

THE WAGE-EARNERS SHARE OF THE NATIONAL INCOME

Memorandum from Professor Prest.

In the March/April number of "Review" we published an article on the changes that have taken place in the distribution of the national income since before the war. The article deplored the shortcomings in the statistical data on this important subject, which is so vital to the taking of wise decisions on economic, social and industrial policy. Many questions which are at present the subject of a great deal of dispute, and which give rise to industrial unrest, would be resolved if adequate official information on the distribution of the proceeds of industry were available.

We have now received a memorandum from Professor Wilfred Prest, Professor of Economics at the University of Melbourne, which throws further light on the deficiencies and the misleading nature of statistical information relating to this important matter. We are pleased to have the opportunity of publishing Professor Prest's interesting memorandum in "Review."

Considerable attention has recently been given both in the Press and in the Arbitration Court to the concept of the share of National Income that is—or should be—paid in wages and salaries. This concept has also been used in the "Review" of the Institute of Public Affairs (Victoria) to measure the change in the wage-earners' standard of living.

Much confusion surrounds this concept and the uses to which it is put. The confusion is partly due to the failure of the Australian National Income statistics to show wages and salaries separately, so that the £1,055m. paid as "wages and salaries" in 1948/49 included, on the one hand, the earnings of juniors, women and unskilled workers and, on the other, the salaries of company executives, public servants and members of Parliament. These diverse recipients do not constitute a homogeneous class of "labourers," with a common social background and common economic interests. The I.P.A. article referred to above recognised this defect in the statistics but it is frequently forgotten or ignored.

The next largest item in personal income is designated in the National Income accounts—"Profits from Unincorporated Businesses." It comprises the incomes of farmers, shopkeepers, doctors and others who are in business either as partners or sole traders. A little reflection, however, suggests that a substantial part of these so-called "profits" could be quite appropriately regarded as wages or salaries in respect of the labour which the proprietors devote to their businesses. On this reckoning the share of National Income paid in wages and salaries would be much larger than that shown in the National Income accounts. Furthermore, the variations in the latter which the statistics reveal between different dates and between different countries can often be ascribed to variations in the extent to which people prefer to work for themselves or to take paid employment.

Still more confusion surrounds the remaining items of personal income. There seems to be a widespread assumption that rents, interest and dividends are paid to some persons other than the wage and

The Wage-Earners Share of the National Income (continued)

salary earners or the owners of unincorporated businesses. The existence of such a class of "rentiers" or "capitalists" has been taken for granted since the days of Ricardo and Marx. In present-day Australia there are no doubt some elderly retired persons, and some widows and spinsters, living exclusively or mainly on income from property; but they cannot be a very numerous group.

The whole question of "who owns Australia" is one which deserves a good deal more objective research than it has hitherto received. It seems probable, however, that today most property is held either by institutions or, as a supplementary source of income, by persons who are mainly dependent on current earnings—whether in the form of wages, salaries or profits from unincorporated businesses.

Apart from institutional holdings, the ownership of shares in joint stock companies and of Government bonds is probably largely confined to salaried workers and the owners of unincorporated businesses. However, of the various forms of property income shown in the 1938-9 White Paper on National Income, company dividends accounted for only £39m., and interest payments for only £42m., against £73m. in respect of rents (including the rental value of owner-occupied dwellings). Whatever may be the case in respect of the ownership of company shares and government bonds, there is no doubt that the wage-earner has a substantial share in home ownership. Indeed, the Census shows that about half of the householders in Australia own, or are in process of purchasing, their own homes.

Furthermore, much of the property held by institutions is in the hands of savings banks, insurance companies, friendly societies, pension or superannuation funds and trade unions. These are all institutions in which the wage earner has a large stake, so that many wage earners who

hold no property personally, nevertheless do so collectively through the social institutions of which they are members.

It is not suggested that there are no considerable inequalities in the ownership of property in our present society. But it is urged (a) that the idea of an entirely "propertyless proletariat" is a dangerous myth, and (b) that property income is comparatively insignificant, being generally supplementary to some other source of income. The real importance of personal property lies in the opportunities which it provides for its owner to engage in lucrative and influential activity, the remuneration from which may, however, take the form of a "salary."

Hence it is difficult to see what significance can be attached to the "share of National Income paid in wages and salaries." It indicates what part of national income is paid in a particular form, not what part is paid to a particular class. For the latter purpose it would be more appropriate to consider what part of national income is paid to a particular income group, say the group with less than £12 per week; alternatively, one might consider how the average income of the lower half of the income recipients has changed compared with that of the upper half.

Unfortunately, the latest available figures of income distribution relate to 1945/6 and while they distinguish between incomes before and after tax, they do not distinguish between the incomes of women and juniors and those of adult males, nor between the incomes of employed persons and those of persons in business on their own account and they make no allowance for the cash value of social services. More elaborate and up-to-date information on income distribution is an urgent prerequisite for the intelligent discussion of, and the formulation of policy on all economic and social questions.