

PRONOUNCEMENT OF COURT OF ARBITRATION SPECIFYING
STANDARD RATES OF WAGES

ON 13th February, 1945, important amendments were made by Order in Council to the Economic Stabilization Emergency Regulations 1942 (Serial number 1945/6, Amendment No. 5).

The regulations with which the Court is at present concerned are 38 (as amended), 39A (1) and (2), and 39B. They read as follows:—

38. (1) In exercising its powers and functions in relation to the making or amendment of awards or apprenticeship orders the Court of Arbitration shall have regard to the general purpose of these regulations, and also to the desirability of so fixing rates of remuneration as to restore or preserve a proper relationship with the rates of remuneration of other workers or classes of workers (whether fixed by any award, apprenticeship order, or industrial agreement or otherwise), but, except as provided in Regulations 42 and 43 hereof and in subclause (2) of this regulation, the Court shall not have regard to any fluctuations in the cost of living.

39A. (1) Upon application made by any party to any award or industrial agreement that is in force, on the commencement of this regulation, the Court may amend the provisions of the award or industrial agreement relating to rates of remuneration in such manner as the Court thinks fit for the purpose of restoring or preserving a proper relationship with the rates of remuneration of other workers or classes of workers (whether fixed by any award, apprenticeship order, or industrial agreement or otherwise).

(2) In making any such amendment the Court may, if in its discretion it thinks fit, direct that the amendment shall have effect as from such date before the date on which it is made as the Court thinks fit.

39B. The Court may from time to time, of its own motion or on application made in that behalf, make a pronouncement specifying standard rates of wages for skilled, semi-skilled, and unskilled workers for the purposes of these regulations.

On 14th February, 1945, the Court publicly announced that it proposed to exercise at an early date the power vested in it by Regulation 39B. The Court also expressed a desire to hear representatives of Dominion organizations of employers and workers on the general question of standard rates of wages for skilled, semi-skilled, and unskilled workers. The representatives were heard on the 5th, 7th, and 9th of March.

The last standard wages pronouncement made by the Court was issued on 7th September, 1937 (37 Book of Awards 1648). The rates for the several classes of workers were fixed as follows:—

Skilled workers, 2s. 9d. per hour.

Semi-skilled workers, 2s. 5d. to 2s. 7½d. per hour.

Unskilled workers, 2s. 4d. per hour.

It was stated that these rates were intended as general standard minima for casual labour, and were not necessarily applicable where employment is regular throughout the year.

The representatives of the workers' organizations at the hearing just concluded submitted that the rates prescribed in 1937 should be each increased by 4½d. per hour—that is, the new rates should be as follows:—

Skilled workers, 3s. 1½d. per hour.

Semi-skilled workers, 2s. 9½d. to 3s. per hour.

Unskilled workers, 2s. 8½d. per hour.

It was made clear that the above rates should be subject to the Court's general orders of 9th August, 1940, and 31st March, 1942. The same representatives also expressed the opinion that the Court should on this occasion make a pronouncement fixing standard hourly and weekly wage rates for female workers in skilled, semi-skilled, and unskilled occupations. They submitted that such rates could fairly and reasonably be assessed at 66⅔ per cent. of the corresponding rates for adult males under the respective awards. The workers' representatives asked, further, that the Court should lay down standard hourly and weekly wage rates for junior males employed in factories on unskilled and semi-skilled work.

It is perhaps appropriate to point out that the basis of the pronouncement now under consideration differs in important respects from the basis underlying previous pronouncements of this Court. The principal factors which the Court was required to consider on previous occasions were the general financial and economic conditions affecting trade and industry, and fluctuations in the cost of living. The present pronouncement is being made pursuant to the powers contained in Regulation 39B, and it is expressly indicated that such powers are exercisable for the purposes of the *Economic Stabilization Emergency Regulations*.

It is clear from Regulation 38 that in specifying standard rates for the purpose of the regulations the Court shall not have regard to any fluctuations in the cost of living.

The matters to which the Court is required to have regard are the general purpose of the regulations and the desirability of so fixing rates of remuneration as to restore or preserve a proper relationship with the rates of remuneration of other workers or classes of workers, whether fixed by any award, industrial agreement, or otherwise.

The general purpose of the regulations is to promote the economic stability of New Zealand (see Regulation 2).

We propose, in the first place, to examine the position with a view to ascertaining whether the present standard wage rates bear a proper relationship to the rates of wages now being paid to various classes of workers in the Dominion.

It is to be understood that all rates discussed subsequently in this memorandum, except where stated otherwise, are subject either to the Court's general orders of 9th August, 1940, and 31st March, 1942, or to cost-of-living allowances of a similar nature.

Since the Economic Stabilization Emergency Regulations came into operation on 15th December, 1942, the rates of wages determined by the Court of Arbitration have not been varied to any great extent, and where increases have been granted they have been relatively moderate. In the last few months, however, there has been a noticeable tendency for employers to agree to increased rates in Conciliation Councils or in negotiations for special agreements.

The relative position of certain limited groups of workers has been appreciably improved in the past two years, possibly in some cases as a result of the adoption of militant tactics. Nevertheless, the position, since stabilization, of the great bulk of the workers whose wage rates are governed by the minima prescribed in awards can be gauged by an examination of the index numbers for weekly money wage rates (adult male workers) prepared by the Government Statistician.

The index number at 31st December, 1942, sixteen days after the introduction of stabilization, was 1254. The index number at 31st December, 1944 (the latest figure available), was 1270. The increase over a period of exactly two years amounts to 1.28 per cent.

The regulations indicate that the Court in considering whether adjustments to wage rates are necessary may take into account the wages of workers or classes of workers whose rates of remuneration are fixed otherwise than by award or industrial agreement.

During the last few weeks decisions have been made the effect of which is to increase the rates of remuneration of several large groups of salary and wage earners, principally in the service of the State.

The total number of salary and wage earners in the Dominion, including members of the Armed Forces who are for the time being domiciled in New Zealand, is possibly in the vicinity of 550,000. Of this number we estimate that approximately 127,000, or 23 per cent., are to benefit from decisions already announced. The extent of the increases granted in salary or wage rates ranges in general from £18

per annum to £75 per annum. Workers on hourly or weekly rates have broadly been granted an increase of 3½d. per hour, equivalent to approximately £30 per annum. Many thousands of workers of this class are employed in certain Government Departments such as the Railway, Post and Telegraph, Works, State Forest, Native, Lands and Survey, Internal Marketing, and Navy Departments.

Agricultural workers are another group of workers whose rates of remuneration are fixed otherwise than by awards or industrial agreements. Since the introduction of stabilization, the gross rate of remuneration (inclusive of board and lodging) of adult male workers on dairy-farms has risen from £3 17s. 6d. per week to £5 per week, an increase of 29 per cent.

The base rate for male workers in orchards has been increased in the same period from £4 4s. per week to £4 15s. per week, a matter of 13 per cent., while the hourly rate for adult males in the field section of the tobacco industry has gone up from 2s. to 2s. 3d., an increase of 12½ per cent. The rates quoted for agricultural workers are not subject to the Court's general orders.

During the hearing of this case references were made by both sides to recent wage increases to coal-miners. Many coal-mine workers are on piece-work rates, and in 1942 those rates were increased by 5 per cent. At the same time in 1942 adult day wage workers received an increase of from 2s. 10d. to 3s. per day. As an example, the rate for first-class shiftmen underground rose from 22s. 5d. to 25s. 5d., an increase of approximately 13 per cent. Since stabilization, the same shiftmen have received an increase in remuneration of 2s. 2d. per day in the form of a special bonus, equivalent to a further rise of 8½ per cent. The bonus in the case of surface workers amounts to 1s. 6d. per day. The above increases are gross; in other words, the Court's general orders are not superimposed thereon.

Another group of workers whose relative position appears to have improved since the introduction of stabilization is the industrial group engaged in the provision of transport by water. According to the abstract of statistics the index number for weekly money wage rates for this group at 31st December, 1942, was 1556. The same index number at 31st December, 1944, was 1680, an increase of just under 8 per cent.

It is manifest from the above information that the standard rates of wages fixed in 1937 are completely out of balance

with the minimum rates now payable to at least 30 per cent. of the workers in the country. It is necessary and, indeed, only just that the standard rates should be revised.

We now propose briefly to examine the economic position of the country and investigate in particular whether desirable and necessary adjustments to the standard wage rates are likely to promote the economic stability of the Dominion.

The combined all-groups index number of export prices for December, 1944, stood at 1817, compared with 1440 for the year ending 31st December, 1937, and 1616 for December, 1942. The increase in the index number since the introduction of stabilization has therefore been 12.4 per cent.

It is estimated that the average pay-out for butterfat per pound by cheese-factories will during the current season exceed the figure for the 1942-43 season by 14 per cent., while the corresponding increase in the case of butter factories is likely to be 18 per cent.

At 25th December, 1944, the overseas funds of New Zealand banking institutions (on account of New Zealand business) stood at over £53,000,000, a record high figure, and an increase on the figures for 28th December, 1942, and 27th December, 1943, of 31½ per cent. and 24½ per cent. respectively.

The rate of increase in active bank-note circulation, which has been so noticeable since the war commenced, has steadied up appreciably in the last twelve months.

The all-groups index numbers for share-prices appear to indicate that business is healthy. The index number for 1944 is 1279, compared with 1010 for 1942, an increase of over 26 per cent. It is probable that part of this increase may be due to the borrowing of large sums of money by the State at relatively low rates of interest.

The possibility of inflation is a matter which requires at all times to be carefully watched. There appear, however, to be some indications of a decline in inflationary tendencies.

In the last calendar year there has been a deflation of bank credit, a development, however, which might be only temporary.

The total volume of consumer goods and services available for the civilian population shows signs of an increase. There has been a little relaxation in regard to exports from other countries to New Zealand. A greater percentage of some classes of locally manufactured goods is being allocated to the local market. Surplus war stores, buildings, &c., are being disposed of to the public.

A falling off in the amount of overtime worked must result in a reduction of spending power.

The volume of money in circulation made up of coin, bank notes held by the public, and bank demand deposits shows an increase as at December, 1944, of only $1\frac{1}{2}$ per cent.; compared with the figure for December, 1943, whereas the latter figure showed an increase of $22\frac{1}{2}$ per cent. over the corresponding figure for December, 1942.

On the whole, it would appear that the standard wage rates of 1937 can now be adjusted within reasonable limits without undue embarrassment to industry or without any serious inflationary effect.

On the other hand, having regard to the preferential position in which a very large number of workers have been placed as a result of recent decisions, we are of the opinion that if adjustments are not made, there are bound to be serious but understandable repercussions throughout industry which would undoubtedly react unfavourably on the economic stability of the Dominion.

It is perhaps not out of place to mention that the easing of restrictions on wage adjustments imposed by stabilization policies is very noticeable in other countries.

That is not to say, however, that the dangers of inflation are past. Indeed, with the improvement in the war situation there is need for greater vigilance than before. The workers of New Zealand have saved many millions during the period of the war, represented by National Savings Accounts, National Savings Bonds, and accounts in the Post Office Savings-bank. A degree of inflation would inevitably react unfavourably on those funds by reducing their purchasing-power. The lessons of the years which followed the 1914-18 war should not be forgotten.

In the result, the Court has decided that the standard minimum rates of wages for adult male workers will in future be as follows:—

Skilled workers, 3s. $0\frac{1}{2}$ d. per hour.

Semi-skilled workers, 2s. $8\frac{1}{2}$ d. to 2s. 11d. per hour.

Unskilled workers, 2s. $7\frac{1}{2}$ d. per hour.

These rates are to be increased in the manner and to the extent prescribed by the Court's general orders of 9th August, 1940, and 31st March, 1942.

It should be made clear that this pronouncement is not in itself a general order and therefore has no operative effect. It is purely an indication of the Court's future policy. It is also to be clearly understood that the adoption of the foregoing rates does not mean that a general increase of $3\frac{1}{2}$ d. per hour is necessarily to be granted in all awards and industrial agreements. Parties are reminded that this pronouncement

is made for the purposes of the Economic Stabilization Emergency Regulations, and those regulations authorize the Court to amend awards and industrial agreements for the purpose *only* of restoring or preserving a proper relationship between the rates of remuneration of various classes of workers. A flat increase to all workers would not correct, but merely perpetuate, existing anomalies.

The Court does not intend to make any pronouncement relating to standard rates for female workers or for juniors.

As soon as possible after this pronouncement is issued the Court requests that in all cases where applications for amendments are made pursuant to Regulation 39A (1) the parties should confer with a view to reaching agreement as to any amendments that should be made. Where agreement cannot be reached, applications should be made to the Court for a hearing. The circumstances are such, however, that the Court will have to insist that all submissions of parties at such hearings shall be brief and to the point.

Regulation 39A (2) provides that, in making any amendment of an award or industrial agreement under these regulations, the Court may direct that the amendment shall have effect as from such date before the date on which it is made, as the Court thinks fit. The Court announces that all such amendments made pursuant to Regulation 39A (1) in respect of applications submitted within a reasonable time will be directed to have effect as from 1st April, 1945.

Mr. Prime desires to add the following comment:—

“In view of increases in wage rates which have been agreed upon by employers in cases affecting large numbers of workers, in addition to the increases recently announced for Railways, Public Service, and Post and Telegraph employees, I agree that the rates set out in this pronouncement are necessary to restore a proper relationship. While the increased spending-power which will accrue as a result of this pronouncement may not affect appreciably the economic stability of the Dominion, it will almost inevitably tend to increase the inflationary tendencies which have been in evidence during the past few years. Workers, who have accumulated small savings must not be disappointed if they find their savings depreciated in value.”

Dated this 17th day of March, 1945.

[L.S.]

A. TYNDALL, Judge.