ASSISTANCE TO FLAX INDUSTRY.

The cultivation of *Phormium tenax* (New Zealand flax), an industry natural to the Dominion, and one which normally employs considerable numbers of men, was threatened with extinction owing to reduced prices for fibre and to keen competition from hemp- and sisal-producing countries. The flax grows largely in swampy areas which, under cultivation, require constant maintenance in the way of draining. In line with its general policy of facilitating production and assisting towards the proper upkeep of the means of production in cases of industries natural to the country, the Board took steps to implement the reabsorption of large numbers of flax-workers. The arrangements made facilitate production and export sales, and assist in the maintenance of swamps. At the same time research is being carried on in relation to milling machinery with the object of increasing the proportion of fibre won from the leaf.

During the financial year 1931–32, the sum of £1,998 was expended in direct assistance to the flax industry.

ASSISTANCE TO SECONDARY INDUSTRIES.

The extent to which the Dominion can usefully employ the surplus population, over and above the numbers engaged in producing exports, is a factor the importance of which should not be overlooked or underestimated. It is essential for economic stability that to the greatest possible extent the employment involved in producing the goods and services required for domestic consumption must be given to the Dominion's workers not required in the production of exports, rather than to the people of other countries.

Simultaneously, therefore, with strong efforts to direct relief labour into other reproductive channels, the Unemployment Board has, in many ways, encouraged and assisted secondary industries with a view to providing more employment in those industries. This side of the Board's activity has been developed in a number of ways, and further experiments are to be tried shortly. The first step initiated by the former Board, but given effect to during the period under review, was to carry out an intensive press campaign, in co-operation with the Manufacturers' Association, in favour of preference being given to the purchase of New-Zealand-made goods. With the continued deepening of the depression it is very difficult to assess the value gained as a result of that effort; but it is certain that the Dominion's position economically would be strengthened, and the unemployment problem eased, by a much closer attention to this principle on the part of the people.

The Board's No. 10 Scheme, offering assistance to building, was an experiment in the direction of subsidizing with a view to keeping men in industry, as an alternative to the industry ceasing and the workers becoming wholly dependent on relief. The scheme is explained hereinafter.

Notwithstanding the efforts already made, both in the direction of increasing productive capacity in primary industries, and the assistance already given to secondary industries, it is abundantly clear that fuller development of existing secondary industries and the building-up of new industries must be effected if the unemployment figures are to become normal, even after an improvement in export trade has occurred.

The Board is at present, therefore, considering how far, and to what advantage, the funds collected for the relief of unemployment—and at the present time being almost wholly absorbed in the provision of relief works—can be used in keeping workers in industry and in the creation of new avenues of employment, as an alternative to providing relief work. In many instances it is certain, and in others a possibility, that the difference between the cost of a locally manufactured article and that of the competing imported article is less than the national loss through unemployment when the imported manufacture is taken in preference to the article manufactured in New Zealand. Under existing conditions important orders have been lost to New Zealand industries for manufactured or partly manufactured articles, where the labour-cost is a substantial factor in the price, and in spite of the fact that the cost of maintaining the workers on relief has been far greater than would have been required to bridge the gap between the prices quoted for the New Zealand article and the successful overseas tender. The Board is hopeful of providing an arrangement to overcome this in the near future, at least as far as orders for goods for use by the Government and local bodies are concerned.

With a view to encouraging the development of new industries for New Zealand, the Board is therefore considering ways and means of encouraging the manufacture of articles which, although economically capable of production in New Zealand, have not previously been produced here, but regularly imported. Such a procedure, though offering great advantages, is fraught with many difficulties, and the position is being closely examined by the Board before taking action.

Scheme No. 10.

Apart from primary industries, the building industry with its allied trades is in normal times the largest employer of labour. The Board, in reviewing the position of unemployment at the early part of 1932, found that no single factor contributing to the cause of unemployment was more arresting than the almost complete collapse of the building industry. The extent of the falling-off in this industry is well exemplified by taking an index number of 100, to represent the value of building permits granted in 1922, the first year when statistics showing the movement in building construction in New Zealand were collected. The number rose in 1927 to 209, and fell away to 52 for the year ended 31st March, 1932. Building activity in New Zealand reached its maximum, both in value and in volume, in the year ended 31st March, 1927, when an increase of 109 per cent. in value and 149 per cent. in volume, was recorded as compared with the corresponding figures for 1921–22.

For the past year building permits fell to the unprecedented total value of £2,728,000, or 52 per cent. in value and 68 per cent. in volume of the 1921–22 total. Compared with 1927, when the maximum was reached, the decrease last year was 75 per cent. in value and 73 per cent. in volume.