

IN THE COMMONWEALTH COURT OF CONCILIATION
AND ARBITRATION.

IN THE MATTER OF ORDERS OF THE FULL COURT OF THE COMMONWEALTH COURT OF CONCILIATION AND ARBITRATION DATED 22ND JANUARY, 1931, AND LATER DATES REDUCING BY 10 PER CENT. WAGES PRESCRIBED BY AWARDS OF THE COURT, AND IN THE MATTER OF APPLICATIONS BY ORGANIZATIONS OF EMPLOYEES FOR CANCELLATION OF THOSE ORDERS:—

BASIC WAGE INQUIRY 1934.

Variation of awards—Applications by organizations of employees for cancellation of orders of the Court reducing wage rates prescribed by awards by 10 per centum—Financial position of industry in general—The basic wage—Family endowment—Commonwealth Statistician's "All Houses" and "All Items" index numbers—Female employees, basic wage for—Financial position of State railway undertakings and transport services—Adjustment of wage rates to alterations in price index numbers—Basic wage declared (Beeby J. dissenting as to amount thereof)—Graduated introduction of declared basic wage in States of South Australia and Tasmania—Commonwealth Conciliation and Arbitration Act 1904-1930, ss. 18A (4), 18B—Awards varied.

1934.
Feb. 19-23;
26-28;
Mar. 1, 2, 5-9,
12-14,
Apr. 17
Full Court.

In January-February, 1934, the organizations mentioned in the appendix hereto took proceedings for rescission of percentage reductions in prescribed wage rates applied to awards affecting those organizations pursuant to the decision of the Full Court of the Commonwealth Court of Conciliation and Arbitration delivered 22nd January, 1931.⁽¹⁾

These applications came on for hearing before the Full Court of the Commonwealth Court of Conciliation and Arbitration, Dethridge C.J., Beeby J. and Drake-Brockman J., in Melbourne, on 19th February, 1934, and subsequent dates.

C. Crofts, P. J. Clarey and C. E. Mundy for applicant organizations generally.

E. Grayndler for Australian Workers Union.

G. A. Mooney for Merchant Service Guild of Australasia, Australian Institute of Marine and Power Engineers, Marine Cooks Bakers and Butchers Association of Australasia, Seamen's Union of Australasia, Federated Ship Painters and Dockers Union of Australia, Radio Telegraphists Institute of Australasia, Federated Tramway Officers Association.

W. T. Robeson for Australian Railways Union.

R. Loughnan for Australian Builders Labourers Federation.

E. C. Magrath for Printing Industry Employees Union of Australia.

G. A. Rundle, solicitor, for Federated Felt Hatting Employees Union of Australasia.

L. Mann and C. H. Grant for employers generally.

L. E. B. Stretton, of counsel, for Victorian State Government and Victorian State instrumentalities.

F. P. Derham, solicitor, for Dunlop Perdriau Rubber Co. of Aust. Ltd., Barnet Glass Rubber Co. Ltd., Melbourne City Council, employers members of the Master Tanners Association, The

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- Victorian Fellmongers and Woolscourers Association, certain employers in the fruit-growing industry, and for Australian Iron and Steel Ltd.
- S. C. G. Wright*, of counsel, for South Australian employers generally.
- W. C. Myhill* for Metal Trades Employers Association.
- T. Maughan* and *L. C. Meagher* for Australian Mines and Metals Association.
- J. W. Byrne*, solicitor, for employers in wool stores industry.
- J. W. McComas*, solicitor, for employers in hide and skin stores.
- W. Letcher* for Victorian Chamber of Manufactures, Queensland manufacturers, and for employers in clothing industry.
- R. J. Murphy* for Minister for Defence.
- J. W. Allen* and *S. L. Officer* for Graziers Associations of all States except Queensland.
- H. M. Adams* for Commonwealth Steamship Owners Association and others.
- J. Harrison* and *F. J. Watsford* for gas undertakings.
- J. F. Pemberton* for Shell Co. of Australia Ltd., Commonwealth Oil Refineries Ltd.
- H. J. Grant* for Vacuum Oil Co. Pty. Ltd.
- G. G. Downe* for Victorian Mill Owners Association.
- P. D. O'Reilly* for Sydney Harbour Trust Commissioners.
- H. P. Ogilvie* for Wholesale Butchers and Meat Sellers Association.
- J. Donaldson* for Commissioner for Main Roads, New South Wales.
- H. L. Wallis* for Employers Federation of New South Wales.
- T. W. Smith*, of counsel, for New South Wales Textile Manufacturers Association.
- C. R. Hall* for New South Wales Textile Manufacturers Association, Wool Employers Association of New South Wales, and the Chamber of Manufactures, New South Wales.
- S. Lewis*, of counsel, for Chamber of Manufactures, New South Wales.
- K. A. Goodland* for Broken Hill Pty. Co. Ltd.
- F. H. Corke* for Sydney and Suburban Timber Merchants Association and The Newcastle Timber Merchants Association.
- H. A. L. Binder* for State Electricity Commission of Victoria.
- J. C. Langley* for Cinematograph Exhibitors Association and others.
- J. Quinn* for Hardwood Millers Association of Victoria.
- W. J. Home*, solicitor, for the City of Hobart.
- A. J. Phillips* for Commonwealth Jam and Condiment Manufacturers Association and other employers.
- A. G. Shand* for Master Butchers Meat and Allied Trades Federation of Australia.
- A. E. Stahl* for Master Butchers Association of Victoria and Stock and Station Agents Association.
- V. G. Hall* for Commissioner for Railways, New South Wales, and Commissioner for Roads and Transport, New South Wales.

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P. J. Carolan for Victorian Railways Commissioners.

P. F. Cherry for South Australian Railways Commissioner.

R. C. Procter for Tasmanian Railways Commissioner and for the State of Tasmania.

V. H. Allen for Commonwealth Railways Commissioner.

On 14th March, 1934, the Court reserved judgment.

On Tuesday, 17th April, 1934, the following written judgments were delivered:—

Dethridge C.J., Drake-Brockman J.:—

INTRODUCTORY.

In the year 1931 this Court, because of the enormous fall which had happened in the income of the Commonwealth, with disastrous consequences to its industries, varied many of its awards so as to make a reduction of 10 per cent. in the wage rates which had been prevailing before the industrial depression began.⁽¹⁾ In the year 1932 applications which were made by many of the unions concerned for the removal of the reduction failed. In 1933 similar applications were again made. They were not granted, but the majority of the Court being of opinion that, by reason of the method of adjustment of the basic wage to fluctuations in the cost of living, a reduction of more than 10 per cent. had been caused in the level of real wages which had in one way or another been reached at the end of 1929, applied for the time being a different system of adjustment in order to prevent this result.

Applications are now again made for the removal of the reduction. It therefore becomes necessary to consider the present position of industry in the Commonwealth with a view to determining how far wages can be restored to their former level. At the same time it is clearly desirable for the Court, while keeping substantially within the scope of the applications, to estimate as closely as may be possible what amount can be paid as the ordinary basic wage of the Court by Australian industry in its present condition and in the condition in which it is likely to be for some years to come. A simpler and more accurate method of adjustment of the basic wage to changes in the cost of living must also be devised.

Inevitably in a time of great depression the world is full of discussion of changes in economic structure aiming frequently at radical reforms in the principles and methods of distributing the products of industry. The changes may involve the destruction or modification of the individualistic system of wage-paying employers and wage-receiving employees which in the main prevails in Australia. But it is no part of the function of this Court as a Court either to support or oppose any such change. This Court is created only to prevent or settle industrial disputes within the meaning of the expression "industrial disputes" as understood at the time when the Commonwealth Constitution was established. In the exercise of its duty consideration may have to be given to matters of nation-wide importance. The Commonwealth itself and each of the States is an important wage-paying employer coming within the jurisdiction of the Court. Moreover, privately conducted industries are unavoidably affected by such matters.

(1) 30 C.A.R., p. 2.

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In that way the condition of public finance of the Commonwealth or of a State may become relevant. The action of the Court may be influenced thereby because the relative interests of employers and employees may be affected, but as already stated that action is constitutionally confined to the prevention and settlement of industrial disputes. Here we are in accord with the deliberately expressed view of Mr. Justice Higgins.

Although the fixation of a general basic wage is not a necessary part of the Court's activity and was not adopted until 1908,⁽¹⁾ it has proved of value as a starting point to work from in the settlement of industrial disputes. It has been recognized by the Legislature in sections 18A and 18B of the Act as a constant element in the practice of the Court, and is now almost invariably incorporated by parties in their claims. A statement was made during the hearing that this Court, unlike State Industrial Courts, is free to abandon the principle of a basic wage if it so thinks fit. This is true, but no sufficient reason for taking that course was suggested.

If the principle of a general basic wage be accepted, then arises the question whether its amount is to be fixed according to the cost of living of a labourer's family or according to national productivity. Inasmuch as the source of all wages is the national productivity, and inasmuch as it is just that the share of the wage-earners as a whole should be proportionate to the national productivity for the time being, the latter proposition is theoretically the sounder. But its practical application is full of difficulty, and the working out of a feasible scheme, even if possible at all, would probably take years in normal times. In the present precarious condition of industry no such scheme could be successfully devised and applied. In 1925, a commission, consisting of Mr. J. T. Sutcliffe and Professors Mills and Brigden, investigated the question of adjusting wages according to variations in productivity, and made a report to the Queensland Industrial Court recommending a scheme. No action was taken upon the report. Hitherto Australian Industrial Courts have substantially assessed their basic or living wage on the cost of living of a family unit according to the standard which the tribunal was either directed by statute to adopt or itself thought fit to adopt. In the long run, if due consideration be given to economic conditions, this process will probably give a resulting basic wage in amount fairly close to that which would be indicated by a method founded on national productivity.

PRESENT GENERAL CONDITION OF INDUSTRY.

There has undoubtedly been some improvement in the industrial position of the Commonwealth during the last year. The price of wool has substantially increased and there is a rise in some minor products. But our other substantial exports, wheat and butter, cannot realize payable prices abroad, and the dried and canned fruits export trade is meeting with such keen competition that its condition is perilous. The government finances of the States are still far from being in a satisfactory condition, chiefly because of railway deficits. It is not necessary to discuss in detail these conditions which are now matters of general public knowledge. The position may be summed up by saying

(1) 2 C.A.R., p. 1.

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that there is now an increase of confidence among the community resulting in freer expenditure and some increase of investment in industry, but that former prosperity is far from being restored. Unemployment though decreasing is still very great.

As to the marketable production of the country, the material presented to the Court shows that there was a great fall of about 13.9 per cent. in 1929-30 compared with 1928-29. There was a further fall of 9 per cent. in the following year. This remained about constant during the next twelve months. In 1932-33 compared with 1930-31 there has been an increase in production per head of population of about 10 per cent. With regard to the national income the fall between 1928-29 and 1931-32 exceeded 30 per cent. in terms of money. In real value this represented a fall of about 17 per cent. For 1932-33 compared with 1928-29 the fall in real value was about 12 per cent. showing much improvement. The latest available information shows an upward trend but the position is still precarious. The building industry is becoming busier. In certain cases, too, employers have voluntarily conceded some restoration of wage rates. The question the Court has to face is whether, putting the signs of recovery against the still unsatisfactory aspects of Australian finance and industry, it can hold that a change in wage rates such as is asked for will, on the whole, be beneficial to all concerned. That it is desirable to settle as far as may be possible the general level of real wages for some time to come must be conceded by all. People in whom the spirit of enterprise is reviving desire to be able to make their plans of expenditure with some certitude. Wage-earners for their part are in an analogous position.

After giving the most serious consideration to the existing and probable future state of industry in the Commonwealth, the Court has decided that the position permits of the fixation of an ordinary basic wage of the amounts hereinafter indicated and, subject to that fixation, that the 10 per cent. reduction shall cease to operate except in some industries which are now in a critical condition or in which other special circumstances exist justifying the continuance of the 10 per cent. reduction. They will be specified later.

AMOUNT OF BASIC WAGE.

Mr. Justice Higgins, in 1908, introduced into the practice of this Court the principle of a minimum living wage which he had enunciated in 1907 in the *Harvester* decision.⁽¹⁾ This wage afterwards became known as the "basic wage". His language in the *Harvester* case suggested that he had in mind a "labourer's home of about five persons" as the average family unit for whose needs the basic wage was to provide. Statistics were not available at that time to show the average number of children dependent upon wage-earners. His Honour recognized that, when assessing the amount of a general wage to provide for family needs, he could only take a labourer's household of average size as the family unit, but he was compelled to accept a hazy opinion then prevalent that the number in such a household was about five. He then appears to have concluded that inasmuch as labourers' households of average size had in fact somehow been maintained upon the

⁽¹⁾ 2 C.A.B., p. 1.

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wage of 7s. a day paid by reputable employers in sheltered industries, he could reasonably take that amount as being sufficient to provide for a family unit of five.⁽¹⁾ In later investigations of State industrial tribunals or boards, made by them after relevant statistics had become available, evidence showed that the average household of the labourer is much smaller than had been supposed. It may be now taken as established that for married male earners, the average number of dependent children is about 1.8, and that if all adult male wage-earners both married and single are brought into account, the proportion of dependent children is only about one to each such wage-earner.

Neither the Legislature nor this Court can effectively prescribe a general level of wages above the capacity of the country's aggregate industry. A general living or basic wage assessed to provide any standard of living acceptable in Australia for a family much over the average size, would certainly be above that capacity. This appears to be clearly recognized by the memorandum of Mr. Piddington annexed to the finding of the royal commission on the basic wage of 1920 of which he was chairman, and by his subsequent declarations on the subject. All competent authorities are agreed upon the point. If it is desired to provide the same standard of living for households of all sizes—the same standard for a family of man, wife and three to six children as for the unencumbered bachelor wage-earner—that object cannot be achieved by this Court. Some system of family or child endowment would have to be established by competent legislative authority.

A wage regulating body such as this Court, if it attempts to prescribe a general living wage for the maintenance of families, must therefore assess that wage for a family unit not above the average. In this respect the former Industrial Court of New South Wales presided over by Mr. Justice Heydon, the subsequent New South Wales Board of Trade, and the Industrial Court of Western Australia have taken what is probably the soundest view, namely, that the average family unit to be provided for is that of a man, wife and two dependent children.

But whatever family unit is adopted by a wage-fixing body, the power of that body to endow that unit with any desired standard of living depends on the productive capacity of the community as a whole. With few exceptions the determinations of industrial tribunals show that this limitation has been realized—though perhaps it has not been sufficiently acknowledged by them. Generally speaking, however, it may be said that the outcome of this realization is that the basic or living wage prescribed would have been about the same in amount, regardless of the size of the family unit ostensibly adopted. The larger the family assumed as the unit, the lower the possible standard of living prescribed, the smaller the family assumed, the higher the standard prescribed.

This suggests that the adoption of a family unit is not necessary, and that what should be sought is the independent ascertainment and prescription of the highest basic wage that can be sustained by the total of industry in all its primary, secondary and ancillary forms. That no

(1) 2 C.A.R., at pp. 6-7.

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doubt is the object, but the adoption of something like the real average family as the unit to be provided for is not without its use in the attainment of that object. There is no clear means of measuring the general wage-paying capacity of the total industry of a country. All that can be done is to approximate, and one of the methods of approximation is to find out the actual wage upon which well situated labourers are at the time maintaining the average family unit. We may be pardoned for saying that Mr. Justice Higgins very wisely used this criterion in the *Harvester* case. Moreover, if the average sized families of such well situated labourers have become accustomed to enjoy, and do actually enjoy, a certain standard of living in our community, it may reasonably be assumed that such a standard for all labourers is probably not beyond the capacity of industry in general to provide. Therefore in determining the amount of a living or basic wage, there is sound economic warranty for the ascertainment of the real average family unit and of the cost of providing something like the standard which such families of well employed labourers have already reached. But obviously if the real average family unit is departed from, or a standard is sought for the likely maintenance of which experience gives no reason to hope, then an unrealizable wage level may be ordained.

Nevertheless, despite the risk of finding a level of wages somewhat higher than is sustainable, the highest possible level of wages is to be aimed at not only for humanitarian but also for economic reasons. For economic welfare total production must be substantially balanced by total consumption, and balanced as promptly as possible. If so-called savings are quickly spent upon industrial enterprises, this spending helps to balance consumption with production just as effectively as if the wage-earners had taken a larger share and no savings had been made. But if savings—which in essence are not savings of products themselves, but are the obtaining of rights to take a share of the present or future products of other people—are not used speedily, then the necessary prompt balancing of production and consumption is not achieved. Economically, the community might be better off if the savings had not been made and the wage-earners had received more in wages and had spent it. To this extent the purchasing power argument for the maintenance of wage rates is valid. A wage level fixed too low might be as detrimental as one fixed too high.

There is no satisfactory evidence upon the point, but it is possible that the benefit to the community of the 10 per cent. reduction of wages made by this Court was not as substantial as it might have been—that the transferred spending power was not used by employers or capitalists quickly or abundantly. In the majority judgment of the Court on the 1933 application,⁽¹⁾ the absence of evidence to support this contention was referred to. But we think that the reduction certainly assisted many industrial concerns to weather the economic blizzard, thus preventing unemployment from becoming greater than it actually was. At the present time, we have to estimate, as nearly as we can, what level of wages will promote the active exercise of spending power, and at the same time avoid chilling the now slightly rewarmed industrial courage. Mr. Ronald Walker, of the Sydney University, whose book

(1) 32 C.A.R., p. 90.

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"Australia in the World Depression" was referred to during the hearing, while doubtful of the efficacy of the wage reductions made in Australia in 1931, at page 207 expresses the opinion that "such wage reductions as were made in 1932 and especially the reduction of the New South Wales basic wage in August have aided the recovery". His discussion of the problem suggests that when industry is beginning to recover from a depression, an increase in the wage level may be dangerous, and that a wage cut then may be beneficial although possibly useless if made in the pit of the depression.

A wage-regulating tribunal has to be guided by the trend of unemployment, of prices of primary and secondary products, and of their relationship to each other. Particularly in Australia, which is so largely dependent upon its exports of primary products, the necessity of adjusting the costs of secondary industries so that their products will come within the purchasing capacity of the primary industries must not be forgotten. After the most exhaustive examination of all relevant considerations, at the best only an inexact estimate can be made of where the wage level should be at any particular time—the factors which tend to the desirable equipoise of profits, savings, and wages, are so numerous, fluctuating and incalculable.

This Court, if it adopts a basic wage at all in its awards, must do so not for one State only, but in some cases for every State in the Commonwealth. Obviously it would be impracticable to differentiate between States. There must as between States, be equality either in the money amount or in the purchasing power of the basic wage. This Court has always prescribed so as to provide one or other of these two forms of equality. State tribunals may, because of statutory directions or for other reasons which they deem sufficient, fix a State basic wage regardless of equality with that in other States. But for this Court to prescribe in the same award, one basic wage in one State and another in another State, would soon produce industrial chaos. The time may possibly come when a flat money basic wage for the Commonwealth will be feasible, but the Court does not think that time has arrived, although in some industries such a wage seems to have been suitable. Where it is not suitable a basic wage of equal purchasing power as between States must be prescribed. Hence the necessity for price index numbers as a measuring rod—and for the most complete index numbers.

This necessary equality in different States of the Court's basic wage influences also its consideration of the existence in New South Wales of a system of family endowment. The Court does not make the Commonwealth basic wage lower in that State because wage-earners obtain the benefit of that endowment. But also it cannot, unless the economic position of the Commonwealth warrants such a determination, impose upon the Commonwealth a basic wage high enough to provide the standard of living which New South Wales may seek to provide by the joint operation of its family endowment system and its State basic wage. Until a Commonwealth-wide system of family endowment is enacted, this Court must prescribe its Commonwealth basic wage as if

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no family endowment exists. If a State thinks that its resources enable it to super-impose family endowment upon the Commonwealth basic wage, that is no affair of the Court. So also if a State refrains from enacting family endowment. As will appear later, the Commonwealth basic wage for Sydney as now to be adjusted will, for the time being and perhaps permanently, be rather higher than the State basic wage, but being a wage determined for the Commonwealth generally no regard is paid to the fact that those who obtain it under awards of this Court share the benefit of the State family endowment with those who receive the slightly lower State basic wage.

This Court has tried to determine such a wage level as will be economically sound, for otherwise it will not be sustainable, and at the same time such a level as will give to the average family unit a standard of living which is the highest the present and likely income during the next few years of the Commonwealth can provide. It has been guided by experience of the working of its own awards, and has also taken notice of the results of the investigations of State tribunals and boards. Moreover it has, when considering the severe fall in the income of the Commonwealth since 1929 and the consequent necessity of adapting wage levels to that fall, given due recognition to the fact that this Court's practice of adjusting the amount of the basic wage to fluctuations in retail prices, has rendered to the community during the recent calamitous industrial crisis the very valuable service of making a large part of the required adaptation automatically.

The Harvester wage adjusted upon the "All Houses" Index Numbers for the fourth quarter 1933 in accordance with the practice until 1933 would, with 1s. adjustments, have been as follows without the "Powers 3s."—

					s.	d.	
Sydney	..	..	..	..	69	0	(No. 1434)
Melbourne	..	..	..	..	64	0	(No. 1343)
Brisbane	..	..	..	..	59	0	(No. 1228)
Adelaide	..	..	..	..	60	0	(No. 1245)
Perth	..	..	..	..	61	0	(No. 1268)
Hobart	..	..	..	..	67	0	(No. 1395)
Six Capitals	..	..	..	..	65	0	(No. 1354)

These amounts show a disparity so great as to suggest that adjustment upon the "All Houses" Index Numbers has led to an unequal basic wage in the capitals compared with each other, and that relatively to each other some may have enjoyed an unfair advantage or suffered an unfair disadvantage. The fact that those Index Numbers cover a part only of the expenditure of a wage earner's family may be a cause of this result. The use of the "All Items" Index Numbers would tend to prevent it. The Commonwealth Statistician's Department has stated (Labour Report 1922, No. 13, p. 52) that these "Index Numbers may be used to measure accurately from time to time the rise and fall in prices in relation to the reasonable standard of comfort for the typical family as outlined by the Commission (that is, the Piddington Basic Wage Commission of 1920) as well as for the determination of variations in any standard fixed by previous investigators

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or which may be fixed in future". If the present "All Items" Index Numbers are applied to the just cited amounts of basic wage in the capitals the following remarkable results appear—

If the Sydney amount 69s. (No. 829) is proper, Adelaide (No. 792) should be about 66s. instead of 60s.

If the Adelaide amount 60s. (No. 792) is proper, Sydney (No. 829) should be about 63s. instead of 69s.

Anomalies of a like kind appear if the "All Items" Index Numbers are applied to the amount for other capitals.

We are convinced that the "All Items" Index Numbers should be used as the measure for assessment and adjustment of the basic wage, and that the basic wage itself should begin from a fresh starting point. In arriving at the amount of the new basic wage we have the advantage of information derived from previous investigations and determinations both of this Court and of State bodies.

The present amount of the basic wage fixed by the New South Wales authority is 66s. 6d., arrived at as for a man, wife and one child after various developments in that State since 1925, which need not be discussed here. In August, 1925, when the wage-paying capacity of Australia was certainly higher than at present, the New South Wales Board of Trade presided over by His Honour Judge Beeby, which was then charged with the function of determining the basic or living wage for that State, after making an investigation into the cost of living of a labourer's family, assessed the amount at 84s. for a family unit of man, wife and two children, and stated that when it fixed the wage at that amount it took the then upward trend of prices into consideration.⁽¹⁾ This amount of 84s. continued in operation throughout the year 1926. The "All Houses" Index Number for 1926 was 1845. If this be equated with 84s., the present Sydney "All Houses" Index Number 1434 would correspond with a little less than 65s. 6d. The "All Items" Index Numbers probably give a truer comparison. The "All Items" Index Number for Sydney for the year 1926 was 1033; the present "All Items" Index Number for Sydney is 829. In the "All Items" Index Number Table of Wages shown in the schedule to this judgment, upon which the Court will act, No. 1033, the Sydney Index Number for the year 1926, falls within the division 1031-1043 for 84s., while the present Sydney No. 829 falls within the division 821-833 for 67s.

No basic or minimum living wage is determined by any State tribunal or body in Victoria or Tasmania.

The basic wage of the Queensland State authority, which has always been much higher than the Harvester wage, was apparently not based upon any investigation into the cost of living of a family unit, although by statutory direction it is fixed as for a family of five. It has recently been stated by the Queensland Court itself that it has generally fixed the wage on the same monetary level as that of New South Wales,⁽²⁾ but this rule does not seem to be adhered to very firmly. For Commonwealth purposes no information of value is given by Queensland practice.

⁽¹⁾ 28 N.S.W.I.G. at pp. 155, 160.

⁽²⁾ 28 Q.I.G., p. 28.

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In Western Australia the Court has made investigations into the cost of living of labourers' families and has fixed a basic wage as for a family unit of man, wife and two children, the amount of which is at present £3 8s. for the metropolitan area, including apparently an amount for rent rather more than that indicated by the Commonwealth Statistician's Index Numbers.

In South Australia the State authority has after careful investigation into the cost of living of a family unit of man, wife and three children fixed the present basic wage at £3 3s. for that family unit.

Having regard to the economic position of the Commonwealth, to the principles that have been indicated as accepted by the Court for the assessment of its basic wage, and to the information gained in connexion with the determinations of itself and of State authorities in respect of a basic wage, we have concluded that the basic wage for the metropolitan districts should be of the following amounts, which, upon an appropriate Index Number table, are all equivalent in purchasing power in their respective places according to the "All Items" Price Index Numbers—

Place.	Amount.			Index No.
	£	s.	d.	
Within 20 miles of G.P.O., Sydney ..	3	7	0	829
Within 20 miles of G.P.O., Melbourne ..	3	4	0	796
Within 20 miles of G.P.O., Brisbane ..	3	1	0	753
Within 20 miles of G.P.O., Adelaide ..	3	4	0	792
Within 20 miles of G.P.O., Perth ..	3	6	0	810
Within 20 miles of G.P.O., Hobart ..	3	7	0	827

The corresponding wage assessed on Index No. 806 for the six capitals is £3 5s. It will be observed that this wage for Melbourne is the same as the old Harvester wage assessed on the 1s. table, for Sydney is 6d. more than the present State basic wage and equivalent to the wage fixed by the Board of Trade in 1925, for Adelaide is 4s. in excess of the Harvester wage and 1s. over the State basic wage, for Brisbane is 2s. and for Perth is 5s. in excess of the Harvester wage, and for the six capitals is the same as the Harvester wage. The addition of anything like the "Powers 3s." is not in our opinion now justifiable.

BASIC WAGE OUTSIDE METROPOLITAN AREAS.

With regard to industries carried on outside the metropolitan districts somewhat difficult questions arise. Under the method of adjustment upon the "All Houses" Index Numbers, because of former great inferiority in the Index Numbers of some provincial towns compared with those of their capitals, the Court thought fit to load the wage rates for those provincial places so as to reduce the differences in their rates from that of the capital, while preserving such an amount of difference as it judged to be fair, having regard to an assumed lower cost of living in most country places, and to disadvantages chiefly in respect of freight suffered by country employers. Changes in the relative proportions of the "All Houses" Index Numbers have led to many unreasonable consequences of the loadings which require removal. The use of the "All Items" instead of the "All Houses" table has banished the necessity for these loadings. The assumption seems to be warranted

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that in most country places a wage earner escapes items of expense incurred in the capitals, which escape is not indicated by the Index Numbers. It is certainly true that a provincial employer is usually at some disadvantage compared with his metropolitan competitor. But there is no precise means of measuring these differences between capital and province. In the early days of this Court Mr. Justice O'Connor, faced with a similar problem, suggested to the employers and employees concerned that a 5 per cent. difference should be considered by them and after consideration they accepted that as a fitting difference.⁽¹⁾ As a general rule it appears to the Court that some such difference is proper and it has decided that except in certain specified districts where the cost of living seems to be correctly indicated by the local "All Items" Index Numbers, or where known circumstances indicate that the general rule should not apply, the basic wage for provincial places shall be a constant 3s. per week less than that for the metropolitan district in the same State. This 3s. difference will not apply to the following provincial places where the basic wage will be proportionate to the Index Number for those places or will be assessed and adjusted on a special basis by the Court adjudicating, subject to the Full Court's approval under section 18A of the Act:—

Place.	Present Index No.	Amount.
		£ s. d.
New South Wales—		
Within 20 miles of G.P.O., Newcastle ..	823	3 7 0
Within 10 miles of G.P.O., Broken Hill ..	808	3 5 0
Victoria—		
Within 10 miles of G.P.O., Geelong ..	774	3 3 0
Within 10 miles of G.P.O.—		
Mildura District		Special basis.
Warrnambool		Special basis.
Yallourn		Special basis.
Gippsland District		Special basis.
South Australia—		
Whyalla and Ironknob		Special basis.
Western Australia—		
Kalgoorlie	941	3 16 0
Geraldton	849	3 9 0
Tasmania—		
Within 10 miles of G.P.O.—		
Launceston	816	3 6 0
Queenstown		Special basis.

Other places may be excepted by the Full Court if reason be shown. This general proportion of the provincial to the metropolitan basic rate will not affect any special district allowances that have been arrived at by consent or negotiation of parties in view of exceptional climatic or other circumstances. In some awards special provision has been made in the past specifically to meet the cost of living in a particular place; in substance these provisions are continued in the present variations.

BASIC WAGE IN SOUTH AUSTRALIA AND TASMANIA.

The present amount of the basic wage in Adelaide after the 10 per cent. cut is applied is 60s. 2d. Under this new determination on Index Number 792 the wage would become 64s. In Hobart the present amount

(¹) 1 C.A.R., p. 122.

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is 64s. 10d.; on Index No. 827 it would become 67s. In Sydney and Melbourne the rise will be very slight. We think that industry in South Australia and Tasmania is suffering so much from the present depression, that the change upward in the basic wage should generally be made in stages. In South Australia when the basic wage is assessed and adjusted upon the Adelaide or "5 towns" Index Number, the following deductions shall be made except in some cases where the industry can, in our opinion, at once sustain the change:—

	Per week.
	s. d.
As to work done before 1st December, 1934, or before the beginning of the first pay period to commence in December, 1934 (according to the terms of the particular award)	3 0
As to work done during the three months or the thirteen weeks next thereafter (according to the award)	2 0
As to work done during the three months or the thirteen weeks second next thereafter (according to the award)	1 0

By about 1st June, 1935, these deductions will cease to be made in the basic wage assessed and adjusted on the Adelaide number.

Where the award as now to be varied provides for the provincial basic wage of 3s. less than the amount indicated by the Adelaide Index Number the basic wage as so assessed will come into effect at once, and is not subject to these deductions. The present amount of that provincial basic wage will therefore be 64s. less 3s., that is, 61s.

In Tasmania when the basic wage is assessed and adjusted upon the Hobart or Launceston or "5 towns" Index Numbers the following deductions shall be made, except in some cases when the industry can, in our opinion, at once sustain the change:—

	Per week.
	s. d.
As to work done before 1st December, 1934, or before the beginning of the first pay period to commence in December, 1934 (according to the terms of the particular award)	2 0
As to work done during the six months or the twenty-six weeks next thereafter (according to the award)	1 0

By about 1st June, 1935, these deductions will cease to be made.

Where the award as now to be varied provides for the provincial basic wage of 3s. less than the amount indicated by the Hobart Index Number the basic wage as so assessed will come into effect at once and is not subject to these deductions. The present amount of that provincial basic wage will therefore be 67s. less 3s., that is, 64s.

As to Queenstown the industrial position at present is so difficult that the variations now to be made in awards shall not apply until further order.

WAGE OF FEMALE EMPLOYEES.

The Court does not think it is necessary or desirable, at any rate at the present time, to declare any wage as a basic wage for female employees. Generally speaking they carry no family responsibilities. The minimum wage should, of course, never be too low for the reason-

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able needs of the employee, but those needs may vary in different industries. In the variations now to be made the proportion in each award of the minimum wage for females to that for males will be preserved.

BASIC WAGE IN RAILWAY DEPARTMENTS.

In the award made between the Australian Railways Union, the Federation of Salaried Officers, and the Victorian Railways Commissioners, the basic wage is assessed and adjusted on the "Five Towns" Index Number for the whole of Victoria. Manifestly, a flat rate is desirable in respect of such employees, and the "Five Towns" measure is fair in substance to all concerned in a service where the work done covers the whole State, where employees are distributed as they are in Victoria, and where there is much changing of the place of employment. In New South Wales and South Australia the position is similar. In Tasmania the distribution of employees in the capital and provinces is different from that in the other States. Carefully prepared submissions have been made by the parties urging their respective contentions. It appears that, broadly speaking, employees are located as follows:—

	Per cent.
Hobart	23
Launceston	31
Elsewhere	46

We think a flat rate for Tasmania is desirable and that it can fairly be based upon the distribution of employees there. The flat rate is arrived at thus—

The amounts of the new basic wage on the present Index Numbers for these places are multiplied by these percentages so as to give fair weighting, the products then added together, and the sum divided by 100. The new basic wage at present for Hobart is 67s., for Launceston is 66s., and for elsewhere is 64s. (a constant 3s. less than for Hobart). The calculation to the nearest shilling gives 65s., 2s. less than Hobart, and 1s. less than Launceston. Adjustment is to be made upon the Hobart Index Numbers because both the Hobart and provincial basic wages are adjusted thereon. The effect of this will be that the flat basic wage for the Tasmanian Railways will be a constant 2s. below the Hobart basic wage.

The temporary deductions of 2s. and 1s. which have been provided herein as to awards prescribing rates based on the Hobart or Launceston Index Numbers do not apply to this railway flat rate. Nor do the similar deductions in South Australia in rates assessed on the Adelaide Index Number apply to the flat five-town rate for the South Australian Railways. A special provision as to government railways in general will presently be indicated.

The Commissioners for Railways of New South Wales, Victoria and South Australia suggest that the flat rate should be extended to their employees covered by other awards such as craftsmen in the metal and other trades. There is no question that thereby the bookkeeping work of the Railway Departments would be much simplified, and that some irritating disparities in the wages of men belonging to different unions, but doing the same class of work in a railway service would be removed.

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If the wages of a large body of men employed in the railway services were likely to be substantially affected by the extension to them of the flat basic wage, the benefit of the extension would not be sufficient to justify it. But this will not be the case as to employees in metropolitan districts, while those in the provinces may benefit. We think the extension should be made, and the relevant awards or undertakings will be varied or modified accordingly.

The New South Wales railway flat rate does not touch the Government Tramways, as they are now run separately.

FINANCIAL POSITION OF GOVERNMENT TRANSPORT SERVICES.

Impressive evidence was given of the difficulties confronting State railways because of the enormous deficits these undertakings are still incurring, and are likely to continue incurring for a long time. Evidence also showed that State governments, largely because of these railway deficits, are finding the balancing of their budgets an almost insuperable problem. We were consequently urged, on behalf of the Governments or Commissioners for Railways to refrain from making any order in respect of wages which would increase the financial peril of the States. The Court thinks that the community of a State is to be regarded as virtually the real employer of persons engaged in the transport service of that State. If that community is in financial danger, it is entitled through its legislature, subject to any restrictions arising out of Commonwealth enactment, to meet that danger by making reductions in the remuneration of its employees. Employees in general of the State can fairly claim that the State legislature should not require them to make sacrifices out of proportion to those required from the rest of the community. And if the legislature demands more from State employees than the community thinks is fair, the legislators responsible may be ejected from office. But should the State legislature think fit to reduce or make a deduction from the remuneration generally of the employees of the State, those engaged in its transport services have no moral claim to escape a reduction or deduction equal in degree to that imposed generally upon other employees of the State in similar grades. All that they are entitled to is that they be treated no worse.

The Court does not think that, so far as government transport services are concerned, it should refrain from making variations similar to those made in other industries. But it thinks it may assume that State legislatures will not make deductions from the wages of employees of the State greater than are needed to enable the country to meet its difficulties. It has therefore decided to relax such restrictions of the legislative power of a State in respect of employees in its transport services as may arise from the existence of a Federal award covering such employees. At the same time it will protect those employees from any greater levy than that imposed upon other State employees of similar grade not covered by Federal awards. Although no legal necessity exists for such a provision to enable Commonwealth authorities to act in a similar way, it will also be inserted in the Commonwealth

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railway award to show the Court's attitude in respect of all government railways. The provision will in substance be in the following terms:—

Notwithstanding anything in this award, the Commissioner may in or from the rates of pay prescribed herein, make reductions or deductions not greater than a statute now or at any time requires to be made generally in or from substantially similar rates of pay of employees of the State or of State instrumentalities.

ADJUSTMENT OF WAGE RATES.

Adjustment of the basic wage element of wage rates will in all cases covered by the orders made in these proceedings be made according to the position and fluctuation of the "All Items" Retail Price Index Numbers of the Commonwealth Statistician. For use in the process of adjustment appropriate tables have been compiled which are shown in the schedule to this judgment. The formula upon which each table has been prepared is given with the table and also certain other information which will facilitate adjustment.

In some cases where the rates in question are few in number the new present rates have been directly inserted in the appropriate clauses. In other cases, the transition to the new basic wage has been made by means of the new adjustment clause moulded to fit the particular case. It is thought that the new adjustment clauses will be simpler and easier to understand and apply than those superseded by them. Several types of clause are necessary because awards have been framed in various ways; the following classification of awards and methods adopted will perhaps be of some service—

1. Where the award itself prescribes separately the basic wage element, then, whether one or more sets of Index Numbers have to be applied, a table of Index Number Divisions with assigned amounts of the basic wage element has been used.

e.g. Metal trades, agricultural implement, timber working.

2. Where the award itself prescribes separately a flat base rate, and only one set of Index Numbers has to be applied, a table of Index Number Divisions with assigned amounts of the flat base rate has been used.

e.g. Waterside workers.

3. Where the award itself does not prescribe separately either the basic wage element or a flat base rate, but does prescribe a flat money rate or set of rates for all places so that only one set of Index Numbers has to be applied, a table of Index Number Divisions with assigned amounts of additions or deductions is used.

e.g. Clothing, musicians, seagoing awards.

4. In other cases, inasmuch as it is not practicable to use one table for adjusting the rates for identical units of work in all places, a table is used consisting of a scale of differences from an original Index Number with corresponding changes from the original amounts of the rates.

e.g. Storemen and packers (wool stores) award.

When the basic wage element or flat base rate is not separately prescribed in the award and the transition to the new basic wage is made by means of the adjustment clause, a provision is inserted whereby an "All Items" Index Number Division corresponding with the original prescribed basic wage element is to be deemed to be the original

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division. This division is made the starting point in the new table, e.g., the clothing trades award.

When a table of adjustment with a scale of differences is used, the Index Number corresponding with the original amount to be used for comparison, must be a middle Index Number so as to prevent irregular acceleration or retardation of adjustment, such as may occur if the Index Number published at the time when the rate was prescribed is used. The middle Index Number can be found by reference to the divisions contained in the table of wages shown in the schedule to this judgment. If the Index Number Division is one of 12 and not 13 numbers the lower of the two middle numbers is to be taken, e.g., the middle number of the 12 number division 797-808 for £3 5s. is 802 and of the 13 number division 821-833 for £3 7s. is 827.

Adjustment is made of the weekly wage to the nearest shilling. Calculations to the nearest sixpence were vexatious to all concerned and have been superseded. Where the original rates were prescribed on the sixpenny table, it has been necessary in some cases to add or deduct 6d. in order to put all rates upon the same footing in the present system of adjustment to the nearest shilling.

A provision is inserted that no change of less than 2s. in a current weekly amount of the rate shall be made, and corresponding provisions are inserted for daily and hourly rates.

For the monthly cash wages in the maritime awards an appropriate table has been compiled and inserted in the award with an explanation of its construction. In these cases no change is to be made of less than 5s. in a current monthly amount of the rate. In the long run the "All Items" Index Numbers measure accurately the fluctuations in the value of the "keep" allowance (whatever its amount may be) and there is no need to complicate the adjustment by introducing any other measure.

Because of technical difficulties that have arisen in proceedings for the enforcement of awards the following provision is inserted:—

"For the purposes of this award the expression 'Index Numbers of the Commonwealth Statistician' or any like expression means those numbers stated to be such Index Numbers in any document purporting, and not proved to be wrongly so purporting, to be printed by the Commonwealth Government Printer or to be signed by or on behalf of the Commonwealth Statistician."

JUDGMENT HEREIN OF BEEBY, J.

By the courtesy of Beeby J., we have been able to read in advance his judgment herein. His comments upon the judgment and order of 1931,⁽¹⁾ which made the 10 per cent. reduction and the adjustment order of 1933,⁽²⁾ are of course intended to indicate only his own present opinion thereon. Inasmuch, however, as the judgment and order of himself and us making the reduction was unanimous, we think we should make it clear that these comments are not intended to indicate, and in some respects do not indicate, our present views on the subject.

APPLICATION OF THIS DETERMINATION.

No order is made in respect of the following awards. The reason is shortly indicated:—

Pastoral.—Application goes beyond removal of 10 per cent. reduction and remains to be heard.

(1) 30 C.A.R., p. 2.

(2) 32 C.A.R., p. 90.

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Fruit-growing.—Industry in critical state. No evidence yet given to justify order.

Municipal Employees' sections where there has been no adjustment to cost of living.

Bond Stores.—No adjustment to cost of living.

Felt Hatters.—No adjustment to cost of living.

Marine Stores, Victoria.—No adjustment to cost of living.

Launceston Tramways.—No adjustment to cost of living.

Printing at Broken Hill is to receive further consideration.

Mt. Lyell mining operations. Present variations not to apply there till further order.

SCHEDULE.

TABLE OF WAGES BASED ON COMMONWEALTH STATISTICIAN'S "ALL ITEMS" INDEX NUMBERS—ONE-SIXTH OF THE WAGE PER WEEK IS SHOWN AS WAGE PER DAY.

BASIS.

Index Number 1,000 equated with £4 1s. or 81s. per week.

Formula for Construction of Table.

Let N = number of shillings in wage per week. Then $12.345679 \times (N - .5) + 1$ gives the first and $12.345679 \times (N + .5)$ gives the second of the pair of numbers in the Index Number Division for N shillings. Decimal fractions in the result are to be disregarded.

NOTE.—12.345679, the number used in the formula, is approximately equal to $1,000 \div 81$.

Index No. Division.	Per day.	Per week.	Index No. Division.	Per day.	Per week.
	<i>s. d.</i>	<i>£ s. d.</i>		<i>s. d.</i>	<i>£ s. d.</i>
587-598 ..	8 0	2 8 0	896-907 ..	12 2	3 13 0
599-611 ..	8 2	2 9 0	908-919 ..	12 4	3 14 0
612-623 ..	8 4	2 10 0	920-932 ..	12 6	3 15 0
624-635 ..	8 6	2 11 0	933-944 ..	12 8	3 16 0
636-648 ..	8 8	2 12 0	945-956 ..	12 10	3 17 0
649-660 ..	8 10	2 13 0	957-969 ..	13 0	3 18 0
661-672 ..	9 0	2 14 0	970-981 ..	13 2	3 19 0
673-685 ..	9 2	2 15 0	982-993 ..	13 4	4 0 0
686-697 ..	9 4	2 16 0	994-1006 ..	13 6	4 1 0
698-709 ..	9 6	2 17 0	1007-1018 ..	13 8	4 2 0
710-722 ..	9 8	2 18 0	1019-1030 ..	13 10	4 3 0
723-734 ..	9 10	2 19 0	1031-1043 ..	14 0	4 4 0
735-746 ..	10 0	3 0 0	1044-1055 ..	14 2	4 5 0
747-759 ..	10 2	3 1 0	1056-1067 ..	14 4	4 6 0
760-771 ..	10 4	3 2 0	1068-1080 ..	14 6	4 7 0
772-783 ..	10 6	3 3 0	1081-1092 ..	14 8	4 8 0
784-796 ..	10 8	3 4 0	1093-1104 ..	14 10	4 9 0
797-808 ..	10 10	3 5 0	1105-1117 ..	15 0	4 10 0
809-820 ..	11 0	3 6 0	1118-1129 ..	15 2	4 11 0
821-833 ..	11 2	3 7 0	1130-1141 ..	15 4	4 12 0
834-845 ..	11 4	3 8 0	1142-1154 ..	15 6	4 13 0
846-858 ..	11 6	3 9 0	1155-1166 ..	15 8	4 14 0
859-870 ..	11 8	3 10 0	1167-1179 ..	15 10	4 15 0
871-882 ..	11 10	3 11 0	1180-1191 ..	16 0	4 16 0
883-895 ..	12 0	3 12 0	1192-1203 ..	16 2	4 17 0

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*Dethridge C.J., Drake-Brockman J.]**Note as to Tables of Additions or Deductions.*

When the adjustment table in an award contains Index Number Divisions to which are assigned numbers of shillings to be added to or deducted from the originally prescribed amount of the basic wage or base rate, the formula for construction or extension of the table is this—

Let N = the number of shillings to be added or deducted.

Let B = the number of shillings in the originally prescribed amount.

Then $12.345679 \times (B + N - .5) + 1$ gives the first and $12.345679 \times (B + N + .5)$ gives the second of the pair of numbers in the Index Number Division for an addition of N shillings, and $12.345679 \times (B - N - .5) + 1$ gives the first and $12.345679 \times (B - N + .5)$ gives the second of the pair of numbers in the Index Number Division for a deduction of N shillings.

The decimal fraction in a result is to be disregarded.

NOTE.—This formula does not apply to an adjustment table containing a scale of differences of Index Numbers.

Method of Finding the Weekly Basic Wage which Corresponds with an Index Number.

Multiply the Index Number by 81. In the product separate the three right hand digits from the other digits by a decimal point. If the resultant decimal fraction part is less than .500 then the whole number part in the result gives the number of shillings in the basic wage; if it is more than .500 then that whole number part, plus 1, gives the number of shillings.

Example—Index No. 797 \times 81 = 64.557

 " " 808 \times 81 = 65.448.

Both these results indicate a basic wage of 65s.

TABLE OF DIFFERENCES IN WAGES ACCORDING TO DIFFERENCES IN POINTS OF THE COMMONWEALTH STATISTICIAN'S "ALL ITEMS" PRICE INDEX NUMBERS.

BASIS.

Index Number 1,000 equated with £4 1s. per week.

Differences are of 1s. per week each.

Formula for Construction of the Table.

Let N = the number of shillings to be added to or deducted from the original amount.

Then $6.172836 \times (2N - 1) + 1$ gives the lowest, and $6.172836 \times (2N + 1)$ gives the highest difference in Index Numbers that will

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require an addition or deduction of N shillings only, per week. Decimal fractions in the result are to be disregarded.

NOTE.—6.172836 is approximately equal to 1,000 divided by 972 (the number of pence in £4 ls.) and multiplied by 6.

Scale of Differences of Index Numbers.			Amount of Additions or Deductions per week.	Scale of Differences of Index Numbers.			Amount of Additions or Deductions per week.
Points Divisions.			Shillings.	Points Divisions.			Shillings.
0-6	..	..	0	217-228	..	..	18
7-18	..	..	1	229-240	..	..	19
19-30	..	..	2	241-253	..	..	20
31-43	..	..	3	254-265	..	..	21
44-55	..	..	4	266-277	..	..	22
56-67	..	..	5	278-290	..	..	23
68-80	..	..	6	291-302	..	..	24
81-92	..	..	7	303-314	..	..	25
93-104	..	..	8	315-327	..	..	26
105-117	..	..	9	328-339	..	..	27
118-129	..	..	10	340-351	..	..	28
130-141	..	..	11	352-364	..	..	29
142-154	..	..	12	365-376	..	..	30
155-166	..	..	13	377-388	..	..	31
167-179	..	..	14	389-401	..	..	32
180-191	..	..	15	402-413	..	..	33
192-203	..	..	16	414-425	..	..	34
204-216	..	..	17	426-438	..	..	35

Beeby J.—

In my judgment of 5th May, 1933,⁽¹⁾ on applications to restore the 10 per cent. reduction I expressed the opinion that the Harvester standard should be abandoned and that pending further inquiry the basic wage should be re-declared as follows:—

						Per week.		
						£	s.	d.
Sydney	..	..	..	..	..	3	8	6
Melbourne	..	..	..	..	..	3	3	6
Brisbane	..	..	..	..	..	3	0	0
Adelaide	..	..	..	..	..	3	0	0
Perth	..	..	..	..	..	3	9	0
Hobart	..	..	..	..	..	3	7	6

The majority of the Court, however, decided to continue the Harvester standard but to substitute for future adjustments the "All Items" for the "All Houses" table. If such adjustment had been applied to my proposal the result would have been as follows:—

						Per week.		
						£	s.	d.
Sydney	..	..	..	..	..	3	7	0
Melbourne	3	3	4
Brisbane	2	19	4
Adelaide	3	1	1
Perth	2	19	6
Hobart	3	3	10

(1) 32 C.A.R., p. 90 at p. 106.

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The basic rates which would ordinarily prevail from the beginning of May next as the result of the new method of adjustment are as follows:—

	Per week.		
	£	s.	d.
Sydney	3	6	5
Melbourne	3	3	4
Brisbane	2	19	4
Adelaide	3	0	1
Perth	2	19	3
Hobart	3	4	4

It will thus be seen that the rates proposed by me, adjusted by the new method would have yielded practically the same results with the advantage of permanent removal of the "Powers 3s." and the elaborate system of calculation in which all awards were involved.

I agree with my colleagues that circumstances call for a fresh declaration, but disagree with them as to the method which they propose to adopt and its results.

Advocates for the applicant unions submitted a mass of statistical data in support of their contention that there has been recovery sufficient to justify the Court in removing the anomaly under which, as compared with conditions prevailing before the depression, the average standard of living of about one-half of the industrial population was brought below the average standard of the whole.

The main evidence relied on was as follows:—

- (a) Marked increase in the price received for surplus wool.
- (b) An appreciable increase in prices received for live-stock, exported meat, hides and skins.
- (c) Appreciable and increasing revival of the building trades.
- (d) The substantial increase in dividend earning powers of industrial and trading companies.
- (e) The remarkable increase in the quoted values of shares in public companies.
- (f) The improved returns for some metals during the year—particularly gold, tin and spelter.
- (g) The savings of interest effected by conversions of public loans.
- (h) Increase in the amount of money available for investment.
- (i) Improved budgetary positions of the Commonwealth and some State Governments and of foreign trading balances.
- (j) The restored confidence of the Commonwealth and some State Governments as indicated by partial restorations of wage and salary cuts and by substantial remissions of taxation.
- (k) The restored confidence of State Governments as indicated by reductions of charges for services rendered by non-paying utilities under their control.
- (l) Appreciable reduction of unemployment.

I do not propose to traverse each of these submissions. They were established sufficiently to justify a conclusion that, generally, the position is much better than twelve months ago. But, in my opinion, the

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recovery is not sufficient or permanent enough to justify belief that the Commonwealth can get back to pre-depression standards. We still have more than 20 per cent. of our population unemployed or depending for bare existence on relief work. The prices offering for base metals are barely sufficient to meet costs of production. The prices which we can obtain for two of our main lines of export—wheat and dairy produce—are lower than in 1931, and difficulty in finding markets for our surpluses have increased. Economic nationalism hampers exchange of our surpluses for other goods far more than in 1930. On present indications, unless world co-operation improves, we will have to greatly reduce our exports of foodstuffs, and primary producers will have to rely more and more on local markets. Until local consumption is greatly increased production will probably of necessity be reduced. Until there is some indication of stabilization of price levels by international action, Australia's position remains precarious.

While return to last year's unprofitable price level of wool seems improbable, we are not entitled at present to assume that the remarkable recovery of the past twelve months is permanent. From periodic peaks in price levels wool, in the past, has usually fallen before finding a new level likely to endure for a lengthy period. Then, again, the budgetary affairs of the Commonwealth are still dangerous. Deficiencies are still piling up, and the floating debt later on to become a further permanent interest-bearing charge on future production, is steadily increasing.

The "economic reconstruction" which in 1931 was urged to be unavoidable has not yet been accomplished. We still have to face adjustments to meet new circumstances—adjustments not only of wage rates, but of all other elements that are involved in finding a more reasoned division of national income.

But these opinions do not preclude consideration of whether and to what extent this Court's drastic cut in the real wages of industrialists should be modified in the light of substantial economic recovery. Nor does it preclude examination of the results of its original order or of the manner in which other countries are now dealing with their depression problems.

In the original judgment the Court expressed the opinion that the reduction would—

- (a) "Leave the spending power of the community unaltered in quantity, and would only result in a transfer of part of total spending power from wage-earners to employers.
- (b) In respect of wage-earners not in employment it may enable employers desirous of employing such wage-earners to do so without incurring a loss.
- (c) In respect of all wage-earners, it may enable employers and entrepreneurs at present largely inactive and therefore themselves 'unemployed', to engage with such wage-earners in industry without incurring a loss."⁽¹⁾

It was further stated that these results would probably arrest the downward trend and prevent increase of unemployment.

(1) 39 C.A.R., p. 2 at p. 19.

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There is no convincing statistical data available to enable us to judge whether these anticipations have been realized. But there is some information to suggest that the spending power transferred from wage-earners was not spent by employers on commodities or on increasing opportunities of employment.

An analysis of the statistics of manufacturing industries indicates that wage reductions altered the rates of division of national income to the benefit of employers.

In manufacturing the annual dividend is not the total output of factories, but the value which is added to material in the course of manufacture.

This represents the difference between the aggregate value of the output of factories and the aggregate value of the raw material used, including as expenditure on raw material the expenditure on such items as fuel and light.

The last available returns disclose the following results:—

Year.	Value added in process of manufacture.					
	Salaries and wages paid (a).		Margin for expenditure—profit, rent, interest, &c.		Total value added.	
	£'000.	%	£'000.	%	£'000.	%
1927-28.. ..	91,365	54.58	74,037	45.42	167,402	100
1931-32.. ..	55,932	50.40	55,050	49.60	110,982	100
1932-33 (b) ..	57,146	50.19	56,703	48.81	113,849	100

(a) Exclusive of amounts drawn by working proprietors.

(b) Preliminary figures and excluding Western Australia (not available).

Expressed in terms of the purchasing power of money of 1927-28 the following would be the corresponding figures, the relative index numbers being shown in brackets:—

Year.	Value added in process of manufacture.					
	Salaries and wages paid (a).		Margin for expenditure—profit, rent, interest, &c.		Total value added.	
	£'000.	%	£'000.	%	£'000.	%
1927-28 (1776) ..	91,365	54.58	76,037	45.42	167,402	100
1931-32 (1432) ..	69,368	50.40	68,274	49.60	137,642	100
1932-33 (1358) (b)	74,736	50.19	74,156	48.81	148,892	100

(a) Exclusive of amounts drawn by working proprietors.

(b) Preliminary figures and excluding Western Australia (not available).

These figures, although not covering the whole field of production, are significant. They show that in the largest labour employing section the share of total results of activity going to wage-earners, between the years 1927-28 and 1932-33, declined by 4.39 per cent. It is now almost universally admitted by economists that world economic problems,

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apart from their international aspect, centre round the division of national income. Can it be said that a lessening of the wage-earners' share of total production has contributed to Australian recovery?

The ratio of distribution before the depression was of course not the result of any reasoned scheme, but of the play of economic forces under some collective control. I venture the opinion that no one anticipated that the effect of extension of such control would be to lessen the relative share of wage-earners. If this has been the result of reductions in real wages, the need for complete re-examination of the whole theory and methods of wage fixation is even more urgent than when, in my judgment of 5th May, 1933, I said: "I think the best course would be for this Court, except as to the pastoral industry, to fix temporarily a base rate for six months, and during that period investigate methods for future fixation".⁽¹⁾

It has been repeatedly urged by employers that this Court, after considering all circumstances, should fix an "economic" basic wage—that is, a wage which industry can bear. To this the Court has always acceded. It has even gone further, and stated that wages should be the highest possible which industry can bear. But is the basic wage now prescribed the true "economic wage"? Can any declaration based mainly on adjusted cost of living figures be accepted conclusively as an economic wage? I have for a long time past been of opinion that basic wages should be related to production rather than to cost of living. It has been said that the Court is not competent to find a true economic wage. This may be so. The task might better be left to a board of independent statistical experts. But with its power of consultation with State tribunals and its power to secure the aid of experts, I believe the Court could arrive at a far more satisfactory method of fixation.

The extent to which reductions in real wages has aided recovery has been carefully examined by Mr. Ronald E. Walker, Lecturer in Economics in the University of Sydney, in his thoughtful book (1933), *Australia in the Depression*. He points out that the ultimate destiny of portion of national income transferred from employee to employer and entrepreneur by reduction of real wages is controlled by a variety of circumstances.

If it is immediately invested in new plant for further production, or if it is immediately spent by employers on consumable goods in the production of which labour is employed, then the employee class benefits by reduction of unemployment. The chances of such immediate investment or spending depend on a variety of circumstances. If through want of foresight employers had been operating too much on bank credits, and banks were calling on them to reduce overdrafts, the money saved in wages would not be immediately used in consumption or in new facilities for production.

Then again in times of acute depression expanding sales, the most powerful inducement to extended investment, do not occur, while wage reductions immediately result in contraction of sales. Short term

(1) 32 C.A.R., p. 90 at p. 197.

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hoarding undoubtedly occurred in Australia after 1931 and for some time the reduced purchasing power arising from reduced real wages made the position worse.

Of course immediate spending of the saved wages was not, and could not be expected. It is impossible to estimate whether at the present time the amount transferred to employers is being spent on commodities or is being re-invested but the indications are that it is not. The most reliable test is unemployment. At the height of the depression the proportion of unemployed was about 30 per cent. To-day it is approximately 22½ per cent. But the absorption of unemployed up to a few months ago was entirely due to expenditure of public money on relief works. Within recent months revival of activities in the building trades and the motor and some other industries has undoubtedly reduced unemployment. Higher wool prices have appreciably increased national income and re-established a measure of confidence. But it is extremely doubtful whether reducing the real wages of a section of the workers materially contributed to the partial recovery of the past year.

Although still accepting the broad theory that reductions of real wages do not reduce total spending power but only transfer it from one group to another I am convinced from our past three years' experience that in times of economic panic and uncertainty such transfer is not conducive to recovery unless it be part of a planned scheme of re-organization which guarantees that the transferred amount is either immediately spent on commodities or re-invested in labour-employing concerns.

After three years' experience of the Court's original order I also think it necessary to consider the reactions of other countries and their leaders to changed economic circumstances. In Great Britain up to the present there has been no definite movement towards reduction of real wages—except perhaps in agricultural occupations. Nor have economists who influenced public thought and governmental action advocated reductions beyond those justified by falls in price levels. On the contrary many have definitely opposed any wage cuts which would materially reduce spending power of wage earners in work. This attitude becomes more significant after three years of experience of the changed conditions.

Speaking of the efforts of America to re-establish herself after her three years' experience Harold Butler, the Director of the International Labour Office, says in the *International Labour Review* of January, 1934:—

As the first necessity for restoring the situation the President placed a restoration of purchasing power and a re-distribution of income which would create a market for the abundant output of agriculture and industry.

Our basic trouble was an insufficient distribution of buying power. While wages rose in many of our industries, they did not as a whole rise proportionately to the reward for capital. I believe that we are at the threshold of a fundamental change in our economic thought. I believe that in the future we are going to think less about the producer and more about the consumer. Do what we may to inject health into our ailing economic order, we cannot make it endure for long unless we can bring about a wiser, more equitable distribution

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of the national income In such a system the reward for a day's work will have to be greater on the average, than it has been, and the reward to capital, especially capital which is speculative, will have to be less.

As a step in achieving this wider distribution of national income the President in exercise of the extraordinary powers conferred on him by Congress has largely concentrated his attention on increasing wages and reducing hours of employment. By statutory regulation hours of employment have been reduced in most industries to 40 and in some to 36 per week. Minimum wages have been prescribed with appeals to employers to pay higher rates than those decreed. The American scheme, as Butler points out, is devised to meet conditions peculiar to that country. American economic affairs do not depend nearly so much on exports of primary products as do Australia's and it is impossible to forecast the ultimate result of the experiments now being made. But it is significant that for the time being the United States has completely abandoned the idea that lower wages are an essential part of schemes for recovery.

Considerations of this kind of course are not decisive. But the universal trend of economic thought from low wage to high wage theories and to shortening working hours as one of the remedies for unemployment should be closely considered by a national tribunal exercising quasi-legislative functions.

In 1931 the Court took a leap in the dark—at the time apparently a very necessary leap. But now there is a little more light. We are able to review the reactions of Australian governments and different classes to changed economic circumstances. We are able to consider the steps taken by other countries to meet disasters similar to our own, and we are able to trace with some accuracy the result of the lead given by the Court towards reductions of real wages. Full cancellation of the 10 per cent. reduction order would not be an admission of error. It would only be proof that this Court at all times will act as it thinks just in circumstances existing at the time of its decisions and on consideration of results flowing from previous decisions. Further retention of the "Powers 3s." cannot be justified and at least to that extent full restoration cannot be considered until there is good ground to believe that the recovery of the past twelve months is not transitory.

I therefore approached the problems involved in this case with the conviction that the Court should to the fullest extent permitted by changed economic circumstances restore the reductions in real wages. I think the rates proposed by my colleagues do not bear proper relation to the measure of economic recovery achieved by the Commonwealth during the past twelve months. It is impossible under the present economic system accurately to relate wages to production. The only possible course is to take existing wage rates and increase or decrease them on a rough estimation of variations in national income.

The Court reduced real wages by 10 per cent. to meet a violent fall in national income on the clear understanding that there would be a restoration proportionate to recovery. The recovery so far achieved, I think, justifies more substantial restorations than those proposed by my colleagues.

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As pointed out by my colleagues in their judgment the automatic adjustment of wages on the "All Houses" table resulted either in the undue inflation of the wage in New South Wales and Victoria and undue depression in other States, or the other way round.

So far as the fixations of State tribunals are any guide they seem to support the contention that the Federal figures have resulted in marked depression of wage rates in the lesser States. The New South Wales State basic wage at present is £3 6s. 6d. for a unit of man, wife and one child. This Court's wage is based on the assumption that the average family unit is a man, wife and three children. On its findings the New South Wales tribunal, if it had been called on to provide a basic wage for man, wife and two children would have fixed it at £3 12s. 6d. The child endowment paid in the State, in my opinion, should not be considered when comparing the results arrived at by different tribunals. It is not now an element of wages but a gratuity coming from State revenue. Western Australia and Queensland have adopted the man, wife and two children unit; South Australia, man, wife and three children; Victoria and Tasmania have no tribunals authorized to fix general basic wages and follow this Court's awards, but only in areas in which they operate. State wage fixations are, therefore, in reality as follows:—

	Per week.		
	£	s.	d.
New South Wales	3	12	6
Queensland	3	14	0
South Australia	3	3	0
Western Australia	3	8	0*

*With special district allowances.

The conflicting methods of calculation adopted do not make these results of much assistance to a Court exercising Federal jurisdiction, but the marked disparity supports the contention that rigid adherence to Index Numbers has brought wages in South Australia, Queensland and Western Australia to too low a level. The adoption of the "All Items" table to a large extent corrected the disparities between rates in the major and minor States. It also reduced the difference between New South Wales and Victoria from 5s. to about 3s. 6d. These corrected results should, I think, be maintained in any new fixation.

I therefore think that there should be more substantial restorations in Western Australia, South Australia and Queensland than in other States. I think the Court on the understanding that the whole problem will be again reviewed after January of next year (1935) should now re-declare the basic wage as follows:—

	Per week.		
	£	s.	d.
Sydney	3	9	0
Melbourne	3	5	6
Adelaide	3	3	0
Brisbane	3	5	0
Perth	3	5	0
Hobart	3	6	0
Launceston	3	3	6
Six Capitals	3	6	0

Margins and allowances as now prescribed in awards should not be subject to any deduction. The rates suggested for Brisbane, Perth,

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Adelaide and Tasmania have not been exactly equated to those of Sydney but arrived at after consideration of all prevailing circumstances. With these rates there should be corresponding adjustments for provincial towns.

I agree that in the future adjustments should be made on the "All Items" shilling Index Number, rates only to change when fluctuations are 2s. or more.

I also agree that the prescribed rates should apply to State railways with a proviso that any lower rate fixed as the result of legislative action to meet budgetary difficulties shall be automatically substituted.

NOTE.—Orders of the Court varying the awards respectively covered by the applications mentioned in the foregoing judgment are reported herein at pp. 172 to 495.