Prime Minister): Mr. Chairman and gentlemen, first of all I want to express the appreciation of the Government—and I think I may add the appreciation of the members of the Parliamentary Committee—for the time and attention you have given to the various questions submitted to the Conference. I believe that you have considered all these matters from a purely national point of view. I am sure that each delegate has approached these problems with an open mind and with a desire to serve the community that he represents, and has always had before him the best interests of our country. I recognize the difficulty presented in connection with these matters and the necessarily varying points of view. I believe that the chief benefit of the Conference will not necessarily be the practical result, but the advantage gained from the fact that a better understanding has been brought about as between employer and employee. It is obviously desirable, if at all possible, that a good understanding should exist between the parties in industry if we are to have industrial peace in our community. Here, gentlemen, let me say that I am sure the members of the Parliamentary Committee, who have been closely associated with the work of the Conference, feel that their efforts have been amply repaid by reason of the atmosphere that has been created, and which has been communicated to the people of New Zealand, indicating that there is a strong desire that employer and employee should understand each others difficulties and viewpoints. I take it that the Imperial Conference would be almost an example of what you have passed through—in both cases it is not so much the resolutions passed that count as the appreciation of the various viewpoints expressed by the several delegates. In this case, Mr. Chairman, I take it that an excellent atmosphere has been created in the Conference, such an atmosphere as will ensure that in the future, before industrial difficulties will be allowed to assume a serious aspect, the delegates here present at any rate will make every effort to prevent industrial conflict. I have not yet looked through the resolutions, but I recognize the difficulties that have occurred in securing unanimity. Last session Parliament made an effort to see if it was possible to legislate in such a way as to meet the wishes of those concerned on both sides, and at the same time to secure industrial peace and efficiency for the future. I understand that upon one vital point you have been unable to agree, and it will be difficult for the Government to launch legislation likely to meet with general acceptance by all those directly concerned. The work which you have done and the reports of the Conference will be carefully studied. I believe that not only the resolutions passed, but the remarks that have been made and the papers that have been presented by the representatives of the various interests and by the Professors of Economics, will be read widely in other parts of the British Empire as well as in New Zealand, and will possibly be sought after by countries outside the Empire. It is a cause for satisfaction, I am sure, that we have been able to get the representatives of the various industrial organizations together. That in itself is an accomplishment, and augurs well for the future of New Zealand. All sections of the community will be pleased to know that we have been able to bring together so comprehensive a representation, the units of which have been able to get their legs under the same table and discuss in detail the various industrial matters which require consideration in the interests of peace in industry. I desire to congratulate those present on the work that has been done and the good feeling which has prevailed throughout the Conference, and to say on behalf of the Government how much we appreciate the time and attention you have devoted to the consideration of the various problems submitted to the Conference. May I also thank the Chairman of the Conference for the excellent manner in which he has carried out his duties, and I also thank the delegates who accepted Mr. Thomson as their Chairman. The selection of a Chairman was a somewhat difficult matter to settle, but I believe that Mr. Thomson has lived up to the high reputation that he has gained for himself in New Zealand, and that you have all been gratified by the impartial manner in which he has handled the business of the Conference. The various resolutions passed by Conference will necessarily require careful examination by the Government, and I trust that in due course the results will give satisfaction to all parties concerned. It may be necessary in the future to keep before us the desirability of convening future conferences, representative of employers and employees in the primary and secondary industries, to consider various questions from the widest point of view, that of our country. If we can get industrial peace in this country there is really nothing to fear. It means everything to everybody, to have each section of the community satisfied that it is getting a fair chance and a fair deal. If we can secure that, then we need not worry much about other things, because it means prosperity and happiness to every individual in our country.

Valedictory.

Light refreshments were then served, after which the Chairman proposed the usual loyal toast, and the Hon. Mr. Weston proposed the toast, "The Right Hon. the Prime Minister, the Parliamentary Committee, and the Hon. Mr. Barr, Manager of the Conference."

Mr. Weston said: Mr. Chairman, the Right Hon. the Prime Minister, and comrades—I think, in view of the very friendly atmosphere with which this Conference is ending, I may call you that—it is unnecessary for me to repeat what has been so often said in the later stages of this Conference, that we are much indebted to you, Mr. Coates, for the happy thought, and to Parliament for endorsing that happy thought, of calling this Conference. We have achieved a good deal in agreement, and I venture to say that time will show that we have achieved a great deal more in spirit. Here again your kindly thought, shown at the very commencement of the Conference, has had a good deal to do

with that happy result. I refer to the hospitality you showed us in asking us to have a cup of tea with you on the first afternoon. Both sides have followed the example shown by you, and over a cup of tea a great deal more has often been done to come to conclusions and cement the kindly spirit that has actuated both sides than by all the talk during the rest of the day. Years ago I first met Mr. Roberts in close contact at a mining conference. I remember that he then emphasized the fact that it was no good our two parties sitting on opposite sides of the room, glaring at each other and calling each other names; but I must admit that after that good advice he proceeded to give us a good trouncing. One of the prominent coal-mine owners said to me, "Surely, Weston, you and I are not so bad as he paints us"; and it was a relief to my friend, and I know it was to myself, when at the first interval Mr. Roberts strolled across with a friendly smile and started to treat us as human beings. At that conference were sown the seeds in the minds of many of us present that it is an absolute necessity in this country for labour and capital to work together on friendly terms, to the advantage of the whole community. It is useless for us to stand off from each other, and the closer we get the more we learn to understand each other's ideals, and the greater progress is going to be made. That has again been exemplified at this Conference. I am sure, sir, if you had been here at the conclusion of the deliberations of this Conference you would have been amazed at the difference in the atmosphere then and that on the first day, when with some difficulty we arrived at our first agreement. There is one thing, however, that it is well to bear in mind, I think, if we are to get the fullest benefit from this Conference; and I hope it will be borne in mind by speakers and by press writers that industrial matters should be treated more as scientific problems, to be discussed dispassionately without the use of adjectives and the exercise of dialectics. It has been my experience, and, I believe, that of Mr. Roberts—because he was the first to suggest a small sub-committee, and often it became an even smaller sub-committee, that much more is gained by a little quiet conversation in which both sides speak frankly without playing to the gallery, and without tactics. I believe I can assure you that that is our spirit on this side of the room, and I believe the same view is held on the other side; and there will be no great industrial difficulties in New Zealand so long as each side approaches the other in that spirit. I have to thank you, sir, very heartily, for this side of the table, and, I am sure, for those on the other side also, for the way in which you have looked after our comfort during the Conference.

Mr. Bloodworth: Mr. Chairman, Mr. Prime Minister, and gentlemen, I feel somewhat embarrassed. It is the first time in my life that I have been called upon to second a toast to a Prime Minister. In doing so I would like to say that when this Conference was first mooted, and we arranged our team on this side, I was very very anxious that the team on the other side should be the strongest team possible. But when I scanned the papers from day to day, and saw the names of the delegates who were to represent the other side I frankly admit that sometimes I had a cold shiver down my back, because many of the names which appeared were known to me as those of men associated with ideas directly contrary to the ideas with which I have been so long associated, and I felt a little bit afraid of meeting the owners of those names. But since I have come to know them personally, though it is still a fact that some of their ideas are directly contrary to my own, I have come to know that they thoroughly believe their point of view, and are honourable gentlemen, every one of them, as sincere in their ideas as we are in ours; and in future I shall not associate with them the horrible things I used to attribute to them, but the pleasurable recollections of the time we have spent together at this Conference. This Conference, called by the Government, was a very important experiment, and I think we may say it has proved entirely successful. It has been to me, and, I am sure, to every one of us, an intensely interesting experience, and an exceedingly valuable educational experience. Although perhaps we have not arrived at finality in everything, we have at least indicated the road by which we think an advance may be made towards establishing industrial peace and prosperity on a thoroughly sound basis. We have narrowed down the issues to four, and I am sure, sir, that you will be pleased to know that on three of those issues we have arrived at unanimous findings; and I think we may, without feeling at all boastful, submit that that is a very suitable example for your honourable House to attempt to follow. If it could do that we might think more of it. For the rest, I will content myself by saying that I have great pleasure in seconding the toast to yourself and your colleagues for calling this Conference, to the Parliamentary Committee for so carefully arranging all the details, and to the Hon. Mr. Barr, Manager of the Conference, for the manner in which he has carried them out. I feel sure that this Conference has been a very very valuable education for most of us who have been privileged to take part in it.

The toast was drunk with musical honours.

Right Hon. the Prime Minister: Mr. Chairman and gentlemen, may I, on behalf of the Parliamentary Committee and myself, sincerely thank the speakers for their appreciative remarks and the Conference for the hearty manner in which it has pledged the toast. I can assure you that each and every one of my colleagues and of the Parliamentary Committee—representing, I think, every school of thought in Parliament—will appreciate the manner in which the delegates have responded to their efforts. You will recognize that the mere fact of Parliament's agreeing to the Conference represented by no means an easy achievement. There were various and very decided opinions as to whether there should be a Conference or not; and my colleagues on the Parliamentary Committee will remember the late nights and the many days we spent in the effort to bring together the different points of view represented here. But gradually, as the matter was recognized to be important, and it was realized how great were the advantages to be gained from getting together representatives of the various points of view in regard to important legislation affecting the industry and life of the country, it became evident, the more we discussed matters amongst ourselves, that such a Conference ought to be held. I think I am correct in making the statement that politics—party advantage, at any rate—was the last thing thought of in coming to that conclusion. It was the general concensus of opinion that in getting together representatives of the different sections in the industrial world, if that could

possibly be done, we were taking the surest course to make for industrial peace in the future. On behalf of my colleagues I want to thank you, gentlemen, for the manner in which you have recognized the effort made by the Parliamentary Committee. So far as the details are concerned I do not want to accept any responsibility, but I would thank the Hon. Mr. Anderson, Minister of Labour, now away on a trip for the benefit of his health, and the Hon. Mr. Barr, who has attended to all the details in connection with this Conference. There is a gentleman sitting on my right to-day (the Hon. Mr. Downie Stewart) to whom thanks are also due. It was he who, in his speech at Feilding, first gave an indication on behalf of the Government that we thought a great deal could be gained by bringing the various industrial interests together, with a view to discussing in detail industrial difficulties and the arguments for and against certain important legislation. He had discussed the matter with his colleagues, and we agreed, and told him that he could make a public suggestion to that effect if he thought it possible to bring this Conference about; and Mr. Stewart on that occasion first sowed the seeds which ultimately led to the appointment of the Conference. I am sure, gentlemen, we are indebted to him for consistently urging the desirability of such a Conference as this.

Hon. Mr. Barr: Mr. Chairman, Mr. Prime Minister, and gentlemen, I am rather embarrassed by your unexpected thanks. I was asked by the Prime Minister to do certain work; I have done my best to fulfil the duty imposed upon me, and I can only say that it is very gratifying indeed to me to find from your expressions of thanks that my duties have been carried out to your satisfaction. To me, as to all, it has been an occasion for learning a great deal about industrial matters, because, no matter how much you may know of such things, you cannot dwell so long amongst a gathering such as this, representing so many different interests and viewpoints, without learning a good deal from them. I would like again, on behalf of the Parliamentary Committee, to express our sincere thanks and appreciation on, first of all, the success in bringing together the gentlemen who have attended this Conference, and next of having heard your opinions and your various resolutions. I can only assure you that each and every one will have the careful consideration of those responsible for the government of the country. We are as anxious as you are, and as earnest in our desire as you are, to seek the path which will lead to peace and contentment. And again I would say that in using those two terms we are best serving the interests of our people, and making it easier for them to reach a stage of prosperity which we hope will be the envy of the rest of the world.

Mr. Roberts: I desire to propose the toast of the Chairman, Mr. A. D. Thomson, who has presided over the sittings of this Conference. Mr. Thomson did not have a very difficult job; as a matter of fact, he had a very easy task. Although he had to listen to sometimes very wearying statements from either side, he had invariably the confidence of both sections. I would have liked to have heard Mr. Thomson's views when he was asked by the Prime Minister to preside over a Conference of this kind. Probably he thought he was being asked to preside over a bear-garden; but I think he will now agree that he has had a pleasant experience in the other direction. At any rate, I think that if any one here had felt inclined to question any of the Chairman's rulings he would have found himself in a hopeless minority. Digressing a little, I think as the result of our meetings here we shall be able in the future to overcome many difficulties that hitherto have seemed insurmountable. I believe that each side will recognize in future relationships the potent fact that there are industries to be carried on and that they are partners in the same, and that if the spirit of fair play is exhibited we shall achieve some splendid results from the talks we have had in this Conference. I wish also to express my own personal thanks and those of the labour section to the staff that has waited on us and helped us during our deliberations. I have also to thank the Hon. Mr. Barr for his kindness and attention. I ask you to accept the toast of the health of the Chairman, Mr. Thomson, who has conducted these proceedings so ably and well.

Mr. Bishop: I have much pleasure in seconding the motion moved by Mr. Roberts, and which has been received with unanimous approval—indeed, with acclamation—all round the room. All that has been said by Mr. Roberts regarding our Chairman I desire very heartily to endorse on behalf of the delegates on this side. Mr. Thomson has discharged the onerous duties of the chairmanship faithfully and well. No one could have given greater satisfaction to the Conference than he. I have no hesitation in saying that this has been a thoroughly enjoyable Conference as well as a thoroughly instructive and educational experience to us all. I think every one has enjoyed it. We have enjoyed meeting each other and hearing the varying points of view expressed—some new to many of us. I think that the nucleus of many lasting friendships has been formed, and that those friendships between delegates holding contrary views are all to the good and will be productive of a greater measure of industrial peace in the future. I wish to heartily endorse the remarks of Mr. Roberts regarding the staff of the Conference, who have so ably catered for our confort. We have indeed been looked after in a way that has left nothing to be desired. I am sure that Mr. Roberts intended to include the secretarial staff of the Conference.

The Chairman (Mr. A. D. Thomson): The Right Hon. Mr. Coates, Mr. Roberts, Mr. Bishop, and gentlemen, I need only assure you that I have felt it a very great honour to preside at your Conference. It has been a very great pleasure to me to be associated with you all. I assure you that it has been an experience that I shall treasure all my life. I have benefited very greatly as the result of hearing the various points of view that have been put forward. I do not mind telling you a little history in connection with my being asked to preside at the Conference. I was attending another meeting when I first heard I was to be asked to act as your Chairman, and I came down late in the evening to discuss the matter with the Business Committee. There I was told what had passed, and was asked if I could accept the position of Chairman at the Conference. "Well," I said, "I have had some experience that may help me, because I have refereed in a good many football matches." I was assured that my job would not be as bad as that. It certainly has been a good deal easier than many

football matches that I have handled. Indeed, my work has been very light indeed, and that was accounted for to a great extent by the excellent arrangements that have been made, and the good spirit with which the business has been conducted on both sides. These in turn are due to the Hon. Mr. Barr, the Manager of the Conference, and to the Business Committee set up by the Conference, who have arranged the subjects to come forward, and have prepared them in such a way that things have gone as smoothly as clockwork. There has been no interruption of any kind, and to those gentlemen is due in a large measure the success which has attended the management of the Conference. There is another element which has contributed very greatly to the success of the Conference, and that is the evident good will of the members of the Conference towards one another and towards myself. I have felt all through that the delegates were anxious to say the kindest things they could of one another, instead of searching for words which might rub one another up the wrong way. As for myself, I felt that every one was anxious to see me through the job well. I thank you all very heartily for the kindness with which you have expressed your appreciation of my work in presiding over the Conference.

Hon. Mr. Downie Stewart: Mr. Chairman, there is no occasion for me to make a speech, but I have just suggested to the Prime Minister that, after listening to the references as to the degree of unanimity that has been reached, it might be advisable that the Conference should continue in session, and that its aid might be invoked to frame a Licensing Bill that would satisfy the Prohibitionists, the trade, and the general public. (Laughter.) Then the Conference might tackle the Bible-in-schools question, and if the result again proved satisfactory I have numerous tariff problems awaiting solution. However, if the delegates are anxious to get away in the meantime, the Prime Minister might defer these minor, yet still important, matters until a later date.

Hon. Mr. Wright (Minister of Labour): Mr. Chairman and gentlemen, I am only present on sufference; I have had practically nothing to do with the preparation or deliberations of the Conference. I do not know, of course, whether the resolutions passed will mean that I will have a Bill to present to Parliament during the coming session—I am not quite clear upon that point yet—but I do want to express the opinion that it does augur well for both capital and labour in New Zealand that a body of men such as we see here this afternoon could come together and carry on their deliberations in such an amicable spirit even though they fundamentally disagree. That could not be done in some parts of the world. In some places this Conference would have been a Donnybrook fair; a football match would have been nothing to it. It certainly reflects credit upon both labour and employers' representatives that they are able to carry on their deliberations in this way. I am satisfied that, although you have found it necessary to disagree upon one vital point, each side has been able to see something of the difficulties confronting the other side, and I venture to say that when that is done you are in a fair way to solve one of the biggest problems that has ever faced the world. When the representatives of the employers appreciate the difficulties of labour, and when the workers gain a clear view of the difficulties of the capitalist, there is always hope of a final solution of the great problem. I trust that the result of this Conference will be very far-reaching, and will be the means of laying the foundation—even if we do not succeed immediately—for solving the great problem in New Zealand in the near future.

Mr. Acland: Before the Conference finally concludes I would like to propose that a hearty vote of thanks be accorded to the Hon. Mr. Barr for the way in which he has carried out his work as Manager of the Conference. Quite apart from his work during the actual Conference proceedings, I feel that all the delegates must recognize that his duties in connection with this last function of the Conference have been carried out exceedingly well. I think that this motion will appeal to my friends on both sides.

Mr. Roberts: I desire to heartily second that motion. Although I have very much enjoyed this last half-hour function of the Conference, I want to say that Mr. Barr has always attended to our requirements as delegates. I might, however, be permitted to remark that Mr. Coates, when he appointed Mr. Barr Manager of the Conference, must have had in his mind that he would possibly make a good Minister of Finance in the days to come. I can assure the Prime Minister that Mr. Barr can look after the purse-strings of the Government as well as any man I know. I want to add that right throughout the Conference he has been a great help to us all. When any difficulty between the parties presented itself he has gone from one side to the other and suggested a way out. This has helped us considerably, and we all realize that Mr. Barr has done everything possible to make the Conference a success.

Professor Murphy, responding to an urgent demand for a speech, said,—Mr. Chairman, the Right Hon. the Prime Minister, and gentlemen, unlike most members of this Conference, the professors are of few words and unaccustomed to public speaking. I am afraid I shall have to strike a discordant note to-day. I refer to the great slight put upon us when we were deprived of the rights of full delegates in this Conference. I feel that in doing that Mr. Roberts has struck a blow at the prestige of the intellectual proletariat from which we shall not recover. It is just possible, however, that the financial authorities may feel disposed to recognize that moral damage by awarding us something in the shape of a small bonus. We are in the hands of the Prime Minister and the Minister of Finance, so everything should be all right. There is only one danger that has faced this Conference, as far as I can see, and that is now happily over. I noticed the extreme amiability with which delegates met, and I feared that it might be strained to breaking-point; but I found it quite the other way about. Yesterday I was quite alarmed at the degree of affability displayed on both dides. The delegates were so friendly that I was afraid that an era was coming when the boss would say, "I insist upon your taking £12 a week in wages," and the worker would reply, "I am sorry, Sir, but you really cannot afford it." Then, I do not know what would happen first—a lockout to compel the men to accept double wages, or a strike to compel the masters to pay only half the amount. But from what I heard

this morning I do not apprehend any immediate danger of that kind. However, I would like to put my impressions on record. I can only add that we professors have enjoyed the Conference in our academic way. Though we are not optimistic enough to think we have taught the delegates anything, they have taught us a very great deal; and I shall look back upon this Conference not only as informative, but as very pleasant in its relations with members. I, personally, have gained a number of friends whom I hope I will keep to the end of my days, and I am sure that it is the same with my colleagues around this table.

The proceedings concluded with singing of "Auld Lang Syne."

The Conference adjourned at 4.55 p.m. (Friday, 18th May, 1928).

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