

STATISTICAL AND SOCIAL INQUIRY SOCIETY OF IRELAND.

THE MINIMUM WAGE.

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Certain fundamental notions must be clearly understood before any progress can be made in a systematic analysis of the subject of a minimum wage. The term may be used in different senses either for the same class or various classes of the community. It is usual, in most minimum wage enactments, to relate it to a standard of living at least adequate for the physical efficiency of unskilled labourers, who, on account of absence of organisation, or the prevailing conditions of their occupation, may find their income from labour pressed below the ordinary standards of existence of their class. Protective legislation has been passed in practically every country to enable such workers to receive a wage adequate for normal conditions of livelihood. In many instances, it has proceeded further, and has endeavoured to secure for them what may be termed a family wage, which will be sufficient, according to existing standards, for the maintenance of themselves and their families. Higher standards may be desired, such as suggested by one writer¹ that the wage should be sufficient to provide the worker's family with every condition requisite for health and physical welfare, in addition to his own personal requirements. There are many types of minima, which are the outcome of personal negotiations or collective bargaining between employers and employees, and in which training, general skill, special aptitude, intellectual ability, experience and other qualifications are taken into account in determining the personal or standard wage for particular individuals or classes in the community.

It is advisable, in view of the varied meanings to be attached to a minimum wage, to confine our analysis to the minimum personal or family wage of the fulltime unskilled worker.

Real Wages

As the majority of the adult population in a country are dependent on the wages or salary received on account of services rendered, the aggregate and the rate of distribution of their earnings will exercise an important influence on the economic wellbeing of the community. So, also will the conditions of living of the individual salary- or wage-earner and his family be largely, if not wholly, influenced by the income received from his occupation. The value of the amounts earned is a relative term and depends on the purchasing power of money at the time of receipt, that is, the particular level of prices of the different articles or services on which the money income is spent. If prices are low, or the cost of living has fallen compared with a previous period, then the actual purchasing power of the money income will be correspondingly greater. Should prices have advanced, or the cost of living have increased, the

¹ P. Snowden: *The Living Wage*, p. 6.

purchasing capacity of the same wages or salary will be relatively diminished. Accordingly, in all discussions on wages, when regarded from the point of view of the wage-earner, real wages, that is, their actual purchasing value in goods and services, and not nominal or money wages, should be taken into account.

Another consideration is how the income from labour is spent. The expenditure of this income will have important reactions on the health and strength of those engaged in manual work, and will exercise a special influence on the general upbringing of the future generation of employees. The first claim on the wages received by an employee is the provision of necessities, which will include due sustenance for the worker and his family, adequate clothing, suitable living accommodation, and the other requisites necessary for a decent family life. Assuming that his wages are at least sufficient for this purpose, consideration must be given to the manner of their expenditure, which involves in the case of a married man, the extent, having regard to the prices of food, clothing, housing accommodation, etc., that the wages paid to him will be expended to advantage. If it can be argued that employers should at least pay a living wage to their employees, it can be asserted just as strongly that the wages should be expended for the definite purposes which have a primary claim on them and spent wisely, that is, they should be expended in ways and by means that will be directly advantageous to family life.

Apart from the method of expenditure of the family income, which is a vital problem with many families, whose income is barely adequate for the necessities required for their existence, it is expected that those entrusted with the expenditure of the family income will be charged fair prices for the required goods and services. Just as an employer is bound to give a fair return, according to his capacity, training and experience, for the wages paid, so suppliers of commodities and services should not be allowed to charge excessive prices, especially to those whose income is hardly sufficient for the support of themselves and their families. It should be the duty of the appropriate State authorities to take effective and immediate measures to prevent exorbitant prices being charged to consumers.

“Sweating” or unduly low Wages

Although it is somewhat difficult to define exactly the term “sweating,” it is easy to decide whether particular cases conform to generally recognised standards beyond which sweating is inevitable, having regard to normal conditions of working and living. The Fifth Report of the Select Committee of the British House of Lords on the Sweating System in 1890 stated that although they could not assign a definite meaning to “sweating,” the evils known by that name were disclosed in the pages of their Report to be: an unduly low rate of wages; excessive hours of labour; the insanitary state of workplaces. Three aspects of the labour contract are here taken into consideration, viz., the income from labour, the hours worked, and the conditions under which work is carried on. Emphasis is placed on wage rates by the Report of a Select Committee of the House of Commons on Home Work in 1908, which defined “sweating” as “a rate which in the conditions under which many of the workers do it, yields to them an income which is quite insufficient to enable an adult person to obtain anything like proper food, clothing and house accommodation.” The moral conscience of the community should

be immediately aroused if it were realised that individuals are employed for long hours at arduous work, tending to physical exhaustion, or that mere weekly pittance is paid to workers, or that working conditions are insanitary or not conducive to good healthy environment. It should be expected that under such circumstances legislative and administrative action would be taken to ensure humane conditions of employment.

Pope Leo XIII in his great Encyclical, *Rerum Novarum*, 1891, dealing with the Conditions of Labour, severely castigated the existence of sweating:—"The preservation of life is the bounden duty of each and all, and to fail therein is a crime. From it necessarily arises the right to procure those goods whereby life is sustained, and the poor can procure them in no other way than by wages for work. Let it be granted then that the workman and his master may freely make agreements, especially as to the amount of wages, nevertheless there is an underlying principle of natural justice, greater and older than any free desires of the contracting parties, to wit, that the wage must be sufficient to support a frugal and steady workman. For if the workman, compelled by his needs or influenced by fear of worse evils agrees to harder terms, which he must unwillingly accept, because the master or contractor so insists, he becomes the victim of force that justice condemns." Thus did Pope Leo XIII raise his voice to proclaim the rights of oppressed workers in all lands. The outstanding pre-eminence of the author of this manifesto and the extensive publicity which it secured in many countries led to an increasing recognition of the necessity and justice of governmental intervention to protect those in receipt of unduly low wages.

The vigorous agitation in Victoria, Great Britain and Ireland and in Germany, which exposed the evils of sweating in the form of unduly low wages, aroused the social conscience of the public in these countries to bring pressure to bear on their legislatures to take steps for its suppression. As a result, enactments were passed specifically with that object, viz., the Factory and Workshop Act, 1896, in Victoria, the British Trade Boards Act, 1909, and the German Home Work Act, 1923. An earlier German Home Work Act, 1911, provided regulations for the protection of the health and safety of the workers, child labour and the prevention of delay in giving out materials in the case of home work. Although the Federal Council and certain State authorities were authorised to establish representative committees in particular home work industries, to make investigations and report on the prevalent conditions, no power was given them to fix minimum wage rates. They could, however, encourage the voluntary conclusion of collective agreements for the determination of wage rates.

The payment of unduly low wages to adult workers must be condemned as offending against the principles of charity and justice, which all employers and employees should respect. It treats with the utmost contempt the human personality of the employee, who works for wages, so as to provide adequate support for the livelihood of himself and his family. It tends to place the worker, in the eyes of the employer on a lower level than the machinery and equipment of his business, which he endeavours to maintain in a high state of efficiency. The reply made by Robert Owen to his fellow-employers who criticised the humanitarian treatment of his workers, is pertinent to this point: "Experience must have taught

you the difference between an efficiently equipped factory with its machinery always clean and in good working order and one in which the machinery is filthy and out of repair and working only with the greatest amount of friction. Now, if the care which you bestow upon machinery can give you such excellent results, may we not expect equally good results from care spent upon human beings, with their infinitely superior structure? Is it not quite natural to conclude that these infinitely more delicate and complex mechanisms will also increase in force and efficiency and will be really much more economical if they are kept in good working condition and treated with a certain degree of kindness? Such kindness would do much to remove the mental friction and irritation which always results whenever the nourishment is insufficient to keep the body in full productive efficiency, as well as to arrest deterioration and to prevent premature death."¹ It is manifest that it is impossible for workers, if they are poorly paid and fed, to maintain themselves in full health and vigour for the due performance of their work.

In the case of industrial homework and personal services, no large investment of capital is usually required. Wages, thus forming the greatest proportion of total production costs, will tend to be pressed down to a low level, unless certain countervailing forces make themselves felt. Where there is a surplus of necessitous workers anxious to perform the desired home or out-work, wages will tend to fall to, or to be maintained at, a subsistence level or even below it. This tendency may be checked by organisation on the part of the workers, which is difficult to effect on account of their peculiar circumstances, or it may be restrained by the sense of justice of employers, who should consider that their employees should at least be permitted to "live" as human beings, or State legislation or public administrative action may decide to take measures to abolish the payment of unduly low wages. Most of the minimum wage enactments in European countries are limited to home- or out-workers; for instance, the German Home Work Act, 1923, the Austrian Home Work Act, 1918, the French Minimum Wage Act, 1915, applicable to female homeworkers in the clothing trades, which was extended by a decree in 1922 to those engaged in allied trades, the Norwegian Minimum Wage Law, 1918, relating to industrial homeworkers, and in 1919 an Act was passed in Czecho-Slovakia to regulate the conditions of labour, including wages, of homeworkers.

The reasons assigned for the enactment of minimum wage legislation in Canada for the suppression of the payment of sweated wages to female workers have been ably set forth by Dr. J. W. MacMillan, Chairman of the Minimum Wage Board of Ontario, thus: "The supporters of these laws have championed them on the ground that they guaranteed and defined a wholesome subsistence for a class of workers who are economically feeble. They were not sought by those who are mostly to benefit from them. No working women lobbied on their behalf. It was the mental picture of a woman giving her life's effort to a task which did not return her sufficient food, shelter and clothing, which stirred the public to resolve that such a thing should not be permitted. . . . But there was another reason for the attempt to prevent low wages. It was held to be very important both from the employers' point of view and for the general prestige of the Dominion that the relatively

¹ Gide and Rist: *A History of Economic Doctrines* (1917), p. 237.

high standard in Canada should not be undermined. Thus people welcomed minimum wage laws as a rampart against the advance of the destructive low wage. They thought it good business to save the comparatively helpless from being forced down below the line of decent subsistence. For how many more might not follow her in her descent."¹

Causes of unduly low Wages

Unduly low wages may be attributed to various causes, of which the following are the most important: the exploitation of workers by employers, the general inefficiency of employees; inefficient organisation of production and distribution within a business, industry or country; economic depression throughout an industry or a country.

Exploitation of Labour

Employers may exploit their employees by the payment of a wage lower than that justified by the economic value of their work; and if this wage is below that required to maintain the worker and his family in the ordinary standard of living of his class, there is a grave risk that his working efficiency will be diminished, while the vitality and future productive capacity of his children will be seriously impaired. Employers may, if they so desire, find it tolerably easy to exploit or take advantage of the weak bargaining power of individual employees, should a large number of individuals seeking employment be willing to undertake work required to be performed by a smaller number, or should workers, after a long spell of idleness or because there is no prospect of alternative avenues of employment, be exceptionally keen in earning some money, with a view to supplying even a part of their ordinary needs.

In such cases, the introduction and operation of minimum wage-fixing machinery will tend to remove the inequality in bargaining between employers and employees. The general level of wages of the workers in question will be raised and will approximate to the value of their work. Under ordinary conditions there should be no resultant unemployment, as the workers are not taking any more from the total product of the business or industry than the actual value of their productivity. Where their productive capacity has been reduced consequent on continuous low wages the payment of immediate increases in wages on a large scale would hamper the successful operation of the businesses concerned, and would lead to unemployment. "Wage rates and employment are correlatives; if a wage rate is too high it will cause unemployment. The establishment of a new rate, therefore, whether by a trade union, a trade board, or a departmental order, may involve a decrease in employment, and create a problem of temporary unemployment, even if the rate has anticipated only by a little the growing capacity of the industry to pay wages."² Should a gradual improvement in wages take place, a similar upward movement in the efficiency of the workers from the previous low standard may be expected to become, in a large measure, effective. The additional wages placed at the

¹ "Minimum Wage Legislation in Canada and its Economic Effects." *International Labour Review*, April, 1924, p. 516.

² Prof. H. Clay: "The Authoritarian Element in Distribution." *The Economic Journal*, March, 1927, p. 7.

disposal of their households will raise their standards of living and will tend to have cumulative effects on the well-being of their families.

Machinery, such as a trade or wages board, established under an Act of Parliament for the determination of minimum wages, may be regarded as a system of compulsory collective bargaining, the decisions of which are promulgated and enforced by a State authority. If collective bargaining does not exist, employers may be disposed to pay individuals less than what the economic conditions of their businesses will allow. The possibility of individual workers being exploited by unscrupulous employers is eliminated by the actions of a minimum wage-fixing body which will at least raise the wages to the standard paid by some of the firms paying higher wages in the trade. This will tend to bring wages to a level which the trade can afford, and very little, if any, consequent diminution in the volume of employment will ensue. Further, a trade board will place an unorganised or poorly organised trade in a position of equality with well organised trades, and enable it to claim a share in the increased wealth of the community. A trade, by being organised, is able to demand better prices for its products and is thus in a position to pay higher wages to its workers.

Inefficiency of Employees

The general inefficiency of employees may be due to unduly low wages, which has been already discussed, poverty, defective or a low standard of education, and to certain physical or mental defects.

Poverty resulting from prolonged idleness of the head and adult members of a family, relieved in some measure by unemployment insurance or public assistance allowances or help from charitable organisations, is one of the most difficult and pressing problems presented for solution in most countries at the present time, and all the energies and well-directed consideration of governments should be concentrated on its alleviation.

Educate for Efficiency

It is desirable to stress the importance of a sound general education, and of the effectiveness of systematic courses of industrial and commercial education in improving the adaptability of those destined to engage in economic pursuits, and with a view to aiding the present and possible future development of industries in a country. Education should be regarded as a vital national investment. It should not have as its sole purpose mere mechanical or material production, but should aim, *inter alia*, at the general upgrading of the student, so that he will be well developed and alert in mind, that he will be capable of steady and intelligent effort and of playing his due part as a citizen. Under the British Trade Boards Act, 1918,¹ a trade board may, if they think expedient, impose a condition attaching to the fixing of a minimum rate that apprentices or learners shall obtain effective instruction in the trade, which would imply that they might be obliged to receive adequate instruction in the workshop and technical education in an outside institute. In the Apprenticeship Acts passed in various countries provision is made for the systematic training of apprentices or learners within

¹ Sec. 3 (4), (b).

the works and for their instruction at a technical institute; for instance, in South Africa (1922), Victoria (1927), and the Irish Free State (1931).

Sub-normal Workers

It cannot be reasonably expected that employees who are handicapped by physical defects, and are consequently slower or less efficient than workers of normal standards of capacity will be paid the same wage rates as the latter. It is for this reason that various minimum wage enactments have excluded them from the scope of their ordinary wage determinations or have empowered the wage-fixing authorities to fix special or lower rates to meet their particular circumstances. For instance, all the Australian States provide in their industrial legislation that workers unable to earn the standard minimum rates, on account of old age, slowness or infirmity, shall be paid lower rates of wages.

Under the British Trade Boards Act, 1918,¹ if a trade board are satisfied that any worker employed or desiring to be employed in any branch of a trade to which a minimum time-rate is applicable is affected by any infirmity or physical injury rendering him incapable of earning the minimum rate and, where the worker is not already employed on piecework or that he cannot be so suitably employed, the trade board may grant to the worker a permit exempting him in the course of his employment from the provisions of the Act relating to the payment of wages at less than the minimum rate. A wages committee, operating under the Agricultural Wages (Regulation) Act, 1924, applicable to England and Wales, may grant a permit to any worker, incapable as a result of "physical or mental deficiency, or any infirmity due to age or any other cause" of earning the minimum rate applicable to his occupation, which will exempt him from the minimum wage provisions of the Act. They can specify the rate of wages at which such workers may be employed. According to the minimum wage enactments of the different provinces of Canada, provision is made for the employment of handicapped workers at wage rates below the minima decided for ordinary adult workers and, as a rule, the rate of payment is stated in the licence of employment. In most of the States in U.S.A. that have introduced minimum wage legislation, which relates mainly to female workers, the wages commissions may issue licences to sub-standard workers, that is, those who are physically defective by age or otherwise so that they can be employed at specified rates below the prescribed minima. In a number of minimum wage Acts the permits, allowing handicapped workers to earn less than the minimum rates laid down for ordinary employees, are usually granted for a definite period, at the end of which they are reconsidered by the appropriate authority; while the number of individuals in a particular firm, to whom permits are issued, is sometimes limited to a proportion of the workers coming within the scope of the minimum wage determinations.

The wages of inexperienced adults are sometimes, and of juveniles, either as apprentices or learners, are generally dealt with separately by minimum wage authorities from those of ordinary employees. In the case of adults, who are inexperienced or without the requisite training, a limit of time is imposed for the payment

¹ Sec. 5 (5).

of the special wage rates, varying according to the nature of the occupation and the difficulty of adapting themselves to the due performance of the required work.

Inefficient Organisation

One reason that may sometimes be assigned for the unduly low standard of wages payable by a number of firms within an industry is their relatively inefficient management. Such firms are satisfied, so long as they are allowed to pay low wages, not to consider the introduction of more improved methods of organisation. If they are compelled by a minimum wage-fixing body to pay higher wage rates they will be induced to adopt more effective means of operation, or be forced to cease business, should they retain old systems of production and distribution, and their profits be converted into losses on account of the increased production costs. Even without any increase in business efficiency, such firms may be able to charge higher prices for their products to compensate them for higher wage costs, in the event of State protection for their trade or industry from foreign competition, and the public do not, in view of the higher prices, turn to the purchase of substitutes, if available. A great deal will depend on the extent to which foreign and substitute products will enter into competition with the home protected articles. Further, the amount required by consumers at the higher prices will depend on the elasticity of demand for the particular goods, and should a reduced consumption take place, there will be a smaller volume of employment in the trade or industry concerned. It is extremely difficult to come to very definite conclusions applicable to every case on the actual effects of raising unduly low wages to fair standards, as so many different factors, varying with the particular instances under consideration, have to be estimated.

It has been asserted in a review of the minimum wage legislation in U.S.A. that "the laws have had a largely beneficial effect not only in supplying the actual necessities of the workers, but in transferring entire industries from a makeshift parasitic basis to one of self-support, making them an economic asset to the community instead of a burden."¹ The Cave Committee appointed to inquire into the working and effects of the British Trade Boards in 1922 reported as follows: "Nor must it be overlooked that in some instances the enforcement of higher wages has acted as a stimulus to improvement in working methods, and our attention has been drawn to cases in which improvements in machinery and organisation so brought about have increased production and thus have enabled the earnings of piece-workers to reach the statutory basis without any increase in the actual piece-rates paid."²

Industrial or Economic Depression

In the case of a temporary or permanent decline in an industry, the raising of wages above the existing level will tend to place an additional burden on the industry, which may prove intolerable. The Cave committee, already quoted, declared, in reference to the trade depression in Great Britain in 1921 and 1922, that "there is

¹ Lindley, D. Clark: "Minimum Wage Laws in the United States." *Monthly Labour Review*, Vol. XII, p. 500.

² Cmd. 1645 (1922), p. 23.

substance in the allegation that the operations of some of the boards have contributed to the volume of trade depression and unemployment."¹ They further asserted that "in some instances the additional burden so imposed on traders made it difficult for these traders to adjust themselves to the altered conditions."²

The Family Wage.

The prevention of sweating might merely imply the operation of a subsistence wage, that is, one just sufficient for the bare personal necessities of the individual workers. Something more is required to enable a single man or woman to live the life expected of an ordinary citizen, and to make some provision for the future, and in the case of the married man to provide him with the means of supporting himself and his family according to his station in life. Looked at from the individual and social viewpoints, it may be expected that a married man, in performing the work allotted to him as his capabilities will permit, will receive such remuneration as will maintain his wife and family in the customary standard of living of his class. If he receives less than this amount, the standard of living of himself and his family will suffer, with harmful reactions on their wellbeing. As the family is the vital pivot of any nation, measures should be taken by the State, as guardian of the wellbeing of the community, to prevent the existence of conditions tending to worsen or degrade the position of families, owing to the inability or indifference of employers to pay such a wage. It is for this reason that wage-fixing bodies in various Australian States have stipulated a standard family wage, varying with the cost of living, as the basis for their minimum wage determinations. Other measures towards this end are the systems of family allowances and child endowment in different countries, which endeavour to meet the increased burden of maintaining a number of dependent children in a family, the increasing social legislation on the part of States in the form of child welfare, adequate and cheap housing accommodation, social, including unemployment, insurance, etc.

Pope Pius XI, in a preamble to his declaration on the subject of a minimum wage, laid particular stress on the individual and social character of labour thus: "The obvious truth is that in labour, especially hired labour, as in ownership, there is a social as well as a personal or individual aspect to be considered. For, unless human society forms a truly social and organic body; unless labour be protected in the social and juridical order; unless the various forms of human endeavour, dependent one upon the other, are united in mutual harmony and mutual support; unless, above all, brains, capital and labour combine together for common effort, man's toil cannot produce due fruit. Hence, if the social and individual character of labour be overlooked, it can be neither equitably appraised nor properly recompensed according to strict justice."³

Machinery for Fixing Minimum Wages

The machinery for the determination of minimum wages for any class of workers, particularly the class with which our analysis is immediately concerned, the unskilled worker, may be of a voluntary character or imposed by State decree. Voluntary procedure may

¹ *Ibid.*, p. 22; ² *Ibid.*

³ *Quadragesimo Anno* (1931), par. 26.

consist either of personal negotiations between an employer and individual employee, or collective bargaining between an employer or employers' association and representatives of a group of workers or a trade union or unions, or of some system of conciliation, mediation or arbitration. The important methods for fixing minimum wages enacted by States which have passed legislation on the subject of a minimum wage are: wages or trade boards, general wages boards, arbitration tribunals, and special acts defining the minimum wages to be paid.

It is not intended to discuss at any length these various methods, as they would, for a comprehensive analysis, involve an investigation into problems affecting trade unionism, the settlement of industrial disputes and the effects of many legislative schemes for the determination of minimum wages. It will suffice to make a brief reference to some of their salient features.

Individual Negotiations

In the case of personal negotiations between an employer and individual worker, the advantage usually lies with the employer on account of his greater ability to hold out for the particular terms which he decides to offer the prospective employee. Circumstances vary in different instances, and the rate of wages offered may be readily accepted and considered satisfactory by the worker. But, generally speaking, the individual worker, especially the unskilled labourer, will find himself, as a single unit in the determination of the wage contract, handicapped on account of his dependence on the monetary return paid him for his labour, his limited knowledge of the labour market and trade conditions, and the competition of others who may be willing to accept employment on the employer's terms. His dependence is not absolute on account of the various social measures passed by modern States which afford him and his family some means of support when out of work, and to that extent his ability to refuse to accept employment on any terms is strengthened.

Collective Bargaining

In consequence of the weakness of the isolated worker in personal negotiations with an employer, collective bargaining is resorted to, and a standard or minimum rate is agreed upon for the class of workers of which he is a unit. He will find the conditions of employment for the entire body of workers in question negotiated by officials of a trade union, who possess a good knowledge of the circumstances of labour and industrial conditions, and are experienced in the art of bargaining. Further, although there may be competition, on the part of members of the union, for vacant jobs, none of them will accept less than the standard rate. The maintenance of the standard rate is essential to the existence of a trade union, one of whose functions is collective bargaining. By its operation, the more efficient firms in a trade or industry will be secured from unequal competition in respect of labour costs on the part of others, who might otherwise be inclined to pay lower rates. It may press heavily on the less efficient firms, especially those on the margin of remaining in business and they may be thereby eliminated or compelled to adopt more effective methods of organisation. Although the standard or minimum rate tends in most instances to become the

maximum, higher rates may be paid to workers of the same class whose services are more valuable to the firm or because the management wish to give the employees a larger share in the prosperity of the business.

It may be suggested that an important reason for State intervention in fixing minimum wages has been the failure of those concerned to enter upon collective agreements, due to ineffective or absence of organisation.

Trade Boards

The trade or wages board method of settling minimum rates is very extensively employed, and is in operation in Argentina, Austria, Czechoslovakia, France, Germany, Great Britain, the Irish Free State, Northern Ireland, Norway, Tasmania and Victoria. Its essential features are the determination of minimum wages for a particular trade by a board largely representative of those actively concerned in its operations.

The personnel is composed of an equal number of representatives of employers and employees together with one or more disinterested persons. Representatives of the employers and workers are, in some instances, nominated by their respective organisations, and, in the absence of organisation, they are appointed by the appropriate State authority, which also appoints the disinterested members. In some States, the number of representative and disinterested members is specified, in others they vary according to the circumstances of the particular trade. In Victoria a wages board consists of not less than four or not more than ten representative members, and a chairman selected by them, or, in the event of disagreement, by the appropriate minister. In France, a trade board is composed of from two to four employers and a similar number of workers, appointed by specified local officials, while the senior *juge de paix* of the chief town of the Department acts as chairman. In Great Britain, Northern Ireland and the Irish Free State the number of representative members is not defined in the Trade Boards Acts, 1909 and 1918, but varies according to the circumstances of the trade, the various interests and sections being given, as far as possible, representation, and in practice not more than three disinterested members are appointed. It may be suggested that it is more advisable to leave the determination of the size of a board to a State department which will afford due representation to different groups or branches of a trade than to define it by legislation, provided that the personnel is not unduly large and unwieldy for deliberation purposes.

The success of the trade board system has been largely due to the fact that the representative members are acting as representatives of employers and workers and can bring to bear on the discussions a good practical knowledge of the technique and conditions of the trade, on which they can speak freely; while the disinterested members, representing the public, can act as conciliators in reconciling differences and can express their considered opinion, after listening to the arguments, on the various proposals submitted for consideration, and can exercise their vote on behalf of rival propositions.

As a result of the working of many trade boards in a country, different wage rates may be fixed for the same type of workers, and unless some system of co-ordination is established with a view to a certain degree of uniformity between the different wage rates,

dissatisfaction may ensue among wage earners receiving lower rates than others, and the industrial strength of different trades will be variously affected. This difficulty is obviated to some extent, by the necessity for all decisions of the boards in Great Britain, the Irish Free State and Northern Ireland being sanctioned by the responsible Minister prior to being put into operation. In Victoria, a special court may revise the determinations of a wages board.

General Wages Boards

The system of a general board, functioning for the fixation of minimum wages in all the scheduled trades in a State, has been adopted in Canada, some of the States of the U.S.A. and in South Africa. The personnel may consist of equal numbers representing employers and employees or of disinterested persons with a chairman who has generally legal experience or is a responsible public official. Although the decisions of such a board will lead, more or less, to uniform wage rates in the different trades for which wages have to be settled, yet the members cannot be expected to have the same detailed knowledge and experience of the various trades as the representative members of the trade boards. As a rule, advisory committees for the particular trades are consulted by the general board before deciding on wage rates.

Arbitration

In the different States of Australia, except Victoria and Tasmania, the arbitration system is adopted for the purpose of settling minimum wage rates. In New South Wales, Queensland and West Australia, an arbitration court, called by different titles, *e.g.*, an Industrial Commission in New South Wales, determines and declares the basic wages for adult, male and female workers. Usually the president of the court is a judge of the supreme court or is eligible for such an appointment. In some cases, as in West Australia, two additional members are appointed, one each on the nomination of the employers' and workers' organisations.

The fact that an arbitration tribunal has the authority of a High Court adds dignity and weight to its awards which are compulsory under monetary penalties. It has also the advantage of having as an adjudicator on wages rates a legal expert accustomed to sift evidence and experienced in analysing complex problems, who will give a reasoned decision on the facts of the case. On the other hand, the procedure and atmosphere of the court closely resemble a court of law in which representatives of the two sides appear as litigants instead of meeting in friendly discussion with a view to an amicable agreement. It may also be suggested that too much power is placed in the hands of a president of a court, who may be unacquainted with the industrial technique and conditions of a trade. Sometimes, assessors are called in to explain technical matters to an arbitrator.

Legal Enactment

Generally, minimum rates are defined by legislative enactment to prevent young workers from being paid merely nominal wages or none at all, when they are learning a trade. In some of the American States, such as Arizona, Porto Rico, South Dakota, it is used to prevent adult female workers from being paid sweated

wages. Although legal enactment may prove useful in the case of juvenile and female workers, where other methods are not in operation, it suffers from the disadvantage that it is inelastic, requiring a special Act to change the rates, and is often a compromise between conflicting political interests.

The Basis for Determining the Minimum Wage

One of the most difficult problems to be considered in connection with wage negotiations and with the legislation and administration of the minimum wage is translating into concrete form the basis or bases on which wages shall be determined. General, and sometimes vague, assertions are made as to the necessity for a minimum wage for a particular group or groups of workers, but the question as to what the minimum is to be, or on what basis it shall be fixed, comes sooner or later for solution.

An investigation of the legislation and determinations of various minimum wage authorities in different countries reveals the fact that three distinct principles have been evolved in the settlement of wages: a living wage, the capacity of the business or trade to pay the particular wage, a fair wage, that is, one approximating to that paid to workers engaged in similar occupations.

An expert witness in evidence before the Cave Committee¹ on Trade Boards in Great Britain, referring to the bases for fixing minimum wages by British trade boards, which were given no guidance for this purpose in the Trade Board Acts, 1909 and 1918, pointed out that: "While no definite principles have been adopted, there are certain factors which are always in the minds of the board when considering a rate. These factors may be summarised as follows: the cost of living index number; the character and economic position of the industry concerned; the wages paid in other comparable trades; the nature of the work, and the degree of skill and experience required for its adequate performance; the relation in which the class of workers concerned stands to other workers in the industry or to comparable workers in other industries; the capacity of the industry to pay the rates proposed. These factors are, however, applied rather as tests of the adequacy or otherwise of the figures proposed, than as strict determinants."

Pope Pius XI, in his Encyclical *Quadragesimo Anno*, considered that three factors should be taken into consideration in fixing a minimum wage, *viz.*, a wage sufficient for the support of the worker and his family, the financial state of the business, the economic welfare of the people of a country.

The Living Wage

From the personal and social aspect of labour already referred to, and on account of the necessity for proper maintenance of family life, he deduces the imperative obligation of the payment of a family wage: "In the first place, the wage paid to the workingman must be sufficient for the support of himself and of his family, it is right indeed that the rest of the family contribute according to their power towards the common maintenance, as in the rural home or in the families of many artisans and small shopkeepers. But it is wrong to abuse the tender years of children or the weakness of woman. Mothers will, above all, devote their work to the home and

¹ Cmd. 1645 (1922).

the things connected with it. Intolerable, and to be opposed with all our strength is the abuse whereby mothers of families, because of the insufficiency of the father's salary, are forced to engage in gainful occupations outside the domestic walls, to the neglect of their own proper cares and duties, particularly the education of their children."¹

The Pope takes a reasonable view of the inability of certain firms and industries to pay a family wage to all adult male workers when he recommends: "If in the present state of society this is not always feasible, social justice demands that reforms be introduced without delay which will guarantee every adult workingman just such a wage." He was probably referring to the family allowance system and to State measures that improve the wellbeing of the working classes and so raise their real income to the point of sufficiency for their family needs.

The principle of the living wage has been widely adopted by States that have passed minimum wage legislation. It has been inserted in the minimum wage Acts of most of the Australian States, in Nova Scotia, Manitoba and Saskatchewan in Canada, and in various States of U.S.A., except Massachusetts, which have adopted the board system of fixing wages. It is also embodied in the Agricultural Wages (Regulation) Act, 1924, for England and Wales.

Many of these States have, in their Statutes, given various interpretations as to the number of individuals for whom a single minimum wage should be fixed. The Industrial Commission of New South Wales has been entrusted with the responsibility of declaring at regular intervals the cost of living of a married man, wife, and two children under 14 years of age, and the amount so decided is to be the basic wage for all adult male workers in the State. The Queensland Industrial Arbitration Act, 1916, laid down the following conditions for the Board of Trade and Arbitration in fixing wages: "The minimum wages of an adult male employee shall not be less than is sufficient to maintain a well-conducted employee of average health, strength and competence, and his wife and family of three persons in a fair and average standard of comfort, having regard to the conditions of living prevailing among employees in the calling in respect of which such minimum wage is fixed." The Industrial Arbitration Act, 1912, of South Australia enacted that a living wage shall be fixed "sufficient for the normal and reasonable needs of the average employee living in the locality where the work under consideration is done or is to be done." In U.S.A. the minimum wage Statutes, apart from the Orders made under the National Recovery Act, 1933, apply largely to female employees and provide that the minimum wages should be based on the cost of living of typical female workers.

From the definitions contained in the few Australian Acts already quoted, the living wage may be considered to be an elastic term, varying with the different meanings which a wage-fixing authority will attach to the standard of living of "an employee of average health in an average standard of comfort" or to "the normal and reasonable needs of the average employee," but the fact that minimum wage determinations in a number of Australian States for over twenty years have been founded on the principle of the living wage, actually a family wage for the humblest class of unskilled worker,

¹ Par. 27.

and that it has been fairly widely used for similar purposes in Canada and United States, leads to the conclusion that it is a practical proposition. The absence of uniformity in the legal definitions of a minimum wage is more pronounced in the different awards of various Australian wage fixing bodies in the case of unskilled workers, while the variations of the decisions of the Commonwealth Court of Arbitration and a State wage fixing authority in their respective spheres within the same State would appear to be rather illogical. For instance, "for the quarter ended December, 1927, the Harvester (Commonwealth Arbitration Court) wage equivalent for Sydney was £4 10s.; the State living wage for man and wife was £4 5s. For Brisbane the Harvester wage equivalent was £3 17s. 6d.; the State living wage for a family of five was £4 5s. For Adelaide the Harvester wage equivalent was £4 4s.; the State living wage for a family of five was £4 5s. 6d. For Perth, etc. the Harvester wage equivalent was £3 17s.; the State living wage for a family of four was £4 5s. To the amounts given as Harvester wage equivalents the Federal Court also added the Powers' 3/- per week (since 1921). Where Federal and State awards operate in the one locality such divergencies in wage rates must hamper industry and be a source of industrial unrest." Although such variations in the monetary values to be attached to a living wage operate within a large country, such as Australia, and even within the same locality, it may be argued that the fault lies, partly or wholly, with the wage fixing machinery. Such divergencies would naturally occur, when different individuals are empowered to determine minimum wages. It cannot be inferred that this principle should be rejected as a basis for regulating wages, inasmuch as similar criticisms may be urged against other methods of sharing the joint product of industry.

The distinctive features of the Australian minimum wage legislation include an effort to determine a minimum or basic wage based on the standard of living of the family of an unskilled labourer of 4 or 5 persons, according to the particular Federal or State enactments, and the wage so fixed varies with the fluctuations of a recognised cost of living index number. The procedure employed in computing the required weekly minimum wage necessary for the support of a specified standard family involves a compilation of the quantitative amounts of the necessary commodities, such as food, clothing, housing accommodation, fuel, light and miscellaneous items consumed in a definite period, which must be sufficiently long in the case of items, such as clothing, which are not purchased every week. This information can be obtained from a number of representative family budgets from different parts of the country or State. The amounts so obtained are then averaged for a week, and their monetary values are calculated at the average ruling prices for the area under consideration. The aggregate of the resultant prices will be the weekly minimum wage.

In its anxiety to allay criticisms of the basic wages decided by the various wage fixing authorities, in Australia, the Federal Government raised further difficulties and actually added to the prevailing confusion of different minimum rates by appointing a Royal Commission in December, 1918, to inquire into the actual cost of living according to reasonable standards of comfort for a man, wife and three children under 14 years of age. The Commission came to the con-

¹ G. Anderson: *Fixation of Wages in Australia* (1929), p. 209.

clusion that the wage, according to their terms of reference, would amount to £5 16s. per week, which was in excess of the various minimum wage determinations. It was based on a higher standard, viz., "reasonable standards of comfort, not by reference to any one type or group of employees, but by reference to the needs which are common to all employees,"¹ than those hitherto fixed by the different wage determining authorities which only took into account the necessities, just sufficient for mere physical efficiency of an unskilled labourer. The Commission "attempted to construct an ideal standard."² It is interesting to note that the actual amount of the wage decided on by the Commission "could not," according to Mr. G. H. Knibbs, the Commonwealth Statistician, "be paid to all adult male employees, because the whole produced wealth of the country, including all that portion of produced wealth which now goes in the shape of profits to employers, would not, if divided up equally amongst employees, yield the necessary weekly amount."

The application of the principle of a minimum wage to adult female workers presents different problems from those already discussed in the case of adult male workers. A woman worker may be living at home or away from home or may have dependents. It may be contended that because the large majority of women workers live at home and are not self-supporting, that their wages should be less than the minimum wage necessary for their support. To argue this would be to deny the necessity of a minimum wage for adult female employees. It would lead to the conclusion that the earnings of other members of the family should help to provide for the increase in wages, required for her total maintenance, that might be otherwise given by her employer.

If such a personal minimum wage be recognised as feasible, the question will arise on what basis shall it be set. Is it to be on the cost of living of a single female worker residing at home or of one living independently, which will be somewhat greater? It can be safely asserted, without any reference to the limited statistics available on this subject, that the vast majority of female workers in practically every industrial country live at home. It must not be inferred on that account that the minimum wage should be based on the cost of living of the majority. The attitude adopted by legislation on this subject may assist in solving this difficulty. According to one authority,³ "the standard taken by the wage-fixing bodies has everywhere been the 'adult female worker of the poorest class maintaining herself, and having no other responsibility,' while the majority, including Massachusetts, North Dakota, New South Wales and South Australia, also work on the assumption of a woman living away from home." In Australia, inquiries made into the cost of living of women workers have established the fact that the female minimum wage was equivalent to from 50 to 54 per cent. of the male basic wage.

The Capacity of the Business or Trade

When considering the principle of the living wage, only the needs of the individual unskilled worker have been taken into account; in actual practice some consideration should be given to the ability of the individual firm to bear the particular wage. The question may

¹ Report of the Royal Commission on the Basic Wage, 1920, p. 17.

² E. M. Burns: *Wages and the State* (1926), p. 305.

³ E. M. Burns: *Ibid.*, p. 341.

be asked should a living wage be introduced and persisted in if business firms or a trade cannot pay it. It may be asserted that inefficient organisation and unbusinesslike management should not be regarded as a reason for the non-payment of a minimum wage. If, on the other hand, a business firm is well managed and effectively organised, having regard to the capital at its disposal and the general conditions of business in the locality or country, its inability to pay a prescribed minimum wage to all its employees raises a serious problem for consideration. One writer on this subject goes so far as to suggest that "when the employer cannot pay a living wage he is for the time freed from actual obligation, as no one is morally bound to do the impossible. The contention that such a man ought to cease to be an employer will scarcely hold in the face of the hardship that he would thus undergo."¹ It may be remarked that greed for exceptional profits or business inefficiency should not be used as a cloak for the failure of a business to pay a living wage to its employees.

Pope Pius XI has made the following declaration on this point: "The conditions of any particular business and of its owner must also (in addition to the living wage) come into question in settling the scale of wages; for it is unjust to demand wages so high that an employer cannot pay them without ruin, and without consequent distress amongst the working people themselves. If the business makes smaller profit on account of bad management, want of enterprise, or out-of-date methods, this is not a just reason for reducing the workmen's wages. If, however, the business does not make enough money to pay the workman a just wage, either because it is overwhelmed with unjust burdens, or because it is compelled to sell its products at an unjustly low price, those who thus injure it are guilty of grievous wrong; for it is they who deprive the workers of the just wage and force them to accept lower terms."

"Let employers, therefore, and employed join in their plans and efforts to overcome all difficulties and obstacles, and let them be aided in this wholesome endeavour by the wise measures of the public authority. In the last extreme, counsel must be taken whether the business can continue, or whether some other provision should be made for the workers. The guiding spirit in this crucial decision should be one of mutual understanding and Christian harmony between employers and workers."

A business man, if asked the question, what is the proper criterion for fixing wages, will naturally reply: the ability of my business or of the trade or industry to pay the desired wage, and that if more is paid, the existing rates of profits will be reduced or converted into losses. The solution of this criterion, like that of the living wage, is beset with many difficulties. Business firms within a trade or industry are of varying degrees of efficiency and earn varied profits and losses, according to the special circumstances of the particular trade or of economic conditions in the country. They differ in size, in relative importance as regards the number of employees, capital invested, output and value of goods sold within a specified period, efficiency of management and organisation, production costs, rate of profit on invested capital or on turnover. Accordingly, a wage considered reasonable to be borne by a number of well-organised firms or those enjoying a good measure of financial strength may prove an intolerable burden on others.

¹ Dr. J. A. Ryan: *A Living Wage*, p. 249.

It must be recognised that the productivity of industry in a country provides a limit to the level and amount of wages to be paid; so also does the productivity of an industry or of a business furnish a limit to the wages bill of the particular industry or business. Wages should not be raised so high as to endanger the prosperity of a particular industry and cause grave unemployment. On the other hand, the payment of unduly low wages cannot be justified on the ground that a number of inefficient firms would otherwise be forced to cease business. Between these upper and lower limits the particular wage should be set. How much above the lower limit it should be is an exceptionally difficult problem to determine in view of the varying degrees of financial and industrial strength of the firms under consideration and the elasticity of demand for their products. Witnesses giving evidence before the Cave Committee endeavoured to provide a solution by asserting that "an ordinary efficient employer in the country should be the one to be considered,"¹ others referred to "the ability of a reasonably equipped factory," while one witness declared that the criterion should be "the weakest business which it is socially desirable to maintain in the weakest district." The expressions, "ordinary efficient employer," "weakest socially desirable business," etc. are vague, unless they are capable of being converted into practical monetary standards on which to base a conclusion for comparative purposes.

If the criterion of fixing a minimum wage on the basis of what a trade can bear is to be taken into account, certain tests will have to be made of the financial ability, of all the firms or a selected number, having regard to a fair return on the invested capital, should employers in the trade object on the ground of ability to pay a particular minimum wage. Figures covering production costs and final profit and loss accounts for a definite period will have to be submitted and analysed by an expert accountant, who will have some knowledge of the particular trade, and the effect of the increased wage rates can be discussed prior to reaching a decision as to the advisability of putting the new rates into operation.

A Fair Wage

In determining what is known as a fair wage for a particular class of workers, regard is had to the wages of the same type of workers in other occupations in the same district or country. Wage-fixing authorities, even apart from a consideration of minimum wages, often justify their awards by reference to the remuneration paid for work of a somewhat similar nature. If such bodies were to follow in detail the definition of economists of a fair wage: "A wage about on a level with the payment made for tasks in other trades which are of equal difficulty and disagreeableness, and which require equally rare natural abilities and an equally expensive training," they would find themselves involved in a complex interpretation of relative "disagreeableness," "rare natural abilities." In actual practice, approximate conclusions can be reached and fair comparisons can be made in reference to various kinds of work performed by unskilled workers, involving more or less the same degree of difficulty, and, if necessary, disagreeableness.

The principle of the fair wage is embodied in many minimum wage enactments in European countries. For instance, the French Home Work Act, 1915, for women home workers in the clothing

¹ Professor MacGregor.

trade prescribes that the minimum wage is to be determined in accordance with "the amount of the usual day's wage paid in the district to women workers of the same trade and of average skill working in workshops by the hour or day and carrying out the various regular branches of work in the trade." A similar basis is adopted in the Norwegian Home Work Act, 1918, by which wages boards are to take into account, in formulating their decisions, the wages paid for similar work in factories in the district.

DISCUSSION OF PROFESSOR SHIELDS' PAPER.

Following are résumés of the observations of the speakers to the paper:—

Mr. Justice Meredith said the overshadowing question was: What was the highest wage a trade could bear? They had also to deal with the question of whether a trade was open to foreign competition or not. One of the defects of the industrial development in this country was the fact that the agricultural community afforded such a very poor market at present for the goods of the industrial community; and to a large extent the industrial section had to be their own consumers. Until they had conditions where the agricultural section would be consumers of goods, they would not have perfected the work of economic development in the country. It was the unequal distribution of wealth that had effected the depression the world over. The extent to which payment of a higher wage might be productive of better markets—and, therefore, an increase in the capacity for earning profits—was forgotten. The picture, "Man of Aran," made him think of the minimum wage question. Supposing there were a couple of months of the year when Man of Aran could dispose of the boy Michael to another farmer, the question would be: What would be a fair wage for the boy? How were they to decide that question abstractly as a matter of theory?

Mr. L. J. Duffy, seconding, said that in considering the minimum wage it was undesirable to concentrate entirely on the so-called unskilled workers, who in recent times had acquired a bargaining-power not possessed by other sections of workers. While a docker might earn 15/- a day, a clerk often did not earn more than 30/- a week. Factory workers especially were underpaid, more particularly in some of the new industries that had come into being in recent years. Modern industry recruited its labour almost exclusively from the female section of the population; even adult women were not required, for the factory owner found that the machines could be efficiently worked by young girls paid as low as 5/- or 6/- a week. To effectively secure a living wage the minimum should be the wage that would enable the head of a family to maintain his home and his family. No other criterion would secure a reasonable standard of life for industrial workers. Various methods of fixing the minimum wage had been proposed, but whatever method was adopted should be sufficiently elastic to permit of periodical adjustment. In the flour-milling industry the Joint Industrial Council seemed to give good results; the Railways Wages Board achieved considerable success in adjusting conditions of employment on the railways; and, to some extent, the Trade Boards had improved conditions in industry. But the success of wage-fixing machinery depended on the extent to which there was effective organisation in the trade or industry. It was largely a matter of bargaining power and the bargain would be equitable only as far as both parties were equipped with the machinery for investigation and analysis and the power to effectively influence the character of the bargain. The Trade Board system in this country had many shortcomings. The introduction of representatives of the unorganised workers was a fatal defect. It would be preferable to secure a Board representative of employers and workers in their capacity as organised units. The alternative seemed to be the application to the trade or industry as a whole of agreements entered into between the organised sections of the trade or industry.

Colonel Eoghan O'Brien said that he on the whole agreed with Mr. Justice Meredith that, interesting and able as was Professor Shields' analysis of the principles on which a minimum wage should be fixed, yet such theoretical considerations had little bearing on practice. A long experience on Wage Boards and in negotiations with labour had shown him that the determining factor in fixing wages was the financial strength of the parties and a compromise was generally arrived at. An independent arbitrator or body of arbitrators seldom did more than strike a mean between the claims of the contending parties. Minimum rates nearly always became also maxima. That these minimum rates had no relation to the skill of the operative or his standard of living was evidenced by the remarks of the last speaker, who quoted dockers getting fifteen shillings per day, whereas it was well known that a toolmaker in the engineering trade, whose skill took as many years to acquire as the docker's skill did days, hardly received half that sum. Wage negotiations are seldom about minimum wages as defined by Professor Shields: either such negotiations are undertaken in an attempt to improve the general standard of living or because real wages have fallen. Though the general standard of living of the bulk of the operatives has risen out of all knowledge in the last thirty years, the graph of wage advances usually

has lagged behind rises in prices. Mr. Justice Meredith, in the course of his argument, mentioned that the lack of a rich agricultural population as consumers must militate against industrial development and so tend to keep the minimum wage down. In fact the industrial population of any country lacking an export trade in manufactured commodities, metals and minerals, is limited by the agricultural output plus the income in cash from external sources; for the industrial community can only exist by virtue of an excess of food produced by the agriculturist, and the standard of living of the industrial community will depend on (a) the return in manufactured goods exacted by the agriculturist in return for his services; (b) the efficiency of his processes, which will determine the ratio between the numbers of industrialists and their total output. A high standard of living on the part of the agriculturist and a low output per worker on the part of the industrialist mean a low standard of living for the latter. Professor Shields' paper might perhaps better have been entitled "What is a Living Wage?"

Lt.-Col. K. E. Edgeworth: I am not competent to discuss the details of Professor Shields' paper, but I should like to emphasise the point that economic problems cannot be dealt with in isolation and should be considered in relation to the economic position of the country as a whole. In a progressive State there will always be new industries which are in need of additional labour and decaying industries in which employment is declining, and it is necessary to encourage the transfer of labour from the one to the other. If rates of wages are based mainly on the standard of living there will be no encouragement to the worker to transfer himself from his actual locality where his services are not wanted to some new locality where his services are really needed. An even more important consideration which ought to influence decisions in regard to wages is the general activity of trade. Changes in wages affect profits and profits affect the activity of trade. If trade is depressed increases in wages are undesirable because they tend to impede recovery. An extreme case of this tendency is quoted in the paper. On the other hand, there have been at least two cases in recent years (France and the U.S.A. about eight years ago) when trade was abnormally active, and under these conditions increases in wages would not only have benefited the worker but would have reacted favourably on the economic position as a whole. Other speakers have pointed out that discussions based on the standard of living and considerations of that sort can never lead to any definite answer as to whether wages should be raised or not. I venture to suggest that the solution to this problem lies in the direction which I have indicated, that is to say, that in deciding whether wages should be raised or not some consideration should be given to the general activity of trade and industry prevailing at the time. Unfortunately the mechanisms which are actually in existence for the settlement of trade disputes are of such a character that it is unlikely that any great weight will be attached to the interests of trade and industry as a whole.