In a memorandum to the Cabinet dated May 7th, 1920, I outlined the wages position at that date and pointed out that wages were still generally increasing. The memorandum stated that they would probably go on increasing until prices reached a point at which the consumer would go without rather than pay and until a financial reaction set in. This reaction, as is common knowledge, has occurred. Prices have reached a level in many cases at which consumers refuse to buy, and in consequence of liquidation of accumulated stocks, of reductions in prices of imported raw materials and of other causes, the general price level has already begun to fall. The fall started last summer, beginning with grain and cotton. The immediate result has been that buyers have held off until the cost of manufactured articles should reflect the fall in price of raw materials; contracts have been cancelled; shipping freights have fallen rapidly, and manufacturers have been afraid to manufacture for stock on a falling market. The consequence has been a considerable volume of unemployment, which will be relieved partially when stocks have been disposed of and more fully when a lower price level is reached.

The movement in retail prices is shown by the index number published in the Labour Gazette. This number stood at 155 at the beginning of August, rose to 176 in November, last month fell to 165, and this month has fallen further to 151.

The figures include rent and rates, which are increasing.

The effect on wages of this situation is very clear. With minor exceptions no further increases are being given; general reductions affecting the whole trade have been made.
in a few industries and individual reductions in a much larger
number of isolated instances, while further reductions of wages
are foreshadowed.

Reductions in wages of this character have been
unknown in this country since the beginning of the war,
and the industrial position will for this reason be
difficult for some time. The difficulties will not be
made easier by the fact that the reduction of wholesale
prices is outstripping the reduction in retail prices
and many employers will plead that their factories
cannot afford present wages, while the workers will
reply that they cannot very well live on less. A
similar situation exists in other countries and in America
heavy reductions of wages have already taken place.

The position can be seen in some detail as
follows:­

(1) The Cost of Living Group. There is a number of
trades whose wages are regulated directly by the rise or
fall of the Ministry of Labour's index number of the cost
of living. These are the Woollen Trade in Yorkshire, the
Railway Service, Police Service, Civil Service, the Print-
ing, Bleaching and Dyeing trade and a number of minor
industries. In these cases wages have automatically come
down or are likely soon to come down in sympathy with the
fall in the index number.

(2) Trades which feel acutely the present slump.
In the Tinplate industry in South Wales very high prices
and very high wages were, until recently, obtained.
Latterly the demand has fallen off so suddenly that wages
have been readjusted on the basis of a sliding scale
following the price of steel, and substantial reductions
of wages have resulted. In the Non-Ferrous Mining Industry in a number of cases the mines have actually closed down, and in others, notably in the tin mines in Cornwall, a reduction in wages of about 10% has occurred. In the Hosiery Trade in Scotland a reduction of 15% has been enforced. In a number of Industries, notably Cotton and other Textiles, Flour-Milling, Leather and Boots, short-time is being worked on account of the falling off in demand resulting in part at any rate from the high price necessitated by the high cost of production and also of course from the difficulties in foreign trade caused by the uncertain movements of rates of exchange.

(3) Other important trades. In the Engineering Trade a demand of the Trade Unions for an increase of 6d an hour has been postponed. The wages of men have been stabilised for a period of 6 months, but wages of women have been generally reduced from the standards set up by the Ministry of Munitions during the war to a somewhat lower standard agreed by Trade Boards operating in the manufactured metal trades. In the Shipbuilding Trade a similar demand for an increase of 6d a week has been negatived. In the Building Trade there are abundant signs that the cost of building is so high as to impede extended building work. The Trade Unions have tabled demands for still further increases of wages, but it is unlikely that these will be conceded and reductions may be attempted before long. The wages of labourers in trades bordering on the Building Trade, such as road and sewer work and navvies' work generally, have been reduced in a number of cases from the present Building Labourers' rate of 2/6d. an hour to rates of 1/11d. and 1/3d. an hour. In general, employers have shown a much more
determined opposition to increases of wages. In the Shipbuilding Industry a stubborn strike has been going on since the beginning of December due to the action of the Shipbuilding employers in withdrawing an increase of wages of 12/- a week given last April to Ships Joiners to deter them from migrating to the Building Trade.

(4) Trade Board Trades. Even in Trade Board trades, where in theory the statutory Trade Board rates are minimum (and not actual) rates, designed to prevent sweating, there is a number of instances in which demands for increases of wages have been postponed with the acquiescence of the workers' representatives, while in some cases the employers of the Trade Boards are making proposals for reductions. In the case of the Jute Trade Board, the employers have stated that they are unable to pay even the minimum rate fixed by the Trade Board. The wages fixed by the Agricultural Wages Board and Committees are now said by the employers to be generally too high, principally due to the fact that imported wheat can be sold in this country at a price below that at which it is possible to grow it here.

(5) Women's Wages. Wages of women are being affected by the present depression. Reference has already been made to the Engineering Trade, and there is a tendency in many trades for wages to be reduced to a standard such as the minimum rates fixed by Trade Boards.

(6) As may be supposed, the price of fuel has an important bearing on the price level. The export price of coal has fallen heavily. The gains which this country was making in this respect have provided a fund which in part has gone to pay increased wages of miners, but this fund is now disappearing. The home price of
coal is inadequate for the present costs of production. The Government will shortly de-centralize the mines and the coal owners and the miners are discussing the wages question in the light of the price of coal both for home and for export. As a result of the settlement of the coal strike a big increase in the output of coal occurred, and the output for December justified an increase in wages of 3/6d per shift. Since the making up of those figures the demand for coal has decreased and there will be a consequent fall in wages of 2/- per shift. It is obvious that the wages negotiations in the coal mining industry will be difficult but it is also clear that a decrease in the price of coal would be of great benefit to industry generally.

(7) As indicated in the previous memorandum, the policy of leaving the settlement of wages and conditions of employment to negotiations between Employers and Trade Unions has been continued, and it is clear that it has been in the best interests of the country. The general practice of the Ministry of Labour is not to intervene in disputes about wages until all available machinery for settlement by an industry itself has been exhausted. When a dispute cannot be settled by these methods a voluntary reference to a standing Court of Arbitration, viz., the Industrial Court, can be arranged. The Wages (Temporary Regulation) Act, by which wages were maintained at the level obtaining at the armistice, lapsed in September last and it was not renewed in spite of some pressure from Trade Union quarters since it was thought that the time had come when Government intervention in wages matters should cease except of course in trades
where organisation is bad and where rates of wages are unduly low. Joint organisation of industry has made considerable progress. Before the war there were roughly 4 million Trade Unionists and there are now nearly 8 million. On the whole the Joint Industrial Councils and other similar joint bodies are working well. There are not many cases of reductions of wages brought about without consultation between both sides; the attitude of Joint Industrial Councils and other similar bodies to this matter indicates that the inevitable reductions will be carried out only after full consideration and without avoidable hardship.

It may be that, in view of the effect of wages rates on employment, the workers will realise that the matter upon which they should concentrate is not so much the maintenance of the present level of money wages as the establishment of methods of adjusting money wages as to secure a high level of real wages, and it is to be hoped that employers and employed will explore this question. It is, of course, bound up with the question of increased output per unit, a matter to which public attention has been called repeatedly in recent months.

(Signed) T. J. MacNamara.

MINISTRY OF LABOUR.
25th February, 1921.