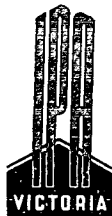


# THE I.P.A.



# REVIEW

INSTITUTE OF PUBLIC AFFAIRS — VICTORIA  
289 FLINDERS LANE — MELBOURNE C 1249

Vol. I

JUNE, 1947

No. 2

THIS is the second issue of the I.P.A. "Review." A large number of letters of comment has been received upon the first. Many are complimentary; a few are frankly critical, and we are grateful to the authors of both types.

Some correspondents raised the point that the treatment of the subject matter of the "Review" needs to be lightened and popularised. This view cuts right across the intended purpose of the I.P.A. "Review," and indeed of the Institute of Public Affairs—Victoria.

Comment on economic and industrial problems of the lighter, more easily read variety is covered by the daily press throughout Australia and by a few periodicals. If the "Review" were to follow this practice it would be merely duplicating the work in this field.

The objects of the Institute are to probe and expose the basic facts and root causes of the industrial and economic ills from which Australia is suffering and to suggest the remedies that are indicated by impartial and imaginative research. It is almost impossible to convey the findings of such work in popular phraseology. The I.P.A. "Review" is addressed to those leaders of thought who in turn influence the public at large, and it leaves the direct approach to the public to those who are more experienced in that field. If the "Review" were to be easy and comfortable reading it would fail in its purpose.

We believe that those who read the I.P.A. "Review" can, by their comment and criticism, assist greatly in moulding it into a journal with a vital and uplifting influence on public opinion and national policy.

G. H. GRIMWADE,  
Chairman, Editorial Committee.

## TRADE UNIONISM — and the Future

*The trade union movement wields tremendous power over the economic and industrial future of Australia. Will it use this power wisely? That will depend on whether it is willing and able to work for good relations between employer and worker and for greater production.*

THE industrial prospect before Australia is largely governed by the future policy of the trade union movement. Today the trade unions occupy a position of commanding importance in the national life. They have grown to such authority, power and prestige that, while economic conditions remain as at present, it is doubtful whether any major advances can be made without their positive co-operation, or, at the least, their acquiescence.

Their central position in the Australian community is well illustrated by the remarkable amount of publicity given to their activities in the press. This publicity is not by any means entirely unmerited, for trade union leaders figure in negotiations of the utmost national magnitude, the outcome of which affects every man, woman and child in the community. It is not too much to say that, if they willed it so, the trade unions could, for a time at least, frustrate all attempts to bring about a satisfactory relationship between employers and employees—for the first loyalty of the worker is, rightly or wrongly, to his union.

### CONTRIBUTION TO THE WAR

During the war, whilst the trade unions conceded many peace-time privileges, generally their powers and authority grew; whilst they made many sacrifices they continued to press for, and were able to gain, many concessions. By and large the trade union movement made a notable contribution to the war effort of Australia. Apart from one or two serious interruptions, industrial peace and continuity of production were well maintained. From 1940 to 1944 the average number of working days lost per year as a result of strikes and work stoppages amounted to 954,505. This was a great improvement on the 1914-18 war when the average yearly figure of working days lost was 1,720,000. Trade unionists did not

object to long and arduous hours of work despite the discouragements of wage-pegging and high taxation. And even if they revealed, while the battle was still raging, a rather intense preoccupation with the post-war world, this was not altogether unnatural.

#### GROWTH IN MEMBERSHIP

Since 1939 the membership of the unions has taken great strides forward. In 1945, 1,200,395 of the workers of Australia were members of unions. In 1939, trade union membership totalled only 915,470. 54.2 per cent. of all adult wage and salary earners were trade unionists in 1944, compared with 47.6 per cent. in 1939. Whilst the number of male members advanced solidly, the most striking addition to the membership of the unions was comprised of women. Only 32.8 per cent. of all adult women workers were members of unions in 1939, compared with 50.6 per cent. in 1944. The percentage of women in the total trade union membership in the same period rose from 15 per cent. to 22½ per cent. When all allowances are made for special war-time circumstances, there can be little doubt that the numerical strength of the unions expanded notably during the war. The largest increases in membership took place in the manufacturing and transport industries, in clerical occupations and in the public service. This expansion in membership was assisted by the fact that in certain government occupations, unionists received concessions not available to non-unionists.

#### ORGANISATION

The unions are very highly, and on the whole, well organised, both from the local and national aspect. In fact, from the standpoint of unity of action and rapidity of decision, employer bodies of a representative character have much to learn from the organisation evolved by the unions. The recent evidences of labour disunity, manifested in the conflicts between communist-led unions and the A.C.T.U. governing bodies, does not affect the general truth of this statement.

The superior effectiveness of trade union over employer organisation can be easily illustrated. When a nation-wide

conference between employers and unions was proposed by the I.P.A.—Victoria, in 1945, the controlling authorities of the Australasian Council of Trade Unions were able to state their agreement to participate within the space of a few days. By contrast, before any decision could be made to commit employer organisations, lengthy negotiations covering a period of many months were necessary; and even then unity of action was eventually unobtainable because of differences of opinion between the various representative bodies.

### PUBLIC SUPPORT FOR UNION OBJECTIVES

The trade unions are extremely active and their activities are well and carefully planned. They are continuously on the offensive. They are unremitting in the pursuit of their objectives, and today they have the inestimable advantage of having, in the broad sense, the support and sympathy of public opinion in many of these objectives. Whether they will retain that support over the next few years is a question of outstanding significance to the industrial, social and political life of Australia. The answer rests with the unions themselves.

In recent months they have tended increasingly to disregard public opinion and to outrage the convenience and comfort of the community. This is a dangerous tendency—and more dangerous for the unions themselves than for the Australian people. If they pit themselves too often and too rashly against the community and continue to flout the powerful force of public opinion they will find in the end, and to their own cost, that the community is their master. That these outrages against the public interest have been initiated and perpetrated by the extremist element in the trade union movement does not prevent them from bringing discredit upon the movement as a whole.

### INCREASED POWERS OF THE UNIONS

At the present time there are two factors, one political and one economic, which place even greater powers in the hands of the unions. First, in the Commonwealth and in four out of the six States, Labour Governments are in office. The political party from which these Governments are constituted is financed largely by trade union funds, its membership is

recruited from the trade unions, and its policy is influenced at every step by the trade union viewpoint. Second, in the economic field there is a condition of full employment—some would say over-full employment; there is a job for every man or woman who wants one. This places the unions in an extremely powerful bargaining position, and of this position they are fully conscious.

In the Australian political and industrial structure the trade unions thus wield immense powers—powers probably greater than those possessed by the unions in any other country. Outside of the Government itself the extent of these powers is unapproached by any other institution—and even the Government, as we well know, often dances to the tune played by the unions.

Is the trade union movement fit and ready to assume responsibilities commensurate with the vast powers which it now commands? This is a question—of prime importance to the whole community—to which the next few years will provide the answer.

#### RESPONSIBILITY FOR GOOD RELATIONS

The future progress of Australia—moral as well as material—depends above all upon two things which are inter-related: first, the friendly co-operation of employers and trade unions; second, an increase in the total national output of goods and services arising from greater efficiency throughout industry.

It is the custom of trade unions officials to place the entire responsibility for any improvement of industrial relations on the shoulders of employers. That the employers have an immense responsibility for this improvement no one will deny. That they have neglected in the past to do many things they should have done many employers would now be prepared to admit. There is, however, much concrete evidence of a changing attitude—factory amenities are being rapidly improved, pensions schemes, medical and dental services are being expanded, more study is being given to all those conditions affecting the well-being of the worker. But with all the intelligence and goodwill in the world on the part of employers,

industrial peace will remain a remote ideal unless the trade unions, to use a colloquialism, are prepared to "play ball." If the unions set their face against peace in industry, all the efforts that employers can and may make will be largely rendered abortive.

Let there be no mistake about this. If the employer holds the key to the industrial paradise, the trade union leader possesses the power to decide whether it shall be permitted to open the doors.

### THE RIGHT DECISION

The right decision will not be an easy one for the unions to take. It has been said with much truth, that the trade union movement has a vested interest in industrial conflict. The union leader has an understandable, though entirely unfounded, fear that good relations between employer and employee will weaken the trade union movement and may ultimately bring about its extinction. This helps to explain the union opposition to such proposals as profit-sharing and payment by results which may assist to bring the employer and his workers closer together.

There was a time—a time of unjust inequality and harsh conditions of employment—when the fomenting of discontent and the incitement of the workers against employers may have served a purpose. At least no impartial student of industrial history will deny that without the assistance of the trade union movement and its organised agitation for better conditions, the lot of the worker would not have improved as rapidly as has been the case. But this time has gone. Nothing remains to be gained by the worker through the trade unions continuing the policy of arousing his hostility against his employer. In fact, the worker today is suffering acutely from the effects of this policy and will continue to suffer until the two sides to industry learn to recognise the identity of their interests and pull together in harmony.

Are the unions capable of the supreme act of industrial statesmanship which will be necessary if they are to work in the future sincerely and conscientiously for industrial peace

instead of industrial conflict? A fundamental change in the economic and industrial attitude of the trade union movement will have to be made.

#### ATTITUDE TO MAXIMUM PRODUCTION

Basically, union policy has been concerned with the division, rather than with the enlargement, of the national income. Methods to increase production have been, and are, repeatedly opposed because of the fear of unemployment and insecurity. In the past there may have been some reason behind the union attitude to production. The introduction of labour-saving machinery often did mean the loss of a job for those immediately affected by it, even though in the ultimate outcome it created more work than it destroyed. Great depressions, wrongly but not unnaturally, attributed to over-production, brought terrible distress and crushing poverty to millions of workers in the industrialised nations.

But the trade union attitude to production has been, and is under today's conditions especially, carried in practice to unnecessary and almost ludicrous lengths. The pernicious practice of restricting production on a quota basis to a point much below the normal output of an average worker inevitably leads to higher costs for food, clothing, houses, furniture, and other essentials entering into the budget of the working family. When there was plenty of cake to share up, there may have been good grounds for a policy aimed almost solely at gaining a larger share of the available cake; but from henceforward any substantial improvement in the standards of the wage-earner can be achieved only out of the proceeds of greater production. There is now little, if any, cake left to redistribute—and possibly only a few crumbs. If the worker now wishes to eat more cake he must help to bake more. That is the most important single fact of the post-war economic situation and no advances can be made unless it is given recognition in practical policy.

#### STATESMANSHIP ?

Whether full production will in fact become a first aim of economic policy in Australia depends on the statesmanship and

vision which the trade unions now display. If they remain rigidly tied to the old precepts and traditions—in other words, if they choose to be inflexible and reactionary (a word of which the workers are not very fond)—the standards of life of the wage-earner will be pegged down at a low level. Wage pegging can be lifted and money wages allowed to rise, but unless production rises with them, the real income of the worker will remain on the ground-floor level. On the other hand, as the “Economist” has stated: “If wages increases do not lead to any increases in labour costs—that is, if they are accompanied (or promptly followed) by a corresponding increase in manhour output—then most, if not quite all, the objections to them vanish.”

### ABANDONMENT OF OBSTRUCTIONS

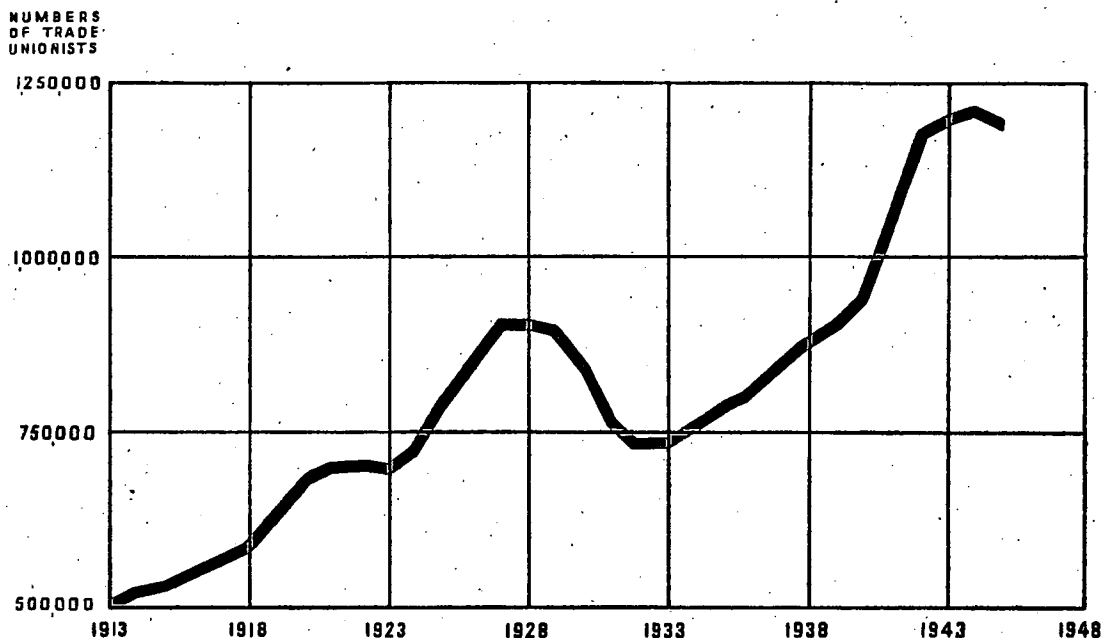
Radical changes in economic understanding and economic policy have taken place over the last few years. Whilst the possibility, and consequently the fear, of depression has not been entirely dispelled, full employment is the accepted aim of governments, whether of the left or the right, in practically all the democratic countries. Moreover, should the policy of full employment fail, a vast and tightly-meshed net of social security provisions has been constructed during the war, which will protect the unfortunate against the worst distresses that accompanied pre-war under-employment. Do not these changes largely remove the “raison d’etre” of the traditional union policy toward production? Do they not call for an overhaul of union practices and the abandonment of obstructions placed by the unions in the way of technical advance and the achievement of maximum productivity?

But these are questions which can only be answered by the unions themselves. Their willingness and capacity to answer them correctly will determine the usefulness of the trade unions in the post-war structure of society and the standards of life that their members will enjoy.

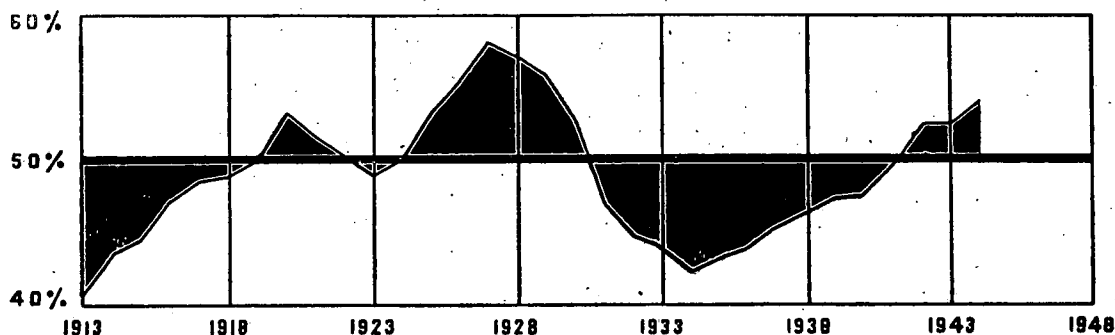




## Growth of Trade Union Membership in Australia, 1913 to 1945



## Trade Union Membership as a Percentage of Total Adult Wage and Salary Earners, 1913 to 1944



(Authority: Official Publications of the Commonwealth Bureau of Census and Statistics)

# TRADE UNION STATISTICS

## Percentage of Trade Union Membership in the Different States.

	N.S.W.	Vic.	Qld.	S.A.	W.A.	Tas.	Australia
	%	%	%	%	%	%	%
1944	41.9	25.9	15.8	8.6	5.6	2.2	100.0
1939	39.3	23.7	19.8	7.4	7.4	2.4	100.0

## Trade Union Members as a Percentage of Total Adult Wage and Salary Earners in Each State.

	N.S.W.	Vic.	Qld.	S.A.	W.A.	Tas.	Australia
	%	%	%	%	%	%	%
1944	56.6	49.4	65.7	53.5	46.1	40.6	54.2
1939	46.6	40.5	66.8	42.3	53.0	39.3	47.6

## Classification of Trade Unions According to Size of Membership.

Number of Members	10,000 and over	5,000 and under 10,000	1,000 and under 5,000	500 and under 1,000	100 and under 500	under 100	Total
	Number of Unions.						
1944	33	19	77	44	105	92	370
1939	27	14	84	52	110	93	380

## Percentage of Total Trade Union Membership:

Number of Members	10,000 and over	5,000 and under 10,000	1,000 and under 5,000	500 and under 1,000	100 and under 500	under 100	Total
	%	%	%	%	%	%	%
1944	70.3	9.9	14.8	2.7	2.0	0.3	100.0
1939	62.1	9.5	21.2	4.0	2.7	0.5	100.0

## Percentage of Trade Union Membership in Different Industrial Groups.

Industrial Group:	1939	1944
	%	%
Manufacturing . . . . .	38.4	43.2
Transport . . . . .	16.9	14.9
Building . . . . .	4.9	5.4
Mining . . . . .	5.3	3.3
Pastoral, Agricultural, etc. . . . .	4.4	2.9
Public Service . . . . .	9.8	10.1
Other Services—clerical, banking, domestic, distribution, etc.	20.3	20.2
	100.0	100.0

Source: Commonwealth Labour Reports Nos. 30, 34.

# ARBITRATION REFORM

*The system of arbitration is capable of improvement. The new Bill tackles the defects, but it would probably not succeed in overcoming them. The great need is not for more elaborate machinery to settle disputes, but for less disputes to settle.*

## Outstanding Points of Arbitration Bill

1. Transfers authority and jurisdiction from the Commonwealth Arbitration Court to Conciliation Commissioners. The Court is restricted to the determination of standard hours, the basic wage, annual leave and female minimum rates of pay, and of questions of law.

2. Conciliation Commissioners to have power to determine all other matters, e.g., sick leave, marginal rates of pay, overtime and penalty rates, conditions of employment. There is no right of appeal (as under the present Act) against the decisions of Commissioners.

3. Conciliation Commissioners to be appointed at a salary of £1,500 a year and to hold office until the age of 65.

(The Attorney-General has indicated that the number of Commissioners would be in the neighbourhood of fifteen. The existing Act allows for the appointment of only three Conciliation Commissioners—appointments are made for a term of five years only).

4. The Chief Judge is authorised to assign Conciliation Commissioners to particular industries or groups of industries, or to deal with a particular industrial dispute.

5. Widens the definition of industrial dispute to include "a situation which is likely to give rise to a dispute" of an interstate character.

6. Abolishes the present formal procedure by which the Court may obtain "cognizance" of a dispute and which is necessary before the exercise of arbitral functions.

7. Empowers the Court and Conciliation Commissioners to determine the periods of time to be permitted the respective parties to present their case, to require evidence to be presented in writing, and

to decide the matters upon which oral evidence or argument will be heard.

8. Prohibits the appearance of lawyers or paid agents in proceedings before Conciliation Commissioners (but they can still appear in cases heard by the Court).

9. Empowers Conciliation Commissioners to grant preference to Unionists. (Under the existing Act this power is limited in three ways.

(a) It applies only as between persons "offering or desiring employment at the same time."

(b) It does not apply as against sons or daughters of the employer.

(c) It applies "other things being equal.")

10. Provides for the creation of a Bureau of Research and Statistics to assist the Court and Conciliation Commissioners.

## Arbitration Reform—

ON the 12th March the Attorney-General, Dr. Evatt, introduced into the House of Representatives, a Bill for the amendment of the Commonwealth Conciliation and Arbitration Act. This Bill, the most significant points of which are summarised on this page, contemplates far-reaching changes in the Australian system of arbitration.

The Bill is partly the outcome of the impact of post-war industrial unrest on the machinery of arbitration, and of the failure of the machine—which is perfectly understandable—to cope effectively with the excessive and impossible load it has been forced to carry. But it is also the culmination of a long-held, if ill-defined feeling, that the system of arbitration is not working as it should and as its founders envisaged. It is important to bear in mind that criticism of the existing system does not emanate solely from Com-

munist sources, intent upon its complete overthrow. Impartial students of the Act, as well as many of those closely associated in a practical capacity with its operation, also hold that there is scope and need for substantial improvement.

The adequacy and value of the changes contemplated by the architecture of the new Bill can be appraised only by reference to the more prominent defects of the existing structure. These are three in number.

## Limited Constitutional Authority

The first arises from the limited constitutional authority of the Federal Parliament in industrial matters. This authority embraces no more than the prevention and settlement of disputes extending beyond the limits of any one State. The balance of jurisdiction over industrial matters is exercised by the individual States themselves, according to the manner in which they individually decree. This means that there are seven distinct governmental systems of industrial negotiation and settlement operating in a community, whose proportions are insignificant when measured alongside those of the great industrial nations. Altogether it provides an outstanding instance of the administrative inefficiency which tends to accompany a federal system of government. The boundaries of authority are uncertain and have repeatedly to be defined by High Court Judgments, awards on wages and conditions by State and Commonwealth instrumentalities often overlap and conflict, the whole structure of industrial settlement is needlessly complex, cumbersome and top-heavy.

Because of the limited industrial authority of the Commonwealth under the constitution the Commonwealth Arbitration Court has been held to have no power to make a common rule for an industry—the application of its judgments is restricted to the parties directly concerned in a dispute; its jurisdiction does not extend to the hearing and determination of purely intra-State disputes even in the numerous cases in which that would be

desirable; it is unable to provide directly for a national basic wage. It is noteworthy that the Industrial Peace Regulations, introduced by the Menzies administration in the early days of the war, are largely designed to overcome the weaknesses inherent in the constitutional position of the Commonwealth Court under normal peace-time conditions, and to pave the way for a smoother and more effective settlement of industrial differences.\*

The new Bill of course, does not—because it cannot—in general attempt to remedy these important defects in the structure of arbitration. They are mentioned here merely to stress the fact that, without an alteration in the Constitution granting increased industrial powers to the Commonwealth, any changes that may be made to the Arbitration Act must leave many serious weaknesses untouched and cannot be completely satisfactory.

## Slow-Moving!

The second weakness of the existing machinery—and the one most strongly cited by its critics—is that it moves too slowly. Frequently considerable intervals of time elapse before claims lodged with the Court are heard. When a hearing does commence it often takes the Court many months to complete it and to announce its judgment. These delays place a severe strain on the patience of the disputants and are themselves a powerful incitement of industrial unrest. The hearing of the 40 Hours Week Case, which has already extended over twelve months, is a supreme example of the slow-moving character of the arbitration system and has given rise to widespread dissatisfaction among workers throughout industry.

\*The Industrial Peace Regulations were issued under the defence powers of the Commonwealth. They enable the Commonwealth Arbitration Court to declare a common rule and extend the jurisdiction of the Court to cover intra-State disputes as well as disputes extending beyond the limits of any one State. Under the regulations it ceases to be a condition precedent to the Court's jurisdiction that there should even be an industrial dispute. If the Minister for Labour and National Service should form the opinion that an industrial matter has led or is likely to lead to industrial unrest he is at liberty to refer the matter to the Court. The regulations lapse at the end of this year.

The causes of this tardiness are many. One is to be found in the strict respect—to many critics excessive and unnecessary respect—which is paid to legal formalities and procedures. While having a definite purpose in ordinary courts of law, these legalities can be great consumers of time, and, to the lay observer, often appear unreal in the proceedings of a tribunal concerned with industrial questions. A visitor to the Arbitration Court during the hearing of the 40 Hours Case could hardly fail to be impressed by the remoteness of some of the proceedings; the long-drawn-out cross-examination of witnesses on matters of apparently doubtful relevance; the hearing through to the bitter end of the testimony of witnesses often glaringly unskilled in the subject-matter of their evidence; the constant repetition of economic and statistical fallacies already perpetrated by previous witnesses.

But, if the slowness of the machinery is partly attributable to the over-legalistic nature of the Court's proceedings, it is also partly attributable to the numerous witnesses called and to the tremendous mass of evidence placed before the Court by the parties in dispute. Those directing the cases for the respective parties often appear to act on the conviction that the judgment can be tipped in their favour so long as they provide a greater quantity of material than their opponents for the Court's digestion. They appear to lose sight of the fact that the members of the Court are too experienced and too highly skilled to be influenced by other than the quality of the evidence and its relevance to the matter at issue. Those who complain most strongly of the tardiness of the Court in reaching its decisions are often a major cause of it.

#### **Too Many Disputes!**

A third, and probably the most important, reason why the system operates so slowly lies in the vast mass of business with which it has to contend. The plain fact is that there are far too many disputes in Australian industry, and of those disputes far too great a proportion require to be settled by the process of arbitration.

#### **Attempt to Speed Up Machinery**

The most impressive feature of the new Bill is that it does attempt to grapple seriously with these defects. By providing for the appointment of an increased number of Conciliation Commissioners (the existing Act restricts the number to three) empowered with final and absolute authority over all industrial matters apart from national standards (which are allocated exclusively to the Court) the Bill enlarges the scope and machinery for settling industrial disputes. The Bill empowers both Court and Conciliation Commissioners to determine the period of time to be allowed the respective parties for presentation of their evidence, and to decide whether evidence is to be given orally or in the form of a written document. It does away with the existing legal process which is necessary before the Court can gain cognizance of, and thus proceed to deal with, a dispute. And in an effort to get away from legalistic procedures it debars the appearance of paid agents or counsel in hearings by Conciliation Commissioners. Finally it provides for a Research and Statistical Bureau to be attached to the Court to assist in the more rapid and accurate determination of facts bearing on the case at issue. All in all the Bill makes a formidable attempt to achieve the much-lauded objective of "streamlining" the arbitration system.

#### **Might Lead to More Disputes**

Not all of these provisions can of course be held to be unreservedly good. There is for instance, no certainty that the process of arbitration will be speeded up, just because the machine itself is enlarged or because access to the arbitral authorities is simplified. If hearings can be obtained more easily, and determinations of claims expedited, if cases can be conducted at cheaper cost in time and money, other things being equal, there is clearly an encouragement for the number of disputes to multiply. This is probably what would take place. If you increase the size of the train, make it more comfortable and efficient, and cut fares in half, you must ex-

pect the number of passengers to increase.

This could well prove to be the test point of the proposed new system. If it is to be overcome successfully the Conciliation Commissioners would have to discharge their duties with a rare degree of acumen and understanding and above all with vision. In fact it is not too much to say that the whole system contemplated by the Bill would stand or fall by the quality and political impartiality of the Commissioners. It is by no means certain that sufficient numbers of men of the required attributes are available, and, if available, whether they will be appointed. If the system, largely through the Conciliation Commissioners, brought about a real and enduring improvement in industrial relationships, if it helped to replace the existing distrust and hostility by trust and confidence between employers and workers, it would succeed in curing the defects at which it is expressly directed. If not it would fail. The great need is not for more elaborate and efficient machinery to settle disputes, but for less disputes to settle.

This leads to a consideration of the most serious defect of the present system—that is its tendency to perpetuate and emphasise the traditional conflict between employers and workers. It does not stress the true identity of interest of the parties to industry. It fails to encourage voluntary agreement and private settlement of differences. Industrial relations in Australia have come to be dominated by the system of compulsory arbitration. An attitude of mind, which might be called the “arbitration mind,” has developed in industry that is not conducive to the growth of mutual understanding and of good and friendly relationships. As soon as there is a serious difference, both employers and employees almost automatically think in terms of arbitration. Why take the trouble to understand the other man's point of view, when there is ready at hand a tribunal paid to do it, and whose decision has the force of law. Why make a concession when there is a possibility of

convincing the Court that it would be against the public interest for such a concession to be granted? Why refrain from creating a dispute when there is always a chance of obtaining from the Court some concession, even if only a small one?

## Roots of Industrial Unrest

It is this attitude of mind, this psychological approach to industrial relations, which is at the root of the industrial unrest in this country, and the widespread suspicion and hostility that exists. The main hope, in fact the only hope for the future, is to replace this very attitude with one that seeks to understand the other man's point of view, that is willing to explore patiently the reasons behind what he is asking for, that is eager to achieve a just settlement of a difference without recourse to a third party. Where, as in Australia, compulsory arbitration prevails, employers and employees do not acquire a high sense of responsibility toward one another. The old adage “two's company, three's none” is singularly appropriate to the field of industrial relations. A settlement achieved through mutual agreement is a very different thing to a settlement by compulsory arbitration. The former tends to promote good feeling, the latter to destroy it. Arbitration can bring about a settlement of a dispute; it cannot, and does not, engender good relations between the parties concerned.

Much nonsense has been talked from time to time about Australia leading the world with its system of arbitration. It is often claimed that this system is the envy of other nations. In fact, there is little or no sign that other countries are anxious to follow Australia's “lead.” The Australian record in working days lost through industrial disputes is unequalled by any other democratic country. This kind of talk should cease. Whether it arises from an exaggerated Australianism or from sheer ignorance it is harmful because it tends to prevent the kind of dispassionate appraisal of the real virtues

and failings of the arbitration system which is necessary if it is to be improved.

### **Voluntary Agreement**

It is often claimed that, notwithstanding the key position of arbitration in Australia, there is a great deal of voluntary negotiation and agreement and, where agreement cannot in the first place be achieved, of conciliation. There is some substance in this claim—but not very much. The Australian structure of industrial relations, in contrast to that of Great Britain and perhaps to a lesser extent of America, is tilted strongly towards compulsory arbitration of differences and away from voluntary settlement.\*

It must be said at once that the new Bill does little to remove or to correct this basic and far-reaching defect in the present structure of arbitration. In fact by widening the definition of a dispute to include "a situation which is likely to give rise to a dispute . . ." and by enlarging the legal machinery for the settlement of disputes, it tends to exaggerate the worst features of the existing structure. On the face of it, the Bill makes more remote than ever the private voluntary agreements and settlement of differences "out of court" which, on a large scale, are the essential characteristic of a healthy system of industrial relations.

Admittedly the Bill attempts to turn away from arbitration and to emphasise conciliation. In making provision for a large increase in the number of Conciliation Commissioners it provides that only when conciliation fails, and not till it does fail, shall a Commissioner proceed to prevent or settle a dispute by making an award or order. But the fifteen Conciliation Commissioners, contemplated by the Attorney-General, all have arbitral pow-

ers, and, if experience is any guide, it is only too likely that in practice they will tend to become "arbitration" rather than "conciliation" commissioners. And, in any case, conciliation is of a lower order of merit than unassisted voluntary agreement.

Two other points should be mentioned.

### **Penalties**

The Bill refrains from empowering the Court, Conciliation Commissioners, or any authority to impose heavy penalties, such as prohibitive fines, for the non-observance of awards. In a democratic state it is not an easy matter to achieve by force, or threat of force, the acceptance of laws that are opposed by a large majority of the people to whom they directly apply.

### **Uniformity of Conditions**

One of the distinctive features of the Australian industrial structure is that there is a large degree of comparability and uniformity of conditions of employment throughout industry. This has developed because of the central position of the Commonwealth Court and because of the fact that the Court is generally recognised by other industrial tribunals and by State legislatures and wages boards as the supreme authority in industrial matters. It has been able to act as a co-ordinating authority by establishing general principles which other industrial authorities have been prepared to apply to specific instances. This broad uniformity has also arisen partly because of the dearth and the restricted character of private voluntary agreements. It is difficult to see how this uniformity could be maintained when, as the Bill contemplates, there are numerous Conciliation Commissioners acting more or less independently and each with final authority in his own field.

In Britain there is no such close similarity of conditions between different industries. This has not proved to be a serious disadvantage. But the position may be very different in Australia where

\*The achievements of the arbitration system in Australia have been more noteworthy in the domain of high economic policy than in that of industrial relations. The variation of the wage level to suit the needs of national economic policy as in the 10% cut during the depression and the 1937 6/- "prosperity loading" is an outstanding example. It is not too much to say that the Commonwealth Court has developed into an economic instrumentality with a great background of experience and of a high order of economic understanding and judgment.

unions and workers in separate industries have over a long period become accustomed to and look for similar terms of employment. If one industry succeeds in gaining an advance in say overtime rates of pay, it is more than probable that a whole host of other industries will apply for a corresponding increase in their own rates. In these conditions a particularly "generous" Commissioner would be able to set a pace, which his colleagues might be impelled, against their better judgment, to follow.

## Machinery of Consultation

There is no certainty that the Bill is an improvement on the Act at present in force. Equally there is no certainty that it is not. Experience alone would tell. On many counts there is reason for grave misgivings. On others and particularly on minor points the Bill appears to have fairly pronounced advantages over the existing Act. But everything would depend on the Conciliation Commissioners. To make a success of the system contemplated in the Bill, more than tact, more than expert knowledge, more than

judicial competence, they will need a vision—a vision which is only too rare—of what good relations in industry should entail. If they possess that vision they would refrain from jumping into the fray every time there is sign of impending trouble. They would know that every change of wind or temperature does not necessarily herald the approach of a storm. They would encourage the processes of voluntary agreement — negatively, by standing aloof until their services become plainly imperative; positively, by encouraging the creation and development of permanent machinery of consultation between employers and employees capable of reaching intelligent compromises and agreement without the assistance of third parties or of that provided by the compulsion of law. In fact, it is in this latter, and unofficial, sense that their greatest opportunity would reside. If they grasped it they would help to lift industrial relations in Australia out of the pit into which it has gradually descended over many years of misconception of its true nature.

## Summary Statement of Views of the Editorial Committee on the Arbitration Bill

(1) The main provision of the Bill, the appointment of a large number of Conciliation Commissioners, clothed with far-reaching authority and with power of final decision, is of doubtful wisdom. It would have been better to provide for the appointment of a limited number of additional commissioners (say five) with restricted arbitral authority and whose prime function would be that of conciliation.

(2) The function of arbitration should remain, as at present, mainly under the control of the Court. But in order to relieve the Court of the present congestion of business, an attempt should be made to remove from the arena of industrial dispute the settlement of standard wages and hours by providing some means for their automatic adjustment. This task would have to be undertaken by the Commonwealth Government which should endeavour to conclude binding agreements between representatives of employers and employees. (This subject will be discussed in some detail in the next issue of "The I.P.A. Review.")

(3) If the present course of appointing a large number of conciliation commissioners clothed with extensive powers is persisted in—as it seems certain to be—then it would be desirable to place the matter of their appointment to, and removal from, office under the control of the Arbitration Court and to retain the existing right of appeal against their decision.

(4) The provisions in the Bill attempting to do away with excessive legal formalities and gener-

ally to speed up and simplify the machinery of settling disputes are a definite improvement and should be retained.

(5) The intention to attach to the Court a Bureau of Research and Statistics is a praiseworthy improvement.

(6) In order to make the system of conciliation and arbitration work effectively, representatives of employers and employees should attempt to set up permanent machinery of consultation, with provision for regular meetings, for each industry or main sections of industry, as well as at State and national levels. The scope and authority of such consultative bodies might at first be restricted to a limited number of functions and gradually extended as experience is gained. Through this machinery an effort should be made to expand the number and scope of voluntary settlements of differences without recourse to conciliation and arbitration authorities.

(7) The legal machinery for the settlement of industrial disputes should be as efficient as it is possible to make it. The effective working of this machinery presupposes reasonably good relations between the parties to industry. But no government machinery of conciliation and arbitration will operate smoothly where those relations are bad. There is an outstanding and urgent need of a radical improvement in employer-employee relationships in both private enterprise and public utilities but this is unlikely to be brought about through amendments to the arbitration system. The solution lies elsewhere.

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Since this article was sent to the printer, the Commonwealth Conciliation and Arbitration Bill 1947 has passed all stages in the House of Representatives. A number of amendments were made to the Bill as originally drafted. These amendments do not alter the basic structure of the Bill. The broad survey of its provisions made in this article is, therefore, unaffected.



# PROFIT-SHARING

*Profit-sharing has limitations and is not by itself the solution to the industrial problem. It can contribute toward better understanding and its application should be expanded.*

## Revival of Interest.

Since the end of the war there has been a great revival of interest in profit-sharing as a means of overcoming industrial unrest, and of introducing more stability into industrial relationships. The outstanding example of this revival is the attention that has been devoted to the subject by the British Conservative Party. At the Annual Conference of the Party in October of last year Mr. Anthony Eden strongly advocated a general extension of profit-sharing in industry. The Conservative Party has also published an official pamphlet on the subject, prepared by a committee under the chairmanship of Mr. R. A. Butler, who was Minister for Education in the Coalition Government during the war. In Australia, the policy speech of Mr. R. G. Menzies in the campaign preceding the last Commonwealth elections made it clear that the Liberal Party has adopted profit-sharing as part of its industrial programme.

But the interest has not been confined to political circles. Industrialists in Britain, the United States and Australia are studying the meaning and implications of the principle of profit-sharing and many have gone so far as to urge the widespread application of schemes of profit-sharing to industry.

This upsurge of enthusiasm for profit-sharing is a bright ray on the dark, foreboding horizon of industrial relationships. On the other hand, many of the claims recently made for profit-sharing, in its narrow sense at any rate, have been of the most exaggerated kind. When so much attention is being directed to the subject, it is desirable that there should be a clearer conception of its limitations and of what it is reasonable to expect from profit-sharing in practice.

## Principle Sound.

It may be said at once that, in principle, profit-sharing is sound. It is right that all those who participate in a business enterprise should benefit, in some form at any rate, from its prosperity and success as measured by the profits it is able to earn. One way—perhaps the most satisfactory way—that this can be done in practice is through arrangements that afford the worker a share, either direct or indirect in character, in profits. There are, however, great practical difficulties in the way of the successful application of this principle on any widespread scale. One of the obstacles that might have to be surmounted arises from the attitude of organised labour. Generally the trade union movement in Australia has not shown itself to be favourably disposed toward schemes of profit-sharing and recently some unions have stated their outright opposition. It is difficult, of course, to ascertain how profit-sharing is viewed by the rank and file of workers.

## The Record Unfavourable.

The history of profit-sharing is by no means a story of unqualified success. While it has had many enthusiastic supporters, it has never gained very widespread adoption. In spite of a hundred years of experimentation, profit-sharing schemes are to-day in operation in a very minor part of the whole field of industry. In the United States a survey conducted by the National Industrial Conference Board shows that of 160 profit-sharing plans introduced during the war 60% have been abandoned. Apparently many of the plans, so far from contributing to improved relations between employer and employee, had exactly the reverse effect. When profits fell away or disappeared,

and the amount of the workers' share had to be reduced, or eliminated altogether, great dissatisfaction arose.

Even assuming that the large majority of workers—and for Australia this is a doubtful assumption—are in favour of profit-sharing, it is by no means certain that they would be prepared to accept its full implications when there are no profits to divide up. By and large there is insufficient evidence to support the belief that profit-sharing, in the literal meaning of the term, can do a great deal by itself to bring about harmony in industry. **Small Return to the Industrial Worker.**

The fundamental weakness of profit-sharing lies in the fact, that when capital has received a reasonable minimum return, there is very little, on the average, remaining out of profits for distribution to labour. Even with the most generously-planned schemes the individual worker may not stand to receive any very substantial sum, and, under the general average of schemes, his share may be no more than of the magnitude of £5 to £10 a year. This negligible reward would, by itself, be sufficient to raise doubts whether profit-sharing is the unfailing medicine for industrial ills that it is sometimes claimed to be.

### As an Incentive.

But profit-sharing is not only repeatedly advocated as the foundation upon which a better structure of industrial relations can be built, it is also put forward as a solution to the problem of providing an incentive to the worker to strive for greater production—an incentive which is generally lacking under the present methods. From a direct standpoint this proposal would appear to have little to commend it. Indirectly, that is insofar as the general tone and atmosphere of industrial relations were improved, it is possible that profit-sharing might assist toward the achievement of greater industrial productivity.

As a direct incentive to increased production, profit-sharing has several weaknesses. First, as has just been pointed out, the monetary addition to the income of the individual worker as a consequence of profit-sharing schemes is likely to be small. Second, the interval of time between any extra effort that may be put forward by the worker and the reward he hopes to gain from that effort is too long to afford a real inducement. It is a basic and well-established principle of effective incentive schemes that reward must follow effort without delay. Third, there is not necessarily any direct relationship between the amount of work performed by labour and the amount of profit. The level of profits in a business organisation is affected by all kinds of factors in addition to the efficiency of its labour force. Any gains that the workers might hope to receive from raising the intensity of their exertions could easily fail to accrue because of mistakes made by the management, or because of changes in costs and prices altogether outside of the control of the business. As a direct incentive to greater production profit-sharing can be almost disregarded.

### Other Weaknesses.

One or two other weaknesses of profit-sharing should be mentioned. Insofar as under the present organisation of industry profit forms a main bone of contention aggravating the problem of achieving industrial harmony, it may seem at first sight that the sharing of profits would provide the logical means of overcoming this difficulty. But a general application of profit-sharing, which, if it were to come about, would presumably have to have the backing and support of the trade union movement, might merely serve to shift the ground of industrial disputation. In other words, instead of capital and labour quarrelling over the profit motive itself, and the returns which industry at present pays to its shareholders, they might now turn their energies to squabbling over the

respective shares of profit going to the workers and the owners of business. This is by no means unlikely. Experience shows that it has often taken place in individual schemes of profit-sharing. Under a universal application of the principle, with the organised forces of capital and labour concentrated upon the division of the profit surplus, differences of viewpoint would be even more probable.

A further danger, and one not entirely to be disregarded by a long-suffering consuming public, is that under a general application of profit-sharing a tendency might arise for the consumer to pay part of the price. In other words, labour's share of profits might be gained partly from the proceeds of higher prices instead of wholly from a reduction of the return to capital. This is a possibility not to be overlooked in an economic age when the interests of the consumer have become increasingly subordinated to the highly-organised forces of capital and labour.

Finally, it needs to be recognised that in some industries, such as those of a seasonal nature or those in which a large proportion of the labour is casual, profit-sharing would be extremely difficult to organise.

### **Balance of Advantage.**

However, when everything is said about the theoretical weaknesses and practical difficulties of profit-sharing, the balance of advantage is still in favour of those who so earnestly support it. From the point of view of social and moral principle it is fundamentally sound. As part of a well-rounded programme of industrial relations, it can contribute to better understanding between employer and employee. It might

help to remove some of the prevailing antagonism to the profit-motive, and to profits generally, and thus help to clear up the very dangerous and widely-held misconceptions about the whole function and place of profit in the industrial process. Insofar as profit-sharing did assist toward improved industrial relationships it might also assist toward the goal of maximum productivity. A wider application of profit-sharing to industry than at present exists would undoubtedly be desirable so long as its advantages and disadvantages are clearly recognised from the outset.

Whether profit-sharing can be engrafted into the general structure of industrial organisation as a universal principle is a highly conjectural point; but the fullest exploration of its potentialities can do no harm—in fact, it can only do good.

### **By Itself No Solution.**

It must be recognised, however, that profit-sharing is, by itself, not the solution to the industrial problem. On the list of things he would like to have, the worker in Australia probably places many things before a share in business profits. With the worker security of employment and of income undoubtedly, and understandably, comes a long way before his desire to share in profits. It might well be better industrial strategy for business organisations to concentrate on this aspect of relations in industry rather than on profit-sharing. In a broad and comprehensive programme aimed at the building of a friendly partnership in industry, however, profit-sharing is probably a valuable element. But it is one element only—and by no means the most important.



## CORRESPONDENCE

**T**HE writer of this letter is J. B. Mavor, the Chairman of a large engineering firm in Glasgow. Mr. Mavor has had a life-long experience in the handling of industrial negotiations. He recently spent several months in Australia on a business and health trip. He became seriously disturbed by the extent of industrial unrest in this country. As the views of an overseas observer of considerable knowledge and experience, this letter on the Australian industrial scene is of particular interest.

Dear Sir,

I have read the "REVIEW" from cover to cover, and would in all humility congratulate you most heartily on the production. May it prosper and grow in strength.

One point, and one only, did I find I was in disagreement with: the paragraph on page twenty-five\* headed "Framework of Consultation" is upside down. Until the factory and industry levels are fully established, the further away the State and general councils are kept the better. State and general councils are always inclined to interfere in matters which they do not understand; yes, and in reason cannot be expected to understand. The fellows who should get down and make the foundation of the structure are most surely those who are indeed the fabric of it. If they are not intelligent enough to do this, then the communists and other dictators are right, and we are all wrong.

Since arriving on the coasts of Australia, before Christmas, no newspaper has been published that has not carried the sad tale of a dispute or strike of major dimensions. In the face of all the kindness and kindliness I and my wife have experienced in all walks of life we have contacted, this creates a pain round the heart. Here is a bit of us, a section of the British Empire, with everything in its favour; so much so that other nations and races are obviously casting covetous eyes upon her; and in face of real imminent danger of forced disintegration, you all

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\* See March number of "Review," page 25.

appear to indulge in mutual distrust and the overrated pastime of biting off your noses to spite your faces.

If serious-minded, understanding and tolerant people—and there should be lots of these in Australia—would only get together and probe this canker to its source, it could be eliminated. It is no good blaming it on this or that class or group of folk; that goes nowhere. It is no use submitting to what is wrong or improper, because parliamentarians and lawyers say it is the law. Clean, disinterested, far-sighted reason and reasoning is a balm for more social diseases than can be treated by any hot-headed tub-thumper or cool-headed lawyer. It will never clear up if everyone just shakes his head and says "What can I do about it?" Mutual understanding is always followed by mutual trust, but both have to be striven for, neither can be inspired by party politicians.

We in Scotland were, I think, the pioneers of industrial difficulties and I, of last centuries' vintage, who know about industrial negotiation more than somewhat, feel entitled to talk as I am going to.

Your leaders, political and industrial, seem to be approaching it from an altogether wrong angle. Standing aloof, you say: "Well, have we not set up an arbitration court? Are not those fellows who are making all the trouble the scum of the earth? Are we going to sully our fair hands by having anything to do with them except in court? Every time there's a row we'll see them in court and argue it out before a qualified judge; surely he should be able to judge our sincerity and tell the other fellow where he gets off. If we are not sincere, and that is what the public is to be safeguarded against, then the judge can look after that too, surely!" That may be all fine, but the man you must convince of your sincerity is not the judge of an arbitration court, it's the fellow who works for day wages. If you fail to do so, you fail to strike at the root of the whole evil, and you are wet as leaders and citizens.

I don't know whether it is the Scottish, Welsh or Irish blood in us out here (it can't be the English, because dearer than to

King his Crown to Englishman his word), the fact remains, you do not trust each other enough. You cannot and may not trust the other fellow, until you trust yourself; one must be trustworthy and then one may be trusting. I know that sounds sermonising, but it is the basis of peace in industry, the basis of the outstanding history, for example, in the engineering industry of the old country.

There are four, nay, five, steps in procedure in the engineers' set-up for dealing with disputes in the old country. First, the management and the men in the factory or workshop which originates the dispute, meet and, if possible, resolve their differences within standing agreements. If this fails, secondly, a works conference takes place. This is done in presence of a shorthand writer. The official of the trades union involved, and an official from the local branch of the employers' federation, are present; and, instructed by their members, it is they who conduct this stage. If they fail, a local conference is called. This consists of the local president of the employers' federation, with his committee of say a dozen employers and the permanent officials of the federation and trades unions; and the meeting is conducted in a thoroughly judicial manner. The proceedings of the previous conference are reviewed, evidence is read on both sides and, after unionists and the companies' representatives have retired, the employers' committee comes to a decision which is promulgated to both parties. Nine out of ten disputes are always resolved, before or at this stage of negotiation. If this again fails, the point of reference becomes a central conference, when the negotiations are carried out by the senior officials of the employers' federation and of the union involved. Of course, the first disputants, and representatives of the local bodies are in attendance at this meeting. In peacetime, if this body fails, the fur begins to fly, but not until then; and then only once in a very long time. It will take a long time, you say; "It takes too long" many trades unionists say. Surely the answer is obvious—it works better than anything else that has ever been tried. Surely when it comes to our daily bread, we are better to talk than to fight.

During the war an additional emergency step was added. When all other means have failed, in the Old Country, the matter, which has already been talked out in the comprehensive manner described, is referred as a last resort to arbitration.

I have heard it said here that without arbitration at the first move John Citizen is not protected and employer and employed would line up to exploit him. More complete nonsense was never talked; an employer worth his salt knows that the last thing he must do is to exceed the value of the article he is making. This holds for downwards as well as upwards; if he sells too cheaply he will fail; if he sells too dearly he will also fail, because the two main duties of successful employers are service to the public and to ensure a living wage for his employees. He must succeed in those before he can honestly think in terms of profit for himself and his shareholders.

That is your problem. Things just cannot go on as they are here and, if only you would take advice from one who knows, here is your way, a thorny and difficult way, but a way out.

It is not an easy job now to start at the beginning and set up the necessary machinery which through time will let the right-thinking day wage man see what you—the State and private enterprise—are thinking. It is a long and intricate job. If your one aim is to prove the other fellow wrong, you're going to fail; because he isn't entirely—no one ever is. The task ahead is to ensure that reason is talked till the unreasonable are sick of it. Then it will be found that gradually the unreasonable individual is eliminated; and one fine day you will sit opposite a reasonable set of individuals whose reasonable claims must be satisfied. As in every other walk of life, arbitration can only be the last resort — as it is in the Old Country.

Be big-minded and tolerant, be insistent on right and reason, and all will yet be well. Farewell, Australians, we're all in this together, and it is up to each of us to more than pull our weight.



## Press Comment—A Labour Response

The following extract from an article in the "Sydney Morning Herald" of the 3rd April, 1947, written by a leader of the Labour movement, is an encouraging response to the efforts of the I.P.A. to bring about goodwill in industry. The author of the article, Mr. J. P. Ormonde, is a member of the executive of the Australian Labour Party in New South Wales, and a regular contributor to the columns of the "Sydney Morning Herald." The extract is of more than ordinary significance.

"I believe that many employers are as anxious as Labour is to get away from the 'dog-eat-dog' methods of the past. . . In the broad field of industrial relationships there are indications that employers want to drop political line-ups. They are less vociferous in declaring themselves with the non-Labour parties.

"The Council of the Institute of Public Affairs, in a recent issue of its publication, 'Review,' strikingly drew attention to this new spirit.

"In its 26-page review of industrial relationships, neither the Labour Party nor any other political party is blamed for industrial unrest.

"The 'Review' states:—

" 'In particular, the present methods used in the determination of standard wages and hours should be altered. For instance, the setting of the basic wage level should not be the subject of, nor should it have to wait upon, a dispute between the parties to industry. It should be determined at regular intervals—say every three years—primarily on the basis of the trend in industrial productivity.

" 'If some more or less automatic means for the determination of the wage level, acceptable to both parties to industry, can be arrived at, a big step forward to industrial peace will have been achieved.'

"Discussing industrial relations further, the 'Review' says this:—

" 'The conception of industry as a partnership requires, among other things, a vast extension of the principle and practice of joint consultation between representatives of the workers and of employers at national, State, industry, and factory levels.

" 'Possibly national and State industrial relations councils, consisting of representatives of employers and unions, should be constituted on a formal basis with provision for regular meetings. In the factory consultative councils, works or production committees or similar bodies should become the general rule, and the representatives of Labour on these councils should be provided with comprehensive information of the policies and finances of the business concerned.'

" 'These far-reaching declarations breathe the spirit that is needed to solve Australia's production problems. It is a spirit that is reciprocated by Labour. . . . If the approach to the problem set forth in the 'Review' is genuine, as I believe it is, and if it can win the support of the organised employers, there is ground for strong hope that the reign of peace and co-operation in industry is not far off."





# A Programme for Industrial Improvement

*This article was prepared for publication in the next issue of "Review." After consideration the Editorial Committee thought that, in view of current circumstances, it would be a mistake to hold it over. Accordingly, the Committee decided to include it as a special article in this issue.*

## Industrial Turmoil

**T**HE industrial situation in Australia has rarely been more serious in its political implications, or more destructive of material, social, and moral standards, than it is today. There have been years—but only one or two—in which the working days wasted by strikes and lockouts were greater than in 1945 and 1946,\* but there has seldom been a time when industrial morale was so low, the desire to do good work was so lacking, and the atmosphere of industry was so charged with suspicion and hostility and sullen unyielding resentment. We are sliding into a production depression of dangerous proportions. No comforting official statements about full employment, the state of the nation's finances, the overseas balance of payments, or the prosperous condition of the export industries, serve to conceal the difficulty confronting many families in balancing their budgets, the unparalleled discomforts of the overburdened housewife and mother, the decline in quality and workmanship of many manufactured articles, or the obstinate fact that the costs of houses, furniture, clothing, motor cars and many other goods are about double what they were in 1939. After living several months in Australia an astute and experienced observer from Britain was moved to say, "As a nation you are wet, wet through and through."

What can be done about it all? There is no shortage of prescriptions. Some see the remedy for industrial dislocation in a reduction of taxes, some in a universal application of profit-sharing, others in an

overhaul of the arbitration machinery, still others in the prosecution of the inciters and ring-leaders of strikes. There are even a few misguided souls who believe that a return to the pre-war "pool of unemployment" would solve all the nation's troubles—except those of the unfortunates who would comprise the pool.

## No One Simple Solution.

There is of course no one simple solution for the industrial unrest dominating the post-war Australian scene. It is time that this was thoroughly grasped. No realistic approach to the problem is likely until it is grasped. Industrial disturbance is a disease with a great number of causes, and the complete and final cure has not yet been disclosed either by those working in the research laboratories of the social sciences, or by those whose knowledge of the problem has been gained in the hard disillusioning school of experience. It is a problem to be tackled on many fronts and it requires the application of many weapons.

Many people are becoming disheartened and dispirited by the continuation of the post-war chaos. A feeling is now growing that it is more or less inevitable and that little can be done about it. In Australia we have slipped so far down into the abyss of industrial hostility and conflict that many look askance and rather hopelessly at the long and difficult climb back. This is a dangerous, even if an understandable, attitude. So long as people continue to throw up their hands and say what can we do about it, so long as pessimism and hopelessness pervade the approach to the problem, so long

\*It is not improbable however that 1947 will constitute an all-time record for loss of working time arising from strikes.

will a cure be postponed. It is true that the task is surpassingly difficult. It is true that the climb back is long and arduous. Industrial peace is not going to be achieved in a day; but there are some things that can be done—some of them immediately—which hold out prospects of replacing the existing chaotic state with a reasonable degree of order and stability.

## Two Basic Causes of Unrest.

The post-war industrial unrest in Australia springs from two basic causes. The first, and in the immediate sense, the dominant cause, is the organised agitation and the shrewd planning of the Communists whose objective is to overturn completely the British way of life that is our heritage in Australia and to substitute a regimented brutal tyranny of foreign extraction. The second cause, although overshadowed during the last few months by the dominance of the first, is the more fundamental. It is to be found in the unhappy and unsatisfactory state of employer and employee relationships in both private and public enterprise. This cause is the more fundamental because the power of the Communists is very largely due to the misunderstanding and suspicion existing between employer and employee. The Communist movement thrives on dissension between the two parties to industry. If that dissension could be removed Communism would quickly be drained of vitality and life.

## Communist Cause.

How is the Communist menace to be dealt with? That is the immediate problem. Plainly it would be wrong and defeatist to sit back and hope that Communism will over-reach itself or work itself out of our industrial system. In the long-run that is possible. But in the meantime, perhaps for many years, industry would be disrupted, production curtailed, and standards of comfort and life undermined. And in any case, in the

words of one of the most famous men of this country, the late Lord Keynes, "In the long run we are all dead."

What can be done then immediately to counter the activities of the Communists? On this point there is great divergence of viewpoint about the right steps to take.

Broadly there are three schools of thought. The first would virtually say that the best thing to do is to do nothing, in the hope that the unions under Communist control will be irresistibly forced, by the pressure of events and public opinion, to the arbitration court to settle their grievances and to abide by the court's decisions. That is the line at the moment of officialdom and Labor leaders. It may be a wise policy if timidity can, under certain conditions, be wise. But it is not a policy that appeals to the great majority of the people who are compelled to suffer meanwhile the discomforts and inconveniences arising from the Communist activities.

Then there are those who would go to the other extreme to deal with the Communists. Generally their proposals can be reduced to two—the imposition of crushing financial penalties upon unions indulging in direct action at the behest of Communist leaders, and the prosecution and possibly imprisonment of the ringleaders themselves. This course of action may be courageous but is almost certainly not wise. It might well, and probably would, lead to even worse evils than it is designed to cure.

## Governments Should Arouse Public Indignation.

There is a third course somewhere between these two extremes which does not possess the disadvantage of being either too timid or too reckless. It requires that the Governments of the Commonwealth and States should be continuously and unrestrainedly outspoken in condemnation of the Communist objectives and tactics, and

that they should take what immediate steps are desirable to offset the consequences of Communist activity and to minimise the sufferings and discomforts of the community.

Since the end of the war when they could have been arousing public indignation against the extremists governments have been notably silent. Only under pressure of the acute emergency in Victoria in April and May was the Victorian Government moved to indict the Communists in really strong terms. And even then one had the disquieting feeling that it was pulling its punches. The Commonwealth Government said practically nothing and made no serious attempt to stir up a vigorous nation-wide public opinion.

But it is not enough for a government to condemn an evil; it must be prepared to take steps to deal with its consequences. If services under the control of the State itself, essential to the well-being and health of the community, are threatened with cessation or drastic curtailment the State is obliged to do what it can to ensure the continuation of at least a minimum of those services.

## Two Weapons

For this purpose two main weapons are at hand—the secret ballot of a truly representative register of union members and the employment of volunteer labour. The reasons advanced by the Victorian Government for its refusal to use the secret ballot as a first weapon of attack in the recent crisis are anything but convincing. If, for instance, a secret ballot had been taken of railway employees on the question of whether or not they desired to return to work, the probability is that an overwhelming vote would have been cast in favour of resumption. Such a vote would have had far-reaching consequences. It would have affected not merely the whole course of the dispute but also the course of

future disputes. Because the secret ballot appeals to the great majority of people as an eminently sound, fair and democratic way of settling an issue, it was well worth a trial.

The other weapon—the employment of volunteer labour or possibly resort to the Defence services for labour—is not without its risks but the risks are on balance worth taking. It has been used with success by a socialist government in England and on the surface there seems no reason why it should not be equally successful here.

The essence of coping effectively with the immediate activities of the Communists lies in vigorous intelligent government leadership, a leadership from which all taint of appeasement is lacking. The best time to deal boldly with the disrupters is now, not when they have grown in strength and authority.

## Really Effective Cure.

When all this is said it remains true that the only really effective manner of overcoming the threat of Communism in Australia is to tackle in a big national way the task of establishing a reasonable partnership of mind and effort between the overwhelming numbers of decent employers and workers. In this task three parties are concerned and the efforts of all are necessary if much is to be achieved.

- (1) The governments of the day from whatever parties they are constituted;
- (2) the trade unions; and
- (3) employers through their representative bodies and associations.

## The Responsibilities of Governments

In the first place governments should lead. They should set the tone and pro-

vide a national atmosphere conducive to the growth and maintenance of industrial harmony. They should uphold to the full the authority of their own industrial tribunals. They should preach the doctrine of the community of interest between employers and employed whether the former is the State itself or private enterprise. They should refrain from antagonising the worker against the employer or the employer against the worker and urge the necessity in the national interest of good industrial relations. They should have a clearly defined policy for the building up of good relations in industry, and even though it might be—and probably would be—inadvisable for many aspects of that policy to be put into practice through legislation, they should ensure that it is not just something on paper for the information of their own particular party members but is well understood by the whole community. They should be unflinching in bringing home to the public hard economic fact even when the truth is, as it must often be, unpalatable. To this end governments should endeavour to ensure that the public is well apprised of the economic situation and of its needs from time to time.\*

In the second place governments should see that their economic and financial policies are not such as to lead to, or aggravate unnecessarily, unrest in industry. Recent experience has shown for instance that an over-high level of taxation can be a powerful cause of frustration and dissension in the industrial sphere. The policy of wage-pegging pursued by the Commonwealth Government has also substantially increased unrest in Australia since the end of the war. The relaxation of wage-pegging came too late and when it did come it was made in a manner which caused great confusion. In this as in other respects, the financial policy of the government has been unnecessarily cautious.

\*A good example is provided in the issue by the Labor Government in Britain of several important White Papers on the economic position of the nation.

Thirdly, the State should ensure that the legal machinery it provides for the prevention and settlement of industrial disputes is efficient and adequate, and of such a nature that it contributes towards, rather than detracts from, good relations in industry. It should not be frightened to experiment with this machinery so long as the changes made are the result of exhaustive study and reflection. It is doubtful whether the Act amending the system of arbitration recently introduced by the Commonwealth Government, is the outcome of the intensive thought and broad understanding which this vital subject requires. It gives the impression that it was over-hurriedly drawn up on the basis of a few brief conferences between government representatives and those of labour and employers. Here was an ideal case—perhaps one of the few—in which legislation might, with great advantage, have been preceded by the comprehensive work of a Royal Commission making use not only of Australian experience but of the recent developments in thought and practice in other democracies.

But whatever machinery of conciliation and arbitration is provided by governments it is their duty to make clear that that machinery of itself cannot ensure good relationships in industry, and that the real task of achieving understanding and goodwill is one for the parties directly concerned.

### The Trade Unions

Taken as a whole the trade union movement has been inclined to wash its hands of all responsibility for the improvement of industrial relations. Its attitude has been that that is the job of the employer, and if relations are bad, then the employer must bear the blame. This may have been true in the early days of trade unionism when the movement was comparatively weak and unorganised, its legal status uncertain, and its function was almost wholly that of protecting the worker against the excesses of the bad employer.

But it is not true under today's conditions where trade union membership embraces nearly 60 per cent. of all workers and the movement forms the backbone of a great and powerful political party. We are no longer living in the days of "masters and men"—although some employers and the majority of trade union leaders would seem to think so. Today the worker is not seldom the master and we are moving more and more toward the conception of labour as a partnership in industrial enterprise of a status equal to that of management and capital. This trend is wholly desirable. But it is not consistent with the continuation into modern times of the frankly sectional character of early trade unionism and the more or less protective and negative character of its policies and its attitude to society as a whole.

While the main initiative for achieving good relations must still remain with the employer it cannot be too strongly stated that a real partnership of mind and effort in industry will remain a remote ideal unless the unions are prepared to collaborate to bring it about. And this collaboration will not be forthcoming while many union leaders cling to the belief that the interests of trade unionists can best be served by promoting opposition and if necessary outright conflict between employers and workers. Under the circumstances of the present where there is little if any surplus of the national cake available for redistribution, a trade unionism of that kind is contrary to the real interests of the people it professes to serve. If the trade union movement will now make one with employers, in both private and public enterprise, in increasing the efficiency and productivity of industry, in raising the status and dignity and sense of responsibility of the worker in his occupation, in promoting his security, in educating him in the hard economic and financial facts of industry, and in ensuring continuity of production, then a rapid and dramatic advance in the standards of life of the community can be achieved.

All this requires a fundamental change in the trade union approach to industrial problems. Whether that change will be made depends largely on the quality of the trade union leaders. Are there sufficient statesmen and men of vision among them to develop the policy of the movement along the channels which will, in the middle 20th century, best serve the interests of the worker and the nation as a whole? The signs at present are not promising; but it is not beyond the bounds of possibility that if employers take the right steps and adjust their own policy to the needs of the times that trade union leaders of the requisite stature will be encouraged to make their appearance.

### **The Responsibilities of Employers.**

The key to the situation is still largely in the hands of employers, although with the trade unions rests the power to decide whether it will be permitted to unlock the doors to a new era of industrial partnership.

Since the end of the war it is broadly true to say that employers have clung too tightly to the policies and the ideas that governed their approach to industrial relationships before the war. These ideas have proved to be inadequate to cope with the demands of the post-war situation. This of course is not true of all employers—perhaps, when considering them in their individual capacity, of the majority of employers—but it is true of employers in their representative capacity. And it is through their representative associations that guidance and leadership is provided and policy made and put into effect.

Employers are facing an entirely different set of conditions from those of ten years ago. Great changes have taken place. The economy of full employment is here and, with few dissentients, is accepted as desirable and necessary. The old disciplinary sanctions exerted by employers have lost a good deal of their force.

The high level of taxation and the immense expansion of social services have brought about a dramatic equalisation of real income. There are powerful new social forces at work all over the world. People are claiming not merely economic security, better conditions in their working and domestic lives, and a greater share of the product of the nation's work, but also wider opportunities, the elimination of unnecessary social privileges and generally a more dignified and self-satisfying way of life.

Employers require a new kind of industrial policy, one which will take full account of these new forces and ambitions. A famous employer in Great Britain, Mr. Samuel Courtauld put the position excellently in the following words:

"Employers must work genuinely and wholeheartedly towards bringing about a kind of life which will satisfy the legitimate aspirations of the people. If they will do a little hard, unprejudiced thinking they will see that many of these aspirations are not only just, but desirable in themselves and good for the whole body of the nation; then they will be able to work for them with enthusiasm."

The representative bodies of employers should thoroughly overhaul their policies with a view to meeting the demands of this new situation. As a first step the task might be given over to specially selected committees manned by first-rate men and assisted by expert industrial advice. The policy should be thrashed out and defined in considerable detail and, when finally accepted by the controlling executives of the various organisations, steps should be taken to make each individual member of these organisations thoroughly conversant with it, with the understanding that so far as practicable he will endeavour to put its principles and ideas into effect in his own organisation.

No great amount of original research will be necessary. It will be a question of getting together and of weighing and assessing the relative significance of the great amount of work already done on problems of industrial relations. The main questions to be solved are already fairly clearly defined. They are:

(1) The extent to which it is right and practicable for employees to share in profits involving the matter of a fair return to the investor;

(2) The extent to which it is practicable for the individual business organisation to provide greater security of employment and income for its employees;

(3) The matter of the provision to employees of the whole range of information they require for an intelligent interest in the affairs of their industry;

(4) The provision of permanent machinery of joint consultation between representatives of employers and employees at all levels—plant, industry, State and national. A main objective of this machinery should be to extend voluntary agreements on industrial conditions over a wider and wider field, so that arbitration will come to be used, not as a first step, but only as a last resort.

All of these are big questions opening up a multitude of problems, but they are problems that must be solved if industry in this country is again to achieve a stable basis of industrial relations.

When the organised bodies of employers have re-adjusted their thinking and their policy along the lines just indicated it will then be up to the trade unions to show that they too are honestly desirous of raising the material and social status of the worker and not merely of preserving trade unionism as a vested interest fighting a never-ending and destructive conflict with employers.



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