

A WAGES POLICY

THE most pressing problem in the British economy is the race between the growth of personal incomes and the rise in industrial output. It was fitting, therefore, that, during the annual conference of the Institute of Personnel Management which was held at Harrogate during October 4-6, the 800 members attending were invited by Sir Richard Snedden, director of the Shipping Federation and chairman of the Industrial Relations Standing Committee of the British Employers' Confederation, to consider the means of dealing with this apparently intractable problem. Sir Richard made it very clear that there was no universal prescription for good industrial relations. These depended upon individuals; they had to be established gradually, patiently and even laboriously. The first essential is that each side must be confident of the good faith and integrity of the other. The next is leadership, but it must be responsible leadership including courage on both sides to take the unpopular decisions that responsibility sometimes entailed. The best way to build up confidence and to create effective leadership was for employers' and employees' representatives to meet frequently, preferably to discuss less-controversial matters, rather than meeting only at long intervals over such questions as hours of work and wages. The third essential is to avoid bringing in third parties except as a very last resort.

The classic approach to wages is that each industry should give the best wages that it could afford in order to get the best labour. The determining factor in wages-levels is the ability to pay, but there is no simple universal formula linking wages to production. There are seven reasons which seemed to make the discovery of a uniform magical slide-rule rather improbable.

First, it would be necessary for the Trades Union Congress and the British Employers' Confederation to reach an agreement and to bind their members. The Trades Union Congress is a powerful body, but it has never claimed to supervise, much less regulate, the wage claims of its component parts. The British Employers' Confederation is in the same position.

Secondly, the measuring rod usually suggested is the general index of industrial production. That index is not and cannot be comprehensive, and, at the outside, covers only half the employed population.

Thirdly, there are inherent weaknesses in any index of production. The proportion of products which are capable of unambiguous measurement and comparison at different dates is relatively small.

Fourthly, even if one took not the general index, but the component indices for individual industries or groups, labour is not the only claimant—although a most important one—to a share in the benefits of increased production. The consumer has a claim for lower prices. Capital also has a claim.

Fifthly, the actual increase in production would inevitably vary from industry to industry, from firm to firm, from department to department and even with individuals. It would not be easy to convince those acquainted only with their own personal increased efforts to share the benefits with others.

Sixthly, in considering wages, what are called 'fringe' benefits must not be left out of account. Reduced hours, increased pensions, and increased holidays can be just as inflationary as a direct increase in wages. They may even be more inflationary because they are likely to be more permanent.

Lastly, a scarcity of anything leads to higher prices and even a 'black market'. Why should labour be any exception?

It is shortage of labour which makes employers yield increases of wages against their better judgment, and it might even be that shortage of labour sometimes compels some trades union leaders to put forward wage claims which they are not really convinced are in the best long-term interests of their own members.

The formidable difficulties are not all equally applicable to all industries. The course which Sir Richard thought must be pursued is first to create a climate of public opinion favourable to effective action to ensure that wage increases operate only where they are earned. The actual solution must be worked out by industries for themselves and to suit their individual circumstances.

The way in which wages policies in industry have developed was examined by Prof. D. T. Jack, of King's College, Newcastle on Tyne, chairman of the Courts of Inquiry into the engineering and ship-building disputes in 1957.

The traditional system of wage negotiation has some advantages. It provides a certain flexibility in the whole structure of wages. It has fostered a sense of responsibility on the part of the two negotiating parties in each trade and industry affected by this process.

There is, however, a frequently voiced demand for a strong type of unified, compactly designed or consciously planned wages policy to replace the traditional policy which has operated for so long. There are three main sources for this desire. The first is the recognition in many quarters that, in a period of inflation, the wage-price spiral is frustrating to all wage earners and most injurious to some.

The second is bound up with the effect of full, or, sometimes, over-full employment. Here we have a situation in which bargaining strength is heavily weighted on the side of the unions. Provided the monetary system is accommodating, it would be very surprising if wages were not pushed up by more than the overall increase in the productivity of labour, with the consequent increase in labour costs.

Then there are the economic planners, some of whom recognize that their calculations and guesses may be reduced to nothing if the wages section of the economy is allowed to follow its own course while the remainder of the economy is tied to a rigid plan.

If a unified wages policy is held to be desirable, the means of promoting it must be considered. Experience in other countries has not been encouraging. There have been experiments in the United States of America and certain countries of Western Europe which have not been strikingly successful in preventing inflationary tendencies. In Britain the trades unions have a strong dislike of any radical departure from the traditional sectional wage-bargaining pro-

cedure. Despite this, there has been some evidence in recent years that wage claims, apparently put forward independently, tend to conform to a certain pattern. Some years ago, nearly every wage claim was expressed in terms of an application for x shillings a week increase. The following year, nearly every wage claim was formulated in terms of an application for a percentage increase of y , and the following year it took a different form. The energy which might conceivably be devoted to the working out of a wages policy between, say, the Trades Union Congress and the British Employers Confederation, was concentrated on the type of suitable tactical procedures. In the old days, the usual practice was for wage claims to be presented, in the first instance at least, to the most prosperous industries. In recent years, there is some evidence that a rather different procedure has been followed. Wage claims have been presented, not to the most prosperous industries, but to other industries which, for some reason or other, are regarded as of public importance and which are either not profitable at all or barely profitable. Having succeeded there, the next step is to present a greater demand upon the prosperous industries with the simple argument that, if the non-prosperous industry can afford a wage increase of x shillings, then the more prosperous industries must obviously be able to afford x plus A shillings.

Some people believe that a wages policy could only be formulated by means of national negotiation at the very highest level. Representatives of the Trades Union Council would meet representatives of the British Employers' Confederation, and, between them, they would hammer out any wage increases for the following year. Such an experiment would meet with no success.

A wages policy cannot be considered in a vacuum, and must be related to the larger issues of economic, financial and monetary policy.

In the whole of the post-war period, successive Governments in Britain have failed to deal with those inflationary forces which lie within their own orbit of control; this complicates the question of what function any body charged with the formulation of a wages policy could usefully perform. Full employment with inflation requires the co-operation of the main economic groups within the community. How can that co-operation be most effectively secured?

Do the existing procedures for arbitration in Britain encourage inflationary tendencies? There would be considerable danger if any arbitrator were to obtrude into his decision his own personal judgment of the wider consequences of his award, if the wider consequences were not dealt with in evidence before him by people who were competent to present that evidence. If one or other of the parties appearing before an arbitrator were to present a statement on the wider issues for the economy as a whole, he would probably be told by the other party that it was a matter not within his competence.

The suggestion that arbitration should be made compulsory does not make for a more satisfactory solution. That being so, does the court of inquiry procedure provide a more elastic means of coping with the problem than the arbitration procedure? To some extent it does, because the terms of reference of most courts of inquiry enable these courts to inquire into the causes and circumstances of the dispute. There is the further point that the reports of courts of inquiry are generally reasoned state-

ments and not merely decisions, as in the case of awards of arbitration.

On the other hand, reports of courts of inquiry do not provide a complete answer because their terms of reference again generally limit inquiries to the particular dispute which has arisen between the parties, and it is not usual for these courts to seek evidence on the wider issues which may be involved in a particular claim.

One of the main gaps in the present system of industrial relations in Britain is that, in the past, there has been no body which would speak with authority on the wider issues which are raised by major wage claims on the economy as a whole. Now, however, there is the Council on Prices, Productivity and Incomes. What good can such a body do? Parties to a dispute represent sectional interests, and their submissions are very properly dominated by those sectional interests. If we cannot go to the parties for enlightenment, where can we go? One cannot look to Government because of the persistent record of Government failure to deal with those inflationary forces which lie within the power of the Government to control. Governments which have failed in their responsibility are scarcely entitled to admonish or exhort the public, or sections of the public, for their apparent misdeeds. Moreover, a Government which intervenes in industrial disputes in a manner which is intended to influence a result could scarcely be said to be performing its traditional function of 'keeping the ring'. At the lower, administration-level, only two departments are concerned: the Treasury and the Ministry of Labour. Neither is quite fitted to perform the function which is now required. The Treasury is too far removed from the world of industrial relations and too academic in its approach to command the attention of the public or the interested parties by its bulletins or by its announcements. The Ministry of Labour probably has its ear too close to the ground and is too preoccupied with individual disputes to go far beyond its appropriate brief.

Those concerned with the conjoint problem of inflation and full employment must be prepared to do some fresh thinking about the traditional arrangements for dealing with wages generally. Up to the present, the record is mainly one of failure. Governments have failed, and the two sides of industry have equally failed, to show any imaginative approach to the issues which have now become real.

The attitude of the trades unionist to scientific development and human relations in industry was put by Lewis Wright, general secretary of the Amalgamated Weavers' Association and chairman of the Trades Union Congress Scientific Advisory Committee (see *Nature*, 180, 1013; 1957). No trades union, said Mr. Wright, opposes the development of automation, but none will approve the development of the machine at the expense of human dignity. The trades unionist wishes to see the machine exploited and not the worker; the latter should receive some of the benefits accruing from the exploitation of the machine.

Besides the plenary sessions, a series of sectional meetings was held to consider the role of the shop steward in industry, industrial conciliation and arbitration, education for management, job analysis for managers and other staff, and ergonomics and industrial management. Reports of all these meetings have been published in the *Journal of the Institute of Personnel Management* (34, No. 342; Dec. 1957).

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