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Inception and setting



The advent of industrial regulation by tribunal came close to the turn of the century. Wages boards began in Victoria in 1896 and courts of arbitration in 1900. The first day of the new century was also the first day of the Commonwealth of Australia, endowed with a parliament that was empowered to institute its chosen models of conciliation and arbitration for the prevention and settlement of interstate industrial disputes. This book is a study of the operation of conciliation and arbitration, especially by the Commonwealth Court of Conciliation and Arbitration, from the inception of the system until World War II. It is not, however, a general history of conciliation and arbitration. It does not, for example, deal with the successes and failures of the tribunals in preventing strikes and lockouts; or with the manifold legal issues to which the system gave rise, unless they affected significantly the tribunals' exercise of their power to fix wages and conditions.¹ Rather, it is about fixing the terms of employment; and it attempts to set the tribunals' performance in an economic context. It is about 'wage policy', if the term is interpreted broadly enough to include both prescribed wages and other factors that affect the cost of labour, including working hours and leave.

¹ For an historical account of arbitration and industrial disputation, see Harley (2004). For an account of the legal issues, see Kirby and Creighton (2004).

1.1 THE ORIGINS OF WAGE FIXATION²

In the late 19th century, in Australia as in some other countries, the presumption that wages (like other prices) were best left to the interplay of market forces was confronted by a growing body of opinion that market outcomes were intolerable.³ If Australia, with New Zealand, moved ahead of other countries in responding to this perception, a reason may be that policy-making was more pragmatic and less cognisant of the prescriptions of orthodox economics. As we shall see in Chapter 13, formal economics was virtually non-existent. An educated reformer was likely to be either a lawyer or a clergyman, little affected by economic doctrine.⁴ Within the colonial parliaments, there were politicians prepared to judge proposals for state intervention with fewer and less strongly held preconceptions against them. Australia did not have a strong *laissez-faire* tradition. Governments had ‘intervened’ in various ways, including the establishment of state-owned enterprises and encouragement of immigration. Because this is a study of wage fixation, the issues of strike prevention and dispute resolution receive less attention than would be appropriate in a general history of arbitration. But it is certainly not my intention to underplay the impact of either the strikes of the 1890s or the desire of the labour movement to redress by legislation the industrial impotence of unions.⁵ Both were of great importance in creating a climate for state intervention, partially displacing ‘the market’, to find a place on the political agenda.

² This topic is more extensively discussed in Macintyre and Mitchell (1989).

³ A useful summary of the kinds of labour market regulation practised before the advent of arbitration is provided by Shanahan (1999, especially pp. 221–226).

⁴ Jenny Lee writes of the Victorian legislation of 1896—establishing wages boards—that ‘the measure was less the brainchild of the labour movement than of the liberal Christian small-bourgeois and professionals of the Anti-Sweating League. The liberal anti-sweaters ... sought particularist, moralistic explanations for the misery engulfing the working class in the 1890s, and fashioned their legislation accordingly’ (Lee 1987, p. 352).

⁵ Macintyre and Mitchell (1989, pp. 15–17) argue that a major reason for the adoption of compulsory arbitration was the opportunity for unions to gain assured recognition. Without disputing this, I would contend that the necessary support for arbitration of people not aligned with the unions was largely a result of their concerns about inadequate wages and unacceptable conditions of work.

Tolerance of active government was a permissive factor for interference with the labour market. The first actual intervention was the result of a specific concern—‘sweating’—soon to be overtaken by the drive for the living wage (discussed in Chapter 3). The notion of sweating was fluid. Evelyn M Burns, writing in 1926, noted the vagueness of the idea:

The exact meaning of the term ‘sweating’ is difficult to determine, partly because it has changed considerably since its first use, and partly because it is now a complex of vague ideas very generally held. As used today, it is roughly synonymous with the payment of ‘very’ or ‘unduly’ low wages, while some couple with it the idea of employment under unhealthy conditions, and often for very long hours. The crucial terms, ‘unduly’ or ‘very low’, are most generally taken to mean less than a very low living wage, in itself a none too precise concept, which ... expands and contracts with changing economic circumstances, but they are sometimes used to imply wages ‘very much lower than the normal rates prevailing throughout the country.’ [*Fifth Report of the Select Committee of the House of Lords on the Sweating System* (1890)] (Burns 1926, p. 9)

A Committee of Inquiry in South Australia in 1904 identified sweating with the payment of an ‘unduly low wage’. This meaning, said Burns, ‘was becoming increasingly popular, possibly because it is the definition of one unknown in terms of another’.

Sweating is by no means the only concept that lacks precision but may yet be an ingredient of intelligent conversation and even policy. ‘Poverty’, ‘fairness’, ‘reasonableness’, ‘equality’ and ‘equity’ are but a few others. In the late 19th and early 20th centuries there were people working under conditions so offensive to many observers as to leave no room for semantic nicety. The concern was widespread. Differences of opinion emerged when the discussion focused on the extent of the problem. Was it narrowly confined to pockets of industry where, for one reason or another, employers were unable or unwilling to comply with bare minimum standards of adequacy; or did it embrace much larger proportions of the working class?

T A Coghlan, the author of the first major history of labour conditions in Australia (published in 1918), was scathing about the use of the term ‘sweating’ in the Australian context. He saw it as an attempt to translate what was an essentially British problem to a society in which it was virtually non-existent—a translation espoused mainly by trade unionists wishing to capitalise on recent British inquiries and exposures. He ascribed to ‘sweating’ a specific meaning: ‘taking work to give it out again at lower rates and living off the difference’ (Coghlan 1969, vol. III, p. 1485; see also vol. IV, pp. 1835–1836 and pp. 2096–2097). It did not, to Coghlan, mean the same thing as ‘outwork’, still less the low wages and harsh conditions that might be associated with some factory work. Coghlan may have been right about the original meaning; but, if so, the familiar process of language corruption had taken its course, even in England, and the word came to be applied to work—both within the employer’s establishment and in the worker’s home—that offended prevailing standards of decency.

The Select Committee of the House of Lords that reported in 1890 on ‘the sweating system’ may have emphasised the narrower meaning of the concept. But by the early years of the 20th century, the broader meaning prevailed. The Trade Boards, introduced in 1909 for the specific purpose of eradicating sweated wages and conditions, were modelled on the wage boards of the Australian States, especially Victoria. To many, this was but a small step towards the amelioration of the intolerable hardships that characterised many working lives. Not least among the expressions of outrage were those of religious leaders, exemplified by this plea:

What, if you look at it sincerely, are the conditions of casual and underpaid labour but slavery without its safeguards? The acknowledged slave was often well-treated, clothed and fed and even maintained in his old age. It was the owner’s interest on the whole to keep his human chattels in good condition and in good temper. The free workers, slaves of penury, have not even the value of a chattel; they are absolutely dependent on employers, who too often cannot afford to treat them well, being themselves in bondage to the tyrant competition. They

cannot leave their miserable work, and if they do wander away, it is only to find elsewhere conditions equally cruel and degrading; they have no claim on their masters beyond a minimum for tasks actually done, and when they fall, weary and worn out, only destitution awaits them. Even the last and vilest reproach of the slave system is not done away: virtue, honour, purity are as hard to keep for thousands of free-women as they were for the veriest slave. (Reverend J M Lloyd Thomas in *The Industrial Unrest and the Living Wage*, 1914)

Burns records that inquiries into sweating were conducted in Chicago, Massachusetts, and New York. In the last decade of the 19th century, ‘there was an almost universal attempt to investigate and remedy the evils denoted by the term “sweating”’. But the opposition to action was formidable. ‘Australia’, says Burns, ‘is a notable exception’ (Burns 1926, pp. 11–12).

The Australian concerns can be traced back at least as far as 1880, when the *Melbourne Age* began to assert that some classes of labourers were exploited (Hammond 1914–15, p. 101). A Royal Commission, appointed in Victoria in 1882, was directed to inquire into conditions of work in shops and the operation of the *Factories Act*. Reporting in 1884, the Commission found that the practice in the boot and clothing trades of giving out work to be done in the home had resulted in low wages, long hours, and unsanitary dwellings (Hammond 1914–15, p. 102). Phelps Brown (1959, pp. 206–207) records that in Britain a driving force behind the movement against sweated wages was Sir Charles Dilke, a parliamentarian and friend of J S Mill (who had softened his earlier and well-known antipathy to wage regulation). In 1887, Dilke met Alfred Deakin, then Chief Secretary in Victoria, who was attending the Jubilee of Queen Victoria.⁶ According to Phelps Brown, Deakin ‘discussed with Dilke a proposal for trade boards which was being advanced by the uncrowned king of Victoria, David Syme’. Phelps Brown continues: ‘When Deakin got home, he drew up a Bill for trade boards, which he sent to Dilke, and in 1896 the first boards were set up in Victoria.’

⁶ Dilke had visited Australia in 1867.

The Age, in 1890, returned to the attack on sweating; and the Chief Inspector of Factories issued a report confirming stories coming from unofficial investigators of low wages and long hours. A Factories Act Inquiry Board of 1893–94 offered suggestions about ways of dealing with the sweating problem (Hammond 1914–15, p. 107).

Victorian legislation to counter sweating provided for the creation of wages boards. A board would comprise equal numbers of employer and employee representatives presided over by a neutral chairman. The responsible Minister was Alexander Peacock. M B Hammond, an American economist who visited Australia to investigate the operation of wages boards, provides an account of his interview with Peacock:

The author of the wages boards plan which was incorporated in the Factories Act of 1896 was Mr (now Sir) Alexander Peacock, who had recently become Chief Secretary in the Turner ministry. The agitation against sweating was at its height, and Mr Peacock interested himself in the matter and personally visited the homes of many of the out-workers. 'I found', he says, 'that these people were working excessive hours at grossly sweated rates of pay in poor and cheerless homes and generally under wretched conditions'. Sir Alexander has told me that he and the Chief Inspector of Factories, Mr Harrison Ord, held many conferences in which they endeavoured to find a practicable solution for the sweating evil. ... The plan which was adopted was suggested to Mr Peacock by his own experience when, as a youth, he had been a clerk in a mining company's office near Ballarat. The owner of the mining property, a rough man who had himself been a miner, had announced a reduction of 3s a week in the wages of his men, who offered bitter opposition and asked for a conference with their employer. At this conference young Peacock acted as secretary. The employer argued that as there had been a decline in the prosperity of the business, the men ought to be willing to share in the reduction of profits. The men replied to this by pointing out the way in which they were obliged to live and successfully appealed to the employer's knowledge, as an old time comrade, of what effect a reduction of 3s a week would have on their standard of living. The

recollection of this crude experiment in collective bargaining led Mr Peacock to think that what had been done in mining might be done in other industries by compelling employers to meet with their employees to arrange wage scales. (Hammond 1914–15, pp. 108–109)

The Bill that Peacock introduced, however, would have limited the scope of wage board regulation to women and young people, ‘except so far as the Chinese are concerned, in order to limit their power to contract for what wages and hours they please’ (Second Reading Speech, quoted by Davey 1975, p. 44). A combination of Labor and Liberal protectionist members (the latter including Alfred Deakin and H B Higgins) secured amendments that extended the boards’ coverage to adult males. Initially, five boards were set up, for the baking, boot and shoe, clothing, shirts, and underclothing trades; and a sixth board, for furniture, was appointed soon afterwards (Davey 1975, p. 58). By uneven steps, the coverage of board regulation expanded. This process was accompanied by an expansion of the accepted meaning of sweating. Davey, the author of the largest study of Victorian wages boards, says:

Over time the meaning [of sweating] changed considerably, such changes generally reflecting alterations in the public’s attitude towards state wage regulation. Thus as the public’s attitude towards state regulation of wages became more favourable, so the term ‘sweating’ was given wider meaning. In the late nineteenth century the term was applied to a system of outwork and subcontract in certain industries in which the employer paid excessively low wages. In 1904 a wider meaning was given to the term as a result of a Committee of Inquiry Report made in South Australia, which identified sweating with the payment of an unduly low wage. From that time, opponents of sweating maintained that the term applied to almost any method of work under which workers were extremely ill-paid or overworked. (Davey 1975, p. 1)

By 1920, three-quarters of the workers in Victorian manufacturing were covered by wages boards. Coverage would have been still wider had some boards not been displaced by awards of the Commonwealth Court (Davey 1975, p. xviii). In 1910, the Victorian Parliament legislated to permit the Governor-

in-Council 'to ... appoint wages boards for any process, trade, business or occupation, define the area or locality within which the determination of each board should be operative, and adjust the powers which such boards or any [sic] may lawfully exercise.' This enabled the government, for the first time, to create boards for agricultural industries. The Legislative Council's objections to wages boards for agricultural callings were increasingly overshadowed by its fear of Commonwealth Arbitration Court interference in state industrial matters (Davey 1975, pp. 87–88). Within the first decade of the 20th century, the idea that the boards' role was to eliminate sweating gave way to an acceptance of their having a more general function of regulation.

South Australia was the other colony wherein sweating emerged as a significant, albeit less effective, pressure in the drive toward wage prescription. A Shops and Factories Commission was appointed in 1892 to inquire into sweating in certain trades; the first *Factories Act* was passed in 1894 (coming into effect in 1895), requiring the appointment of two Inspectors—one male and one female; and from 1896 onward the Reports of Chief Inspector of Factories located sweating in various trades, especially clothing. Not until 1900, however, did South Australia follow Victoria in making legislative provision for wages boards, and boards were not actually appointed until 1905, because of the refusal of the Legislative Council to allow the necessary regulations (Burns 1926, p. 11; Dabscheck 1983, p. 79; Finnimore 1995, p. 27). By 1905, sweating was probably a less important 'driver' than it had been in Victoria in the 1890s. Ernest Aves, an observer sent to Australia by the British Government to report on wages boards, reported of his visit to Adelaide:

There were no signs of 'sweating' as a basis upon which industry could be said to rest, but many to show that there was a good deal of pressure in the factories. This, indeed, appears to be the form that 'sweating' assumed, and I was myself more impressed by a certain intensity of application here in the few factories I visited than elsewhere. Perhaps the impression was strengthened by the contrast presented by this 'Garden

City of the South', with its parklands and beautiful hills, its exquisite climate, its fruit and its flowers—and inside the factories some touch in the middle of all this beauty of what is regarded as old world pressure. (Aves 1908, p. 80)

Elsewhere, anti-sweating movements were less prominent. Coghlan, who surveyed all colonies, mentions them only for Victoria, South Australia, and (very briefly) New South Wales. Victoria was the colony where the need to combat sweating had the most concrete effect in the establishment of wage-fixing machinery. The gradual corruption of the term, moving it from specific evils such as uncontrolled outworking, with a concomitant exploitation of female and juvenile labour, to low pay, long hours, and tough working conditions in general, entailed its absorption into a broader assault on the operation of the market. Of this, the movement for a living wage was a major component.

The Victorian wages boards inaugurated wage regulation in Australia. Subsequently, boards were introduced in every State except Western Australia. But wages boards did not lend themselves to the application of wide-ranging concepts. Their composition emphasised the working-out of solutions acceptable within specific and narrowly defined trades. The neutral chairman (typically a magistrate), who might exercise a casting vote, could be expected to operate within bounds set by employer and employee members. This limitation of focus was, at times, strengthened by statutory requirements that boards apply the standards set by 'reputable employers'. Davey sees the continuing importance of boards in Victoria as symptomatic of the political weakness of labour. As Labor Parties in New South Wales, South Australia, and Queensland became more powerful, industrial labour gained the political capacity to implement its policy of compulsory arbitration (Davey 1975, p. 336).

Two models of conciliation and arbitration—the court and the wages board—jostled with each other for acceptance in the formative years of the Australian system. The Commonwealth's choice of the former was a decisive

step.⁷ A court or like tribunal afforded greater scope than did boards for the development and application of concepts such as the living wage. This was probably a reason why labour and interventionist legislators preferred the adjudicatory tribunal; and why employers' associations and political conservatives might, if driven, accept boards as the lesser evil.⁸ It was, of course, possible for systems of regulation to be so constituted that boards operated within policy frameworks defined by overarching authorities. Courts of Industrial Appeals did, to some degree, provide such frameworks, as did the Board of Trade established in New South Wales in 1918. The court model was, however, to be the instrument of more adventurous and comprehensive policies.⁹

1.2 THE AUSTRALIAN ECONOMY

1.2.1 The population

Within three months of federation, the State Statisticians conducted a census. They had previously met to agree on uniform methods of collection and compilation. In the words of the yet-to-be-appointed Commonwealth Statistician, the 1901 census was carried out 'on a fairly uniform plan'.¹⁰ It indicated a population of 3.774 million (excluding Aborigines). Thirty-five per cent of these people lived in the six capital cities. Melbourne was the largest, with 494,000 inhabitants. Sydney had 488,000; Adelaide 162,000; Brisbane 119,000; Perth 36,000; and Hobart 32,000. Sixty-one per cent of the people were aged 15 to 64, with 35 per cent being younger than 15 and only 4 per cent 65 or older. Those born in Australia constituted 77 per cent of the total;

⁷ The historical literature throws little light on the reasons for the choice or the reasons for constituting the Court with a judge of the High Court. There is, however, some related discussion in Macintyre (2004, pp. 57–61).

⁸ The attitudes of employers to the emerging methods of regulation are thoroughly explored by Plowman (1989).

⁹ H B Higgins (1922, pp. 32–33) argued that employee representatives on wages boards were exposed to intimidation by employers.

¹⁰ Data provided by the 1901 census are from Commonwealth Bureau of Census and Statistics (1908), *Official Year Book of the Commonwealth of Australia*, No. I.

Occupational Category	Males (%)	Females (%)	Total (%)
Professional	5.5	11.9	6.9
Domestic	3.9	43.8	12.4
Commercial	14.5	10.1	13.8
Transport & communication	9.4	0.9	7.5
Industrial (excluding construction)	20.3	22.0	20.6
Construction	7.3	0.0	5.8
Primary (excluding mining)			
Agriculture	19.8	7.2	17.1
Pastoral	7.7	4.1	6.9
Other	2.1	0.0	1.7
Total primary (excluding mining)	29.6	11.3	25.7
Mining & quarrying	9.3	0.0	7.3
Total occupied	100	100	100

Table 1.1: 1901 Census: the occupied population

Note: Numbers may not sum to 100 because of rounding.

10 per cent had been born in England or Wales, 5 per cent in Ireland, and 3 per cent in Scotland. Asia accounted for less than 1 per cent.¹¹ The number of people described as ‘occupied’ was 1.617 million. Seventy-eight per cent of these were males; and the number of occupied males (including aged and juvenile workers) exceeded the male population aged 15–65. The composition of the occupied population is shown in Table 1.1.

These bare statistics attest to a small, young, and racially homogeneous population, somewhat urbanised, but with a substantial rural base, and geographically dispersed. Apart from the heavy concentration of females in domestic service, those who worked for their living were spread over a range of occupations and industries. The working population was moderately industrialised, but only moderately. The census showed that 3.5 per cent of males worked in the industrial category ‘metals and minerals’; 5.4 per cent were in ‘art and mechanic’; 2.6 per cent in food, drink, etc; and 2.2 per cent in textiles and related trades. For females, the only significant secondary industry

¹¹ The great majority of Asians were Chinese males.

was textiles and related trades, which accounted for 19.4 per cent of occupied women and girls.

Censuses were conducted in 1911, 1921, 1933, and 1947. The intercensal rates of population growth (percentages per annum) were:

1901–11	1.67
1911–21	2.01
1921–33	1.63
1933–47	0.96

There was no census close in time to the beginning of World War II. By the time of the 1947 census, the population was 7.579 million—double the 1901 level.¹² The proportion living in the six State capitals had risen to 50.7 per cent. Sydney now had 1.484 million people; Melbourne 1.226 million, Brisbane 402,000, Adelaide 382,000, Perth 272,000, and Hobart 77,000. Eighteen per cent of the population was categorised as ‘provincial’ (a designation that took in the 10,000 inhabitants of Canberra), and 31 per cent as ‘rural’. The 15 to 64 age group now accounted for 67 per cent of the population. There had been a marked reduction in the relative size of the under-15 cohort—down to 25.1 per cent; the people aged 65 or more now constituted 8.1 per cent of the total. The proportion born in Australia was 90.2 per cent, with 7.9 per cent born in the British Isles. There were only 24,000 ‘Asiatics’—about 0.3 per cent of the population.

Table 1.2 shows the changes in the occupational composition of the labour force which were revealed by the censuses conducted between 1911 and 1947. (The classifications used in the 1911 and later censuses differed from those of 1901.) Although the 1933 figures indicate seemingly temporary changes that may have been due to the Depression, some long-term trends are reasonably clear—notably the relative decline in farming and the growth of clerical work. In short, proportionally fewer people worked ‘on the land’ and proportionally more ‘in the office’. The proportion in mining declined.

¹² The 1947 census data are from the *Year Book of the Commonwealth of Australia*, No. 38 (1951) and No. 39 (1953).

	1911	1921	1933	1947
Upper professional	1.8	1.7	1.8	1.4
Lower professional	3.2	3.5	3.9	4.5
Managerial	5.0	3.7	4.5	5.9
Farmers and farm workers*	23.9	21.7	20.4	15.7
Shop workers**	7.6	7.6	7.5	7.0
Clerical workers	4.1	6.6	9.9	13.9
Craftsmen	17.3	17.0	12.2	15.9
Operatives	7.5	8.8	8.4	10.0
Drivers	5.2	5.4	5.1	5.5
Service workers	11.4	11.1	11.3	7.6
Miners	4.8	2.5	2.2	1.2
Labourers	7.7	9.7	12.3	9.9
Armed services, police	0.6	0.6	0.5	1.6
Total	100	100	100	100

Table 1.2: Occupations of the labour force 1911–1947 (%)

*Includes graziers

**Includes proprietors

Note: Numbers may not sum to 100 because of rounding.

Data derived from a table in Withers (1987), p. 261.

1.2.2 Productive performance

Maddock and McLean (1987) have summarised the processes of development that produced the economic and population structures observable early in the 20th century:

It may be helpful to characterise Australian economic development in the nineteenth century as having been shaped essentially by the interaction of two very broad sets of forces. From the supply side, the influences were the progressive expansion of the natural resource base as a result of the discovery of land suitable for farming and of mineral deposits; the expansion of the workforce as a result not only of the natural rate of increase in the initially small resident population but also by immigration; and the augmentation of domestic savings and investment through foreign borrowing. Other things being equal, the growth of the economy was closely and positively related

to the rate at which these factors of production were accumulated. From the demand side, a high rate of population growth stimulated certain types of production, especially the provision of foodstuffs, building and construction activity, and the supply of other non-tradable goods and services. In addition, Australia exported large (in per capita terms) quantities of natural resource-intensive commodities in strong international demand, exploiting a comparative advantage, and importing those commodities that either could not be produced domestically or could be produced only at very great cost. The level of aggregate demand in the economy was therefore subject to both domestic and foreign influences. (Maddock and McLean 1987, p. 9)

Meredith and Dyster (1999, p. 5) refer to the 'dual economy' that existed at the turn of the century: one part rural and export-oriented and the other urban. The counterpart of the large export sector was a high dependence on imported consumer goods—a dependence accentuated by the funds emanating from capital inflow. Reliance on imports was both a cause and an effect of the limited development of manufactures.

Australians, on average, had enjoyed a standard of living that was high by international standards. It had come back to the field somewhat in the 1890s, but at the beginning of the new century, Australia remained one of the more affluent countries of the world. Critics of Australia's economic performance in the 20th century often assert that there was a relative decline, and some attribute this to the country's industrial relations arrangements. In assessing that contention, we must remember that the principal sources of high per capita incomes in the late 19th and early 20th centuries were productive primary industries (including mining) favoured by natural endowments, favourable terms of trade, and a low population. There was no good reason to expect that if the population grew and the country became more self-reliant, Australia's relative advantage would necessarily endure. Whether or not the industrial relations system added to or subtracted from the relative decline is another question.

The last decade of the 19th century had, in fact, been a bad period for many Australians. Beginning with a depression that was imported, but was exacerbated by domestic speculation, financial immaturity, and industrial disputation, the deterioration in economic outcomes was prolonged by drought. Recovery was slow. N G Butlin (1962) estimated that the Gross Domestic Product (GDP) per head fell, in real terms (1910–11 prices), from £66 in 1889 to £48 in 1897 and that the earlier peak was not regained until 1907 (Meredith and Dyster 1999, p. 60). Bryan Haig has criticised Butlin's estimates and provided his own. Haig's numbers suggest a shallower depression in the 1890s (Haig 2001). Whatever the truth of the disagreement, Australia, at the advent of the new century, was far from being a place of confidence and optimism. The environment was conducive to social conflict and to an increased concern about the role of the state in furthering or protecting the interests of embattled groups. This was the economic context wherein regulation of the terms of employment came onto the agenda.

There is a widely held view that the half-century before World War II was a period of little growth in productivity and *per capita* income. This view owes much to the work of Butlin, who wrote that between 1891 and 1939

a drastic retardation occurred. It is important to note that this was much less marked in terms of population, work force and labour inputs. Indeed, these grew much faster in Australia than elsewhere in the West; it is of some significance that, in these terms, Australian *expansion* was relatively better sustained, and this raises the question whether Australian policy, pursuing expansion and increased scale of the economy, should not properly be judged on its own terms of aggregate rather than *per capita* real product (over the whole period 1890–1939, the compound growth rate was perhaps between 0.3 and 0.6 per cent per annum). If the figures are to be treated literally, output per worker and per unit of labour input may even have fallen in the interwar period but, at best, appears to have risen very slowly. The figures should not, of course, be taken too literally. Nevertheless, it would appear probable that adjustments for very large errors indeed would still allow only a very slow rise in these measures during the whole fifty years. This is in

marked contrast with, at all events, several significant Western countries, including Britain and the United States, where *per capita* and per worker growth rates tend to follow reasonably closely along the long-term trend (subject only to major fluctuations). In the Australian case this simple tabulation conceals some brief spurts of relatively rapid growth. These were not sustained, and in considerable measure, represented recovery from preceding down-swings of activity. (Butlin 1970, pp. 284–285)

As noted above, Butlin's estimates of the real GDP have been criticised by Haig (2001), who has calculated an alternative set. To adjudicate between the rival estimates, even if I could do so, would take me too far from focus of this book.¹³ Figure 1.1 reproduces both Butlin's and Haig's estimates of the real GDP in the first four decades of the 20th century. Perhaps the main differences between the Butlin and Haig series are that:

- Butlin shows a stronger growth in the pre-World War I period than does Haig;
- Haig indicates a lesser slackening of growth in the later 1920s than Butlin's numbers imply; and
- Haig's estimates suggest a stronger recovery from depression in the 1930s.

Over the long term, the difference between the rival estimates is not large. The trend rate of growth of the GDP was around 2 per cent per annum (1.98 per cent on the Butlin estimates and 2.09 per cent on Haig's).¹⁴ We also see in Figure 1.1 the growth of the population aged from 15 to 64. The trend rate of growth of the 'working-age' population was 2.00 per cent—similar to that of the GDP. This lends support to the view that the performance of the economy was poor. A more refined analysis would take into account changes

¹³ Haig criticises both Butlin's estimates of the nominal GDP and his conversion of those estimates into real values. Whereas Butlin deflated nominal values of value added in sectors of the economy by selected price indices, Haig's basic technique was to ascertain the real quantities of various products and attach (constant) prices to them. Neither technique is inherently superior to the other. Both Butlin and Haig had to resort to simplifications and assumptions to allow for missing data. Haig argues that the economic history of Australia cannot be interpreted on the basis of Butlin's estimates.

¹⁴ The trends are calculated by fitting lines of best fit to the logarithms of the actual values.

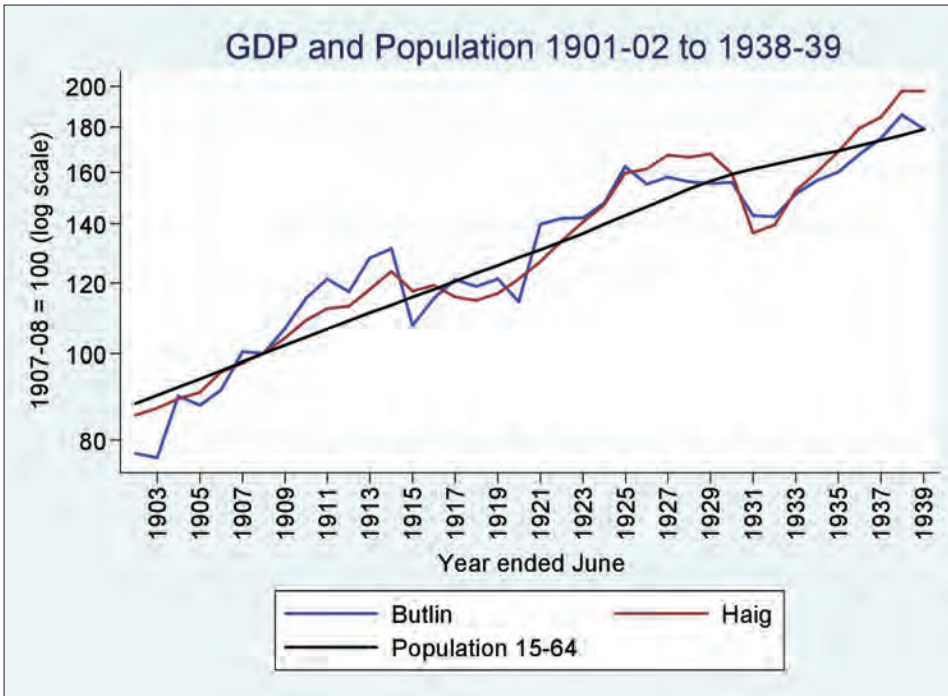


Figure 1.1

Sources: For GDP, Butlin (1962), p. 461 and Haig (2001), pp. 28–30; for population, ABS, *Historical Population Statistics, 2008*, cat. 3105.0.65.001.

in the proportion of the population in the work force and in working time. Certainly, as we see below, working hours fell; and there were increases in paid leave. Hence, there is likely to have been some improvement in the real product generated by an hour's labour; but if the GDP figures (either set) are correct, the increase was modest.

Butlin also argued that the period was one of slight change in the *structure* of economic activity. Table 1.2 above lends some support to this in respect of a broad occupational dissection of the workforce. Table 1.3 relies on Butlin's computations of the real GDP, in which production is valued at 1910–11 prices. What is striking about this table is the stability of the shares of most of the sectors. The only dramatic change in the sectoral structure of the economy was a decline in the relative importance of mining. The relative

Sectors Contributing to Real GDP	1901-02 to 1910-11	1911-12 to 1920-21	1921-22 to 1930-31	1930-31 to 1938-39
Pastoral	13.8	12.9	11.2	12.2
Other rural	10.1	10.6	11.4	13.5
Mining	8.3	6.5	5.1	2.0
Manufacturing	12.4	13.6	13.5	14.7
Construction	6.8	7.6	7.5	5.5
Distribution	14.2	15.4	16.6	18.6
Public undertakings and services	8.1	9.0	9.9	10.0
Other services	14.1	12.9	12.9	10.6
Rents	9.0	8.5	8.9	10.5
Other	3.0	3.0	3.1	2.5
Total	100.0	100.0	100.0	100.0

Table 1.3: Composition of real GDP 1901-02 to 1938-39 (Butlin estimates) (percentage shares)

Note: Numbers may not sum to 100 because of rounding.

Source: Butlin (1964), p. 461.

Sectors Contributing to Real GDP	1901	1911-12	1921-22	1931-32
Pastoral	12.4	9.3	8.4	9.0
Other rural	16.5	11.5		
Mining	11.8	5.4	2.9	2.9
Manufacturing	16.1	22.4	23.3	23.0
Building	4.5	7.1	9.1	7.8
Services	29.5	36.5	36.9	35.3
Rent	9.2	7.8	7.5	7.7
Total	100.0	100.0	100.0	100.0

Table 1.3A: Composition of real GDP 1901-02 to 1938-39 (Haig estimates) (percentage shares)

Note: Numbers may not sum to 100 because of rounding.

contribution of rural production was no smaller in the 1930s than it had been 30 years earlier. There was modest growth in the relative role of manufacturing. In Butlin's view, manufacturing contributed little to productivity growth and may actually have impeded it. Butlin adds, however, that in this respect

manufacturing was not exceptional: there was ‘a remarkable lack of leadership in productivity in every area of the economy ...’ (Butlin 1970, p. 304). Distribution increased somewhat in importance. Services became slightly less important. Overall, however, the table suggests that the economy underwent no pronounced structural change.

Table 1.3A presents a compositional analysis of the GDP based on Haig’s estimates.¹⁵ The major differences between the two sets of estimates are the higher share for manufacturing and the greater increase in the manufacturing share between the first two periods suggested by Haig.

Colin Forster, relying on Butlin’s research, wrote in 1987:

In the period from the end of the 1880s to the end of the 1930s, Australian real Gross Domestic Product grew at roughly the same rate as population and work force. It would be an overstatement to say that output per head was stationary, and indeed the quantitative estimates of national income must be treated cautiously, but any growth in output per head was small. The Australian experience contrasted with many Western countries, and also contrasted with the preceding and following periods in Australia. (Forster 1987, p. 4)

Forster also comments on the limited structural change in the economy, though pointing out that *within* the manufacturing sector there was significant compositional change.

The view of the economy’s performance suggested in the preceding discussion is puzzling in two respects. One is that it seems at odds with what we know about changes occurring in these decades that could be expected to have caused substantial increases in productivity—for example, the increasing mechanisation of production and transport, the advent of electric power, and

¹⁵ We should note that there is a discontinuity in Haig’s statistics because of a change in the prices applied to his real estimates. For years before 1911, Haig used the prices of 1910–11; but for later years he used the prices of 1938–39. This change affects the relative values of commodities. Hence the differences between the numbers in the first column of Table 1.3A and those in the subsequent columns may be due in part to alterations in relative prices. Similarly, differences between the percentage shares based on Haig’s numbers and those based on Butlin’s for the last three periods may be due in part to different relative prices.

the growing adoption of techniques of mass production. The other is that it also seems inconsistent with the growth in real wages (accompanied by reductions in working time) discussed in the next section, modest though it was. One does not need to have a mechanistic view of the link between productivity and real wages to find surprising an increase in real wages in excess of 20 per cent (more for females) in the period 1914–1939, when production—if Butlin and Haig are approximately correct—grew no faster than the working-age population.

In 1946, the Commonwealth Statistician, Roland Wilson, presented to ANZAAS a paper on *Facts and Fancies of Productivity* (Wilson 1947).¹⁶ He discussed various methods of productivity measurement from both a conceptual and a practical standpoint. One possibility was to measure the estimated value of production in terms of some selected constant—‘to postulate some article or group of articles whose absolute utility we are prepared to accept as constant’. Wilson explained:

Given such a (necessarily hypothetical) standard we can, by pricing the standard from time to time, secure comparative measurements of any other aggregation of commodities and services by reference only to their total values at the corresponding times. The very considerable advantage of this method is that it enables us to dispense with the rarely procurable data as to the quantities of all the commodities in the aggregation with which we are concerned. If such a method is to be used I can think of no more suitable a standard than the basic necessities of life, whose total utility to the consumer is probably as constant as anything else. Professor L F Giblin may then be commended for the perspicacity which led him to introduce for the first time into an official statistical publication a general measure of productivity calculated by dividing an index of all material production by an index of retail prices and rents. (p. 17)

Wilson alludes here to a decision that Giblin had taken as Acting Commonwealth Statistician. The *Labour Report* for 1930 (No. 21, p. 67) records it:

¹⁶ Wilson had previously discussed this and related issues in 1937 (Wilson 1937).



Roland Wilson

In previous issues an attempt has been made to measure the quantity of material production by means of production price index-numbers. These index numbers have never been regarded as satisfactory over a long period, and there is danger in continuing them further in respect to manufacturing production. In the absence of a satisfactory measure of the quantity of production, all that is offered here is a measure of 'real' production, i.e., the value of production measured in the same retail purchasing power, which was used to find 'real' wages.

From a modern viewpoint, deflating the nominal GDP by the consumer price index seems a crude method of computing the real GDP. Wilson noted the argument of convenience arising from data limitations, but also suggested a more respectable rationale for the technique. What it provides is a measure of the purchasing power of the income generated by production. It is, of course, a problem that not all of that income is expended on consumption. The seriousness of that problem is reduced if prices of non-consumption

goods and services vary in a manner similar to that of consumer items; or if the share of consumption in total expenditure is roughly constant. We do not know whether either possibility holds good. The real-purchasing-power approach must be treated with great caution. It is, nevertheless, of interest to notice the perspective that Wilson's analysis provided. His data of per capita output underlie Figure 1.2. The 'all industries' series indicates an increase of 42.3 per cent, or almost 2 per cent per year. This implies a degree of success in generating 'real purchasing power' that contrasts with the more dismal assessments of economic performance of Butlin and Haig.

The sombre view suggested by Butlin's estimates was also challenged by McLean and Pincus (1983), who believed that the standard of living had increased between 1890 and 1939 to a significantly greater extent than Butlin's numbers had suggested. They argued for an alternative method of price adjustment that raised the trend rate of growth of real income per person from 0.61 per cent per year to 0.82 per cent. Further, they argued that the standard of living had benefited from an accumulation of capital, particularly government-owned infrastructure, which enhanced the consumption opportunities of Australians over and above the increase made possible by the growth of current income. McLean and Pincus invoked, too, a range of partial indicators of living standards—quality of housing, education, access to cars, telephones, radios and household appliances, life expectancy, age of retirement, and working hours—which suggest that well-being was considerably higher on the eve of World War II than it had been a half-century earlier. They proposed valuations of the increased life expectancy, earlier retirement, and shorter working hours, the cumulative effect being to raise the per capita growth rate from 0.8 per cent to 1.5 or 1.7 per cent. They did not attach values to the increased enjoyment of the capital stock and specific consumer goods. Presumably, these *ought* to have been included in the underlying growth rate of 0.8 per cent, but they may be a reason for suspecting that the underlying rate is too low.

McLean and Pincus's analysis relates to the average standard of living of the population and not specifically to real wages. Obviously, the two are

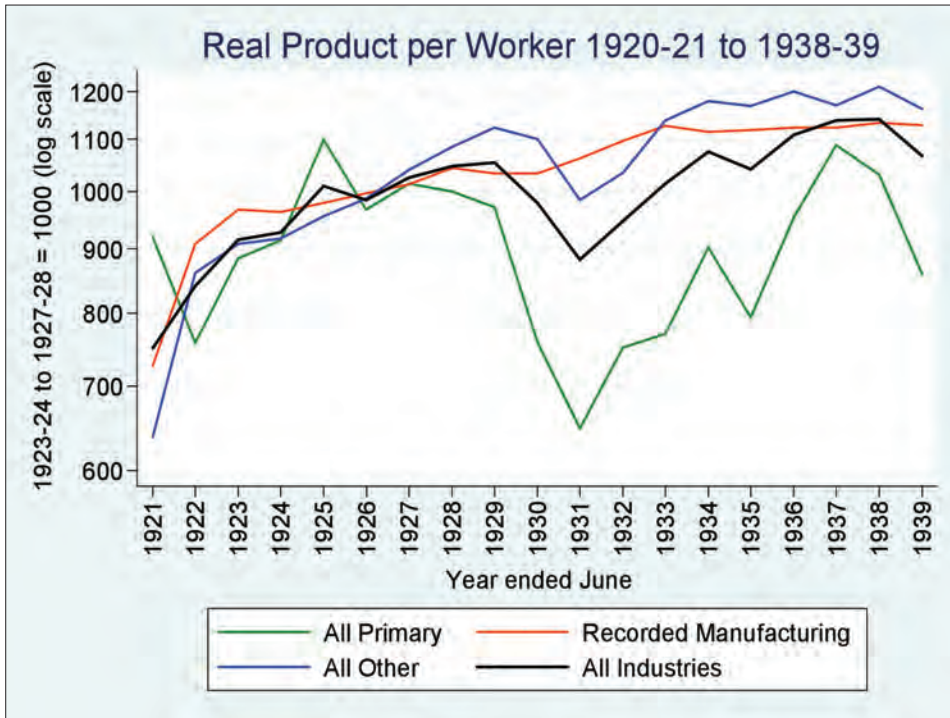


Figure 1.2

Notes: The data used for this figure are net of depreciation. The estimated numbers of workers are male equivalents.

Source: Wilson (1947), p. 45.

related but different. We may assume that a given growth rate of real wages would have been consistent with a faster rise in living standards of employees and their households because of a long-term fall in family size. Real weekly wage estimates would not take in the rise in life expectancy or the reduction of working hours. Hence McLean and Pincus's calculations are consistent with a low growth rate of real weekly wages. Wilson's much earlier estimates seem to suggest a significantly better performance.¹⁷

We can only conclude that there is much uncertainty about Australia's long-term economic performance in the period of this study. Contemporary

¹⁷ The time periods of the two sets of calculations differ. It is unclear how far this difference influences the results.

discussion of wage policy tended, as we shall see, toward a pessimistic assessment.

1.2.3 Unemployment

The only continuous statistics of unemployment before World War II were derived from trade union returns. Union secretaries supplied to the Commonwealth Statistician information about the numbers of members of their unions and the numbers known to be unemployed. There are obvious possibilities for bias in such statistics, even if the union secretaries were both honest and competent.¹⁸ For example, the experiences of non-members of unions may well have differed from those of unionists; and the unions that recorded their members' unemployment may have had characteristics different from those of unions without such records. Moreover, the numbers of members of reporting unions were initially quite small. In 1908, for example, 68 reporting unions had 18,685 members, of whom 1,117 (6.0 per cent) were unemployed (*Labour Report*, No. 8, 1917, p. 18). The coverage increased significantly in 1912, and in 1913, 464 unions with 251,716 members reported that 13,430 (5.3 per cent) were unemployed. (Figure 1.4 below begins with the year 1913.) In the *Labour Report* for 1923 (No. 14, pp. 21–22), the Commonwealth Statistician wrote:

The particulars in the following tables are based upon information furnished by the secretaries of trade unions in the several States, and the membership of unions regularly reporting has now reached nearly 400,000. Unemployment returns are not collected from unions whose

¹⁸ J L K Gifford (1928), drawing on the Minutes of Evidence of the Royal Commission on National Insurance of 1926, gave two reasons for regarding the unemployment statistics as unreliable: 'First, because the secretaries of many of the unions have no unemployment registers and are obliged to guess the number unemployed, and second, that it is against the interest of the unions to make correct returns, it being sometimes in the interest of some members to conceal unemployment if they are anxious to obtain an increase in wages from an arbitration court, and sometimes in their interest to exaggerate the amount of unemployment if they wish to close their books to new members or restrict the number of apprentices. It seems clear that if a secretary wished to supply wrong information the Census and Statistics Bureau in present circumstances would not be able to check it. Mr Sutcliffe admitted as much in his evidence' (p. 5).



Figure 1.3

Source: *Labour Report*, various numbers.

members are in permanent employment, such as railway and tramway employees or from unions whose members are casually employed (wharf labourers, etc). Very few unions pay unemployment benefit, but the majority of the larger organisations have permanent secretaries and organisers who are in close touch with the members and with the state of trade within their particular industries. In many cases unemployment registers are kept, and provision is made in the rules for members out of work to pay reduced subscriptions. It may, therefore, be affirmed that percentage results based on trade union information fairly show the general trend of unemployment.¹⁹

During the period covered by Figure 1.3, there were two censuses which afford some check on the reliability of the union data. On April 4, 1921, 9.6 per cent of wage and salary earners were unemployed (*Year Book Australia 1923*, p. 952). The *Year Book* commented: ‘The number returned as unemployed in

¹⁹ Similar statements appeared in other numbers of the *Labour Report*.

1921 was nearly three times as great as in 1911, and it is of interest to note that these results are substantially confirmed by the Labour and Industrial Branch of this Bureau' (p. 951). In fact, the union-based percentages for the first and second quarters of 1921 were 11.4 and 12.5, respectively (*Labour Report*, No. 12, 1921, p. 18)—rather higher than the census suggested. At the census of 30 June 1933, the unemployment percentage was 22.4 (*Year Book Australia* 1935, p. 552). The union percentages for the second and third quarters of 1933 were 25.7 and 25.1 (*Labour Report*, No. 25, 1935, p. 103). Thus the relativity of the union-based unemployment percentages to the census result was the reverse of that of 1921. But the comparisons with the census data do not suggest that the union-based series is seriously misleading as an indicator of changes in the state of the labour market.

The impact of the Depression on unemployment is sufficiently evident in Figure 1.3 and requires no further comment at this stage. In earlier years, except for 1921, unemployment varied between 5 and 10 per cent. After the recession of 1921, it failed to return to the levels that had been reached between 1916 and 1920. This accords with contemporary dissatisfaction about economic performance in the 1920s to which later chapters further refer.

1.3 WAGES, PRICES, AND HOURS OF WORK TO WORLD WAR II:

A CONSPECTUS

1.3.1 Nominal wages

For the period before 1914, there are no comprehensive wage data. From that year, however, there are estimates of nominal weekly wage rates. These data were compiled by the Commonwealth Statistician, who provided the following explanation:

The collection of data respecting the nominal rates of wages payable in different callings and in occupations in various industries was first undertaken by this Bureau in the early part of the year 1913. Owing to the difficulty of obtaining reliable particulars of the numbers of apprentices, improvers and other juvenile workers to whom progressive

rates of wages fixed according to increasing age or experience were payable from year to year, the inquiry was confined to the rates of wages payable to adult workers only, and was further limited generally to those industries in operation within the metropolitan area of each State. In order to make the inquiry comprehensive, however, certain industries were included which were not carried on in the capital cities, e.g. mining, shipping, agriculture, and pastoral. The particulars acquired were obtained primarily from awards, determinations and industrial agreements under Commonwealth and State Acts, and related to the minimum wage prescribed. In cases where no award, determination or agreement was in force, the ruling union or predominant rate of wage was ascertained from employers and secretaries of trade unions. For convenience of comparison weekly rates of wages were adopted. In many instances, however, the wages were based on daily or hourly rates, since in many industries and occupations in which employment is casual or intermittent wages are so fixed ... The information thus obtained referred to the weekly rate of wage in upwards of 400 specific occupations. Rates of wage were not of course available for each of these occupations in every State but the aggregate collection for the six States amounted to 1,569 male occupations or callings. (*Labour Report*, No. 28, 1937, p. 55)

The occupations were assigned to industry groups. For each industry group within a State, an unweighted average of the occupational rates was calculated. In aggregating these separate averages, weighting formulae were applied to reflect the numbers of workers in the industries and the States. Thus the overall averages are a hybrid of weighted and unweighted data.

As the Statistician made clear, nominal wages were, for the most part, wages prescribed in industrial instruments. (No data of actual earnings for a full-time week, exclusive of overtime, are available.) This means that comparisons of nominal wages over time do not register the effects on actual wages of changes in the composition of the work force. (In this respect, the nominal wage series is akin to the modern Labour Price Index rather than the

series for Average Weekly Earnings.) The nominal wages data do not reflect either over-award or below-award payments.

1.3.2 Retail prices

The Commonwealth Statistician began publication of quarterly retail price index numbers in 1912.²⁰ The construction of these numbers is described in detail in the *Labour Report* for 1912 (No. 3). The initial index, which became known as the 'A series', measured the weighted average prices of 46 items of food and groceries plus house rents. The items included were dictated to some extent by the problems of assembling reliable data and to some extent by a 'cost of living' survey, covering 999 people, which had been conducted in 1910–11. The data were obtained from retailers—not by direct purchase of commodities, but by asking the retailers to supply the information. They were collected from 30 towns—five in each State (including the capital cities). At the inception of the A series index, the Statistician asked retailers to provide data for the years 1901–1911. This retrospective information was collected on an annual basis only and its reliability obviously depended on the accuracy of the retailers' records and recollections.²¹

In 1925, following the advice of a conference of statisticians, the Commonwealth Bureau published an alternative version—the B series index—which differed from the A series by confining rent to four and five-roomed houses.²² The B series index incorporated the rent component of the A series up to the time of the change.

²⁰ During the hearing on the 1933 application for restoration of the 10 per cent wage reduction, the union advocate H C Gibson said: 'Mr King O'Malley claims to have been the originator of the Commonwealth Bank and also the originator of these index figures. I have had several chats with that gentleman as to what was behind his mind, and what was his intention in requesting the Commonwealth Statistician to undertake this investigation, but he is the haziest individual I have ever met' (transcript, p. 142).

²¹ In the 1930–31 basic wage case, Gibson disputed the index number for 1907—a matter of some consequence because it affected the wage level necessary to maintain the *Harvester* standard (see Chapter 9, Subsection 9.2.8).

²² Because the Commonwealth Arbitration Court preferred the old index for wage adjustment, the Statistician continued to provide the A series data (commonly described as the 'All Houses' index). Movements of the two indices differed very little.

An obvious limitation of the A and B series indices was their failure to cover clothing and many items of miscellaneous expenditure. The Statistician repeatedly said that food, groceries, and house rents represented about 60 per cent of household expenditure. He also asserted, until the 1930s, that the index numbers for food, groceries, and housing gave an accurate picture of the overall behaviour of retail prices. The Royal Commission on the Basic Wage, which reported in 1920, constructed a regimen of commodities which included clothing and miscellaneous items.²³ Subsequently, the Statistician began publication of the C series (or 'All Items') index. This added clothing and miscellaneous items to the items in the A series (later the B series) index. The C series index is available on a quarterly basis from the second quarter of 1922. Annual values were provided for November of each year from 1914 to 1921.

Because of their relevance to wage setting, the price indices were the subject of controversy. I discuss some of the criticisms in later chapters. For a broad perspective, however, I rely on the C series index because of its greater comprehensiveness.²⁴

1.3.3 Wages, prices, and real wages

Figure 1.4 describes (subject to data limitations) the behaviour of adult male wages, consumer prices, and real wages over the period 1907–1939. The most notable features of this story are:

- a high rate of inflation, reflected in both the price and the wage data, between 1914 and 1920: over the six-year period, prices rose by 68 per cent and wages by 51 per cent;
- severe deflation between 1929 and 1933, with prices and wages falling by 20 per cent and 18 per cent, respectively;

²³ The Royal Commission and its report are discussed in Chapter 3.

²⁴ Because the C series index begins in November 1914, I use the A series index to measure the price level in the previous three quarters. For the years 1915–21, quarterly values of the C series index are estimated by interpolation between the November numbers.

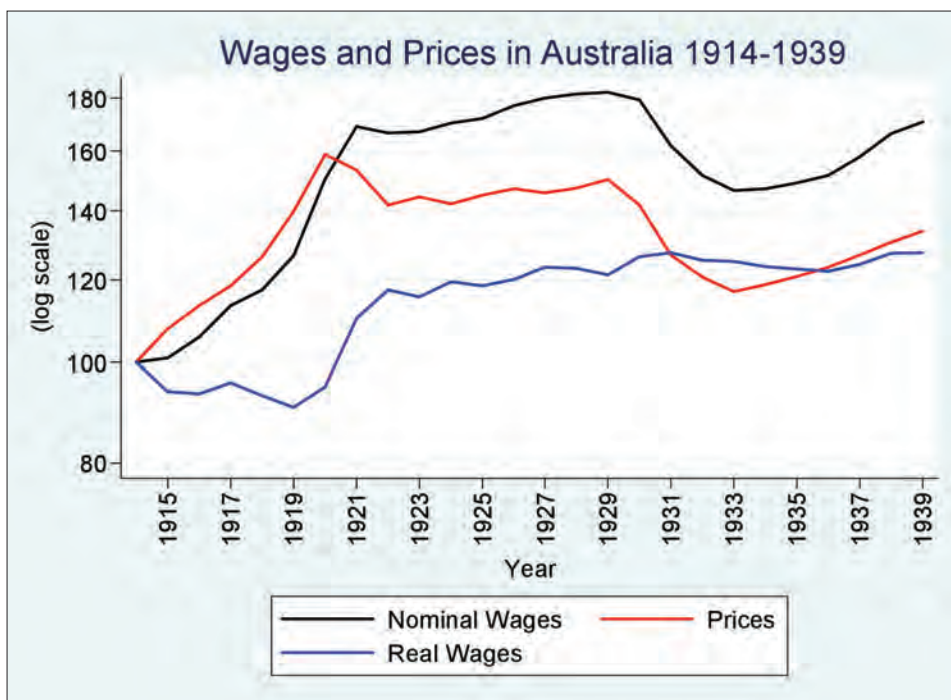


Figure 1.4

Source: *Labour Report*, various numbers.

- subsequent increases in both prices and wages, but leaving 1939 prices still 5 per cent below and wages 6 per cent below their 1929 levels;
- a fall of 14 per cent in real wages between 1914 and 1919, as the rise in nominal wages lagged behind that of prices;
- a 30 per cent rise in real wages between 1919 and 1922, taking real wages in that year to a level 11 per cent higher than in 1914, the increase being linked to a continuing rise in money wages after prices had begun to fall;
- a modest further increase (3 per cent) in real wages between 1922 and 1929;
- virtual constancy of real wages during the 1930s, with a 1939 level 21 per cent above that of 1914; and

- over the whole period, a rise in real wages of just under 1 per cent per year. For the years 1922–39, the average increase was 0.5 per cent per year.

All of these aspects of the period will, of course, be more fully discussed in later chapters.

1.3.4 Real wages and well-being

The sluggish growth in real wages, as in productivity, is—if the statistics are reliable—a significant characteristic of the period. Wilson in his 1946 lecture commented on this perplexing fact:

We have no doubt all been struck ... by a feeling of slight wonder that real wages in Australia, as measured by the nominal wage index divided by the index of retail prices, should have risen so little in the last thirty or forty years. The annual rate of increase between 1907 and the three years ending in June 1940 was only 0.61 per cent. As there is not much evidence to suggest that the distribution of incomes over that period has changed greatly to the detriment of the wage-earner, real wages must be accepted as a not altogether unreasonable indication of the long-term trend of productivity, at any rate as measured in the composite units of the retail price index. On the other hand, the impressions of many of those who have lived through this period record an improvement in the well-being of the average worker out of all proportion to the measured rise in real wages. (Wilson 1947, p. 17)

‘The real question to be answered’, said Wilson, ‘is whether well-being can change without a corresponding change in productivity as measured by currently accepted methods.’ He suggested several reasons why well-being might have grown faster than the data of real wages and productivity suggested.

First, there was a growing *supply* of ‘free goods’. An important example was ‘the gradual increase in the community’s stock of owner-occupied houses, the imputed rentals of which sometimes find a place in estimated money-values of the national income, but never to my knowledge in a directly costed

index of productivity. Owner-enjoyed property of other kinds, such as books, pictures, furniture and so on may also be mentioned as items which may appear in a productivity index as new products but which do not affect it in their capacity of continuous producers of current satisfactions.' The market, and measures of production, failed to capture 'satisfactions arising from the enjoyment of property such as museums, public gardens, schools and universities, bequeathed to the people by governments and public benefactors of earlier days' (p. 18).

Second, there was greater *access* to free goods, 'partly as the result of increasing economies in the cost and time of travel, partly because of the general trend to greater leisure'. The Lancashire millhand of a century earlier had little or no opportunity to enjoy the Scottish Highlands, or even Blackpool. Now a visit to Palm Beach or the Blue Mountains was 'only an incident to the industrial worker of Sydney' (p. 19).

Third, there was a 'growing tendency for work to become play, and thus to fall outside the Statistician's measurement of productivity'. Greater leisure afforded to people the opportunity to 'produce' for their own benefit by such means as 'household repairs, gardening, and simple manufacture'.

Finally, estimates of productivity growth were biased downward because of the statisticians' inability to allow adequately for the emergence of new products and the disappearance of old ones. The standard technique to adjust indices of real output for changes in the composition of production was chain-indexing. But this was an imperfect technique. Wilson illustrated the problem:

Suppose, for instance, that buggies disappeared entirely at the end of 1910 and were replaced by cars as from the beginning of 1911. We should then compare the whole product of 1910 with the whole product of 1909, the product of 1911 (excluding cars) with the product of 1910 (excluding buggies), the whole product of 1912 with the whole product of 1911, and chain the results together to form an index.

The important omission, for the present purpose, is that at no time have we compared buggies directly with cars. We have allowed for any

increase or decrease in the ‘productivity’ of car manufacturers after car manufacture started, and any decrease or increase in the productivity of buggy manufacturers before buggy manufacture ceased. But this does not get us out of the basic difficulty that, in effect, we have assumed that the contribution to well-being of the man making the last buggy is exactly equal to the contribution of the man making the first car. This leaves out of account the improvement in well-being made possible by the substitution of car-travel for buggy-travel. (p. 19–20)

The buggy-car substitution does not, of course, have to be instantaneous for the point to hold: if, year by year, there are more cars and fewer buggies produced, the measure of total production may be flawed. An objection to the argument is that the relative prices of cars and buggies may reflect the benefit that users derive from them. If the price of a car is twice that of a buggy, the nominal GDP will register this. The problem then shifts to the deflator for the GDP: we wish to adjust the nominal GDP for pure price increases but not for enhanced quality. It may, however, be difficult or impossible to disentangle them. A chained price index entails the same difficulty as Wilson noted for chained quantity measures. It is a familiar difficulty of price indices that they may not capture fully increases in quality and may therefore treat as price increases what are in truth improvements of quality.

That problem is very likely to have applied to the retail price indices of our period. There was little or no allowance for the changing content of consumption or for changes in quality. Hence the indices are likely to have overestimated the rise in prices (or underestimated the falls). There is no way of quantifying the error. But we may reasonably suppose that the employed wage-earner did fare somewhat better than Figure 1.4 implies.

1.3.5 The basic wage

Much will be said in this study about the basic wage. Although the federal basic wage had its origin in the *Harvester* case of 1907, no meaningful statistics of the basic wage can be provided for years before 1922. The reason is that in those early years the basic wage was set award-by-award, usually when the

award fell due for renewal but sometimes upon application for variation. Moreover, the practices of the judges in fixing the basic wage varied. As a result, there was not one basic wage, but a range of them.²⁵ In 1922, however, the Commonwealth Court adopted the practice of prescribing a general basic wage (subject to geographical differences and some departures from general practice in particular awards). From this time, it is meaningful to speak of *the* basic wage.

From 1922 onwards, the federal basic wage was subject to automatic quarterly adjustment with reference to a price index. In addition, discretionary changes were imposed by the Arbitration Court in 1931, 1933, 1934, and 1937. Figure 1.5 shows the levels of the (federal) basic wage over the period 1922–39.²⁶ These are weighted averages for the six capital cities. The figure also shows the real basic wage and the relativity of the basic wage to nominal adult male wages. (All three curves are constructed from index numbers, with the values for the second quarter of 1922 set at 100.) The federal basic wage increased during the 1920s, and in 1929 was 15 per cent higher than in mid-1922. Between 1929 and 1933, it fell by 29 per cent. Although it increased thereafter, in 1939 it was still barely at the 1922 level. In real terms, it was above the 1922 level, but below that of the later 1920s. The relativity of the basic wage to total nominal wages was lower in 1939 than at any time in the 1920s. One reason for the differences between the movements of the basic wage and of nominal rates is the fact that the latter encompass components of wages additional to the basic wage, mainly margins for skill. Another is the adoption by State tribunals of policies different from those of the Commonwealth Court. An important example of divergent policy was the failure of some State tribunals to follow the federal ‘lead’ when the Court cut wages by 10 per cent in 1931.

²⁵ The setting of the basic wage in this earlier period will be discussed in chapters 3 and 6.

²⁶ I thank Rachel Franklin, formerly Librarian of Fair Work Australia, for providing data showing the basic wage obtaining in each of the six capital cities and the weighted average for all six cities. During the 1920s, the wage adjustment times were the beginning of February, May, August, and November. I have constructed data for quarters ended in March, June, September, and December by calculating averages. The March quarter number, for example, comprises one-third of the November number and two-thirds of the February number.

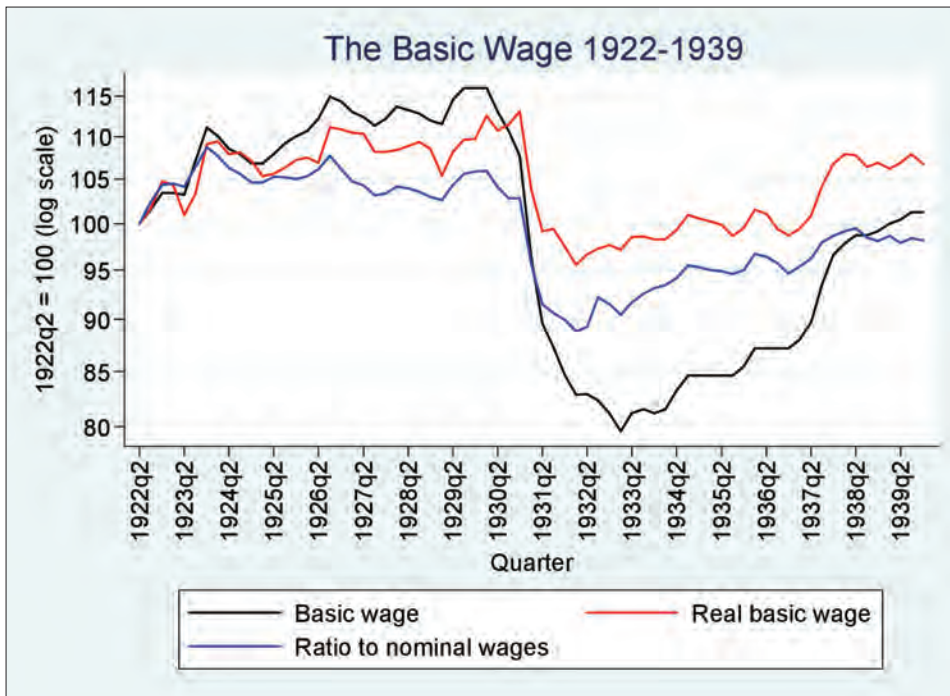


Figure 1.5

Source note: Basic wage levels calculated from data supplied by the Librarian of Fair Work Australia; other data are from various numbers of the *Labour Report*.

Basic or living wages were also set by State tribunals in four of the States: New South Wales, Queensland (from 1921), South Australia, and Western Australia (from 1926). Figure 1.6 shows the relativities of the basic or living wage to the corresponding federal wage in each of four capital cities in the years 1923–1939.²⁷ It is plain that there were significant differences between the State and the federal wage policies. This was particularly evident in Depression years, when the States (whether by legislation or tribunal decision) acted independently of the Commonwealth Court and resisted the Court's policy of wage reduction.²⁸

²⁷ I should acknowledge that the data on which Figure 1.6 is based have been in my possession for many years and are of uncertain provenance.

²⁸ The prescription of a living wage in New South Wales was complicated by the adoption of child endowment, which at various times was associated with a reduced living wage and

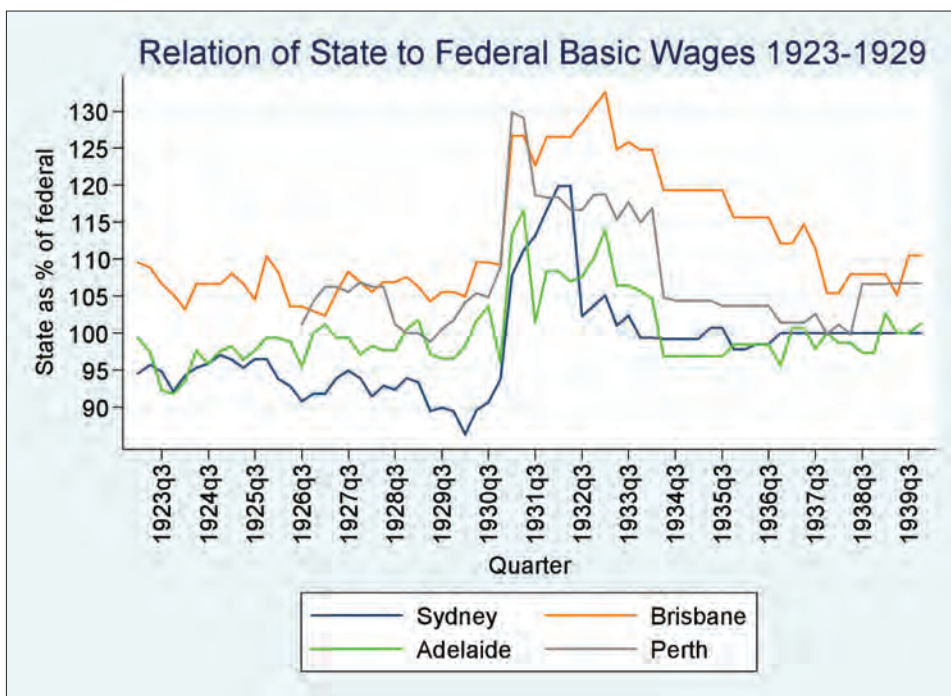


Figure 1.6

1.3.6 Female wages

Nominal wage data were compiled for adult females in a similar manner to those for males, though the female series covered a narrower range of occupations. Figure 1.7 shows real female wages and the ratio of female rates to those for males. Although the time-pattern of changes in female real wages was much the same as for male wages, women's relative position improved somewhat. In 1914, the average female wage was 49 per cent of the male wage; by 1939 it reached 55 per cent.

employer contributions to an endowment fund. Further references to State policies are made in later chapters.

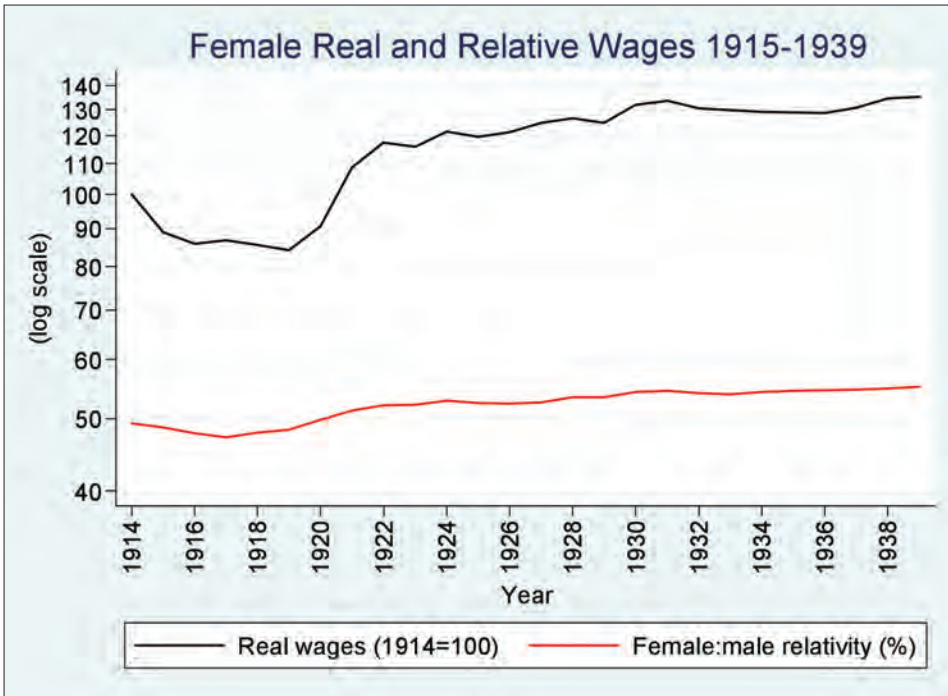


Figure 1.7

Source: *Labour Report*, various numbers.

1.3.7 Working hours

Like the wage data, those of working hours are derived from legal instruments such as awards.²⁹ There are no statistics of actual working time. The best interpretation of the published statistics is that they represent the maximum hours that employers could legally demand of their workers without paying overtime. Of course, the maxima varied from instrument to instrument and the numbers published are averages.³⁰ The hours prescribed for adult males and females are shown in Figure 1.8.

²⁹ In the case of some State awards, hours were at times controlled by statute.

³⁰ As averages, they are subject to similar limitations as those of the nominal wage data. In some industries, there were no prescribed maximum hours. These industries were excluded from the Statistician's calculations.

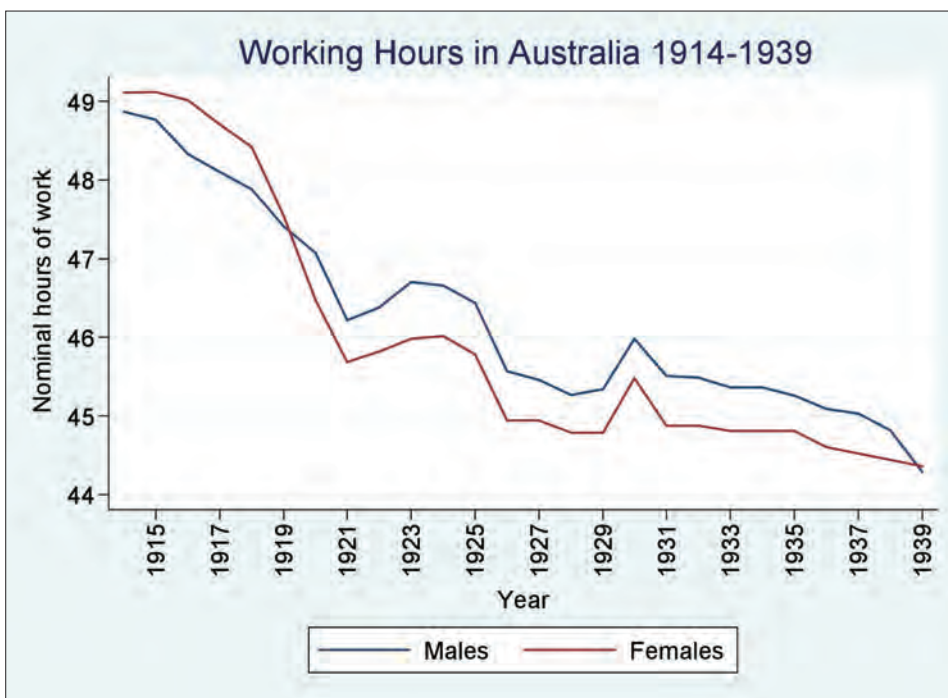


Figure 1.8

Note: The observations plotted in the chart pertain to the end of the year.

Source: *Labour Report*, various numbers.

Over the quarter-century covered by Figure 1.8, average weekly hours fell from 48.9 to 44.3 for adult males and from 49.1 to 44.4 for adult females. More than half of the reduction occurred between 1914 and 1921. As the figure shows, females initially worked slightly longer hours than did males. This was reversed between 1918 and 1921. It appears that the reduction of hours that gathered strength after 1937 affected men more than women; and by the end of 1939 the average hours of males and females were virtually equal. The reduction of 9.4 per cent in male working time, combined with an increase of about 27.6 per cent in real weekly wage rates, implies a rise of about 41 per cent in hourly real wages. A similar calculation for females indicates an increase of about 50 per cent.

Ideally, statistics of weekly working hours would be supplemented by data of paid leave, giving a comprehensive picture of the division between working and other time. There are no such data. In the course of this study, references will be made to tribunal decisions about leave; but this is qualitative evidence, which falls far short of the requirements of a data series. In brief, the qualitative evidence is of an early movement toward the awarding of paid public holidays (8 to 10 per year) and sick leave. Annual leave came later. By World War II, one week's leave was common for manual workers and in white-collar work longer periods were general.

