

A STUDY OF THE MINIMUM WAGE
IN ITS ECONOMIC ASPECTS.

-- By --

ISABELLE GRAHAM FLETCHER, B.A.(Man.)

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ANALYSIS OF WAGES:

"Wages," although one of the most common and familiar terms in economic science, is also one of the most difficult to define accurately. The commonest definition is that wages is the "reward for labour," but here we are immediately faced with the difficulty stated by Adam Smith that "the greater part of people understand better what is meant by a quantity of a particular commodity than by a quantity of labour." The one is a plain, palpable object, the other an abstract notion, which though it can be made sufficiently intelligible, is not altogether so natural and obvious. If we understand wages as the reward for a quantity of labour, to give an exact meaning we must be exact about this abstract notion of Adam Smith's.

From the labourer's point of view the quantity of labour refers not so much to the work performed as to¹ "all the feelings of a disagreeable kind, all the bodily inconveniences or mental annoyance connected with the employment of one's thoughts or muscles or both in a particular occupation." This analysis leads us into the difficulty of further differentiating between the capitalist exercising his brains, and the navvy who works by the sweat of his brow, or the employer and the employed. Francis

1. J. S. Mill - "Principles."

Walker's definition of wages as "the reward of those who are employed in production with a view to the profit of their employers, and are paid at stipulated rates" seems very reasonable. This limits the class who earn "wages," and our next point should be to consider how wages should be measured.

Since to the labourer the amount of money obtained is only a means to an end, economists have discriminated sharply between nominal and real wages. "Labour, like commodities," says Adam Smith, "may be said to have a real and nominal price. Its real price may be said to consist in the quantity of the necessities and conveniences of life which are given for it; its nominal price in the quantity of money. The labourer is rich or poor, is well or ill-rewarded in proportion to the real, not to the nominal price of his labour." Wages then have a tangible reality, and their bearing upon the worker's welfare is direct and obvious.

In comparing the real wages of labour at different times and places, it is clear that we must take into account not merely the amount of the money wage itself but also any difference in the purchasing power of that money wage, any opportunities open to the labourer for supplementing his earnings, the constancy or irregularity of his employment and any additional benefits he may receive of a non-monetary character. Also it is important to note and allow for the average duration of the working life in any industry - a factor to which greater weight should be given than is yet apparent in old age pension schemes.

In thus analysing the real wage we are looking at the wages problem from the standpoint of the labourer. But to the employer the problem wears another aspect. He naturally looks primarily not to what the labourer feels but to what he does in

exchange for what he receives in real wages. In other words, the employer is concerned with the real cost of labour to him; and in this connection a most encouraging sign of progress toward industrial peace is the growing recognition on the part of employers of the economy of high wages. Nominally "cheap or low paid labour is really dear labour, because inefficient. This truth was strikingly emphasized by Adam Smith: ¹"The experience of all ages and nations, I believe, demonstrates that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any."

A rather vague conviction exists in the minds of most people that wages are or ought to be determined by the worker's standard of living. What is fair and just is mostly considered rather than what is economically possible; the wage earner is viewed not as a means of production, but as a human being whose welfare constitutes the end and purpose of industry. The problem, however, is not so simple. Apart from the fact that no single rule or formula will cover the whole situation; that classes of labour are by no means homogeneous, and that the standard of living of each class varies widely; that there are many different grades of labour "from the unskilled man who shovels clinders, to the highly trained, efficient and intelligent electrician who keeps the dynamos going,"² we must consider the causes that determine the general rate of wages or the "Produce - cum - Bargain" theory. These causes may be summarily stated thus:

1. The Amount of the National Dividend - which depends on

1. Adam Smith - "Wealth of Nations," Book III, Ch. 2.
2. Furness - "Labor Problems."

(a) Quantity produced within the nation.

(b) Price obtained for that part of the produce exported.

2. Distribution of the National Dividend - this depends on relative bargaining strength of the owners of the productive agents (i.e., landowners, labourers, capitalists.)

3. The Aggregate Amount which goes to labour being thus determined, the average or general rate of wages depends on the size of the divisor - i.e. the number of labourers.¹

There are as well certain factors indicated by Adam Smith² which cause normal differences of wages in different employments - some artificial, some natural, due to the nature of the employment as:- (1) The agreeableness or disagreeableness of the employment. With advantages in other respects equal the more disagreeable the employment, the higher the reward; (2) The readiness and cheapness (or vice versa) of learning the business; where a business is difficult, certain natural qualifications, and also command of a certain amount of capital to subsist on while learning, are necessary, and thus in both respects the natural supply of labour is limited. Thus the wages of skilled artisans, etc., exceed those of the common labourer; (3) Constancy, or inconstancy of employment. Certain trades are seasonal, thus requiring higher wages; (4) Small or great trust which must be reposed in the workman. In highly responsible employments remuneration must be high to reward such a trust; (5) The probability or improbability of success

1. Notes on Pol. Ec. - A. B. Clark.

2. "Wealth of Nations," Bk. I, Ch. X.

in them. Since chance of success is generally overestimated, and chance of failure correspondingly undervalued, wages in employment where chance of success is really small, are lower than they should be in order to include a fair reward for risk of failure (e.g. gold-mining).¹

What is really of fundamental importance in all the above with regard to the determination of the wage rate, is the fact that wages are paid out by the productivity of industry, and the aggregate amount paid in wages depends partly on the general productiveness of all the productive agents, and partly on the relative power of the labourer as compared with owners of land and capital. "Under a system of perfect industrial competition, the general rate of wages would be so adjusted that the demand for labour would be just equal to the supply at that rate."²

As things are under the existing conditions of industrial efficiency, it is easily seen that the real wages of all workers cannot be raised permanently above the share which they contribute to the total product. An employer of labour will agree to bear the cost of wages only if he can reckon on regaining it from the sale of his product. Employers are not situated similarly as regards their ability to pay a given rate of wages, and recover this through the sale price of their product. Thus, for the individual employer, the rate of wages is determined by forces which he cannot always be cognisant of, nor control, though he may try to influence them to his own advantage. However, "the economic forces of a competitive and non-regulated industrial order such as

1. Marshall - "Principles," Bk. 6, Ch. 3.

2. See "Wages" - J. S. Nicholson, Encycl. Britannica.

ture, which tends to give each worker a money wage equal to the value of his own contribution to the product of industry,"¹ will set the upper or maximum limit to the employers' wages offer. This limit is set by the necessity of making workers earn their own costs, and at the same time depends on the market which sets the price of goods. Another set of factors operate to set the minimum rate, below which, the worker either refuses to work, or disappears from the labour market.

The economic worth of any member of a given class of labour varies inversely with the supply of labour of that type, ceteris paribus. Labour, like all other factors of production, conforms to the law of diminishing marginal productivity, which means that after a certain point, other things remaining constant, when the supply of labour increases, the productivity of the individual member of that group of labourers declines.

This economic law of wages plainly interpreted is that "Each worker will receive in money wages, the equivalent of his contribution to the product of industry, the amount of this contribution being equal to the productivity of the 'marginal' man in his group;"² and is really a statement of the highest rate which employers will pay. No employer will pay more than the amount determined by this law, since this will mean for him not loss, but all employers would willingly pay less, and as much less as is possible through clever bargaining. If the result of this bargaining gives the wage earner a rate lower than that determined

1. "Labor Problems" - Furness.

2. "Labor Problems" - Furness.

by the marginal productivity of his group, he is being exploited in the sense that his wage is less than the industry is able to pay him, i.e., less than his economic worth. In such a situation, a firmly fixed standard of living may operate to increase the bargaining power of the workers. To effect this the worker must be so used to this standard that he will refuse to work at a wage which will lower his traditional mode of life. When this is true, the standard of living sets the lower limit to the wage bargain, and fixes a point below which the wage rate is not allowed to fall. It can hardly be gainsaid that the propertyless worker, especially when unorganized, is an ineffectual and necessitous bargainer, whose position is strengthened against an unscrupulous employer through the influence of his "standard of life;" and although we must admit that the standard of living, through its influence upon the bargaining power of the worker, cannot cancel out the influence of the productivity factor, yet it is an element determining the marginal productivity of the workers. A wholesome home life, freedom from worry, leisure for intellectual and spiritual development, hopes of social advancement for his children, all these less tangible elements in a worker's life, contribute largely to the worker's productivity.

Any wage rate that lowers this standard will naturally adversely affect the productivity of the worker and his economic worth to his employer, and the community generally. Sidney Webb¹ demonstrates clearly how the effect of a lowered standard of living of the workers reacts not alone on productivity

1. See "Journal of Political Economy," Dec. 1912.
Vol. 20 - "The Economic Theory of a Legal Minimum Wage."

of the workers and on the community generally, but that the evil tends to be perpetuated in a lowered physical and mental condition of the children, and becomes cumulative; since this class tends to have a higher birth rate, and the increasing of the population of badly nourished, subnormally developed human beings gradually vitiates the whole nation. Various writers on this subject note that the standard of living principle, as a basis of determining wages, may act as a force in raising wages: (1) Since, by strengthening the bargaining power of the worker, the lower limit of the wage contract may be raised; (2) By reason of its effectiveness to increase the marginal productivity of the workers through (a) improvement of their physical and psychological fitness, (b) limitation of their numbers (sooner than fall below a certain standard people will allow the birth rate to decline).

THE STATE AND WAGES:

As pointed out by De Lisle Burns,¹ the wages system is one of the most obvious elements in the present organization of industry, and it is perhaps purely economic in its origin and purpose. It is, from the economic point of view, the method by which capital secures labour and labour the use of capital; but it has political aspects. It involves, for example, a very clear distinction of social classes, since those who work for wages depend for future security entirely on the will of others, have no reserves of wealth, and have nothing but the labour of each day to give for the maintenance of daily life.

While it is improbable that any other system of rewarding labour will be devised and the system therefore remains the best available method, it is only natural that in this, as in other human institutions, evils should creep in. These have been many and various and some of them have attracted attention enough to be the grounds for administrative action. The evils of say (a) payment of such low wages that the wage-earner cannot live a human life, (b) the obstacle to organization of workers for collective bargaining when their wages, through special causes, are unduly low; and (c) the insecurity of those who are paid only enough to live on while they are at work.

Those suffering in this way fall into distress and disease and the whole of society is affected. Because of the sufferings of weakest workers, the State may be driven to limit or modify its general attitude towards the contract of service for

1. "Government and Industry."

wages. Not only on the ground of social distress is the State committed to affecting the wages system, but since the State is the nation politically organized, it is also concerned with the wages system because of the advantages accruing to all from its use. If all derive advantages from the system, they must also be responsible for its evils, and if the laws maintaining the wages system allow grave evils to result from it, a democratic State should be responsible for correcting them.

These general principles seem to underlie the action of modern States in regard to wages, as will be shown later.

INFLUENCES LEADING TO THE DEVELOPMENT OF MINIMUM WAGE LEGISLATION:

Conditions of labour under the feudal system were determined by status rather than by contract. Following the period of industrial revolution, growth of the towns led to the beginning of the modern problem based on the separation of the worker from the means of subsistence, and created an urban class purely dependent on wages.

Following the period of Benthamite reform and adoption of laissez-faire principles, old restrictions, suitable enough in the days of a fairly static industrial civilisation, were swept by the boards. For many years nothing replaced them.

As the cities grew and masses of workers were segregated in towns as factory workers, it began to be recognized that unrestricted competition and the operation of laissez-faire in the labour world had led to intolerable evils, as noted before, - excessive hours of work, low wages, industrial accidents, overcrowding of workers in factories in unsanitary conditions. To protect the worker from exploitation some interference became absolutely necessary.

Protection of the standard of life was partially secured through a whole succession of Factory Acts, and partly through formation of Trade Unions. In the former, the State interfered to prescribe certain common rules to be followed in the conduct of industry; in the latter, the wage earners were allowed to combine to safeguard their interests.¹

The first real impetus to the fixing of uniform rates of wages in industry by the State was given by New Zealand,

1. See "The Worker in Modern Economic Society" - Douglas
H. Atkins - 1923.

where the State, by a law of 1894, gave district Conciliation Boards power to fix minimum wages - and thus the origin of Minimum Wage legislation is to be sought in Australasia.

In New Zealand this was the result of the state of public opinion following a sympathetic strike in 1890. The strike collapsed, but after the general elections, the government returned to power espoused the cause of Labour and Unionism and prevention of strikes. In 1894 an act was passed to encourage the formation of Industrial Unions and associations, and to facilitate the settlement of industrial disputes by conciliation and arbitration. This Act also provided for the fixing of a Minimum Wage when requested. From 1896 to 1906 the scope of the act was widened.

In Victoria, public opinion was influenced rather by the prevalence of sweating than by industrial strikes, and in 1896 the Factory and Shops Act was passed, which permitted the establishment of Special Boards, empowered to fix a minimum rate of remuneration in certain specified industries.

New South Wales, Western Australia and the Australian Commonwealth followed the New Zealand plan.¹

In Great Britain, at the beginning of the 20th Century, attention was called to great numbers of persons, chiefly women, who worked in what were called the "sweated" trades, in which earnings were not enough to maintain vitality. These persons made goods on the sale of which profits were secured by others; and the public took every advantage of the cheapness of these goods.

1. See page 845 - Atkins.

On the old hypothesis of the free contract, the exploiter of the ill-paid labour was not responsible if the worker was willing to work for a low wage; and the public at large could not very well discover which of the goods offered for sale were the product of women dying of starvation.¹

An exhibition was held in 1906 in West London showing labour conditions in the sweated trades. This class of workers, are "too forlorn, too isolated, and too impoverished to be reached by trade unionism."² This exhibition brought the question at once into the sphere of practical politics. "Sweating" was seen to be not an "excrescence on the body politic, having no bearing upon its general health, but an organic disease, an evil that wasted the whole industrial physique; it preyed upon the defenceless and used them to depress the general industrial standard."

The immediate outcome was the formation of the Anti-Sweating League to secure a minimum wage; later in the same year the Board of Trade published a report on Earnings and Hours of Employment, which showed up the semi-starvation of workers in thirty-two textile and clothing trades. This led to the first Trade Boards Act of 1909, which introduced in Great Britain a new method in state action with regard to industry. The most important feature of the Act, was that the decision as to what should be the rate of wages in a trade was to be made by a Board representing that trade. The members of the Board were to be (1) representatives of employers, (2) representatives of workers in the trade, and (3) persons nominated to represent the State or the public. This Act

1. "The State and the Wage System" - De Lisle Burns.
2. "Sweated Industries" - Clementina Black.

of 1909 could be extended to any trade which was in the opinion of the Board of Trade, sweated (in whole or in part), and allowed the Board to set up minimum wages on its own initiative. The members had equal voting power and they had the right to fix minimum wages for a whole trade or for one process in one district in one trade - circumstances governed. Increased scope was given to the Act of 1909 by the Act of 1918. First, the conditions upon which the establishment of a Trade Board depended were altered, emphasis being placed upon the degree of organization in a trade instead of the rate of wages being paid; secondly, the rate-fixing powers of the Board were enlarged; finally, the responsibility of the Minister of Labour was increased, and extension of Trade Boards facilitated by placing upon him, instead of on Parliament, the duty of setting up new Boards.¹

The Trade Boards Act became really the basis of a system capable of wide application and unlimited value as an instrument for negotiation in matters regarding wages and conditions of work. It secured a basic rate to all ordinary workers, while recognizing as well the presence of sub-ordinary workers.

This Act gave evidence of the influences of the Whitley Council Reports - e.g. that industries should be grouped into two classes, and that the experiment of a National Industrial Council should be tried where organization was complete, while Trade Boards should be established in less organized or spasmodically organized industries. Trade Boards could be established by special order, not requiring confirmation of Parliament, etc.

1. Dorothy Sells - "British Trade Boards System," 1923.

The same principle as in the case of Trade Boards has been used in the Agricultural Wages Board under the Corn Production Act of 1917.¹ This Act, including provisions for the establishment of an Agricultural Wages Board similar to a Trade Board, fixed a price for corn as well as providing machinery for fixing a rate of wages, thereby implying a vague conception of a relation between profits and wages.

Increased speed in setting up Boards, in fixing wage rates, and in extension of the powers of Boards beyond the wages system, was thus the distinct gain from the 1918 Act over the 1909.

THE PRINCIPLE OF A LEGAL MINIMUM WAGE:

To understand clearly what today is meant by a minimum wage, there must be no confusion with the fixing of wages by Justices of the Peace, nor 18th Century fixing of wages by Tailors' or Spitalfields Weavers' Act. This ancient legislation, by definitely proscribing the actual rates to be paid, fixed maximum wages, not minimums. There is no analogy at all between the mediæval principle embodied in the Statutes of Labourers, proscribing that people shall get no more than a certain definite wage and the modern principle that they shall under no conditions get less. The change of standpoint indicates the application of democratic principles in the economic field.

There is no essential difference in principle between fixing a minimum wage and fixing maximum hours of labour. Limitations of this kind are among the rules regulating the conduct of industry, and a country which introduces any form of labour legislation has accepted the underlying principle involved. An absolute laissez-faire attitude is no longer adopted with regard to labour conditions anywhere, and if the principle of interference is admitted there is no logical reason for not dealing, when conditions warrant, with the problem of wages.

In determining rules whereby industries shall be conducted, it is necessary to avoid fixing conditions which industry is unable to afford. In the case of wages, there is the difficulty to be met in fixing a minimum which will prevent the privation of the worker, and at the same time will be within the capacity of industry to pay.

"The minimum must not merely be a practical one, but the system of distribution must be such as will give to specially skilled workmen a sufficient return to call forth an adequate supply

of such labour; and will as well maintain the necessary supplies of capital, management and other agents of production."¹

This is the whole problem, and it is one of the most difficult in the whole realm of industry. In attempting to solve the problem, the chief factors to be considered are those affecting the "capacity of industry to pay," and those affecting the groups of workers for which wages are to be fixed.

Improvement in the wages of the lowest paid groups of workers may be secured through increased capacity of industry to pay, by either introduction of more productive methods of manufacture, or increased efficiency of the workers. Or again it might also be effected by protecting the worker against exploitation, and securing to him the highest wages that industry can afford to pay.

Sometimes the wiping out of old prejudices adversely affecting wages of certain groups of workers is of importance. Thus wages of women have often been disproportionately low, partly due to the hitherto limited field of labour open to them, and partly because many women were willing to work for low wages, since they were also being supported by the earnings of others.

1. J. H. Richardson - "The Minimum Wage."

THE CASE FOR A LEGAL MINIMUM WAGE:

We have long since departed from the doctrine of laissez faire, according to which the legitimate functions of government were restricted to the protection of life, person and property, including the enforcement of freely made contracts. "The ends of government," says Mill, are as comprehensive as those of the social union. They consist of all the good, and all the immunity from evil, which the existence of government can be made either directly or indirectly to bestow." If this is so, then the existence of a mass of sweating labour (i.e., labour in an industry, where workers are extremely ill-paid or overworked) working at a wage rate below that necessary for the adequate maintenance or sustenance of life, would seem to be sufficient reason for the adoption, by the State, of a legal minimum wage in that industry - provided always that State interference does not bring greater evils in its train. The minimum wage here to be dealt with is merely a subsistence minimum, and not to be confused with a comfort minimum, and is the lowest wage which can be paid to a worker so that he may eat, and be housed and clothed.

The operation of free competition in buying and selling of commodities is normally advantageous to both buyer and seller, and anything hindering this competition tends to lessen the volume of production and consumption. Yet there are cases in which, owing to inequality in bargaining power, unrestricted competition in labour gives a very different result - impoverishment of the seller (that is the worker who sells his labour), and deterioration of the product (the work) and the resultant increase of human misery.

Here we might properly ask whether labour has a worth measurable otherwise than by the market price? Professor

Marshall in his treatment of Labour¹ has shown very clearly how it differs from other commodities, and why it cannot be treated in the same way.

The "worth" of a commodity in the market is represented by the price, brought about by the forces of competition between buyers and sellers; but the "worth" of labour is the cost not merely of the expenditure of his energy, to the worker, but the cost of his long training, etc., which the price, in the form of subsistence wage, does not represent.

A minimum subsistence wage pays the worker "just enough to make him as fit for work afterwards as before," but it does not pay him for the strength and energy used up, which he has no chance of making up. "The worker in such a case is precisely in the position of a capitalist who has lent money and got it back but has made no profit on its use."²

The wages of much labour in this and other countries is on that scale, and the worker who gets a minimum subsistence wage in his own class of work is in this condition. But the worker, who gets less than this bare subsistence wage, not only gets no interest on his capital, but doesn't even get back the whole of his capital; and to carry the analogy further, like other persons who spend more than they receive, he becomes bankrupt - bankrupt in bodily health and peace of mind - and either pauperism or early death awaits him.

"Labour," says Mr. Schoenhof,³ "is an expenditure of vital force; unless this is replaced by wholesome nutrition, (air, light, sanitation and even cheerful surroundings are part

1. Alfred Marshall - "Principles" - Bk. 6, Ch. 4.
2. "Sweated Industry" - Clementina Black.
3. "Economy of High Wages" - Schoenhof.

of wholesome nutrition) the frame will work itself out, and the labour will become economically of smaller and smaller value." To quote Clementina Black again, "The Cost of Labour as a commodity is the cost of the worker's existence, a cost paid by him, not in money, but in exhaustion, in hunger, in actual flesh and blood."

The evils of unrestricted competition were experienced most fully as a consequence of the laissez-faire policy in the 19th Century. Sidney Webb, arguing in favor of establishing a minimum wage from the standpoint of increasing efficiency in industry, maintains that an employer who cannot go below a common minimum rate, and is unable to grade other conditions of employment down to the level of the lowest and most necessitous wage-earner in his establishment, is economically compelled to strive to raise the level of efficiency of his workers, so as to get the best possible return for his outlay. The aggregate efficiency of the nation's industry is promoted by every situation being filled by the best available candidate.

The hiring of inferior workers is a clear loss all round. From the economist's point of view, concerned to secure the highest efficiency of the national industry, certain credit is due the legal minimum wage, in that it compels the employer, since he cannot get "cheap" labour at the price he must pay, to strive always for greater strength and skill, a higher standard of sobriety and regularity, and superior capacity for responsibility and initiative. This tends to increase the productiveness of industry.

"The Minimum Wage tends steadily to drive business into those establishments which are most favorably situated, best equipped, and managed with the greatest ability,

and to eliminate the incompetent and old-fashioned employer. It perpetually stimulates the selection of the most efficient workmen, the best equipped employers and the most advantageous forms of industry, and these results are permanent and cumulative."¹

Mr. Webb also maintains that if an employer, without giving any adequate instruction in a skilled craft, hires boys and girls living at home, for practically pocket money, he is clearly receiving a subsidy or bounty, and thus has an economic advantage over those employing fully paid labour. And not only this, for even if the wage of these covers food, clothing, and shelter during the teen age, and they are dismissed on leaving adult age, he is still receiving a bounty, since the cost of these children to the community covers not only their teen age, but their maintenance from birth till the working age, and as adult citizens and parents. A trade carried on by labour of boys and girls, and supplied by successive relays as soon as they reach adult age, cannot fail to be economically parasitic, even though it is paying what seems to be a subsistence wage.

D. H. Atkins,² as well as Sidney Webb, notes a more vicious form of parasitism - showing that when employers in a particular trade are able to take such advantage of the necessities of their workers as to hire them for wages absolutely insufficient to maintain them in average health, they are deteriorating the physique, intelligence and character of their operatives, and drawing on the capital stock of the nation.

Because some industries are paying lower wages than a proposed minimum, this is no proof that the labour is not

1. Sidney Webb - "The Economic Theory of a Legal Minimum Wage." Journal of Political Economy, Dec. 1912.

2. D. H. Atkins - "The Worker in Economic Society" - p. 345 - 1st par.

"worth" more to them; for the wages of the lowest grade of labour are fixed not by the "worth" but largely by the urgent necessities of the "marginal" man or woman.

Alfred Marshall and his forerunner J. N. McCullough stressed the point that a rise in the standard of living for the worker leading to improved conditions, tends to constant selection of the fittest, and at the same time to provide both the mental stimulus and material conditions necessary for functional adaptation to a higher level of skill and energy - thus leading to a positive increase of production, increase in the national dividend and the share of it that accrues to each trade."

Both Clementina Black and Sidney Webb, as well as the actual experience of Factory Acts and Trade Unions, have produced convincing arguments to show that when definite minimum conditions of employment are enforced, and employers cease to have absolute freedom to impose what conditions they choose, and are unable to "nibble" at wages, they must seek advantages in other ways. Thus there is a positive stimulus to seek new inventions and the adaptation of new processes of manufacture, in order to lower cost of production; which almost inevitably means increased efficiency and increased productivity. Would this not mean a steady elimination of inferior establishments and a constant tendency for the whole industry to be carried out under the most favorable conditions, leading to the most advanced type of industrial organization?

Some writers on this subject have made most sweeping accusations against what they term parasitic industries, i.e. - industries which are paying some classes of the lowest grade of labour less than a living wage; maintaining that these

industries should be destroyed. It might be interesting in this connection to examine what A. C. Pigou in "Economics of Welfare" says, in his endeavor to show that one must differentiate between true parasitism, and that which only seems to be.

He holds that if an occupation or part of one is really kept going through its power to pay workers of a given grade of efficiency less than they could, and would earn elsewhere, apart from the existence of that particular industry, then the continuing existence of that occupation involves a waste of the resources of the community, and that here is true parasitism. But, (and he bases his argument on Marshall's definition of "Fair Wages,") when workers are not paid less than they could and would earn elsewhere, there is no parasitism, even if workers are being paid much less than is required to maintain them in independent self-support. He says "the thesis that industries which pay less than 'fair wages' ought to be forbidden by law to do so, even though this involves their destruction, is quite different from, and lends no support to the thesis that industries which pay less than a living wage to workers who are really worth less than a living wage, ought to be subject to a similar prohibition. The problem must be considered aside from this."

Suppose a particular industry is employing low grade workers and these workers are paid a wage, which in view of their comparative inefficiency is "fair" relatively to that paid in other industries; suppose further that equality of efficiency wages in this industry and elsewhere is accompanied both by equality in the values of marginal net products there and elsewhere, and also by a general equality between wages and these values, under these conditions, if the wage rate in this industry be forced up, employers will be strongly induced to

employ more efficient men, and turn the inferior ones away to other occupations. Thus there will be merely a redistribution of workers of different grades between different occupations. No significant effect, favorable or adverse, will be produced upon the value of the national dividend.

Suppose this reshuffling of workers is not practicable. Now unless the demand for labour is entirely inelastic, some labour will be thrown out of employment in the industry where wages have been raised, with the result that it is either not employed at all, or employed elsewhere, under such conditions that the value of the net product of most of it is less than it was. We must infer then that apart from reactions on efficiency, interference to force up wages to a "living standard" in an industry where the "fair" wage is less than a living wage, must injure the national dividend.¹

It is quite possible that the fixing of a legal minimum wage may crush out the most inefficient firms in any industry, key up the standard of production, and thus raise the level of wages. There might be no resulting rise in prices. If any rise did take place, demand would slacken, which would in turn depress wages towards the minimum. Even this is better than a return to the former condition. But it is a warning that minimum wages should not be legalised indiscriminately. To fix wages by a conception of social justice is good so long as it is confined to selected trades; but it becomes a drag upon the advance of the worker when extended to the whole of industry.

A legal ruling has a certain finality about it which makes even necessary change more difficult. (Trade Boards

1. A. E. Pigeu - "Economics of Welfare."

partially remove this difficulty.) The wages of the more skilled workers tend to be depressed, the minimum tends to become a maximum. (But Trade Union negotiation tends to remove this tendency).

A more evil effect is that the skilled man may lose his initiative. Assured of a minimum wage with little effort, his entire work is devoted to the task of earning the surplus, and this he may not consider to be worth while. Great care must be taken in fixing the rate, and also in deciding the industries to which a minimum should be applied.

It may be said that the effect of fixing a rate will be that the employer will refuse to employ the most inefficient workers who are consequently thrown upon the State. It may perhaps be better to have the capable man receiving good wages, and the incapable a public charge, than to have the fierce competition of the bad worker dragging down the wages of the more skilled. This latter idea is strongly endorsed by Sidney Webb. (See also recommendation of the Cave Commission.)

APPLICATION OF THE GENERAL THEORY OF WAGES TO THE MINIMUM WAGE THEORY:

According to the general theory of wages the "natural course of wages" is understood to mean the system of wage rates that would prevail in the absence of interference on the part of State, person, or body of person, external to the workmen and employers involved in the discussion.

According to the theory regarding the general level of wages as given before, the general rate of wages will be that part of the total amount of the National Dividend that is available for labour, divided by the number of labourers. The greater the number of labourers ceteris paribus the smaller the amount per capita for the labourer. The effect of arbitrarily increasing the amount per capita for certain groups, which is what the application of a fixed minimum wage will mean, will of necessity have a wide-reaching effect not only on workers and employers but on the National Dividend itself as far as a particular industry, to which the principle is applied, is concerned - the effect might be injurious or beneficial -

1. If the minimum fixed wage were too high, the industry considered, unable to meet increased cost of production, might be destroyed, and the capital sunk in it have to be shifted elsewhere, which might be advantageous or otherwise for the capital employer.

2. The effect of a fixed minimum might stimulate employers to seek for new inventions, or adaptations of new processes of manufacture to the industry, leading ultimately to greater productivity.

The reaction on the National Dividend might be beneficial or otherwise, but it would ultimately be affected.

In the case of (1) the destroying of an industry, and shifting of capital elsewhere, would have an adverse effect on the quantity produced within the nation, unless this capital were employed to better advantage elsewhere within the nation - when the effect might be to increase the National Dividend. Then again it might be employed outside of that particular country - and result in a loss to the National Dividend.

If as in (2) that particular industry were enabled to increase productiveness through application of new processes of manufacture, or employment of new inventions - the result would mean an increase of the National Dividend. The final reaction would be upon that group which was intended to be benefited.

The fixing of a minimum in a certain industry would have an effect on those unable to earn the minimum, resulting either in unemployment, or a redistribution of these workers into other establishments, which would, of course, depend upon the supply and demand for labour of that class. If the supply were greater than the demand, serious unemployment would result, which would again ultimately affect the National Dividend, since these unemployed would fall on the rates. It is possible to conceive of such a situation bringing about an almost general demand for a minimum wage in all industries. The utmost caution is therefore necessary when bringing an industry under a minimum wage scheme, and in the fixing of the rate, or a disastrous situation, quite unlike that envisaged by Sidney Webb, would result.

METHODS AND BASES FOR DETERMINING A MINIMUM WAGE:

Minimum wage legislation has various objectives, and the basis, as well as the administrative machinery required, differs according to the purpose intended.

The chief objective is prevention of sweating. A second and more indirect objective is development of organisation among the workers. The third, is promotion of industrial peace. For an adequate system of minimum wage regulation two kinds of minima should be used, - (1) Minimum to prevent sweating or exploitation of the lowest paid groups of workers in a community; (2) Minima for the higher paid groups. To protect the lowest group, certain laws provide for the fixing of an adequate living wage; some laws base the minimum rate for one group of labourers on the wages paid to other groups; some again merely provide for the creation of machinery for fixing minimum rates.

There are three main bases in use for fixing minimum wages:-

1. The relation to the wages of other categories of workers.
2. The living wage.
3. The Capacity of Industry to pay.

Whatever the base, several factors must be weighed - e.g. - (a) Causes of low wages in a particular group, (b) The chief factors affecting both the capacity of industry to pay, and the group of workers whose wages are to be fixed.

1. Minimum wages for a certain category of workers may be fixed in relation to (A) Wages of workers in allied trades, or (B) The average wages paid in a large number of industries.¹

Where they are determined as in (A) they are generally fixed at a level scarcely varying from these rates.

1. Richardson - "The Minimum Wage."

Although here we must note the case of home-workers working at piece work, there is no reason, other things being equal, for their piece rates differing from the factory piece rates for similar articles, bringing the same price in the market; here the principle of "equal pay for equal work" should apply. Allowances would be necessary where other things are not equal, such as where cost of distribution and control of home-workers' work exceeds that of factory workers, or quality of work differs. (Note: In Great Britain and Norway, wages of home-workers are lower.)

Frequently, where wages in the whole group of allied trades considered, are lower than the wages in similar grades in most other industries, the causes will be found either in the economic condition of the industry or the existence of exploitation. Either way, the relation between the wages of any one industry and the general level of wages should be taken into account. It is necessary to determine the general level of wages, if minimum rates are to be fixed in relation to the general level of wages of workers of equal skill in different industries. A minimum rate based on the average of wages paid in a number of industries (as in B), would not give satisfaction, since this average is based on a range of wages in different industries, some being below, and some above the average. The minimum must naturally be below the general average, unless special conditions exist - 80% of the average is suggested by some investigators.

Two main reasons might be distinguished for fixing minimum wages of a certain group of workers in relation to the wages paid to other workers: First - the gap between different standards of living would be narrowed. The chief test of the adequacy or inadequacy of wages of a given group as compared with

those of other groups of workers, in avoidance of extreme differences; second - if a number of industries can pay a given rate of wages, it is not unreasonable to assume that others can pay wages not too divergent. It is clear, then, that at the basis of the method of fixing wages of certain groups in relation to those of other groups, lies either the standard of living principle, or that of capacity of industry to pay.¹

The living wage principle is usually accepted as the basis of minimum wage regulation where prevention of sweating or industrial peace is desired. Rigid use of this principle alone may fail of its purpose, so that in practice it has been necessary to introduce further principles, e.g. (1) the capacity of industry to pay, or (2) the relation to the wages of other categories of workers. While a living wage is hard to express in definite terms, it may be of practical value to consider it in relation to the productivity of the community. As noted before, the real wages of a worker consist in the quantities of necessities - i.e., food, housing accommodation, clothing, fuel, lighting and other commodities, which his money wage will purchase. This, when it just covers efficiency necessities for the worker and his family, we should call the worker's living wage.

The living wage principle absolutely implies that at the basis of the wage system, there must assuredly be a minimum determined by the general productivity of a whole community, entirely apart from the economic condition of individual establishments or

1. Richardson - "The Minimum Wage."

industries. This idea was stressed by Mr. Justice Higgins¹ - "It is necessary to keep this living wage a thing sacrosanct, beyond the reach of bargaining." This living wage to have no connection whatever with the financial condition of the industry concerned.

Since cost of living in different communities differs, there should be corresponding differences in the money wage. Index numbers are frequently used to show the difference in cost of living from place to place, and are useful as a guide in determining whether inequalities are too great to allow for uniform money wages, and also the necessary changes needed to secure the same real wages. Great accuracy is necessary in compiling these numbers, and in order to keep the real wage unchanged, the whole wage should be flexible, and vary in proportion to the changes in cost of living. To avoid small fluctuations in this, the system of adjustment should arrange for changes only if cost of living varies considerably. A number of resolutions concerning this were adopted at the Second International Conference of Labour Statisticians held in Geneva, April, 1925.

The minimum standard below which no worker should fall, can be estimated in any community, and this estimate should be quite isolated from the facts of any establishment or industry. When there are changes in the purchasing power of money in a community and no change has taken place in general productivity of goods or services, the minimum wage should be adjusted to these changes by use of a sliding scale in order that the minimum real wage be maintained. The sliding scale system is only valuable in maintaining real wages at a given level during periods of changing prices.

1. President of Commonwealth Arbitration - Commonwealth Arbitration Court Decisions, 1909.

where the forces determining the worker's share of the National Dividend, or National productivity are altered, it would be defensible to change the minimum rate. The seasonal or casual worker must also be protected in order that his wages do not fall below the general minimum, and here, a minimum hourly or daily wage, higher than that of workers regularly employed would be essential. To maintain the standard of living of piece workers, piece rates for average ability workers should be fixed to allow them to earn what would at least be equal to the minimum time rate.

Some industries, in order to protect the workers in dull times, or idle times, guarantee a minimum of employment for a given period. In 1912, Swift & Co. introduced a minimum weekly wage equal to 40 hours' pay for all employees on the pay roll at the beginning of the week.¹ Others have followed this example. This would not prevent a seasonal lay-off, of course, but would, aside from other benefits, allow the workers to know what wages could be counted on.

1. "Economics of Overhead Costs" - John H. Clark, 1923.

HOW THE LIVING WAGE IS ESTIMATED:

An examination of living wage estimates, however, and by whomever made, shows marked variations in the results which seem to differ according to the viewpoint of the investigator. Whether the desired object is a subsistence or a comfort minimum practically attainable, actual standards of living of the community must be taken into account. These depend chiefly on the productivity or wealth of the community. Thus the standards are relative in character, and as noted before, vary in the same community from time to time, and in different communities at the same time. The standards are higher in wealthier than in poorer communities. Standards also are raised as progress in industrial organisation and productive methods is made.

In the Second Annual Report of the District of Columbia Minimum Wage Board(1919), we note: "The cost of living is such an unstandardized subject that a mathematically accurate determination is impossible. In general, the employers want a wage sufficient to maintain existing standards of living in the industry, while employees contend for improved standards of living. The wage finally agreed on is not a scientific determination based solely on facts, but is rather a compromise of opinion between the two groups, modified probably by public opinion."

As to the relative character of the living wage, according to Mr. Justice Brown¹ - "The Statutory definition of the living wage is a wage adequate to meet the normal and reasonable needs of the worker. The court has to determine what is necessary to meet these needs. It should be obvious that in the interpretation of

1. South Australian Industrial Court Reports, Vol. 1 - 1916-18.

reasonable needs the court cannot be indifferent wholly to the National Income. The reasonable needs of the worker in a community where the National Income is high are greater than where it is low."

Investigations to determine a living wage will include a compilation of necessary commodities. The money cost of this "commodity budget" must then be reckoned up at prevailing prices. Among the methods employed for this purpose, the most satisfactory is called the "family budget" inquiry. This reckons up the actual consumption of different commodities during a stated period, along with the cost and quality of housing accommodation of a sufficient number of representative families. The results here are based on actual conditions, and vary according to the class supplying the data, since each class in the community has its own standard of living.¹ Budgets of families of unskilled workers supply the more useful guide in fixing a basic wage. There is, however, to be noted the tendency to use budgets of families much above the lowest level of this class, thus setting the standard too high for the great bulk of it. It is essential that the standard be above that of the lowest member of the group, but just how much above, must be fixed arbitrarily by responsible authorities.

Although not definitely stated, we have been considering till now a living wage for the adult male worker. To this worker, his wage means not only payment for his work, but the means whereby he supplies his own needs, and the needs of those dependent upon him. Many workers have no dependents and maintain only

1. Researches made by Mr. S. S. Rowntree.

themselves, while others support families of varying sizes, and a wage more than sufficient for the former would be inadequate for the latter. Wage systems in most countries do not take account of differing needs of the workers. Workers employed in similar work in a given establishment or district get the same rate of wages without reference to whether with or without dependents. In some occupations a time basis determines the wages and in others the output is the determining factor, and no account is taken of differences and needs, equal pay for equal work being the principle applied. In wage bargaining, workers often claim that rates must be sufficient for family needs - that is for a family of average size, e.g., man, wife and three dependent children. If this size family be typical and the number of families with more or fewer children be small, the system of fixing wages on the basis of a family of five should be fairly satisfactory. However, statistics show that this size of family is not typical. The 1921 census in England and Wales shows 26.6% of all adult males, 20 years of age and over, as unmarried. The average number of children under 16 years of age for each married worker was only 1.27 and the average per man, about one child.¹ According to this, if all workers were paid a wage adequate for a family of five, many would be well above the subsistence minimum; a small percentage would receive merely an adequate wage, while families of more than three children would have less than the minimum.

If the standard of living provided by this wage were high for a family of five, larger families would at least be assured of a subsistence, but if the standard of living provided by

1. Richardson - Page 104.

the wage were low, then the system of equal pay for equal work, for both married and single, would be unreasonable. Intimately connected with one of the main purposes of fixing minimum wages is the so-called "family allowance" system. In order to avoid the evil effects of this equal pay system, payment according to the family allowance system has been adopted in some countries and is recommended in others.¹ This system implies a change in the distribution of that part of the National Dividend which is paid to the workers, which involves no change in the total wages bill. It is merely a distribution by which the resources of those workers with the larger than average families are increased by workers with smaller than average families. It may serve also to mitigate a fall in total real wages as well as raise the standard of living where the total wage bill remains unchanged² but it has the serious defect of substituting needs for deserts as the basis of distribution.

The relative wage rates as between men and women employed in the same industry or in different industries has also been considered in certain countries. It might be relevant in this connection to consider the determining of a minimum wage for women since, up to the present time, minimum wage legislation has been enacted to affect, in Canada, only women workers, and in the United States, mostly women

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1. Details of the application of this system in various countries are given in "International Labor Office Studies and Reports," Series D, No. 13, "Family Allowances" - Geneva, 1924. In favor of this system is Miss Elinore F. Rathbone - "The Disinherited Family," London, 1924, and Prof. Paul H. Douglas, - "Wages and the Family," Chicago, 1925.
 2. Report of the Royal Commission on the Coal Industry (1925), Cd. 2600, London, 1926, Vol. 1, p. 162.

workers. According to official statistics, when the basis used is that of the living wage, although there is an approximate equality between the cost of maintenance of a man and a woman, the wages of a man are generally fixed at rates higher than those of women, the claim advanced being that a large proportion of adult male workers have dependents whereas the proportion of women with dependents is small. (This relation obtains generally in Australia). In United States and Canada the base adopted is the amount required by a woman not living at home and with no dependents. Seeing that many women have dependents, in such cases it has been recommended that the family allowance scheme be adopted. Mr. Richardson notes that application of this system would facilitate the adoption of the principle of equal pay for equal work between men and women by removing the necessity that the man's wage should be adequate for the maintenance of a family. Since there is no indication that the family allowance scheme will be generally adopted in the near future the most satisfactory alternative is what has already been mentioned, viz. a basic wage for a man sufficient for a family of average size, and for a woman, a basic wage sufficient for her own maintenance without dependents, inasmuch as investigations in Great Britain and other countries show that the number of women workers responsible for the maintenance, wholly or partially, of dependents, does not exceed one in six. The small proportion of women workers who maintain dependents has had an important influence on the fixing of basic wages. This basic wage being fixed at a sum adequate for the maintenance of a woman entirely dependent on her earnings but not responsible for supporting others, seems reasonable and may often lead to an increase of wages and serve to protect women dependent on their earnings from the competition of women who receive support from other sources. It was partly to prevent the harmful consequences

of this competition that the minimum wage laws of the United States and Canada were enacted.

Minimum Wage for the Subnormal Worker:

Most minimum wage laws provide for a lower rate than the ordinary minimum for workers who are below the normal level of efficiency, and also for adult learners and children. To guard against the exploitation of workers claimed to be below the average by their employers, permits are issued for exemption for paying the average minimum rate, but great care is taken in the issuing of these permits or licences, and their number is definitely limited. In 1922 the Cave Commission recommended exemption for those affected by an infirmity or physical injury who are incapable of earning the minimum rate. With regard to piece workers below the normal, a minimum time rate is not guaranteed but as a means of exemption, the minimum wage fixing authority may provide that a given proportion of these piece workers shall be able to earn not less than a certain amount per day or week. The Ontario Minimum Wage Board adopts this system.

The Case of Adult Learners:

In the case of Adult learners Minimum Wage Boards usually fix the period of inexperience and pay lower rates. The length of time varies with the nature of the occupation. In some countries even the number of such learners is limited and licences are issued allowing them to work at special rates. (Canadian Minimum Wage Boards have this power of limitation, though the proportion of learners to experienced workers varies from one province to another.)

The rates for juveniles as a general rule are fixed on the basis of age and experience and sometimes a combination of both. They are sometimes varied according to sex. As in the

case of adult learners it is often provided that juveniles must have licenses to work at lower rates and the number of licenses in any establishment is limited to a certain proportion of the total number of workers in the establishment.

The Capacity of Industry to Pay:

It has already been pointed out that since the source from which wages are paid is the productivity of industry, and no force can raise wages beyond the level that industry can bear, in any minimum wage laws, account, either directly or indirectly, must be taken of this fact. Mr. A. L. Bowley¹ and Sir Josiah Stamp² have made exhaustive studies of the division of industry between different classes of the community and the results of these studies show conclusively the inadequacy of the National Dividend to insure any considerable increase of wages by redistribution; their contention being that the main hope for raising the wages of the lowest group of workers lies in increase in productivity. As has also been shown before, the principal means of raising wages is an increase of the total fund available for distribution along with restriction in number, and improvement in quality, of population. This does not in any way lessen the value of minimum wage legislation.

Existence of sweated labour results partly from unrestricted application of this "capacity of industry to pay" principle by each separate establishment or industry. In cases such as these, not only does the standard of living of various groups of labourers fall much below the general level, but also

1. "Division of Product of Industry" (An Analysis of the National Income Before the War) by Dr. Bowley, Oxford, 1919.

2. "Wealth and Taxable Capacity" - Page 9 - The Times, Aug. 3, 1925.
Address - Sir J. Stamp.

there is no standardization of wage rates except where there is collective bargaining. But in unorganized industries a low standard of living and a great lack of standardization of wages are found, and it is suggested that here the best basis for a minimum wage might be the capacity of industry in general, since, as has already been indicated, at the basis of the wage system, there should be a minimum wage determined by the general productivity of the community as a whole, not that of individual establishments or industries.

It should be possible on this basis to fix a minimum which, while not restricting important industries, would prevent sweated labour in particular establishments. The lesser evils resulting (such as unemployment of some labourers, forcing out of some inefficient employers; or destruction of sweated industries) would surely be preferable to perpetuation of inefficiency and misery consequent upon sweated labour.

The decision of the Australian Commonwealth Arbitration Court, in 1909, in the case of the Broken Hill Proprietary Co., well expresses this principle that the wages of the worker should not depend on the profit of the individual employer alone. However, it must not be forgotten that both national productivity and the capacity of industry in general are difficult to determine since necessary statistics are not available, so that temporarily some indirect method must be adopted. In order to secure statistics with regard to prevailing standards of living, results of wage censuses are taken which show not alone what industry in general is actually paying, but also the relative levels of wages in different industries and districts, thereby

indicating more particularly cases where conditions are below the generally prevailing standard. By wage census, facts can be gained as to the earnings of unskilled adult, male and female workers, in different industries.

As a standard of comparison, the earnings of such workers in large or well-organized industries may be taken. The wage paid unskilled workers in the lowest paid industry, where workers and employers are well organized, might be taken as a minimum for a district or country.¹ Thus the British Wage Census of 1907 was able to reveal existence of very low wages in certain industries and thus contributed largely to the adoption of minimum wage legislation in those industries in 1909. Any one industry would hardly be satisfactory as a basis since it might be working under unusual economic conditions; so the basis must be broader and probably would be more satisfactory if the minimum were fixed at a given proportion of the average wage paid to unskilled workers in well-organized industries. There are certain temporary features in some industries (i.e. building), such as irregularity of employment, which must be allowed for, and in order to cover these cases, account must be taken of wages over a sufficiently long period with reasonably stable conditions.

The relation between a living wage and total productivity, together with the understanding of the principle of capacity of industry to pay what industry in general can bear, implies that wages, including minimum wages, should change with changes in total productivity, so that if productivity increases,

1. "A Study of the Minimum Wage" - J. H. Richardson.

real wages should increase, and vice versa.

Indices of changes in total productivity must be available in order to make these adjustments. Certain States in the United States have done this¹ by series of statistics of quantities of different commodities produced year by year. These separate data are then combined in a single series indicating general changes in production, making allowances for differences in the relative importance of commodities included. Changes in the number of those employed must be noted. Statistics are then reduced to a per capita basis indicating the steady trend of production over a period of years, changes in the basic minimum only being made where there is an appreciable change in productivity. There have been objections raised to this system of adjustment on the basis of statistics of past production and certain proposals have been made in the United States and Australia that indices of prospective production be also considered, taking account of the business cycles.

While the general level of wages in any country does vary with changes in the National Dividend, the minimum wage, if adjusted according to the above proposal, would be adjusted through a scientific measure of changes in the nation's income and not left to the rough interplay of forces and relative strength and workings of rival organizations, with all the friction and loss that the consequent struggle would involve.

1. See Researches of Dr. W. I. King and Dr. W. W. Stewart (American Economic Review - March, 1921) -- Dr. E. E. Day - Harvard Review of Economic Statistics, January, 1921 -- "Survey of Current Business" by U.S. Dept. of Commerce.

MINIMUM WAGE MACHINERY - In Australia and New Zealand, Great Britain, United States and Canada.

Australia and New Zealand:

Two systems based on different principles exist in Australia and New Zealand for the regulation of wages and conditions of employment. A wage board system obtains in Victoria and Tasmania, and an Industrial Arbitration Court system in New Zealand and Western Australia.

In New South Wales, and, since 1912, in Queensland and South Australia, the two systems are combined, wages or industrial boards as well as industrial arbitration courts forming a part of the system. Under the wages board system in Victoria, the board determinations may be reviewed by the Court of Industrial Appeals. In Tasmania, an appeal may be made to the Supreme Court. Under the mixed system in existence in New South Wales, the industrial boards are under the control of the industrial Court, and the awards of the industrial boards may be reviewed by the Court.¹ The Court has all the powers of a special board and may alter or amend the determinations as it thinks fit. The decision of the Court is final (it may review its own decision) and cannot be altered by the board, except with permission of the Court. Determinations of the boards and Court are enforced by Factories and Shops department and severe penalties are provided for any breaches of determination. In New South Wales, there is set up an Industrial Commission of three members, required to declare from time to time the amount of a living wage for adult males and females. Since 1926, the Commission has no longer the right to make separate declarations

1. Bulletin of the United States Bureau of Labor Statistics, No. 167 - Series B. "Minimum Wage Legislation in United States and Foreign Countries."

for workers in city and town districts, but must fix minima of state-wide application.

In South Australia, the Board of Industry, consisting of a president and four commissioners, two representing employers, and two the workers, must declare the amount of the living wage.

In Queensland, the Board of Trade and Arbitration, aside from its powers of dealing with disputes, is empowered to make declarations as to cost of living and minimum rates for persons of either sex - thus performing the functions of both an Arbitration Court and a Central Commission in fixing basic wages to apply to all industries.

In Western Australia, the Industrial Arbitration Court, not only deals with disputes but declares basic wages to be generally applied.

In New Zealand as well, since 1919, the Arbitration Court has declared minimum wage rates applicable to practically all industries. The separate minima are fixed - for skilled, semi-skilled, and unskilled workers respectively throughout the country. The greatest degree of standardization is thus secured.

In all these States the declarations fix basic minima to be generally applied for the whole State, or in a certain defined area. This has come about logically from application of the living wage principle.

The Arbitration Court system is adopted where the object is to settle disputes, and help to maintain industrial peace. Only in cases of this kind alone has the Court powers to fix wages - which are generally not merely minimum but also maximum rates. Employers may not pay less than the rates fixed - and the workers cannot strike for more.

This Court may be required to fix wages in a large number of different industries. Though possessing no technical knowledge of the industries it deals with, it must nevertheless consider the reaction of any wage fixing for workers in a given industry on workers in other industries. It must therefore adopt general principles, applicable to all cases of a similar character. This system is developed to a high degree in New Zealand and Australia.

The Courts consist of either a president, with or without deputies or judges appointed from persons of certain legal standing, or a president along with one or two members recommended by employers' organizations, and an equal number recommended by workers' organizations.

The Australian Commonwealth Court and the State Courts of Queensland and South Australia are constituted in the former way, and those of Western Australia, New South Wales and New Zealand according to the latter plan.

Assessors may be appointed to advise. Members are appointed for a certain period of years, according to behaviour - which, if commendatory, entitles them to reappointment for further periods.

Certain courts, e.g. New Zealand and South Australia, have power to extend application of an award to all employees in the industry concerned, either in a given district or in the State as a whole.¹ Direct legal enactment is very infrequently used and then only to prevent employment of young learners and apprentices without a wage on pretence of teaching a trade. Thus certain rates are fixed in Victoria and South Australia. Sometimes

1. United States Bulletin of Labor Statistics, No. 167,
also Richardson - "Study of the Minimum Wage" p.265.

generalisation of collective agreements is established by laws in certain states in Australia and South Africa.

In New South Wales the principle of the "sommen rule" or extension of an agreement was applied by legislation in 1901, and has been adopted also by other states, e.g. South Australia and Queensland.

The standard generally taken by Australian legislators is that of the living wage, e.g. in West Australia. The New South Wales Arbitration Act(1918 amendment) provides for the annual determination of the general minimum living wage by reference to cost of living statistics. Recent attempts of Commonwealth legislation for the maintenance of children(1919) and endowment of motherhood(1921), although not yet successful, show that increasing attention is being given to the question of the family wage. Since it is not practicable to depart from the flat rate and enforce differential rates of payment according to the number of dependents, State subvention is proposed to permit the real income to rest on a family basis.¹

The Central Commission system has also been adopted in certain Australian States. This system is adapted for effecting co-ordination of wages. The Commission may fix different rates for each industry or it may determine a general minimum applicable to all industries. The second method, implying the fixing of a national minimum wage, applies widely in Australia and New Zealand. The function of a Central Commission in co-ordinating rates in different districts in the same industry corresponds with that of the Trade Boards system, which is adopted in Great Britain and

1. R. A. Silverman - "The Economics of Social Problems," 1925.

which will be discussed later, but the two systems do not agree essentially, since under the former system, one central authority fixes the rates and under the latter, rates for the different trades are fixed by independent boards.

The Trades Board System applies in Victoria and Tasmania, and in conjunction with the Arbitration Courts, in other States of the Commonwealth of Australia. The task of enforcement forms part of the duties of the factory inspectorate.

Great Britain:

The most frequently adopted system in Great Britain is Trade Boards. These Boards are most useful where wages are to be fixed independently, according to the conditions of each separate industry.

A Trade Board is concerned solely with wages, and comprises a number of representatives of employers and workers in each separate trade, together with a number of disinterested persons. Boards may be set up for a certain district, or for the whole country. The size of boards varies mostly with the number of workers in the trade. The smallest board has fifteen(15) members, the largest, fifty(50). At the close of 1924, the total membership of the forty-three then existing boards was 1659 - an average of 40 to each. The number of independent members on each board is usually three.

Uniform minima are usually fixed for the whole country. In four or five trades, one board fixes the rates for England and Wales - and there is a separate board for Scotland. Equalization of rates, fixed for the same trade in different districts, is more effectively secured if one Trade Board, acting for the whole country, fixes the rates for all districts. To secure co-ordination of the work of the different Trade Boards in Great

Britain a number of representatives of employers and workers, and independent members sit on more than one Board.¹

These Boards are usually provided with the facilities for setting up District Committees where necessary, to advise them as to suitable rates for each district. (At the end of 1924, only six Trade Boards had set up District Committees - the number of these being thirty-four).

The General Application of Collective Agreements is also used to a slight extent in Great Britain. Collective agreement may to a certain extent prevent unfair competition between employers. While certain methods of determining minimum wages may stimulate the processes of collective bargaining, and though a wage rate fixed by a Trade Board through agreement of employers and workers and that fixed by collective agreement differ little in practice, yet the essential divergence is that Trade Board rates apply to all workers in the industry covered, while collective agreement rates affect only the parties to the agreement. Also Trade Board rates are legally binding, while the others are not.

Certain proposals for the generalization of collective agreements were put forward in Great Britain, but they have never been applied as yet. Since the War, Trade Unions seem to favor the system, though before the War the more powerful Trade Unions were apprehensive of the introduction of compulsory arbitration through adoption of this system² and it was also opposed

1. See the British Trade Boards System by Dorothy Sells.

2. Article by J. J. Mallon - "The Collapse of Wages. Is State Regulation Desirable?" Manchester Guardian - Reconstruction in Europe Series - Sec. 9.

by Trade Unions on the ground that it discouraged organization among the workers since, without effort on their part, they would benefit from the struggle of others.¹

In Great Britain the policy has been rather to fix rates in accordance with what industry can bear, than a general standard of life minima, and the minima therefore vary appreciably from trade to trade. The rates are for "ordinary" (not "average") workers, lower wages being permitted where age or other causes make a normal output impossible. Until recently there were no differential rates according to districts, the wage applying equally to workers throughout the trade. A certain amount of differentiation is now possible, e.g. The Scottish Aerated Waters Trade Board has fixed a lower rate than the English Board in the same trade. Enforcements for failure to comply with the terms of the acts by employers, are made through penalties or fines - and also payment of arrears - that is the difference between what has been paid to the worker and what was due him as a minimum wage - and they may be collected up to two years previous to the time when information was laid, if notice has been served with the summons that evidence showing failure to pay wages at the legal rate at some date within the two years' limit, will be placed before the Board.² At the end of 1923 the number of inspectors under the Trades Boards system was 40 - and at the end of 1924, 59 inspectors had been appointed.

United States and Canada:

In most of the States of the United States, and in the provinces of Canada where minimum wages are fixed, e.g.,

1. See Richardson.

2. Dorothy Belle - "British Trade Boards System."

Ontario, Quebec, Manitoba, Saskatchewan, Alberta and British Columbia, the Central Commission System has been generally adopted. This system is better adapted for effecting co-ordination of wage rates than is the Trade Boards system in these countries, since the latter fixes wages by independent boards. The Commission may fix different rates for each industry, or it may determine a general minimum applicable to all industries, but the first method is adopted in United States and Canada.

Minimum wage legislation in these two countries concerns mostly women workers. In the province of Manitoba, Canada, minimum wages are fixed for women only and are not confined merely to sweated labour. In British Columbia, in 1925, a Male Minimum Wage Act was passed - the first of its kind in the Dominion.¹

In the United States and Canada, Commissions are more usually called Minimum Wage Boards or Minimum Wage Commissions, or Industrial Welfare Commissions; they comprise three or five members only, appointed for a fixed period, varying in different states and provinces. Some Boards have merely disinterested persons as members. Others are required to have representatives of employers and workers, while others again must include one, and sometimes two women. (Alberta and Saskatchewan have two women).

Since in these two countries different rates are fixed for each industry, conditions of these separate industries must be accurately observed. To gain this detailed knowledge, permanent boards are set up for the separate industries, composed of representatives of employers and workers, or else Conferences are called to give advice as to rates to be fixed. These boards also

1. See Bryce H. Stewart - "Canadian Labor Laws and the Treaty" - 1926.

act in the capacity of conciliators to secure satisfactory agreements. Direct Legal enactment has been adapted in some states to prevent sweating among adult workers, e.g. Arizona, Arkansas, South Dakota and Utah.

Though Commissions fix different minimum rates for different industries, the variations are generally small, due doubtless to fixing the basic rate on the cost of living principle. Variations existing are due mostly to differences in the nature of the work in different industries. A minimum varying according to the district is fixed in some States or Provinces.

In some States different rates have been fixed for workers in cities of 5,000 or more inhabitants, from those in smaller towns. In some provinces in Canada(e.g. Ontario) Minimum Wage Boards fix different minima in different towns according to population. In others(e.g. Saskatchewan and British Columbia) a single minimum rate for experienced workers in any one industry is applicable throughout the Province. To a great extent the minimum rates fixed for experienced workers in different provinces in Canada vary within the narrow limits of \$12.50 to \$15.00 per week, according to industry. The range is greater in the United States.

Massachusetts, the first State to pass a minimum wage law, lays down "only very general directions for determining minimum rates." It says that a wage board shall be established where wages, of a considerable number of female workers, are inadequate to supply the necessary cost of living and maintain them in health. The basis of determining rates is given in outlining the duties of the wage boards - which are required to consider not only needs of the workers, but the financial condition of the occupation, and the probable effect thereon of any increase in the minimum wages paid. Endeavors shall thus be made to determine the

minimum wage (either time or piece rate) suitable for a female worker of ordinary ability, in the occupation in question, in any or all of its branches - also a suitable wage for learners, apprentices, and minors under eighteen.¹ Enforcements in the United States are made by penalty of fines or, in lieu of that, imprisonment, or both. Sometimes merely publication in newspapers is made. In Canada, fines or imprisonment is the penalty for violation of the Minimum Wage Act and also payment for arrears. Special inspectors are appointed by the body which fixes the rates to enforce orders.

"The basis of wage determination then is made explicitly a double one of cost of living plus financial condition of the business with business considerations evidently taking the priority."²

Among the eight other States that have passed minimum wage laws - the most important experiment is that of the State of Oregon. It has served as the model for subsequent legislation and may fairly be contrasted with the original Massachusetts Statute as showing the growing definiteness and articulateness of the living wage idea.

The State of Oregon provides the machinery of a central administrative Commission and subsidiary boards appointed by it, working through the orthodox machinery of public hearing and private investigations, with no other criterion of wage fixing except the simple and explicit one of the "necessary cost of living." If the recommendations of the board are approved by the Commission, they are issued as obligatory orders for every employer in the industry.

1. Arthur F. Lucas, Ph.D. - "The Legal Minimum Wage in Massachusetts," 1927.

2. Douglas H. Atkins - "The Worker in Modern Economic Society."

Nine states have roughly copied the Oregon Law - one the Massachusetts Law - and three have uniform flat rates for experienced, adult workers, learners and minors, throughout the State and for all the specified industries. This latter method avoids constitutional difficulties of delegation of powers and is simple and cheap to administer.¹

1. Douglas H. Atkins - "The Worker in Modern Economic Society."

GENERAL EFFECTS OF MINIMUM WAGE LEGISLATION:

Canto's great phrase "It is for the heart to suggest our problems; it is for the intellect to solve them" -- The only position for which the intellect is primarily adapted is to be the servant of the social sympathies," surely holds good in any consideration of the problem of minimum wage legislation for the poorer and less organized classes of labour. The miseries of those engaged in sweated labour quite naturally elicit so much sympathy that the heart dictates certain courses of action that the intellect cannot elide, when considering the general social and economic welfare.

"Welfare," according to A. G. Pigou, "is a thing of very wide range" and is affected by many and various groups of causes. Since the range of our inquiry is restricted to that part of social welfare that can be brought directly or indirectly into relation with the one obvious instrument that is available in social life, which is money, we must also be concerned with economic welfare. While economic welfare may not be a bad index of total welfare, yet an economic cause, such as the introduction of a Legal Minimum Wage, may affect non-economic welfare in ways that cancel its effect on economic welfare.¹

Have the theorists correctly analysed the effect of a minimum wage upon particular industries and upon the national dividend? Have their theories been firmly based upon experience, or have they become divorced from reality in an effort to prove some favorite thesis? Lastly, is it possible to unravel

1. A. G. Pigou - "Economics of Welfare."

from the tangled chain of economic cause and effect, the thread of minimum wage legislation and its effect? The task is a difficult one and only very tentative conclusions are worth while.

New Zealand and Australia:

Our interest centres on Australia and New Zealand first, since the models and the experience upon which all of the minimum wage legislation in Great Britain and the United States are based are to be found in the history of the movement in Australia (in Victoria especially) and New Zealand since the introduction of the system in those countries, in Victoria in 1896 and in New Zealand in 1894. Results of Victorian legislation are practically true of the other States.

In order to obtain information as to the practical effects of minimum wage legislation in Australia, the New York Factory Investigation Commission sent a list of four questions to the Chief Factory Inspector at Melbourne.¹

First, does the minimum wage become the maximum? Official figures show that this is not the case.² While wage rates generally have increased appreciably the average rate of payment in the trades affected has been proved to be above the legal minimum.³ Increase in wage rates alone, insofar as it has guaranteed workers a decent standard of comfort hitherto denied them, would become justification of the legislation.

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1. Third Report of the N.Y. Factory Investigation Commission, App. III, Minimum Wage Legislation.
 2. Third Report of the N.Y. Factory Investigation Commission, App. III - Osgood Andrews, 1915.
 3. H. A. Silverman - "Economics of Social Problems."

Second, how far are the unfit displaced by such legislation? Does unemployment result because employers are unable to pay the specified rates, or because they would be induced to replace adult workers by apprentices? Any legislation fixing a standard wage undoubtedly results in displacement of the unfit. Whether or not this is ultimately good has already been discussed. Victorian experience seems to show that this displacement has not been serious, and that as a rule things have regulated themselves fairly satisfactorily. In Victoria, there has been a scarcity of labour for some years, and this may have a good deal of bearing on this point. Philanthropic agencies do not supply any evidence that their work has been increased through this legislation. The power to issue licenses to defective workers for a wage lower than the minimum has been only sparingly used. As against this, H.T. Harkin¹ notes that in times of depression in a particular industry, introduction of a legal rate operates entirely in favor of the more competent worker by excluding the less competent from competition. This is especially true when depression is deep, and supply of labour large. The incompetent worker is left with less protection from the "bidding" of the market than ever, and in a worse bargaining position than before.

With reference to unemployment due to inability of employers to pay specified rates Miss Harkin considers that especially during depressed times, where the former legal wage may be beyond the capacity of the industry to pay, workers used to a

1. "Arbitration and Conciliation in Australasia."

higher standard of living, and refusing to lower that standard, will fall into unemployment. In this connection she deploras the rigidity of a legal minimum wage, where there is great need of elasticity. Inability to pay the stipulated rates has not been to any great extent the cause of unemployment - labour in Australia being relatively scarce, and it may reasonably be argued that, as a general rule, a business which depends on sweating the workers for its existence is parasitical, and its disappearance is for the ultimate good of the community.¹

Immediately following the imposition of the Minimum Rate in 1897-8, there was a great increase of juvenile labour, but after 1910, power was regrantod to the Wage Boards to restrict the number of juveniles.² Many board regulations have set the maximum percentage at 15%. Also employing of apprentices and learners without payment, one form of gross sweating, has almost entirely disappeared.

Two forms of evasion of the Minimum Wage Act by employers, (1) Many of the less capable signing for the minimum wage and taking less, through fear of losing employment, and (2) "speeding up," have disappeared with increasing prosperity and shortened supply of labour.³

Third, do such laws tend to drive industry from the State?

There is no evidence to show that such legislation has driven any industry from the State. Since such legisla-

1. H. A. Silverman - "Economics of Social Problems."

2. This power was given originally in 1903 - but owing to scarcity of labour was withdrawn - the result being a wholesale employment of juveniles, especially 15 year old girls.

3. H. T. Hunkin - "Arbitration and Conciliation."

tion is in operation all over the Commonwealth, if it had any such effect the industry concerned would have been driven to other countries.¹ Imports have increased, but that appears to be due more to increased prosperity than any other factor. Along with this increasing proportional imports has been a great increase in production and number of factories. This is true also of New Zealand.²

Fourth, do these laws result in decreasing efficiency?

According to labour opinions, the fixing of a standard wage increases efficiency. The opinion of the chief Factory Inspector at Melbourne is that while there is some evidence that though in certain trades, e.g. agricultural implement making trade, restriction of output has resulted, the efficiency of the workers generally is distinctly higher because of a minimum wage law. In this connection Professor W. B. Hammond³ after interviews with employers, wage board officials, etc., states that opinions are most conflicting, and evidence not sufficiently definite in showing either decrease or increase of inefficiency. This was true of New Zealand and Australia. Employers complain of workers' restriction of output, yet are practically unanimous in wishing no return to unrestricted competition in the purchase of labour. Considerable elimination of the "under-cutting" employer, because of such legislation, has generally resulted.

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1. Prof. W. B. Hammond - "Wage Boards in Australia" - 1915.
 2. 19th Annual Report of New Zealand Dept. of Labour - 1910.
 3. "Wage Boards in Australia" - Quarterly Journal of Economics - Feb. 1915.

New Zealand statistics show that far from the minimum becoming the maximum, the percentage of workers in trades operating under a legal minimum wage, who received more than the minimum varied from 51 per cent to 61 per cent in the four leading industrial centres.

Slow workers and others unable to earn the minimum in any industry receive permits from the Chief Inspector for a wage under the minimum. The number of permits is not high.

Australia and New Zealand have made the greatest progress in equalising minimum rates in different industries and districts. This fact is noted particularly by Mr. Richardson¹ who favors the fixing of a national minimum. Slow workers are now able to obtain permits almost immediately on application.

It is worthy of note that the minimum wage system has tended to destroy the system of night work for women; and while intended originally to prevent sweating and strikes, it has spread generally to industries not employing workers under sweated conditions.

Miss Rankin² deplures the fact that the distinction between sweated and other industries has not been made sufficiently clear. State action in the former case is for protection of the weak, and economic considerations are secondary - whereas state intervention in relation to organized and non-sweated trades must be of an entirely different and less protective character. The same justification for intervention does not exist, even though a better position for the worker is desirable; and the State has no right to refuse or concede such demands of labour unless

1. J. H. Richardson - "The Minimum Wage."

2. M. T. Rankin - "Arbitration and Conciliation in Australasia."

it assumes that it possesses such knowledge that it can determine the price of labour apart from the "bidding" of the market. Sweated industries are a menace not only to the workers but to the State.

While the line between sweated and non-sweated trades is difficult to draw, the result of such confusion has brought a preponderance of evil in the form of restricted industry, fall in efficiency and displacement of adult male labour by labour of women and children, which far outweigh benefits gained.

It is interesting to note that in South Australia the Board of Industry, by authority given it under the South Australian industrial code, has raised the basic minimum wage rates for adult male employees to 14s. 3d. per day, based on cost of living in South Australia - 1s. 4d. higher than the 1922 award. The wage rates of all classes of industries will thus automatically be increased. With the new wage award of 1924, the pay roll to State Government employees was increased by more than \$100,000 per annum, and it is anticipated the newly declared award will increase the State's pay roll another \$100,000.¹

Great Britain:

The Trade Boards Act, 1909, was applicable only to trades in which wages were "exceptionally low." The Boards displayed care and prudence in fixing minimum rates, and the effect of their operations was a gradual removal from the trades concerned of the reproach of "sweating." The Whitley Committee in 1917 recommended that in industries where little or no organization existed, until such a degree of organization came about as would

1. Monthly Labor Review - Vol. XXI, No. 6 - Dec. 1929.
Bureau of Labor Statistics.

render possible the establishment of National or District Councils, the Trade Boards Act should be applied. The Trade Boards Act of 1918 was followed by a large increase in the numbers of Trade Boards. Boards could now be formed for a trade, not only where wages were "exceptionally low," but also in cases where no adequate machinery existed for the effective regulation of wages. The result being that Boards were used less as instruments for prevention of "sweating" than as machinery for the general regulation of wages in the trades concerned.¹

Of the 37 British Boards in 1921, all but 14 had fixed different time rates for different classes of male workers and all but 18 fixed different time rates for different classes of female workers. It is admitted that in some instances the minimum fixed was not a minimum, but the current rate of wages paid under existing trade agreements. Also in some cases Boards have not considered the question of minima at all, but have adopted and fixed a scale of wages agreed on by organisations of employers and workers outside the board room. Owing to depression of trade in 1920, such dissatisfaction was expressed with Trade Boards and their awards, and the length of time taken to secure awards.

The Cave Committee, who were requested to set up an inquiry, concluded that while the effect of the Trade Boards system on trade and industry may have been stated at times in exaggerated terms, there was ground for the statement that some boards had contributed to the volume of trade depression and unemployment.²

1. Douglas Hitchcock Atkins - "The Worker in Modern Economic Society." Adopted from Report to the Minister of Labour of the Committee of Inquiry into the Working and Effects of Trade Boards, Oct. 1922.

2. See "Trade Boards and the Cave Report" - 1921, also Dorothy Bell - "The British Trade Boards System."

Unfortunately for the Trade Boards system many increases in wages fixed by the Boards came into operation when trade was falling, and in some cases, the additional burden so imposed on trades made a readjustment to altered conditions difficult. Doubtless within certain limits, increased cost of production may be "passed on" to the consumer, resulting in a rise in general level of prices - the consumer suffering, but the point is ultimately reached where the consumer ceases to buy - trade declines, workshops close, there is short time work and discharge of workers. This affects production and distribution injuring both employers and workers. As regards workers, the blow tends to fall first on the slow or less efficient worker; but the consequences of the rigid regulation of wages in a falling market and consequent "lag" in readjustment of wage conditions is not confined there, but extends to the unskilled and part-skilled worker throughout the industries affected.¹ This class, too, are the very ones for whom protection is sought.

While this may be fairly satisfactorily explained, the fact remains that the slowness of action of Boards in making adjustment of rates to suit changing conditions and changing prices renders them open to criticism.

According to Dorothy Bell, up to the end of 1918, there is almost complete agreement that results of the operation of Trade Boards were beneficial to employer, worker and society generally.

The system had proved to be an important factor

1. Cave Report - 1921 - also
 article Liverpool Post, April, 1922 - "Are Trade Boards
 Beneficial?"

in (1) raising the level of wages among poorest paid workers; (2) eliminating competition of unscrupulous employers; (3) improving plant efficiency; (4) increasing to some extent organization of both workers and employers; and the influence in these respects was unaccompanied by any lasting, harmful consequences. But it should be noted that Trade Boards have not proved as effective in increasing organization among employers and workers as was anticipated.

Unemployment in Trade Boards trades is generally less than in others, and the contention is that the general causes of depression are ample to account for depression in trades under the Boards.

Certain defects of the system are instanced by H. A. Silverman,¹ which could be righted without affecting the essential principle. First, the period allowed (now 3 months) between the decision and legal enforcement is too long to allow for rapid price changes. Second, Boards place too much dependence on hearsay evidence. More scientific inquiry into trade conditions should be instituted before fixing rates. Third, means of enforcement are inadequate, and the inspectorate and their powers should be increased.

J. H. Richardson² endorses the above writer's opinion that a central unifying authority is necessary to bring about co-ordination between Boards. He thinks that setting up of separate boards for the same trade in different districts is a disadvantage as the limits of districts are difficult to define - and that co-ordination of rates is best secured through a Central Commission

1. "Economics of Social Problems."

2. "The Minimum Wage."

The Cave Committee pointed out these defects and recommended a return to the principle of the Act of 1909 - viz. - that only the selected and inadequately organized trades be provided with Trade Board machinery.

The Cave Report was denounced by supporters of the Trade Board principle as reactionary. A Bill was introduced in 1923 substantially carrying out the Cave recommendation, but was opposed by the Labour party. Subsequent developments have made it unlikely that the Trade Boards system will undergo any material alteration in principle.

Reputable employers lay great emphasis upon the benefit of Trade Boards in eliminating the "hole in the wall" employers. The position of wages in agriculture since the repeal of the Corn Production Act of 1917, and diagram¹ showing the level of Trade Board rates as compared with Mr. Rowntree's two-wage standards, are convincing enough to warrant the statement that Trade Boards have prevented a disastrous fall in wages among unorganized workers, and they have at the same time allowed wages to fall as the cost of living has fallen although not proportionately.

United States:

Although the progress of Minimum Wage legislation in the United States has not been so rapid as the first two years (from 1912 to 1914) of the movement seemed to promise, there is renewed interest in legislation on this subject following the judicial determination of the invalidity of compulsory laws.

The enactment of laws providing for a minimum wage is merely one of a series of legislative measures purposed to

1. Dorothy Wells - "The British Trade Boards System."

regulate the contract of employment, first in the interest of those workers whose economic position is the least advantageous, but ultimately in the interest of society as a whole.

Seventeen States have minimum wage laws, Massachusetts taking the initiative in 1912.

The validity of these laws in a number of States was questioned following the challenging of the constitutionality of the Oregon State law, and for three years the activity of the commissions charged with the enforcement of the laws in most States was held in abeyance, and there was no pressure for new legislation.

The decisions of the Supreme Court of the United States that the minimum wage laws of the District of Columbia and of Arizona are contrary to the Constitution, have rendered the existence of the legal minimum wage in the United States most precarious. There seems to be scant possibility of an amendment to the Constitution which will permit a mandatory law. Any statute which attempts to establish minimum wages in the immediate future, therefore, must be of the "recommendatory" or advisory type. The question at present is whether enough can be accomplished with a law of this kind to justify its existence.¹

The Massachusetts law is the only recommendatory law in the United States. All the other States have passed compulsory minimum rates. But, it is very difficult to obtain definite authentic information regarding actual operation of these laws. More information is supplied by the State of Massachusetts than by any other State.

In judging of the expediency of minimum wage

1. Arthur F. Lucas - "The Legal Minimum Wage in Massachusetts, 1927."

legislation, one of the most interesting questions is, has it succeeded in raising the wages of women, who were supposed to be receiving less than a living income? Comparison of wage rates by a Minimum Wage Commission, 1917,¹ with rates for the same firms at the time of the original investigation has generally shown a material advance. So many other factors or forces, however, contributed to an increase in wages,² that minimum rates, so far as giving light on the effect of a minimum wage law on wages, were of doubtful value during 1915-1920. But later evidence seems to indicate that the minimum wage recommendations have had a definite influence. The general presumption is that the rates have been efficacious; and there appears to be no authentic instance of the minimum becoming the maximum.³

What has been the effect of such legislation on industry? On employment? Many charges of injury to certain industries were investigated by a special commission³, and their conclusions, after investigation, were that these particular industries had not suffered as was claimed but were in such better financial condition than before. Some women and minors were thrown out of employment but this was merely an aspect of general unemployment in all industries. The Acting-Director of the Division of Minimum Wage does not think that the number of women dismissed has been large - and apparently few complaints have come from the Associated Charities and the Women's Trade Union League. This observation is endorsed by a representative of the Federal Bureau of Labor Statistics.

1. Minimum Wage Commission - 6th Annual Report, 1918.

State of Massachusetts.

2. Weekly Earnings of Women in Five Industries - State of New York, Dept. of Labor. Special Bulletin No. 92 - Feb. 1919.

3. Special Commission on the Minimum Wage - Testimony taken at 6th hearing (unpublished manuscript adapted by A. F. Lucas.)

Students of Massachusetts conditions have come to the conclusion that generalizations as to the effects of the minimum rates on efficiency are unsafe, as information is limited and much of it unreliable. A large number of individual instances might be cited, however, which show that the decrees do promote efficiency of workers and also show a beneficial effect in weeding out inefficient methods of operation, particularly in clothing industries. Prior to the decrees conditions were deplorable in these occupations. Competition was stifling. Women were employed at starvation wages, and management was very inefficient.

The establishment of minimum rates has tended to prevent this reduction of wages to a very low level. The pressure of competition has shifted from the wage bill, the most elastic point, to more efficient management. Certainly establishment of a minimum rate in the industry generally has been a benefit.¹

There is some indication that the tendency to discharge learners and minors at the close of apprenticeship period exists, but this tendency seems to be neutralized by the very rapid turnover of this type of labour. On the whole, the rates seem to have had an influence toward standardization of wages and learning periods of apprentices. They have tended to prevent employment of large numbers of girls at very low wages.²

Mr. Lucas notes the handicapping of the law in Massachusetts through opposition of employers and lack of support by governing officials. The essential attitude is one of indifference. Much ineffectiveness of the laws is also due to impossibility of determining uniform rates - also rates do not

1. Minimum Wage Commission - Massachusetts.

2. Minimum Wage Commission - 4th Annual Report - 1916.

reflect loss of income due to unavoidable unemployment. There is such delay in determination of rates that they are out of date when issued. Neither are they rapid enough to suit changing economic conditions.

A fact which cannot be over-emphasized is the great diversity of wages in different establishments operating under essentially similar competitive conditions. A minimum wage that prevents an employer from profiting from temporary maladjustments in the labour supply acts as a stabilizing force over the whole labour market. It prevents undercutting concerns, and compels competition on the same conditions which permanently established firms have found necessary to adopt. Mr. Lucas¹ strongly commends the recommendatory feature of the Massachusetts law. Other States besides Massachusetts have come to the conclusion that the need for a "mandatory" cost-of-living wage has greatly diminished - and that more can be accomplished by collective bargaining. The State can provide machinery for those industries which have shown themselves incapable of settling their difficulties alone.

Douglas H. Atkins² suggests that what is needed in America is a clear, unequivocal basic standard of living for the working woman, to take account of the whole range of her necessities not only day by day, but year by year. A standard budget is recommended formulated preferably by the Federal Bureau of Labour Statistics and revised by them periodically in accordance with changes in cost of living and adjustable by local boards and commissions, to local conditions. This would include extension of special provisions for sub-standard workers. (2) A clear cut policy for

1. "The Legal Minimum Wage in Massachusetts," 1927.

2. "The Worker in Modern Economic Society," 1923.

boards and commissions that the "living wage" shall mean a "living income" the year round, and more accurate information on their part as to local irregularities of employment, as well as a method of advancing hourly rates by "irregularity differentials," whenever trades or establishments are unable to provide full time work.

He also thinks there should be devices for increasing flexibility of the standard rate during sudden price changes.

Canada:

Minimum wage legislation for women workers came into operation first in the Province of Manitoba, May, 1918, and has served as a model for the other Provinces, Ontario, Quebec, Saskatchewan, Alberta and British Columbia. Statistics from the Annual Reports of the Bureau of Labor and Industries make it apparent that such legislation has been beneficial to a considerable degree.

The utmost degree of co-operation seems to exist between employer and employee members of the various Minimum Wage Boards - consisting of five members, two representing employers, two employees, and always one woman, sometimes two, and one disinterested person. Comparison of rates existing before and since legislation throws light upon the question as to whether the "minimum tends to become the maximum," and there is apparently general agreement that such is not the case. Living conditions of women workers have been greatly improved. Little doubt can exist of the tendency of the minimum wage, by levelling up the wages of the more poorly paid workers, to result in a greater degree of standardization and uniformity of wages than would

otherwise exist.¹ Finally, the figures show quite conclusively that there has been no substitution of minors for adults. In each industry, with the exception of the mercantile trade, the percentage of juveniles decreased.

Organized labour, mostly male in membership, is keenly alive to the interest of women who work and trade unions in various provinces have rendered valuable assistance, e.g. Ontario.²

Employers in many instances admit the sounder condition and increased production from the workers, and a higher efficiency in management. It is to be observed that it is not the primary object of the Boards to prosecute employers for breach of regulation but to endeavor to obtain an adjustment of wages by persuasion, and where possible this course is always taken.

The very first Canadian Minimum Wage law to apply to both sexes, enacted in Alberta in 1917, was strongly opposed to manufacturers, and was amended in 1919, 1920 and 1921, but still was objectionable to the Canadian Manufacturers' Association. A memorandum was presented to the committee appointed by the provincial government of Alberta, on behalf of the manufacturers of that Province, which stated that "the best legislative practice is embodied in the Manitoba Minimum Wage Act" ----- All the orders made in Manitoba have been concurred in unanimously by both employers and workers and the Act has given general satisfaction.³ In September, 1919, a National Industrial Conference was held at

1. H. Derry and F. H. Douglas - "The Minimum Wage in Canada" Journal of Political Economy (April, 1922).

2. Sixth Annual Report of the Minimum Wage Board of Ontario, 1926.

3. "Industrial Canada" - July 1918, p.207.

Ottawa when a marked advance was made in reaching agreement by representatives of employers, employees and the public. Unanimous agreement upon the desirability of minimum wage laws for women and children was reached. Doubtless the manufacturers accepted the Manitoba law as a desirable compromise. The agitation of the Alberta Representatives also had its effect and finally, in 1922, the objectionable features of the Alberta Act were removed and the Manitoba model accepted.¹

In Manitoba:

The Minimum Wage Act in Manitoba applies to every industry employing female workers. It makes no provision for the appointment of Trades Boards, since the methods employed make them unnecessary. To secure an amicable settlement of rates, hours and conditions of labour, and co-operation of employers and employees, the Board calls representatives of both into conference with itself. Such a conference has two advantages over the usual Commission and Trades Board machinery. It can act quickly, and interposes itself to prevent injustice arising from any superior bargaining power and skill on the part of employers. No other method is as speedy or inexpensive.

The distinctive feature of each trade has been studied in joint session with those having intimate knowledge, and regulations have been framed, approved and agreed upon as fair and reasonable by members of the conferences, with only a few trifling exceptions. The expectation of the Board in regard to the good effects arising from these conferences has been realized in many

1. Labour Gazette - Vol. XIX, p.1178.

Bryce H. Stewart - "Canadian Labor Laws and the Treaty," 1926.

respects. Women workers as a whole declare that they feel the protection of the Board. The Board itself states that fully 70% of employers of female labour cooperate in every way to make such legislation effective.

In 1919, when the Board agreed that a revision of the rate would be necessary owing to increased cost of living, and that a higher minimum rate was required if the minimum wage was to be a living wage - it was a matter of surprise to discover that the figure named as the new rate, was, in nearly all cases, already the minimum adopted by the employers in these industries. Minimums had not become maximums. The Board does not fix wages. It merely fixes a limit below which wages must not go.

The Board is just as strict with employees who do not live up to minimum wage regulations. In each set of regulations the Board has included a notice that it stands ready to grant a modification of any regulation at any time, when convinced that it should do so. This fact must be noted with satisfaction, since it is common knowledge that frequently good legislation is nullified by lack of enforcement, and rendered irksome and unpopular by the wrong kind of enforcement. An iron regulation rigidly imposed on all industrial establishments without variation or modification would sometimes hinder the legitimate activity and progress of business.

The problem of evasion of the law is as yet unsolved. The difficulty is in procuring inspectors who are suitable, who will have a wide knowledge of working conditions, and living conditions, who will inspire the women workers with confidence. Fear of loss of employment is what prevents information from coming to the Board, although workers are protected from dismissal or discrimination where they give information, and if necessary other

employment is sought for them. There are no figures to indicate what happens to those unable to earn the minimum except what can be gained from the number of permits which have been issued.¹

1. The Minimum Wage for Women and Girls in Manitoba - The Minimum Wage Board.

different status of women, war, and increasing efficiency of management. Minimum Wage Legislation may be responsible for some of the above effects, but to what extent cannot be learned; and to what extent these results would have come about without such legislation, cannot be estimated.

We must emphasize the fact that the legislation as applied to sweated trades has merely meant that good, or fair workers, heretofore by circumstances of their reasonable bargaining power, now get their deserts, which they did not get before. As is inevitable in any movement, a principle useful in its own sphere, may be extended to fields in which it is properly applicable. There is reason to believe that already this tendency is being felt in Australia and Great Britain, especially with regard to the problem of efficiency. It is well to remember Mill's warning - "In all cases of helping there are two sets of consequences to be considered; the consequence of the assistance itself and the consequence of relying on the assistance."

In non-sweated industries, where a minimum wage is fixed, is there not a possible menace to increased productivity, from the risk that some workers, assured of certain fixed wage, without effort on their part, may lack the initiative to work for any more than that minimum, or at least very little more? The system, though such as to require a high standard of efficiency, may yet discourage the development of it.² This problem of efficiency has not yet been solved by the present legislation. Only rates of pay which are actually earned can ultimately be paid, and standard rates are, in the long run, dependant upon standard rates

1. John Stuart Mill - "Principles," Book V, Ch. XI, §13.

2. E. T. Hanbin - "Arbitration and Conciliation in Australasia."

GENERAL CONCLUSIONS:

As was stated before, this study is concerned with Minimum Legislation in sweated industries and establishments; the reason for considering this aspect alone, being that legislation of this kind was introduced originally for the express purpose of prevention of sweating. The fact remains, however, that in different countries the grounds for the introduction of a Minimum Wage have been different, which perhaps affords a useful form of comparison.

From an economic, and from a humanitarian point of view, with regard to sweated industries, all authorities are agreed that Minimum Wage Legislation has been a success. First, as noted in the effects of such legislation, workers have been guaranteed a decent standard of living, hitherto denied them, through increase in wage rates. This has naturally resulted in greater efficiency of workers of this class. The grosser forms of underpayment, especially with regard to women and children, have been abolished to a very great extent, and the industries themselves, wherein such legislation has been applied, have shown increased productivity. So far as can be learned from what evidence is available, no industry thus affected has been driven out of the State, nor had to close its doors; nor are there any statistics to indicate that the National Dividend has suffered. The various Commissions of Inquiry, including the Cave Commission, are in agreement with regard to these known effects. This applies to the following countries already reviewed - viz. - Australia and New Zealand, Great Britain, Seventeen States in the United States, and the Provinces of Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

However, evidence cannot yet be considered conclusive, owing to such disturbing economic factors as changing price levels, flourishing or depressed conditions of industry,

of efficiency required in a particular industry, and will not only be paid to those who are most indispensable when business is not thriving. The employee has his or her part in the general scheme¹ and - while we may say that legislation generally leaves this untouched - it is interesting to note that in the Province of Manitoba, the worker is absolutely required to fulfill Minimum Wage Regulation requirements, or the employer is notified. Even where the principle has perhaps been wrongly introduced, good may chance to spring from evil. A more conciliatory attitude on the part of both employers and employees has been encouraged through open discussion and mutual explanation. Arthur F. Lucas² considers that one of the most important contributions of Minimum Wage Legislation has been in education of the public in wage matters, in training both employers and employees in wage conferences, and in promoting a realization of the benefits of co-operation between them. One of the fundamental assumptions of this legislation is that an enlightened public opinion will influence employers to pay adequate wages.

The evil effects which have been felt in all countries following a general extension of legal rates to various industries, seem to be largely due to the rigidity of the system when generally enforced. The Cave Commission³ calls attention to the danger that lies in applying the same principles to all industries, whether it can be proved that specially low wages maintain in that industry or not.

Could not Boards or Commissions be used as Reference

1. Lily A. McCullough, M.A., LL.B. - "Employment of Women in Winnipeg and The Minimum Wage" - 1920.

2. "The Legal Minimum Wage in Massachusetts."

3. "Trade Boards and the Cave Report" - London - 1925.

Boards, carrying on the work of investigation and inspection, and also conciliation.¹ Surely much of the rigidity now complained of would disappear, if minimum rates were set in industries found to be employing sweated labour, until that condition were corrected and then withdrawn, in the same way that the principle of Protection is extended to "infant industries."²

Some might say, however, that in that case its withdrawal would await the Greek Kalends. Boards would still be empowered to enforce fair rates, conduct investigations, and arrange conferences of employers and employees. This would assist in checking the unscrupulous employer and at the same time prevent the "lag" referred to in the Cave Report, in the readjustment of wage conditions, the consequences of which extend to the unskilled and part-skilled worker throughout the industries affected.

One would feel inclined to agree with Mr. Lucas,³ suggestion, that the most fruitful action which the government can take in the regulation of wages is not the fixing of definite minimum rates, but the encouragement of what amounts to collective bargaining. "Recommendatory" laws such as obtain in Massachusetts, possess a flexibility in particular cases which "mandatory" laws do not. If a rate is too burdensome for an individual employer, he may disregard it. The interests of both employers and employees are protected against a too harsh application of the rates. Will this not foster a sentiment of co-operation and good-will in place of hostility and suspicion? Conciliation, where practicable as an instrument of Government, is always and everywhere superior to compulsion.

1. Lily A. McCullough - "Employment of Women in Winnipeg and The Minimum Wage."

2. Adam Smith - "Argument for Protection of Infant Industries."

3. "The Legal Minimum Wage in Massachusetts" - 1927.

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