WAR CABINET.

WAGES REGULATION: LEGISLATION TO MEET POST-WAR CONDITIONS.

MEMORANDUM BY THE MINISTER OF LABOUR AND NATIONAL SERVICE.

WITH the agreement of the Reconstruction Committee, I have discussed with the British Employers' Confederation and the Trades Union Congress General Council the measures necessary to meet post-war conditions in the matter of wage regulation. The Reconstruction Committee has already agreed the proposals, but, before asking the Legislation Committee to consider the draft legislation, the War Cabinet will wish to know of the principles involved.

2. I attach a summary of the proposals (Annex). They are interlocked, but for convenience they are shown in three parts in paragraph 10 of the Annex. Both the British Employers' Confederation and the Trades Union Congress agree to the first and third proposals, viz., (1) that existing Trade Boards should be renamed "Wages Councils" and that their powers should be brought up to date and extended; and (2) that for a limited period after the war employers in well-organised industries shall be under obligation to observe not less favourable terms and conditions of employment than those which are in force in the industry and in the district by virtue of agreements between employers' organisations and trade unions.

3. My other proposal (see paragraph 10 (2) of the Annex) is intended to meet the situation in those industries where joint voluntary machinery is likely to break down under the strain of post-war conditions. The British Employers' Confederation take the view that the State should not intervene unless wages have become so low as to constitute a social injustice; they do not agree that steps should be taken in advance to set up statutory wage-regulating machinery in badly organised industries so that wages may not fall too far, and they contend that such machinery would restrict the development of voluntary organisation. In my view, this argument must be rejected. During the war the Government has taken the initiative in promoting joint voluntary machinery in a number of industries which were badly organised and the wage agreements which have resulted have been accepted for the purpose of directing labour. In some cases, however, the organisations do not represent substantial proportions of the employers or of the workers, and, if we are to avoid a collapse of the wages structure, due to lack of effective regulation on a voluntary basis, the State must be ready to take preventive measures. For that purpose the Government must provide a means whereby statutory wage-fixing machinery can be set up in appropriate cases to fix minimum remuneration.

4. In my proposals I have provided that the Minister of Labour shall have power to refer to an independent commission of enquiry the question of setting up a Wages Council to fix minimum remuneration if he is of opinion that the machinery for regulating wages is inadequate or is likely to cease to be adequate, and that, in consequence, a reasonable standard of remuneration will not be maintained. Also, he will be required to refer the matter for enquiry if a joint application for a Wages Council is made by employers' organisations and trade unions on behalf of the workers concerned. In either case, if this Commission of Enquiry are of opinion, after full enquiry, (a) that any existing joint voluntary machinery is not adequate, or is likely to cease to exist or be adequate for the effective regulation of wages, and (b) that, as a result, a reasonable standard of remuneration will not be maintained, they may recommend a Wages Council.
The Minister of Labour will then have power to establish a Wages Council by Order.

5. The question of including employment with Local Authorities within the general scope of the proposed legislation is being discussed with representatives of Local Authorities, but, subject to this, I shall be glad to know that I have the support of the War Cabinet in proceeding with a Bill on the lines indicated. I should hope to introduce the Bill early in the new Session.

F. B.

Ministry of Labour and National Service, S.W. 1, 16th November, 1944.

ANNEX.

WAGES REGULATION—PROPOSALS FOR DRAFT LEGISLATION.

I.—Trade Board Legislation.

1. Under the Trade Boards Acts the Minister of Labour and National Service can take the initiative in applying the Acts to a Trade Board "if he is of opinion that no adequate machinery exists for the effective regulation of wages throughout the trade and that accordingly, having regard to the rates of wages prevailing in the trade or any part of the trade, it is expedient that the principal Act should apply to that trade." In practice the Acts are applied only in cases where it appears that wages, at least in a part of a trade, are low. It is not proposed to modify these provisions under which the Minister can set up statutory machinery on his own initiative having regard to existing conditions.

2. Trade Boards will be renamed Wages Councils and their powers will be extended as follows:—

(1) Whereas the existing Trade Boards Acts refer to minimum rates of wages, fresh legislation will refer to "minimum remuneration." This will free the Wages Councils from some of the present restrictions on Trade Boards in meeting special conditions of work. Also it will enable the Councils, if they so wish, to provide for a guaranteed weekly wage, subject to conditions.

(2) Trade Boards can now provide for a holiday with pay, but for not more than one week in any period of twelve months. It is proposed that Wages Councils should have power to provide for holidays with pay without restriction as to period.

New legislation will also include certain minor amendments which are desirable from experience of administration of the Trade Boards Acts and are needed to bring the legislation up to date.

II.—Powers to safeguard industries with weak organisation.

3. In some cases joint voluntary machinery will be in danger of a breakdown in the immediate post-war period. Organisation may become so weak, on one side or the other, that wages agreements may lose their authority and cease to be observed. Some of these joint bodies have already asked for statutory machinery after the war and there are already signs of disintegration. So long, however, as the powers of the Minister are dependent upon evidence of low wages already prevailing he cannot safeguard the future. Under existing powers no action can be taken until the position has deteriorated to the point at which it can be said that "no adequate machinery exists for the effective regulation of wages" and rates of wages are at a low level.

4. In order to meet this position it is proposed—

(a) that where the Minister is of opinion that voluntary machinery will cease to exist or will become inadequate, and that, in consequence, a reasonable standard of remuneration will not be maintained, he may refer the matter to a Commission of Inquiry for examination and report; and
(b) that where organisations of employers and trade unions which habitually take part in the settlement of wages and conditions are of opinion that their joint voluntary machinery is likely to become inadequate for the effective regulation of wages and conditions, they may make a joint application to the Minister for a statutory Wages Council for the purpose of fixing minimum remuneration. The Minister of Labour will be required to refer the application to a Commission of Inquiry for examination and report if he is satisfied that there is sufficient ground for doing so.

5. The Commission of Inquiry will consider any representations made to them by interested parties and will say whether in their opinion the existing machinery is adequate, or could be made adequate for the effective regulation of wages. If the Commission are of opinion that the machinery is not adequate and cannot be made adequate, or is likely to become inadequate and as a result a reasonable standard of remuneration will not be maintained, they can recommend a Wages Council.

6. If the independent Commission recommend a Wages Council the Minister will have power to proceed in exactly the same way as in cases where he himself has the power to take the initiative (paragraph 1 above); that is to say public notice will be given of his intention to establish a Wages Council; objections will be considered; and if any objections are not disposed of, a further enquiry will be held.

III.—Industries with well established joint voluntary machinery.

7. It is not contemplated that Wages Councils would be set up in industries where joint negotiating machinery is well established. In most industries, however, there will be a tendency for individual employers to break away from agreed wages and conditions in the immediate post-war period. No decision has yet been taken with regard to those provisions of the Conditions of Employment and National Arbitration Order, which relate to the prohibition of strikes and lockout and compulsory arbitration. It can be assumed, however, that these provisions will not be maintained indefinitely. The same considerations do not apply to Part III of the Order which places an obligation on employers to observe recognised terms and conditions of employment fixed by negotiation or arbitration.

8. It is proposed that support should be given to joint voluntary machinery for a period of five years after the end of the war in Europe by continuing this obligation on employers to observe recognised terms and conditions. The Order now applies to all classes of employment. In continuing Part III of the Order in legislative form its operation would be confined to employment in which there was no statutory wage fixing machinery thus excluding agriculture, road haulage and other industries in which Trade Boards or Wages Boards or Wages Councils are established.

9. Under this proposal there will be no inspection by officers of the Ministry of Labour and there will be no provision for penalties for non-compliance as in the case of offences under the Trade Boards Acts and similar Acts. It will be left to a trade union or an employers' organisation to report to the Minister of Labour cases in which it appeared to them that an employer was not observing the "recognised terms and conditions" as defined, or such terms and conditions as were not less favourable. If the matter was not otherwise settled it would be referred to the Industrial Court. The decision of the Industrial Court would become an implied term of the contract, and the remedy for failure to observe the Court's decision would be civil action against the employer for payment of the sum due.

SUMMARY.

10. The principles of the above proposals for legislation may be summarised as follows:

(1) The Minister will retain the present powers to establish Trade Boards where he is of opinion that no adequate voluntary machinery exists and wages are low. Trade Boards will be renamed Wages Councils and their powers will be extended to enable them to fix "minimum remuneration" instead of "minimum rates of wages," and to provide for paid holidays beyond one week if they so desire. This will bring the powers into line with later legislation.
(2) (a) If the Minister is of opinion that machinery is likely to become inadequate and that as a result a reasonable standard of remuneration will not be maintained he may refer to an independent Commission of Inquiry the question of appointing a Wages Council. (b) Where organisations of employers and workers are themselves of opinion that voluntary machinery is likely to become inadequate for the effective regulation of wages they may jointly apply for a Wages Council, and the Minister shall refer the application for a Commission of Inquiry for independent examination and report. (c) In either case if the Commission of Inquiry find that machinery is likely to become inadequate and that as a result a reasonable standard of remuneration will not be maintained, the Commission may recommend a Wages Council. In that event the Minister will have power to establish a Council, subject to giving notice of intention and considering objections.

(3) For a period of five years after the war employers in industries which are not covered by statutory wage fixing machinery shall be under obligation to observe the agreed terms and conditions of employment which are in force in the industry and in the district, by virtue of agreements between employers' organisations and trade unions.