WAGE FIXING

By

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MR. ARTHUR PUGH is General Secretary of the Iron and Steel Trades Confederation, one of the most effectively organised Trade Unions in the world.

He was born in Hereford in 1870, and began to earn his living as a farm worker at the age of 13.

A few years later the family moved to South Wales, and here he followed his father as a worker in the iron and steel trades. He was soon enrolled in the old British Steel Smelters' Association, and on removing to Lincolnshire became Secretary of the Ford- ingham branch of the Association, and in 1906 was promoted to the Assistant Secretar yship of the organisation. In 1916 a series of negotiations between Unions in the heavy metal industry led to the formation of the Confederation of Iron and Steel Trades. Mr. Pugh took a leading part in these negotiations, and became General Secretary of the new organisation, the post he now holds.

Mr. Pugh was Chairman of the Trades Union Congress during the momentous year which witnessed the National Strike, and represented the Trade Union Movement in the joint negotiations between the miners, the mine-owners, and the Government.

His views on wage policy are regarded as authoritative throughout the Trade Union Movement. His contribution to the subject at the Bournemouth Congress, when, in his Presidential Address, he suggested the advisability of a thorough-going scientific analysis of the wage problem with a view to the formulation of new principles, led to a discussion which still informs a good deal of the research undertaken in connection with the regulation of wage movements.

Mr. Pugh is an able and experienced administrator whose view of industrial affairs is eminently progressive in the scientific sense of the word. His ability has been fully recognised by Government departments, and he has served with distinction on numerous Government Committees.
SUPREMELY important as the wage system has become in the world of to-day, when so great a proportion of those who labour by hand and brain in productive enterprises, and in the services of modern communities, depend upon the weekly or monthly pay envelope for their remuneration, the subject of this lecture must not be confused with methods of wages payment, nor is any theoretical examination of the wages system contemplated.

On the contrary, our purpose is to deal with machinery of collective bargaining and the practical application of that method of fixing wages which, in various forms, has developed with the growth of modern industrialism, and which, it may be stated, Trade Unionism has enforced upon the industrial system in almost complete disregard of nineteenth century economic theory with regard to wages. Unconsciously, perhaps, the Trade Unionist has confounded the nineteenth century economist by demonstrating that far from the wages of labour being governed—as alleged—by immutable "natural laws" from which it was contended there was no escape, that wages are capable of regulation, direction and control of human agency in a manner altogether outside the vision of those whose theories formed the basis of political, and of industrial policy during the greater part of the nineteenth century. To-day economic theory is not for the first time being subject to critical re-examination in the light of modern thought which education and experience have produced, and in light also of tremendous economic changes which developments in scientific research and mechanical invention have brought into being:

These changes, however, call also for a re-examination, a new orientation of Trade Union methods, and policy.

Consequently, it is not sufficient that we merely seek to inform ourselves with regard to the means and methods whereby the wage-earners find collective expression in the industrial system in regard to matters affecting their economic well-being, and the function of Trade Unionism in that connection. We must also have in view a critical but constructive examination of what now exists, with the ultimate objective of formulating considered conclusions as to whether it is capable of such adjustments as are necessary to meet the needs of the wage-earners—and, indeed, the community as a whole—in the great industrial developments which the twentieth century is unfolding.

While this lecture is designed to deal with existing methods and machinery of Wage Fixing, it will be helpful if, as an introduction to our subject, we remind ourselves that from about the fourteenth up to the end of the eighteenth century the wages of labour were largely
governed by legal enactment, while at the same time the right of collective bargaining was strictly forbidden.

Early Functions of Trade Unionism

This, as the authors of "Industrial Democracy" show, accorded with the public opinion of that time when they state:—

"Even before the stringent Act of 1799 against all workmen's combinations, the very idea of Collective Bargaining was scouted by the employers, and strongly condemned by public opinion. On the other hand, the majority of the educated and governing classes regarded it as only reasonable that the conditions of labour should be regulated by law."

So far as concerned the organised groups of skilled craftsmen, which preceded the modern Trade Union, Professor Bretano, the author of "Guilds and Trade Unions," shows that the activities of these bodies were applied to the maintenance of the then existing legal and customary regulation of trade, but significantly he adds: "As soon, however, as the State ceased to maintain order, Trade Unionism stepped into its place."

Now this intervention of Trade Unionism followed the drastic change of policy in this country consequent upon the acceptance of the doctrine of laissez-faire (that is to say, non-interference, especially Government interference, in industrial affairs) at the beginning of the nineteenth century, leading to the abrogation of the legal statutes for fixing wages and labour conditions.

That doctrine, which coincided with the verdict of the economists from Allan Smith downward, was enunciated by a House of Commons Committee in 1800, when the Committee declared itself

"of opinion that no interference of the legislature with the freedom of trade, or with the perfect liberty of every individual to dispose of his time and of his labour in the way and on the terms which he may judge most conducive to his own interests can take place without violating general principles of the first importance to the prosperity and happiness of the community, without establishing the most pernicious precedent or even without aggravating, after a very short time, the pressure of the general distress and imposing obstacles against that distress being ever removed."

As this new policy was precisely what was sought in the development of the factory system, and modern Capitalism, indeed, may be said to be due largely to the influence that manufacturing interests had become able to exercise, the workpeople found themselves in a very defenceless position, as on the one hand they were deprived of legislative machinery for fixing their wages standards, and on the other denied the right of combination; and so commenced that long and often bitter struggle of over half a century for the right of collective bargaining through Trade Union organisation, and incidentally also for the right of franchise as the preliminary but fundamental steps towards economic and political freedom.

While the struggle led to the early abolition of the Combination Acts and the much later passing of the Trade Union Acts of 1871 and 1876, collective bargaining in the general acceptance of to-day is in a major degree a development of the past 25 or 30 years.

The railways, for example, did not get that right recognised until after the strike of 1911—an evidence that it is one thing to get a legal right by Act of Parliament and quite another thing to secure its application.
Now there is one thing about this lecture I am not responsible for, and that is the title; but the title having been found, I am translating it into terms suitable for our purpose, and have divided my subject into three main sections:

1. Machinery of Industrial Negotiation and its Development;
2. Conciliation and Arbitration—Its Form and Practice;

As to the existing machinery of industrial negotiation, we may divide it into two principal categories, namely:

1. Machinery established by voluntary association;
2. Machinery established by legislation.

In the first category are:

(a) Joint Wages Boards;
(b) Methods of Joint Conference;
(c) Joint Industrial Councils.

In the second category we have, principally:

(a) Trade Boards;
(b) Agricultural Wages Boards;

to which must be added the elaborate Machinery of Negotiation set up for the railways under the Railway Act of 1921.

**History of Wages Conciliation Boards**

Perhaps the oldest type of joint machinery of negotiation in this country with a definite constitution and rules of procedure is the Wages Conciliation Board.

These bodies, although not without precedent in the first half of the 19th century, became much more in evidence during the latter half, particularly in coal, iron, building, and boot and shoe trades. They were also established in the early 'sixties in the hosiery trades at Nottingham, the initiator being the then Member of Parliament, Mr. A. J. Mundella. In March, 1869, was set up what was termed the Board of Conciliation and Arbitration for the North of England Iron Trade. This Board covered the counties of Northumberland and Durham and the North Riding of Yorkshire, and represented 28 ironworks employing 12,000 workpeople engaged in the processes of iron puddling and forging.

Shortly afterwards similar Boards were set up in the same trade in Scotland and for the Midlands. These Boards were the forerunners of the well-established Joint Machinery of Negotiation, which is a feature of every branch of the iron and steel industry. They were followed by similar bodies in the coal trade, which in those early days was much more closely related to the iron trade than to-day. The Scottish and Midland Iron Trade Boards continue to exist in much the same form and constitution as at the time of their formation nearly 60 years ago. Some of the early features have also been retained in the local machinery of the coal trade.

As evidence that the formation of these joint bodies was the result of Trade Union pressure that was making itself felt, it is interesting to read from the records of the inaugural meeting of the North of
England Board in 1869, printed as a sort of preamble to the proceedings:

"The ironworkers of the North, owing to the character of the business in which they are engaged, being dealt with not as individuals, nor even as groups separated into as many bodies as there are employers, but as a class it was natural that some organisation should be formed to protect the interests of the body. This took the shape of an Ironworkers’ Union. The employers shortly afterwards formed an Iron Manufacturers’ Association.

"Whatever advantages these bodies may have conferred upon their respective members, they stopped short of bringing together the two classes, of employers on the one hand and operatives on the other, whose interests had to be reconciled and whose differences had to be adjusted. If they did not increase, they certainly did not diminish, the feeling of separation and conflict of interest between the two parties, whose agreement was essential to the profitable employment of both.

"Hence, in the year 1865 there was a general lock-out which lasted several weeks; and in the year following (1866) a general strike laid the works idle for many months.

"These two entire suspensions of industry produced the usual effect of destroying the profits of the employer, occasioning great loss and suffering to the operatives, and seriously affecting the trade and prosperity of the district.

"Their termination settled nothing except that Capital could hold out longer than Labour.

"Which party had reason or justice on its side was in no way made apparent by the mode in which the issue was contested.

"In addition to these two great conflicts, several smaller strikes took place, only less disastrous because more limited in area or duration.

"This state of things led the employers and the more thoughtful operatives including the Union Executive to look round for a remedy."

And the “remedy” decided upon was a Joint Wages Board.

A Wages Board consists of workmen's representatives elected annually and an employers' representative from each works connected with the Board. The Annual Meeting of the Board elects a Joint Standing Committee of equal numbers and two secretaries, paid a more or less nominal salary, one from the employers’ side and one from the workmen. Each side also elects a Chairman, one of whom acts as Chairman of the Board and the other as Vice-Chairman. The expenses incurred by the Board are met by a small weekly or monthly contribution paid by the workmen and deducted from wages at the works, the employers being responsible for a contribution equal to the aggregate sum collected from the workpeople.

Questions arising at any works are dealt with by the Board representatives, but failing agreement the case is sent in writing to the Joint Standing Committee to deal with. Witnesses representing the employers and workmen attend from the works concerned to give evidence in the case. The Standing Committee either adjudicates on the matter or appoints a small Sub-Committee to attend at the works and deal with the question, and the Sub-Committee reports back to the Standing Committee as to the decision arrived at.

Questions of a trade character—that is, affecting the whole or a substantial portion of the trade—are dealt with by a Standing Committee and reported upon to the full Board. In addition to Board Officers, a President is appointed, who must be a person of good standing and not connected with the trade. He is the final resort in case the Board cannot find a settlement. It may, however, be stated that his services are seldom required. This type of Board, creating its own administrative funds, is to-day confined to the Wrought Iron
Trade, the Galvanised Sheet Trade, the Scottish Pig Iron Trade, and certain small trades elsewhere.

On the other hand, Joint Wages Boards—or Conciliation Boards as they have generally been described—continue to exist in much of their original form and constitution in certain of the coal-mining districts and elsewhere. As the result of development in organisation the machinery in the building trades has undergone changes, where, since the war, has been established a National Joint Council of the Federations of Employers and Trade Unions, with regional and area joint bodies.

**The Joint Conference**

A common and well-established form of industrial negotiation is the Joint Conference. This may be, and in earlier years was, chiefly by the means of *ad hoc* bodies representing the Trade Unions and employers, without any specific rules of procedure or constitution, and called together as occasion required. In its later developments, local and national conferences embodying well-devised and recognised procedure are provided for, such, for example, as exists in the engineering and shipbuilding trades. That provides that any question arising at any place of employment that cannot be settled between the representatives of the men and of the management may, at the request of either party, be referred to a local conference composed of representatives of the local Association of Employers and the local representatives of the Union or Unions concerned. Failing settlement, the matter may be referred by either party to a Central Conference, which body also deals with national questions. Similar machinery exists in certain branches of the steel trade, district conferences being held on questions of district importance and central conferences on questions common to the trade. In the heavy section of the steel trade what is termed the "Neutral Committee," which consists of two workmen and two employers' representatives from other works, is interposed between the district conference and the works to deal with unsettled works questions.

**Joint Industrial Councils**

What is largely a post-war development of machinery of industrial negotiation is that coming under the form of Joint Industrial Councils. These bodies were established as a result of the reports of the Reconstruction Committee (commonly known as the Whitley Committee) set up during the War. The reports of that Committee were issued at a time of optimism as to future industrial relations and prosperity. They visualised all the industries of the country being fully organised, and joint machinery set up for discussion and consideration of all matters affecting the workers' interests. Moreover, they contemplated a much wider sphere of activity than had hitherto been accepted or provided for by pre-war Negotiating Machinery.

The essential purpose specified for in the Committee's recommendation was that: "in view of the necessity for the continued co-operation of all classes after the War, and especially of employers and employed, there should be established for every industry an organisation representative of employers and workpeople, to have as its object the regular consultation on matters affecting the progress and well-being of the trade from the point of view of all those engaged in it so far as this is consistent with the general interests of the community."
Even so, the reports were received with a variety of opinion so far as Labour was concerned. In the basic industries, such as metals, textiles and mining, where Trade Unionism was comparatively strong, and joint machinery fairly well established, the proposals had little effect; but in unorganised trades they were welcomed as affording an opportunity for the workers having a much larger say in regard to their working conditions through the medium of collective bargaining than had hitherto proved possible.

There is little doubt that the recommendations of the Whitley Committee did give considerable impetus to the formation of Joint Machinery of Negotiation, and that despite the disillusionment of the post-war years much had been retained.

The Directory of Industrial and other Associations published for the year 1919 showed that Conciliation Boards had increased to 465, that 45 Joint Industrial Councils and 26 Interim Reconstruction Committees had been formed, in addition to many Trade Boards, Agricultural Wages Boards, etc.

Notable amongst those which claim successful development are the Joint Industrial Councils of the Printing and Allied Trades, the Flour Milling Industry, the Pottery Industry, and the Boot and Shoe Industry, which, like the Tinplate Trade, appears to have revised its machinery to fit in with the Whitley Committee's proposals.

For the purpose of its proposals the Committee divided industry into three groups:—

Group (a) Well-organised industries in which there should be established Works Committees, District Committees, and a National Industrial Council.

Group (b) Partly organised industries for which similar machinery should be established so far as this was practicable, but with representatives of the Ministry of Labour on its National Industrial Council in an advisory capacity. Further, that where there were unorganised areas, Trade Boards should be formed and linked up with the Industrial Council.

Group (c) Industries with little or no organisation—that Trade Boards should be formed, with representatives appointed by the Government in an advisory capacity.

The idea of the Whitley Committee was that as organisation of employers and employees advanced, that the necessity for Government or legislative assistance would cease to exist, and that the bodies formed in Groups (b) and (c) industries would become well organised and autonomous bodies such as were included in Group (a). In that respect the Committee indicated its view in the following statement:—

"It may be desirable to state here our considered opinion that an essential condition of securing a permanent improvement in the relations between employers and employed is that there should be adequate organisation on the part of both employers and workpeople. The proposals outlined for Joint Co-operation throughout the several industries depend for their ultimate success upon there being such organisation on both sides; and such organisation is necessary also to provide means whereby the arrangements and agreements made for the industry may be effectively carried out."

While it cannot be said that the Joint Industrial Councils have on the whole realised what was expected of them, they undoubtedly form a very important part of present day Joint Machinery of Industrial Negotiation.
Trade Boards

So far we have briefly reviewed Joint Machinery of Industrial Negotiation framed and established by voluntary association of employers and employed, the agreements and decisions of which have no legal force but rest upon the sanction of the parties concerned.

We will now, with equal brevity, consider machinery established by legislative enactment and in respect of which, for the most part, the decisions are legally enforceable under penalties of fine or imprisonment.

Trade Board machinery differs from all of those we have dealt with, not only by reason of the fact that it has been definitely established by Act of Parliament, and that the decisions are enforceable by legal procedure carried out by a State Department, but also in that part of the personnel of Trade Boards consists of Government nominees, and further, that the representation is of both organised and unorganised workers, and finally, that the administrative expenses of the Boards are paid by the State.

The original purpose of Trade Boards was to deal with unorganised workers in what were termed the "sweated" trades. Public attention was first centred upon "sweated" workers by the Report of a House of Lords Committee in 1889, but no step was taken until nearly 10 years later to legislate for that class of people.

The late Sir Charles Dilke introduced what was termed a "Sweated Industries Bill" in 1900 and afterwards, but failed to obtain the necessary support. Attention was, however, again directed to the matter in 1906, by the holding of a Sweated Industries Exhibition in the Queen's Hall, London, in which year the Board of Trade undertook an Inquiry into the Earnings and Hours of Labour. Following the exhibition a vigorous campaign was conducted by an organisation called the Anti-Sweating League, which culminated in a Select Committee of the House of Commons being appointed, and in 1909 the first Trade Boards Act was passed, which brought within its scope Hand Chain Making, Machine-made Lace and Net finishing, Paper-box Making, and Wholesale Tailoring. Subsequently other trades were added. An amended Act of 1918 broadened the basis and functions of Trade Board procedure, with the result that by the end of 1921 Trade Boards had been established in 63 different trades, estimated to be employing about 3,000,000 workpeople, the majority of whom were female workers.

A Trade Board may be set up after inquiry by the Ministry of Labour on application by a body of workers or of employers, or both.

It usually consists of from 15 to 30 representatives respectively of employers and workers, but a great deal of its work is carried out by its administrative or Standing Committee.

The Ministry of Labour has to see that the Boards are properly constituted, and where the workers are unorganised that these are represented; also where in any trade home-workers are employed, that these are represented on the Board.

In addition to the representatives of the employers and workers, the Ministry provides a certain number of independent members called appointed members, from whose number a Chairman and Vice-Chairman are appointed. The Ministry also appoints a Secretary of the Board.
The Trade Board is essentially a Minimum Wage Fixing Body, although its duties may include the consideration of any matter relating to the industrial conditions of the trade referred to it by the Government Department.

The decisions of the Trade Board are subject to the issue of an order by the Ministry of Labour, and the Ministry becomes responsible for their enforcement, and for taking legal proceedings against defaulters, who are subject to fines or imprisonment, in addition to the recovery on behalf of the workpeople of the amounts due.

The right of dissolving a Trade Board rests with the Minister, and cannot be exercised by the Board itself.

Here we see a reversion to the principle of Wage Fixing and enforcement by Statutory Machinery, although under very different conditions from pre-nineteenth century days. It may, however, be said, that such early legislation had no influence whatever on the decision to establish Trade Boards. On the other hand, the Wage Fixing Legislation in Australia of 1894 and 1896 had a decided influence in that connection.

**Agricultural Wages Boards**

By the Agricultural Wages (Regulation) Act, 1924, Agricultural Wages Committees are set up in each county in England and Wales, and also a Central Agricultural Wages Board. The constitution of these bodies is similar to that of Trade Boards; that is, representative of employers and employed elected or appointed together with neutral members appointed by the Minister, and a Chairman and Secretary, and the wage fixed is enforceable under penalties. The expenses of the Committees and of the Board are paid from public funds.

An interesting statement of principle is contained in Section (2) of the Act as the basis upon which a minimum wage is to be fixed, namely, that it shall, "so far as practicable, secure for able-bodied men such wages as, in the opinion of the Committee, are adequate to promote efficiency and to enable a man in an ordinary case to maintain himself and his family in accordance with such standards of comfort as may be reasonable in relation to the nature of his occupation."

**Railway Tribunals**

A very different type of Industrial Machinery of Negotiation established by legislation is that provided for the railway system of this country under the Railways Act of 1921.

Commencing with Station or Depot Joint Committees, it follows with Local Departmental Committees, Railway Sectional Councils, a Railway Council of 20 members, a Central Wages Board of 16 members, and finally a National Wages Board of 17 members. Here a new and important principle is introduced into machinery of industrial negotiation for dealing with wages, for of the 17 members of the National Board four represent the consumers—in this case the users of the railways—one of whom is a representative of the General Council of the Trades Union Congress, one from the Co-operative Union, one from the Association of the British Chambers of Commerce, and one from the Federation of British Industries.

It should be stated that in the Joint Tribunal for Tramway Undertakings also there are four members representing the public.
The National Tribunals of the Railways are dominated on the workers' side by the Trade Unions, who jointly with the Railway Companies are responsible for printing and general expenses.

Presumably also, they are responsible for seeing that decisions arrived at are duly observed.

**Conciliation and Arbitration**

Having reviewed in broad outline various forms of Machinery of Industrial Negotiation existing in this country we will proceed to examine within the measure of time permitted the extent and character of Conciliation and Arbitration as applied to differences between employers and employed in British Industry. Here again, as we shall see, there are distinguishing characteristics which enable two broad classifications to be made:—

1. Forms of conciliation or arbitration within the trade or industry promoted by voluntary association.
2. Arbitration machinery established by legislative enactment.

Arbitration on disputes relating to Wages and Conditions of Employment is no new device in the industrial history of this country. It was embodied in the Act of 1747, which gave Justices of the Peace jurisdiction over disputes between employers and workmen with regard to the terms of hiring. It was developed further by an Act in 1800, consequent upon a petition to the House of Commons by the Cotton Weavers of Cheshire, Yorkshire, Derbyshire and Lancashire. Under this Act each side could appoint an Arbitrator, whose awards were final and binding. Provisions for industrial arbitration were extended by Acts passed in 1803, 1804, 1813, 1824 and 1837; but this plethora of legislation synchronised with a departure from the pre-existing policy of wages being fixed by Justices of the Peace, and the disputes to be arbitrated upon were therefore defined as those "which cannot be otherwise mutually adjusted and settled." As, however, the law also provided a code against what were termed "unlawful combinations of workmen for raising wages," and the awards of the Arbitration Court were enforceable upon the parties, with the alternative of fine or imprisonment, it is little wonder that the whole thing fell into disuse. Subsequent attempts at legislation were no more successful.

In the early years of the second half of the century, arbitration and conciliation on industrial disputes obtained a new impetus by a definite advocacy of that line of procedure by the leading Trade Unions, and an equally definite opposition on the part of the majority of employers. The position of both is not difficult to understand. On the Trade Union side the workpeople for half a century had been engaged in a fight for effective collective bargaining, and in spite of all attempts at repression had maintained and developed Trade Unionism as a factor in the industrial life of the country. But this had been done under conditions which prevented the Unions attaining that degree of stability which was essential if they were to apply themselves to a policy of constructive progress.

In times of trade prosperity advances in wages had to be enforced by the strike or its threat, and Trade Union organisation advanced with the improved conditions, only to recede again when reverse trade conditions occurred and the lock-out took the place of the strike.

Under conditions in which the employers refused to meet the Trade Union representatives and asserted their right to bargain with their
"hands" individually, it is not surprising that the Trade Unions saw in arbitration a means of creating a public opinion in their favour, and at the same time a channel for furthering the establishment of collective bargaining through their elected representatives.

This was no less realised by the employers, and the view of those who saw where the acceptance of arbitration procedure would lead to was expressed by Mr. James Stirling, one of its leading opponents, when he said:—

"Our main objection both to arbitration and conciliation as palliatives of Unionism is that they sanction, nay, necessitate the continuance of the system of combination as opposed to that of individual competition. . . . In so doing we lend the authority of public recognition to the pestilential principle of combination and sanction the substitution of an artificial mechanism for that natural organism which providence has provided for the harmonious regulation of industrial interests."

Despite opposition, however, Trade Unionism advanced on its new line of attack, and during the first 20 years of the second half of the century established Conciliation and Arbitration Boards in the Mining, Iron and Steel, Building and other trades, and a real foundation for collective bargaining was laid.

So far as adjudication in industrial disputes was concerned, the new procedure rather took the form of a neutral person attached to the Joint Boards, whose function it was to conciliate differences by discussion between the parties, but who might be required to give a decision in the final resort.

Here we get the differences between Conciliation and Arbitration. The Conciliator is a person who attends a meeting of the parties in dispute, hears their arguments, and endeavours to find means of agreement between the parties themselves; failing agreement, he, at their mutual request, gives a decision on the outstanding differences, which decision they first agree to accept. In an Arbitration the proceedings more resemble a Court of Law where each side states its case through an appointed advocate, and may call witnesses and hand in documents as evidence. The Arbitration Court proceeds on the assumption that its award, which is issued in writing in due course, will be held as final and binding upon the disputants.

Although, as has already been stated, the development of industrial arbitration in this country was influenced by Trade Union advocacy of that procedure during the latter half of the last century, the general tendency in that connection has been to make such provision inside the industry rather than to seek the external machinery provided by legislation. It may, however, be said that legislation for the provision of arbitration machinery in industrial disputes has reacted favourably to the promotion of internal arrangements, and for the reason that in contrast to the policy accepted in the Australian and Canadian Dominions and elsewhere, the British Trade Unions have always been opposed to any form of legislative intervention of an over-riding character in the settlement of industrial disputes (the War period alone excepted), and it may be stated that so far as comparative results are concerned their policy in that respect appears amply justified up to the present.

Moreover, apart from the moral value of the voluntary principle, the objection to compulsory settlement of disputes under present indus-
trial arrangements is defensible on the ground that the power of collective bargaining is based upon the right to strike, and, it may be added, to lock-out.

On the other hand, it may be stated that arbitration awards in this country seldom indicate the principle upon which the decision has been reached; nor, indeed, have we developed in this country any guiding principles upon which arbitration awards can be based.

It is perhaps inseparable from the voluntary and limited use of arbitration in British practice that such proceedings tend to be localised to the facts presented and the issue in the particular case in hand, without regard to outside considerations. When, however, we get to such procedure as the Australian Arbitration Courts, it is the practice in all important issues for the Court to state the principles which govern its decision. A most interesting survey of such procedure is to be found in Judge Higgins' book: "A New Province of Law and Order," and also in the excellent book by Professor Fies, entitled "Principles of Wage Settlement."

The view I have expressed in public on more than one occasion is that if arbitration—by the use of machinery external to the trade or industry is to develop in this country, not only will it be necessary that the facts shall be more fully available, but as the majority of cases relate to wages, a clearer investigation as to the capacity of the industry to pay or otherwise must be made, and that definite principles which will have regard to both economic and ethical considerations must be developed for the guidance of Arbitration Courts.

If we had in existence a National Economic Council, one of its functions would be to ascertain facts relating to the Trades and Services of the Country, and these should be available as far as necessary in any important industrial dispute, for the assistance of Arbitration Courts. There is little doubt, I think, that arbitration practice and procedure in future will be conducted upon more scientific lines, and this particularly if there is any development of collective ownership and control of productive enterprises and services.

In the Iron and Steel trades, which are among the pioneers in this respect, voluntary arbitration is a traditional part of long-established machinery of industrial negotiations: It starts with the workshop, for as already stated, invariably questions which fail to find settlement at any establishment are referred to what is termed a "neutral committee," consisting of two employers and two workmen, whose decision is final. Questions of wider import are dealt with by Joint Standing Committees, Boards, or representative conferences, all of which exercise plenary powers. An extremely small number of cases emerge from the voluntary trade machinery where outside arbitration procedure has to be resorted to.

In the district machinery of the Coal Mining industry, Joint Standing Committees and Conciliation Boards based upon Boards of earlier days still play their part, with the independent Chairman as a final resort. The 1921 Agreement provided for District Boards and a National Board. District Boards were also provided for under the Coal Mines Act of 1912. The National Board, or its equivalent, ceased to exist with the Dispute of 1926.

In the Boot and Shoe Industry the machinery provided and the general policy is similar to that of the iron and steel trades. The boot
and shoe industry, however, is exceptional in this respect, that it has a joint guarantee fund designed to inflict penalties on one side or the other in cases where agreements or awards are not observed, or perhaps one might call it an insurance fund against breaches of Agreement.

Cotton, Building, and other important trades rely upon the authority of their local and central machinery to dispose of disputes.

In the Railway world the National Wages Board is the final court of appeal.

In Engineering and Shipbuilding trades the attitude of the employers has been against conciliation and arbitration, although not on quite the same grounds as their predecessors of 60 years ago, but rather, it would appear, because of a rooted objection to what is termed "outside" interference; although in the case of the shipbuilding trades the somewhat recent revisions of their joint negotiating machinery contemplate the provision of an independent Chairman to be attached to the central conference.

However, a survey of the organised trades and industries will disclose that they are governed by well-devised methods of Joint machinery of negotiation evolved through voluntary association, but embodying a very definite authority for adjudicating and deciding on industrial differences, all of which, however, rests upon moral obligations accepted by the parties rather than upon legislative enactment.

Apart from Agriculture and trades covered by Trade Boards, the State has done little more than provide machinery to assist in settling differences, available for service if and when the parties concerned seek to use it, and it may be said that the organisations not only of the workers but of employers also in this country have been very jealous of any attempt to depart from the voluntary principle.

This has been disclosed in the declaration against compulsory arbitration in evidence repeatedly given before Government Commissions by organised bodies; in the opposition to the terms of the first Bill introduced for the framing of the Industrial Courts Act, and more recently in the suspicion which was shown to the proposal that the decisions of Joint Industrial Councils should be enforced by legislative provisions upon all engaged in the trade or industry with which the Industrial Council was connected.

The arbitration machinery provided by the State is governed by the Conciliation Act of 1896 and the Industrial Courts Act of 1919. The pre-war Act resulted from recommendations of a Royal Commission on Labour set up in 1891. It was in that year that the Fair Wage Resolution applicable to Government Contracts was passed by the House of Commons, to be amended to its present form in 1909.

The Board of Trade set up its Labour Department in 1893, and the Conciliation Act, which was of a purely voluntary character, was passed three years later. Under that Act the Board of Trade could, at the request of either party, appoint a Conciliator to promote an amicable settlement of an industrial dispute, or a person to arbitrate on the difference.

It cannot be said that the Act was very successful in its earlier years, but in 1908 the Board of Trade introduced a scheme for setting up ad hoc Arbitration Boards, the personnel of which are selected from three panels; one panel is of Workmen's Representatives, and another
of Employers’ Representatives, from which the parties in dispute can each make their selection. The third is a panel of persons qualified to act as Chairman, one of whom is selected by the Ministry to act as Chairman of the Arbitration Board.

In 1916 the powers and duties of the Labour Department of the Board of Trade were transferred to the newly-established Ministry of Labour.

The later Act (the Industrial Courts Act, 1919) is a development of legislative machinery of conciliation and arbitration in industrial disputes, based largely upon the experience of the War period. While it embodies the provisions of the earlier Act, its functions are more extensive and more authoritative, although the voluntary principle is definitely maintained.

It is in the second part of the Act where the significant departure from past legislation is found, for under its provisions the Ministry of Labour may set up a Court of Inquiry into a dispute, or even in contemplation of a dispute, and whether or not the parties directly involved request an inquiry, and with or without their consent. The Court does not arbitrate, but it can call evidence from such persons or sources where this is available, and if necessary require such persons as attend to give evidence to do so on oath. The Report of the Court is laid before the two Houses of Parliament.

The principle introduced here is the recognition of the public interest and of public opinion in an industrial dispute, particularly where the dispute relates to public services.

Before passing to the third section into which this lecture is divided, we may consider the general conclusion to be drawn from the brief survey we have made of:

1st. Machinery of Industrial Negotiation and its Developments, and

2nd. Conciliation and Arbitration—Its Form and Practice.

We find that over the past three-quarters of a century or thereabouts there has developed a network of joint machinery of industrial negotiation upon which is superimposed various forms of arbitration machinery which can be utilised to deal with matters which, for one reason or another, pass beyond the competence of settlement by joint negotiation in the trade or industries concerned.

This machinery covers practically the whole of the productive enterprises and the major services of the country. Directly and indirectly it may be estimated to relate to not less than 11 million persons whose income is expressed in an agreed wage or salary in return for work performed. This machinery is maintained in running order by not more than fifty-five per cent. of that number, although, if dependants were included, it concerns the daily well-being of the majority of the total population of the country.

A statement made by the Minister of Labour in the House of Commons in 1927, that of all the industrial differences that arise, not less than 95 per cent. are settled by peaceful negotiation, gives some idea of the achievement of Trade Unionism through the organised institution it has been mainly responsible for bringing into being, and thus establishing law and order in our industrial life.
But for the limitations imposed by our subject and the time at our disposal, it would be interesting to examine in some detail the changes in trade union structure and policy which have accompanied that development. It will be sufficient for our purpose to show the trend of that development. For the modern Trade Union has passed beyond the stage where it was merely an instrument for fixing wages in association with employers, too frequently only after conflict which was wasteful to all concerned, but invariably forced upon the workpeople by a policy based upon a conception of the value of labour services and of the workers' position in the industrial sphere which had to be resisted.

The general acceptance of industrial negotiation by collective bargaining has altered the whole character of Trade Union work and leadership, and has necessitated drastic changes in its administrative machinery and equipment in order that the Trade Union may function effectively under modern conditions and carry out the responsibilities it has assumed on behalf of its members and their day by day well-being.

As Mr. Clynes has rightly stated in the publication of the T.U.C. on Industrial Negotiations:

"From secret societies banned by law or existing in dread of discovery by employers of labour, Trade Unions have risen to a level where they are recognised as business bodies possessing and using for their members similar skill and attributes as are employed on behalf of business firms. They have to watch great questions of policy, market fluctuations, prices, stocks, and operations of capital, as well as to watch the trend of wages and deal with workshop grievances as these arise from day to day";

and he might have added: "have to keep in touch with and secure the observance, as necessary, of all forms of industrial legislation, in particular that relating to workshop conditions and practice, accidents, health, unemployment, and so on, and acquaint themselves with industrial affairs in other countries and their bearing upon the industrial conditions at home."

This necessitates that Trade Union machinery shall be up to date and that its official personnel shall have the expert qualifications and knowledge necessary to secure efficiency and success. For the Trade Union negotiator who passes beyond the stage of local discussions finds himself up against an entirely different set of circumstances compared with those of even twenty years ago, if only for the reason that the developments that have necessitated changes in Trade Union structure and policy have produced similar results on the side of those who represent capitalist interests.

No longer is it a case of meeting a body of employers concerned merely with local interests and possessed of data relating only to the establishments with which they are connected, and dealing with wages questions more or less by a sort of "Rule of Thumb Method." On the contrary, the tendency more and more is for the Trade Union negotiator to find himself confronted by an employers' advocate often of legal training, but certainly supplied with a well appointed office and staff whose duties consist in obtaining and collating all possible information with regard to wages, hours, prices, production and every factor of labour cost in the trade or industry concerned. If it is an exporting industry, the employers' spokesman will be found in joint conferences or at arbitration proceedings, armed with statements as to comparative labour costs in other competing countries, the effect of shipping freights, internal subsidies on exports, prices, the extent and
character of imported commodities, etc., obtained for the employers through their national bodies and by international connections, and unless the Trade Union negotiator has applied himself with labour and care to the preparation of his case, and the ascertainment of all available facts, he will find himself leaving the proceedings empty-handed, not necessarily because of a lack of merit in his case but because of expert handling and evidence produced by the other side.

The point is that industrial negotiations—when any important issue is involved—and arbitration to-day calls for entirely different equipment and qualities from what was the case when the strike or lock-out was the final arbiter. Metaphorically, it is a transfer from brawn to brain, in the settlement of industrial questions.

I recall sitting upon the first important Inquiry under Part 2 of the Industrial Courts Act, which related to the whole of the Docks and Harbours of Great Britain. The workmen’s advocate on that occasion gained the appellation of "K.C.," and it was no empty term when the length of the Inquiry and the extent and complicated character of the evidence—most of which was taken on oath—was considered, and also the fact that the advocate for the employers’ side was a leading K.C. of his profession, and the Chairman of the Court one of the outstanding Law Lords of the country. It may, however, be stated that the employers’ advocate lacked the first-hand practical experience of the trade possessed by the workmen’s advocate, who, I may add, obtained a verdict in his favour of outstanding importance, not so much on the wages aspect of it—although that was substantial—but because the Report laid down a basis for the regulation of Dockside labour and so assisted to remove what in past years had been a scandalous condition of affairs.

The Future

We must devote such time as is left to us in looking somewhat at the future, if only for the reason—as I stated at the start of this lecture and desire now to emphasise—that you who have come here as Trade Union students must not only acquaint yourselves with what exists, but must have in mind the developments which are inevitable if the needs and aspirations of Labour in the economic sphere are to be met in the great industrial and other changes that are in progress.

Already we have passed beyond the field of domestic policy. Year by year Trade Union representatives visit Geneva, the centre of the activities of the League of Nations, and take part with representatives of Labour in other countries, and representatives of Employers’ Organisations and of Governments, for the purpose of negotiating international agreements relating to Labour conditions of work. The I.L.O. is not a Wage Fixing Institution, but it is concerned in an endeavour to formulate principles for minimum standards of life as one of the tasks to be undertaken. I shall not deal further with this development because it is the subject of a special lecture by one with wider experience of that subject than I possess; I shall simply emphasise the fact that in view of the increasing industrialism of other countries and competition for world trade on the one hand, and on the other the development of the international organisation of capital, it is becoming necessary for the progress of Western standards of life that there shall be framed a code of International Labour Law based upon the principles stated in the Peace Treaty. This international law will no doubt in due course
embody what, in effect, will be an International Fair Wages Clause. Moreover, in the economic life of each country the interdependence of industries and the reaction of the conduct of one industry upon the other, makes it increasingly necessary that questions of wages and labour conditions shall be dealt with on somewhat different principles from those hitherto accepted, and, as I have previously stated, this will become of special importance in any development of public ownership or control.

While so far as it is possible for us to visualise the development of society, there will always be in existence a system of remuneration for work performed—call it wages, or salary, or what you will—the method of settling that remuneration to those taking part in the conduct of enterprises which produce the wealth or supply the necessary services of the community will no doubt follow very different lines from those which now prevail.

While, as has been stated, joint machinery of industrial negotiation has brought order into industry to the extent that it provides a common-sense means of adjusting differences, it has not yet got beyond the idea of industry being composed of two parties or classes—crudely expressed in the terms of Capital and Labour—each having claims upon the product of industry, which it is assumed necessarily conflict, and therefore means must be provided for adjusting their respective claims as an alternative to refusing to carry on industry at all.

Viewed from that narrow conception of its utility, industrial machinery of negotiations would appear to have had its limit of usefulness duly prescribed.

I shall, however, in my concluding words, suggest a somewhat higher and extended function and leave it to you to think out for yourselves the possibilities of development in the direction I shall do no more than merely indicate.

No doubt in all aspects of human affairs society will in the future as in the past have to provide means of adjusting points of conflict between its members, but on the particular subject we are considering the greater vision and the truer conception—in the upward progress of society—is to see in existing joint machinery of industrial negotiation but an elementary step in the direction of those adjustments in human relations which are essential to good government in an organised and vigorous economic life.

In such a scheme of things, what is termed "Capital" and "Labour" will find their true place of value and authority, and instead of being mis-managed to represent two antagonistic forces with divergent interests, will be recognised as forces interdependent and essential each to the other. One is the savings or reserves of the product of widely diffused labour already applied to natural resources, utilised by Labour that it may continue to function and to produce; the other embodying all the directing, organising and administrative ability, inventive genius, technical knowledge and research, skill of craft and physical power, applied in a common enterprise, inspired by the same objective of producing goods and providing services necessary to the common needs.

Just as in the political State, authority and control of the public welfare is embodied in an organised system of government, commencing with the smallest Parish Council and leading up through district and county machinery to the National Parliament, and now further on to the
framing of international law and Government through a League of Nations; so in the industrial state analogy may be found in the works committee, followed by the district council, the industrial council, and the National Economic Council, which will have its connecting link with the International Economic and Industrial Organisations of the League.

Thus there opens a broad vista of potential growth and organised functions with enormous possibilities, and which may be found to have had its initiation in those few Joint Boards for fixing wages established three-quarters of a century or more ago.