In January, 1922, the Public Expenditure Adjustment Act was passed, the following portion of the recital to which gives an indication of the reason for its introduction:—

"Whereas the rates of remuneration of certain persons employed, whether permanently or temporarily, in the Government Service . . . have from time to time since the first day of April, nineteen hundred and sixteen, been increased, firstly by way of a bonus or grant, and afterwards by way of an increase in the rates of salaries or wages, such increase of remuneration being given partly in respect of special services and partly on account of the increased cost of living due to conditions arising out of the war with Germany . . . And whereas the increased rates of remuneration continue to be paid notwithstanding that a state of war no longer exists, and notwithstanding also that the cost of living has decreased and is likely further to decrease: And whereas it is essential in the public interest, having regard to the decreasing amount of revenue derivable from the usual and ordinary sources, that such increases as were made in the permanent charges on the public revenues by reason of the increased rates of remuneration aforesaid should be diminished. . . ."

The Act applied to practically every employee in receipt of remuneration from the Government, with the exception of His Excellency the Governor-General; the Judges of the Supreme Court; the Judge of the Court of Arbitration; the High Commissioner for New Zealand; any person employed by the Government or by any other authority for a specific limited term of office pursuant to a contract made out of New Zealand; any person who was remunerated by fees or commission, and not by wages or salary; and any person who at the time of the passing of the Act was on leave of absence prior to retirement.

The Act provided for the reduction in remuneration to be made by three instalments, the first cut to take effect as from the 1st January, 1922, the rate of reduction being as follows: Over £1,250, 10 per cent.; £1,001 to £1,250, 9 per cent.; £901 to £1,000, 8 per cent.; £801 to £900, 7 per cent.; £501 to £800, £25; £321 to £500, £20; £191 to £320, £15; £190 and under, £10.

The Act further provided that, except in the case of officers in receipt of a salary in excess of £800 per annum, in which case only one cut was made, subsequent reductions should be applied on the 1st July, 1922, and the 1st January, 1923, as might be determined by the Minister of Finance and notified by notice published in the *Gazette*. In accordance with this provision a reduction in salaries was made from the 1st July, 1922, as follows: £191 to £800, £10; £190 and under, £5.

It will be seen that adjustments by way of bonus were made in 1916, 1917, and 1918, and in 1919 the first adjustment by way of salary-increase was effected when the general regrading of the Service took place that year. In 1920, on account of the cost of living showing an increase of 62·4 per cent. over July, 1914, a further increase in salary was granted, making in the case of all lower-salaried officers, who were presumed to feel most keenly the increased cost of living, a total increase of £95. In 1922, when the cost of living had fallen to 47·1 per cent. above 1914, the Public Expenditure Adjustment Act was passed, bringing about the first salary cut, which, though general in application, affected officers receiving less than £320 to the extent of £15 only. The second cut was brought into effect in July, 1922, when the cost-of-living percentage had fallen to 43·6, and this cut resulted in a further £10 reduction, making a total reduction of £35, as against the total increase granted of £95. The cost-of-living figures continued to fall until towards the end of 1923, when they took an upward turn, giving rise to further requests for restoration of the cuts. In 1925 the cost-of-living figures reached their peak, although still considerably below the percentage upon which the increases had been made, and in 1926 they again showed a declining tendency, for some time past ranging round about the percentage that obtained when the first cut was made, some months being a point or two higher and others a few points lower.

In 1924 there was another general regrading of the Public Service, which took into consideration the relative salaries paid outside the Service, and adjustments were made to assess rates of remuneration commensurate with the actual worth of the services rendered to the State and in conformity with salaries paid outside.

Any general restoration of cuts at the present stage, apart from a reassessment of the value of individual positions, would create an entirely wrong standard of values, which would have a far-reaching general effect. Every officer in 1924 had a statutory right of appeal against his or her regrading. Full advantage was taken of this privilege, and a liberal comparison was made by officers with rates